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As of: Jan 09, 2014

**HUDSON RIVERKEEPER FUND, INC., Plaintiff, - and - VILLAGE OF
HASTINGS-ON-HUDSON, Plaintiff-Intervenor, - against - ATLANTIC
RICHFIELD COMPANY, Defendant, Third-Party Plaintiff, - against - UNITED
STATES OF AMERICA, THE UNITED STATES DEPARTMENT OF DEFENSE,
THE UNITED STATES DEPARTMENT OF COMMERCE and THE UNITED
STATES NAVY, Third-Party Defendants.**

94 Civ. 2741 (WCC)

**UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF
NEW YORK**

138 F. Supp. 2d 482; 2001 U.S. Dist. LEXIS 4061; 52 ERC (BNA) 1767

March 30, 2001, Decided

DISPOSITION: [**1] Plaintiffs' motion for summary judgment as to ARCO's liability denied.

CASE SUMMARY:

PROCEDURAL POSTURE: Plaintiffs moved for summary judgment as to defendant's liability for contamination of the Hudson River, and thus responsibility for cleanup, as successor corporation in environmental action under the Resource Conservation and Recovery Act, *42 U.S.C.S. § 6901 et seq.*

OVERVIEW: Plaintiff organization and plaintiff-intervenor village sued defendant corporation under the Resource Conservation and Recovery Act (RCRA), *42 U.S.C.S. § 6901 et seq.*, alleging that defendant, corporate successor to a copper company, was liable for river contamination allegedly caused by that company. Plaintiffs moved for summary judgment on

defendant's liability. Defendant claimed plaintiffs lacked standing and that the Toxic Substances Control Act, *15 U.S.C.S. § 2601 et seq.*, preempted the RCRA claim. The court held plaintiffs had standing to bring the suit and defendant was in the chain of liability as a former owner by acquiring the polluting company. But it denied their motion because of conflicting expert opinions which created genuine issues of material fact, as to whether the site presented an imminent and substantial endangerment to humans, striped bass, and mink, particularly given the precedent of disfavoring summary judgment in similar RCRA matters.

OUTCOME: Summary judgment was denied because of conflicting expert reports but defendant was liable for any of its predecessor's actions that contaminated the site. Plaintiff established a level of causation between the contamination and the party to be held liable.

LexisNexis(R) Headnotes***Civil Procedure > Parties > Intervention > Right to Intervene******Environmental Law > Hazardous Wastes & Toxic Substances > Resource Conservation & Recovery Act > Enforcement > Citizen Suits***

[HN1] See 42 U.S.C.S. § 6972(b)(2)(E).

Civil Procedure > Summary Judgment > Burdens of Production & Proof > General Overview***Civil Procedure > Summary Judgment > Standards > Appropriateness******Civil Procedure > Summary Judgment > Standards > Genuine Disputes***

[HN2] Under *Fed. R. Civ. P.* 56, summary judgment may be granted where there are no genuine issues of material fact and the movant is entitled to judgment as a matter of law. The burden rests on the movant to demonstrate the absence of a genuine issue of material fact. A genuine factual issue exists if there is sufficient evidence favoring the nonmovant for a reasonable jury to return a verdict in his favor.

Civil Procedure > Summary Judgment > Opposition > General Overview***Civil Procedure > Summary Judgment > Standards > Appropriateness***

[HN3] In deciding whether summary judgment is appropriate, the court should resolve all ambiguities and draw all permissible factual inferences against the movant. To defeat summary judgment, the nonmovant must go beyond the pleadings and just do more than simply show that there is some metaphysical doubt as to the material facts.

Civil Procedure > Summary Judgment > Burdens of Production & Proof > General Overview***Civil Procedure > Summary Judgment > Standards > General Overview***

[HN4] Summary judgment may not be granted simply because the court believes the nonmovant will not be able to meet the burden of persuasion at trial.

Civil Procedure > Justiciability > Case or Controversy***Requirements > General Overview***

[HN5] To satisfy U.S. Const. art. III's standing requirements, a plaintiff must show: (1) it has suffered an "injury in fact" that is (a) concrete and particularized and (b) actual or imminent, not conjectural or hypothetical; (2) the injury is fairly traceable to the challenged action of the defendant; and (3) it is likely, as opposed to merely speculative, that the injury will be redressed by a favorable decision.

Civil Procedure > Justiciability > Standing > General Overview

[HN6] A substantial likelihood that defendant's actions caused plaintiff's harm confers standing.

Civil Procedure > Justiciability > Standing > General Overview***Environmental Law > Litigation & Administrative Proceedings > Jurisdiction & Procedure***

[HN7] An association has standing to bring an environmental suit on behalf of its members when its members would otherwise have standing to sue on their own right, the interests at stake are germane to the organization's purpose, and neither the claim asserted nor the relief requested requires the participation of the individual members in the lawsuit.

Antitrust & Trade Law > U.S. Department of Justice Actions > General Overview***Environmental Law > Hazardous Wastes & Toxic Substances > Resource Conservation & Recovery Act > Enforcement > Citizen Suits******Environmental Law > Hazardous Wastes & Toxic Substances > Toxic Substances***

[HN8] The Toxic Substances Control Act (TSCA), 15 U.S.C.S. § 2601 *et seq.*, is regulatory in nature, controlling the disposal, manufacturing, handling, and storage of certain chemicals, and primarily applying to suits brought by the EPA Administrator on behalf of the government. Where a suit is a citizen remedial action, TSCA does not apply.

Environmental Law > Federal & State Interrelationships > Federal Preemption***Environmental Law > Hazardous Wastes & Toxic Substances > Resource Conservation & Recovery Act > General Overview***

Environmental Law > Solid Wastes > Resource Recovery & Recycling

[HN9] The Resource Conservation and Recovery Act (RCRA), 42 U.S.C.S. § 6901 *et seq.*, does not list the Toxic Substances Control Act (TSCA), 15 U.S.C.S. § 2601 *et seq.*, among the regulatory acts with which it is integrated. 42 U.S.C.S. § 6905(b). Therefore, plaintiffs' RCRA claims are not preempted by TSCA.

Torts > Vicarious Liability > Corporations > Subsidiary Corporations

[HN10] It is a general principle of corporate law deeply ingrained in our economic and legal systems that a parent corporation is not liable for the acts of its subsidiaries.

Environmental Law > Hazardous Wastes & Toxic Substances > Resource Conservation & Recovery Act > General Overview***Environmental Law > Hazardous Wastes & Toxic Substances > Transportation******Environmental Law > Solid Wastes > Resource Recovery & Recycling***

[HN11] A Resource Conservation and Recovery Act (RCRA), 42 U.S.C.S. § 6901 *et seq.*, citizen suit may be brought against any person, including any past or present owner or operator of a treatment, storage, or disposal facility, who has contributed or is contributing to the past or present handling, storage, treatment, transportation, or disposal of any solid or hazardous waste which may present an imminent and substantial endangerment to health or the environment. 42 U.S.C.S. § 6972(a)(1)(B).

Environmental Law > Hazardous Wastes & Toxic Substances > Resource Conservation & Recovery Act > General Overview***Environmental Law > Solid Wastes > Resource Recovery & Recycling***

[HN12] The term "contributed to" is not defined under Resource Conservation and Recovery Act (RCRA), 42 U.S.C.S. § 6901 *et seq.*, so courts have looked to its ordinary meaning. The term has been universally held to infer something more than mere ownership of a site; some level of causation between the contamination and the party to be held liable must be established.

Civil Procedure > Summary Judgment > Opposition > General Overview***Civil Procedure > Summary Judgment > Standards > General Overview***

[HN13] To defeat summary judgment as the nonmovant, a defendant must go beyond its own pleadings and do more than simply show that there is some metaphysical doubt as to the material facts.

Environmental Law > Hazardous Wastes & Toxic Substances > Resource Conservation & Recovery Act > General Overview***Environmental Law > Solid Wastes > Resource Recovery & Recycling******Evidence > Scientific Evidence > General Overview***

[HN14] To prevail under Resource Conservation and Recovery Act (RCRA), 42 U.S.C.S. § 6901 *et seq.*, plaintiffs need not establish an incontrovertible imminent and substantial harm to health and the environment.

Environmental Law > Hazardous Wastes & Toxic Substances > Resource Conservation & Recovery Act > General Overview***Environmental Law > Solid Wastes > Resource Recovery & Recycling***

[HN15] Resource Conservation and Recovery Act (RCRA), 42 U.S.C.S. § 6901 *et seq.*, implies that there must be a threat which is present now, although the impact of the threat may not be felt until later.

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JUDGES: William C. Conner, Senior United States District Judge.

OPINION BY: William C. Conner

OPINION

[*483] OPINION AND ORDER

Conner, Sr. D.J.:

Plaintiff Hudson Riverkeeper Fund, Inc. ("Riverkeeper") and Plaintiff-Intervenor Village of Hastings-on-Hudson ("Village") (collectively, "plaintiffs") bring this environmental action against defendant Atlantic Richfield Company ("ARCO") under [**2] the Resource Conservation and Recovery Act ("RCRA"), 42 U.S.C. § 6901, *et seq.*, alleging that ARCO, corporate successor to Anaconda Wire & Cable Company ("Anaconda"), is liable for contamination of the Hudson River (the "Hudson") allegedly caused by Anaconda while manufacturing electrical cable on land adjacent to the Hudson. Plaintiffs now move for summary judgment pursuant to *FED. R. CIV. P. 56*, seeking a declaration of ARCO's liability to remedy the alleged contamination. For the reasons stated below, plaintiffs' motion is denied.

BACKGROUND

From approximately 1919 until 1975, Anaconda operated an electrical cable manufacturing facility on a site located at 1 [*484] River Road, Hastings-on-Hudson, New York, along the east bank of the Hudson (the "Site"), where it made copper wire and cable, bare and insulated and/or sheathed. Beginning in the late-1930's, polychlorinated biphenyl ("PCB") mixtures (commercially known as "Aroclor") were used to impregnate paper- and asbestos-wrapped cable before the outer sheathing was applied. The PCB mixtures were prepared and the wrappings were impregnated in various buildings on the Site.

During and around World War [**3] II, from approximately 1940 to 1947, the United States government (the "U.S.") allegedly directed Anaconda to manufacture at the Site PCB-insulated cable for military use. (Def. Am. 3d-Party Compl. PP 8, 15.) ARCO claims that the U.S. virtually controlled all operations at the Site, owned some of the manufacturing equipment, purchased

the raw materials used and "arranged for the disposal of wastes containing PCBs at the Site." (*Id.* P 9.)

Anaconda closed the Site in 1975. In 1977, Anaconda was merged into a wholly-owned subsidiary of ARCO, which in 1981 was merged into ARCO, who assumed all of the subsidiary's liabilities. In the 1980's and 1990's, the Site was owned by several developers who tried unsuccessfully to redevelop the property.¹ In 1998, ARCO Environmental Remediation, L.L.C. ("AERL") purchased the Site and remains its present owner. AERL is a subsidiary of CH-Twenty, a privately held corporation owned in part by ARCO and in part by an independent third party. (Brekhus Aff. P 8.) ARCO states that AERL is merely an affiliate of ARCO.

1 ARCO's ownership of the Site apparently ended in September 1988, when developer Harbor at Hastings purchased the Site. (*See* Def. Rule 56.1 Counter-Stmt. P 11.)

[**4] Riverkeeper brought the instant action in April 1994, and the Village was allowed to intervene on June 9, 1994 by order of the late Honorable Vincent L. Broderick, from whom this Court inherited the case.² Because the New York State Departments of Environmental Conservation ("DEC") and Health ("DOH") began investigating the Site, we placed the case on the Suspense docket on May 12, 1995 pending issuance of the investigatory findings. The Court received bi-annual status reports from the parties through July 1999, but since the DEC had not completed its report and recommendation by then, and was not expected to do so within a limited time thereafter, we reinstated the case to the active docket on October 4, 1999.

2 ARCO argues that the Village's failure to file a timely letter of intent to sue pursuant to 42 U.S.C. § 6972(b)(2)(A) precludes it from joining in the instant action. However, Judge Broderick allowed the Village to intervene under [HN1] 42 U.S.C. § 6972(b)(2)(E), which provides in relevant part that "any person may intervene as a matter of right when the applicant claims an interest relating to the subject matter of the action and he is so situated that the disposition of the action may . . . impair or impede his ability to protect that interest." Since the Site is located within Hastings-on-Hudson itself, the Village clearly has an interest in environmental actions such as this one, which may affect, *inter alia*, the health of its

residents and/or their property values. Moreover, since a negative outcome in the instant action could preclude the Village from pursuing its own interests, it was properly granted intervention under RCRA.

[**5] DISCUSSION

Plaintiffs now move for summary judgment pursuant to *FED. R. CIV. P.* 56. They allege that as a result of Anaconda's manufacturing and disposal practices, the Site "may present an imminent and substantial endangerment to health or the environment," 42 U.S.C. § 6972(a)(1)(B), and that ARCO, as corporate successor to Anaconda, is liable for all of Anaconda's past [*485] actions that caused or contributed to any contamination of the Hudson. ARCO argues that the Toxic Substances Control Act ("TSCA"), 15 U.S.C. § 2601, et seq., preempts the RCRA claim. Alternatively, ARCO argues that because AERL, the present owner of the site, is merely an affiliate of ARCO, AERL is actually liable for any remediation that must occur and that plaintiffs have not causally linked the alleged river contamination to Anaconda. Finally, ARCO contends that the evidence does not show that an "imminent and substantial endangerment" exists.

I. Summary Judgment Standard

[HN2] Under *FED. R. CIV. P.* 56, summary judgment may be granted where there are no genuine issues of material fact and the movant is entitled to judgment as a matter of law. [*6] See *FED. R. CIV. P.* 56(c); *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 247-50, 91 L. Ed. 2d 202, 106 S. Ct. 2505 (1986). The burden rests on the movant to demonstrate the absence of a genuine issue of material fact. *Celotex Corp. v. Catrett*, 477 U.S. 317, 322, 91 L. Ed. 2d 265, 106 S. Ct. 2548 (1986). A genuine factual issue exists if there is sufficient evidence favoring the nonmovant for a reasonable jury to return a verdict in his favor. *Anderson*, 477 U.S. at 248. [HN3] In deciding whether summary judgment is appropriate, the court should resolve all ambiguities and draw all permissible factual inferences against the movant. See *id.* at 255. To defeat summary judgment, the nonmovant must go beyond the pleadings and "must do more than simply show that there is some metaphysical doubt as to the material facts." *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 586, 89 L. Ed. 2d 538, 106 S. Ct. 1348 (1986). The court's role at this stage of the litigation is not to decide genuine issues of

material fact, but to discern whether any exist. See *Gallo v. Prudential Residential Servs., L.P.*, 22 F.3d 1219, 1224 (2d Cir. 1994). [*7] [HN4] Summary judgment may not be granted simply because the court believes the nonmovant will not be able to meet the burden of persuasion at trial. *Danzer v. Norden Sys.*, 151 F.3d 50, 54 (2d Cir. 1998).

II. Standing

As an initial matter, we find that because its "members include commercial and recreational fishermen whose commercial and recreational interests have been [allegedly] injured because of PCB contamination of fish in the Hudson," (Riverkeeper Mem. Supp. Summ. J. at 6), and because the Village "has an interest . . . protecting the health and welfare of Hastings residents," (Village Rule 56.1 Stmt. P 6), plaintiffs have standing to bring the instant action.

[HN5] To satisfy Article III's standing requirements, a plaintiff must show (1) it has suffered an "injury in fact" that is (a) concrete and particularized and (b) actual or imminent, not conjectural or hypothetical; (2) the injury is fairly traceable to the challenged action of the defendant; and (3) it is likely, as opposed to merely speculative, that the injury will be redressed by a favorable decision.

Friends of the Earth, Inc., v. Laidlaw Envtl. Servs. (TOC), Inc., 528 U.S. 167, 180-81, 145 L. Ed. 2d 610, 120 S. Ct. 693 (2000) [*8] (citing *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560-61, 119 L. Ed. 2d 351, 112 S. Ct. 2130 (1992)). [HN6] Furthermore, the Supreme Court has established a low causation threshold, stating that a "substantial likelihood" that defendant's actions caused plaintiff's harm confers standing. See *Duke Power Co. v. Carolina Envtl. Study Group, Inc.*, 438 U.S. 59, 75 n.20, 57 L. Ed. 2d 595, 98 S. Ct. 2620 (1978). Riverkeeper avers that its members' use and [*486] enjoyment of the Hudson has been affected by Anaconda's manufacturing and disposal practices. Similarly, the Village alleges that its property values have been adversely affected by the Site, and that it has lost millions of dollars in tax revenue on the Site due its contamination. (See Kinnally Aff. PP 20-22.) Thus, Riverkeeper's members and the Village's

residents have suffered an injury in fact that is fairly traceable to Anaconda, which can be "redressed by a favorable decision" from this Court. Therefore, both Riverkeeper and the Village have constitutional standing to sue ARCO.

Riverkeeper has organizational standing to bring the instant action.

[HN7] An association has standing to bring suit [**9] on behalf of its members when its members would otherwise have standing to sue on their own right, the interests at stake are germane to the organization's purpose, and neither the claim asserted nor the relief requested requires the participation of the individual members in the lawsuit.

Laidlaw, 528 U.S. at 181 (citing *Hunt v. Washington Apple Adver. Comm'n*, 432 U.S. 333, 343, 53 L. Ed. 2d 383, 97 S. Ct. 2434 (1977)). Riverkeeper satisfies *Hunt's* requirements because: (1) its members have standing to sue on their own (*see* *Gabrielson Aff.* P 8); (2) the environmental protective relief sought in the suit is germane to Riverkeeper's organizational purpose (*see* *Boyle Aff.* P 2); and (3) Riverkeeper's suit does not require the participation of its individual members. The Village, a municipal corporation, does not require organizational standing. *See, e.g., Gladstone Realtors v. Village of Bellwood*, 441 U.S. 91, 110-12, 60 L. Ed. 2d 66, 99 S. Ct. 1601 (1979) (finding that municipal entity has standing to sue where defendant's actions have impaired important municipal functions). We find, therefore, that plaintiffs have [**10] standing to bring the present suit.

III. TSCA Preemption

ARCO argues that "because PCBs are not hazardous wastes, RCRA claims for PCB contamination are preempted by the provisions of [TSCA], 15 U.S.C. §§ 2061, *et seq.*, specifically created to deal with PCB storage and disposal." (Def. Mem. Opp. Summ. J. at 40.) This argument fails for two reasons. [HN8] First, TSCA is regulatory in nature, "controlling the disposal, manufacturing, handling and storage of a chemical such as PCB" (Riverkeeper Reply Mem. Supp. Summ. J. at

10), and primarily applying to suits brought by the EPA Administrator on behalf of the government. *See, e.g., United States v. Burns*, 512 F. Supp. 916, 918 (W.D. Pa. 1981). In contrast, the instant suit is a citizen remedial action, so TSCA does not apply. Second, even if the suit were regulatory, [HN9] RCRA does not list TSCA among the regulatory acts with which it is integrated. *See* 42 U.S.C. § 6905(b). Therefore, plaintiffs' RCRA claims are not preempted by TSCA.

IV. ARCO's Corporate Liability

ARCO next argues that because AERL, ARCO's affiliate, presently owns the Site, [**11] general rules of corporation law render AERL - not ARCO - liable for any remediation that may be required. (*See* Def. Mem. Opp. Summ. J. at 44 (citing *United States v. Bestfoods*, 524 U.S. 51, 61, 141 L. Ed. 2d 43, 118 S. Ct. 1876 [HN10] ("It is a general principle of corporate law deeply ingrained in our economic and legal systems that a parent corporation . . . is not liable for the acts of its subsidiaries.")) This argument is of no avail. [HN11] A RCRA citizen suit may be brought against

any person . . . including any . . . past or present owner or operator of a treatment, storage, or disposal facility, who [*487] has contributed or is contributing to the past or present handling, storage, treatment, transportation, or disposal of any solid or hazardous waste which may present an imminent and substantial endangerment to health or the environment.

42 U.S.C. § 6972(a)(1)(B). ARCO admits that it is the successor to Anaconda, having assumed all of its liabilities when it merged Anaconda into itself in 1981. (*See* Def. Rule 56.1 Counter-Stmt. P 11.) Therefore, ARCO is just as responsible as Anaconda itself, and AERL's corporate relationship [**12] to ARCO is irrelevant. For the purposes of RCRA, "by virtue of its acquisition of . . . Anaconda . . . ARCO is one of the former owners of the Site." (Golder Associates 1996 Remedial Investigation ("RI"), § 2.2 at 4.) We therefore conclude that ARCO is liable for any of Anaconda's actions that may have contaminated the Site.

V. Causation

ARCO also argues that plaintiffs have not shown that

Anaconda, "rather than another prior occupant³ of the Site, contributed to the disposal of the PCBs." (Def. Mem. Opp. Summ. J. at 41.) [HN12] "The term 'contributed to' is not defined under RCRA, so courts have looked to its ordinary meaning. . . . The term has been universally held to infer something more than mere ownership of a site; some level of causation between the contamination and the party to be held liable must be established." *Delaney v. Town of Carmel*, 55 F. Supp. 2d 237, 256 (S.D.N.Y. 1999) (citations omitted). ARCO contends that

in a case such as this where a reasonable inference could be drawn that more than one party could be responsible for contamination presently posing a threat, Riverkeeper has two options. It can establish a causal link to [**13] one defendant through admissible factual evidence, or join all possible defendants and pursue an alternative liability theory. . . . It has done neither.

(Def. Mem. Opp. Summ. J. at 40 (citing *Aurora Nat'l Bank v. TriStar Mktg., Inc.*, 990 F. Supp. 1020, 1035 (N.D. Ill. 1998); *Zands v. Nelson*, 797 F. Supp. 805, 810-11, 817-18 (S.D. Cal. 1992)).)

3 In addition to the U.S., ARCO points to Universal Voltronics, a Site lessee in the 1980s who manufactured high-voltage electrical transformers that allegedly contained PCBs (*see* RI § 2.2 at 5; Maher Dep. at 481), as a possible Site contaminator.

ARCO's argument fails for two reasons. First, alternative liability is not the law of this Circuit. Instead, plaintiffs must prove that "particular defendants' waste was *of a type* that could contribute to an imminent and substantial endangerment to health or the environment that may exist." *Prisco v. A & D Carting Corp.*, 168 F.3d 593, 609 (2d Cir. 1999) (emphasis [**14] added). ARCO's own documents show that PCBs were mixed and used in Anaconda's daily operations and that Aroclor 1260, the active PCB agent used in Anaconda's cable-impregnating process, was stored on the Site. (*See* RI § 2.2 at 4, Table 2-1; Def. Am. 3d-Party Compl. P 43 at 11-12.) Sediment samples taken from the Hudson immediately adjacent the Site contain Aroclor 1260. (*See* Excerpts of August 1998 Supplemental Sampling, Table

3-8; Excerpts from River Sediment Analysis, November 1998.) Thus, plaintiffs have established "some level of causation between the contamination and the party to be held liable." *Delaney*, 55 F. Supp. 2d at 256 (emphasis added).

Secondly, ARCO has presented no evidence that Universal Voltronics -- who is not a named defendant in this action -- actually disposed of or leaked PCBs at the Site. Moreover, ARCO, merely citing the [**488] allegations contained in its third-party complaint against the U.S., has not offered enough evidence of the U.S.'s alleged involvement in Site operations in the 1940s to absolve itself from liability. [HN13] Despite our resolving all factual inferences in its favor, to defeat summary judgment as the nonmovant, ARCO [**15] must go beyond its own pleadings and "do more than simply show that there is some metaphysical doubt as to the material facts." *Matsushita Elec.*, 475 U.S. at 586. ⁴ This it has not done. Therefore, ARCO cannot escape liability by shifting the blame to the U.S. or Universal Voltronics. We find that plaintiffs have established the necessary causation to render ARCO liable for Anaconda's industrial practices.

4 Although ARCO's third-party claim against the U.S. may uncover facts that strengthen its causation argument, that claim is still in discovery as of this writing.

VI. Imminent and Substantial Endangerment

Plaintiffs argue that the scientific evidence contained in New York State investigation summaries, their experts' reports and ARCO's own documents show that the alleged PCB contamination at the Site "may present an imminent and substantial endangerment to health or the environment." 42 U.S.C. § 6972(a)(1)(B). [HN14] To prevail under RCRA, plaintiffs "need [**16] not establish 'an incontrovertible "imminent and substantial" harm to health and the environment.'" *Christie-Spencer Corp. v. Hausman Realty Co.*, 118 F. Supp. 2d 408, 419 (S.D.N.Y. 2000) (quoting *Orange Env't, Inc. v. County of Orange*, 860 F. Supp. 1003, 1029 (S.D.N.Y. 1994)). "The operative word in *section 6972(a)(1)(B)* is 'may.'" *Kara Holding Corp. v. Getty Petroleum Mktg., Inc.*, 67 F. Supp. 2d 302, 310 (S.D.N.Y. 1999). "Furthermore, 'imminency' does not necessarily mean 'immediately.'" [HN15] The Supreme Court has said that RCRA "implies that there must be a threat which is present now, although the impact of the threat may not be felt until later."

Christie-Spencer, 118 F. Supp. 2d at 419 (quoting *Meghrig v. KFC Western, Inc.*, 516 U.S. 479, 486, 134 L. Ed. 2d 121, 116 S. Ct. 1251 (1996) (internal citation omitted)). Moreover, as Judge McMahon points out,

in most cases brought under the RCRA, plaintiffs want to force site owners and operators to *begin* a cleanup (or stop dumping and begin a cleanup). In such cases, courts will look at the level of environmental damage and the impact of waiting [**17] to begin a cleanup.

Christie-Spencer, 118 F. Supp. 2d at 420 (citations omitted).

Nonetheless, as ARCO argues, despite the broad construction the Supreme Court has given the word "may," summary judgment on a RCRA claim is infrequently granted. In fact, plaintiffs cite only one case in this Circuit granting summary judgment in the last decade. See *Connecticut Coastal Fishermen's Assoc. v. Remington Arms Co.*, 989 F.2d 1305 (2d Cir. 1993). Moreover, where, as here, there are conflicting expert reports presented, courts are wary of granting summary judgment. See, e.g., *Kara Holding Corp.*, 67 F. Supp. 2d at 312 (denying summary judgment is "appropriate in the face of the conflict in expert testimony"); *Orange Env't*, 860 F. Supp. at 1028-29 (denying summary judgment "in light of the disputes between the various experts as to the effect of [the contamination] on . . . health and environment"); *Gache v. Town of Harrison*, 813 F. Supp. 1037, 1042-43 (S.D.N.Y. 1993) (denying summary judgment when conflicting expert reports showed that a "landfill's present threat to the surrounding environment, a fact [**18] material [*489] to plaintiff's claim of a continuing violation of RCRA, is disputed").

Plaintiffs argue that the chain of events is as follows: (1) soil at the Site was contaminated with PCBs from Anaconda's manufacturing processes; (2) soil and groundwater contaminated by it was carried into the Hudson immediately adjacent the Site via rainwater and tidal flows; (3) the soil settled in the riverbed sediment; (4) striped bass swimming in the Hudson adjacent the Site became contaminated; (5) PCBs have bioaccumulated in the tissues of the striped bass; and (6) humans and mink are potentially harmed because they may eat the striped bass.⁵ ARCO concedes that "on-Site soils in five limited areas of the property and some

offshore River sediments . . . contain . . . PCBs." (Def. Mem. Opp. Summ. J. at 6.)⁶ Thus, we will focus on the latter three parts of plaintiffs' argument.

5 Plaintiffs argue that "PCBs travel via uptake of surface water ingestion, sediment ingestion, and/or food." (Riverkeeper Mem. Supp. Summ. J. at 6.) However, because: (1) "an estimated 90% of the [Site] is covered by asphalt paving and buildings," (DEC 9/98 Proposed Remedial Action Plan ("PRAP"), at § 2); (2) the Site is fenced off and patrolled by a security service (*see Brekhuis Aff.* P 19); (3) "the areas where PCBs were found in the sediment generally are not areas of the [Hudson] conducive to swimming or wading" (Expert Report of Dr. John Whysner ("Whysner Report") at 7, P 12); and (4) "since potable drinking water is supplied to the site by a public drinking water supply system" (PRAP at § 4.3), we find that humans are not likely to be affected by direct contact with any potentially contaminated water, soil or sediment.

[**19]

6 Despite this concession, ARCO contends that because both it and AERL have implemented "measures approved by DEC and DOH . . . to eliminate any potential risks pending final remediation," and because "the highest levels of PCB contamination on Site are not at the surface (*see* PRAP § 4.1.2)," "Site conditions are actually improving." (Def. Mem. Opp. Summ. J. at 4.) Plaintiffs vigorously dispute ARCO's reasoning. (*See* Riverkeeper Reply Mem. Supp. Summ. J. at 3, n.3; Village Reply Mem. Supp. Summ. J. at 3). Nonetheless, because the PRAP contemporaneously notes both the extent of the Site soil contamination (*see* PRAP § 4.1.2) and the measures ARCO and AERL have taken to improve it (*see id.* § 4.2), a genuine issue of fact exists as to the extent of the Site's present contamination.

A. Striped Bass

1. Fish Contamination

Plaintiffs rely on a 1998 DEC fish tissue analysis ("DEC FTA") and the expert report of Ralph Huddleston ("Huddleston Report") in arguing that the Site presents an imminent and substantial endangerment to the striped bass population in the [**20] Hudson. The DEC FTA

found "a clear localized impact [on collected striped bass samples] from site-related PCBs." (DEC FTA at 2.) From the data contained in the DEC FTA, and based on his own methodology, Huddleston concluded that "the toxicity quotient for striped bass taken from [sic] adjacent to site is 2.2. This value is greater than 1.0 and therefore represents a risk to striped bass." (Huddleston Report at 16, § 7.2.)

ARCO's experts dispute both the DEC's and Huddleston's findings. The expert report of Dr. Kenneth D. Jenkins ("Jenkins Report") finds that the DEC failed to follow its own protocol when it combined all the collected fish samples into one composite sample instead of collecting three unique samples. (Jenkins Report at 6-7.) Jenkins concludes that because "[a] single PCB measurement taken at one point in time does not provide an adequate basis for characterizing the concentrations of PCBs in populations in juvenile striped bass . . . adjacent to the Site" (*id.* at 7), Huddleston's conclusions were flawed. [*490] The expert report of Dr. Douglas G. Heimbuch ("Heimbuch Report") also disputes the DEC's findings.

Heimbuch found the same methodology flaw in the DEC's [**21] composite sample as Jenkins did. (*See* Heimbuch Report at 1-2.) He also found that because the DEC collected juvenile instead of adult samples, the potential hazards of the PCB concentrations found were misrepresented. He concludes that because the PCB concentration in adult striped bass is much more diluted than in juveniles, "an initial PCB concentration of 6.9 ppm [the DEC finding] in early September would be expected to drop to 0.012 ppm . . . by the time the striped bass reached 18", and drop to 0.0053 ppm . . . by the time the striped bass reached 24", due to the effects of growth. (*Id.* at 3.) Thus, in light of the conflicting expert opinions, a genuine issue of material fact exists as to whether PCBs adjacent the Site present an imminent and substantial endangerment to striped bass.

2. Human Endangerment

Heimbuch also notes that, "the minimum sizes of striped bass harvested are 18" for fish caught in the Hudson river and 24" for fish caught in the ocean." (*Id.*) Moreover, it is illegal for humans to consume juvenile striped bass. (*See* Whysner Report at 5.) Furthermore, there is a statewide ban on commercial fishing of striped bass, which is in effect [**22] to protect the population of the fish. (*See* NYS DOH Health Advisories: Chemicals

in Sportfish and Game, 1998-99.) As a result, humans are not permitted to catch or consume the type of fish collected in the DEC sample. Therefore, it is unlikely that humans would consume striped bass that are contaminated with PCBs above the New York State accepted levels. Thus, a genuine issue of material fact also exists as to whether the Site presents an imminent and substantial endangerment to humans.

B. Mink Endangerment

Plaintiffs also argue that the Site presents an imminent and substantial endangerment to mink. They rely once again on Huddleston, who theorizes that because "fish may comprise up to 34% of the winter diet of the Hudson River mink," such mink would eat juvenile fish contaminated by the waters adjacent to the Site. (Huddleston Report at 16-17.) Huddleston's report does not mention striped bass, and does not discuss the mink habitats or whether mink would likely feed near the Site. Jenkins once again disputes Huddleston's conclusions, finding that "the habitat at the Site [90% paved and developed] and the immediate vicinity is of poor quality for mink." (Jenkins [**23] Report at 11.) He found the nearest mink habitat over a mile north of the Site, across the Hudson on the west shore. (*Id.* at 12.) Finally, he concludes that

given the poor quality of the habitat on the east shore relative to that available on the west shore, the distance from the Site and the size of the current river . . . male mink living on the western shore of the river would not forage to any significant degree in the areas immediately adjacent to the Site.

(*Id.* at 12-13.) The conflicting views in the respective expert reports raises a genuine issue of material fact as to whether the Site presents an imminent and substantial endangerment to mink.

The court's role at this stage of the litigation is not to decide genuine issues of material fact, but to discern whether any exist. *See Gallo, 22 F.3d at 1224.* In light of the disputes between the various experts, we find that genuine issues of material fact exist as to whether the Site presents an imminent and substantial endangerment [*491] to health or the environment under RCRA. ⁷ Furthermore, given the strong precedent in this Circuit

disfavoring granting summary judgment in RCRA cases when faced [**24] with such conflicting expert opinion, *see, e.g., Kara Holding Corp.*, 67 F. Supp. 2d at 312; *Orange Env't*, 860 F. Supp. at 1028-29; *Gache*, 813 F. Supp. at 1042-43, we must deny plaintiffs' motion.

7 Plaintiffs' claims that the Site represents an imminent and substantial endangerment to benthic organisms and that the Site is currently leaching contaminated material are also refuted by ARCO's experts. (*See* Def. Mem. Opp. Summ. J. at 34 n.17 (benthic organisms), 36-38 (leaching).)

For the foregoing reasons, plaintiffs' motion for summary judgment as to ARCO's liability is denied.

SO ORDERED.

Dated: White Plains, NY

March 30, 2001

William C. Conner

Senior United States District Judge

CONCLUSION

**AGREEMENT OF MERGER
BETWEEN
ANACONDA DELAWARE CORPORATION
AND
ATLANTIC RICHFIELD DELAWARE CORPORATION**

AGREEMENT OF MERGER ("Agreement"), dated the 26th day of July, 1976, made by and between ANACONDA DELAWARE CORPORATION, a Delaware corporation ("ADC"), and ATLANTIC RICHFIELD DELAWARE CORPORATION, a Delaware corporation ("Newco"), which corporations are sometimes hereinafter collectively called the Constituent Corporations.

WITNESSETH:

WHEREAS, ADC is a corporation duly organized and existing under the laws of the State of Delaware, having been incorporated on July 23, 1976, under the General Corporation Law of the State of Delaware, and has now an authorized capital stock consisting solely of Common Stock, \$1.00 par value ("ADC Common Stock"), of which 1,000 shares are authorized, issued and outstanding; and*

WHEREAS, Newco is a corporation duly organized and existing under the laws of the State of Delaware, having been incorporated on July 21, 1976, under the General Corporation Law of the State of Delaware, and has now an authorized capital stock consisting solely of 1,000 shares of Common Stock, \$1.00 par value, all of which are issued and outstanding and owned by Atlantic Richfield Company, a Pennsylvania corporation ("Atlantic Richfield"); and

WHEREAS, the Board of Directors of each of the Constituent Corporations deems it advisable and in the best interests of each of the Constituent Corporations and its stockholders that ADC be merged into and with Newco as permitted by the General Corporation Law of the State of Delaware, under and pursuant to the terms and conditions hereinafter set forth; and

WHEREAS, the Board of Directors of each of the Constituent Corporations has approved this Agreement and directed that this Agreement be submitted to its stockholders; and

WHEREAS, on this date, The Anaconda Company ("Anaconda"), ADC, Atlantic Richfield and Newco have entered into a Plan and Agreement of Reorganization ("Plan of Reorganization") containing various representations, warranties, covenants and conditions relating, among other things, to the merger provided for herein;

NOW, THEREFORE, in consideration of the premises and the mutual agreements and covenants herein contained and in accordance with the applicable provisions of the General Corporation Law of the State of Delaware, the parties hereto have agreed and covenanted, and do hereby agree and covenant, as follows:

ARTICLE I

THE MERGER, THE SURVIVING CORPORATION AND THE EFFECTIVE DATE

1. ADC shall be merged into and with Newco, which shall survive the merger, effective at the close of business on ~~January 12, 1977~~.

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* On ~~January 12, 1977~~, pursuant to the Agreement and Plan of Merger between The Anaconda Company and ADC dated July 26, 1976, filed on ~~January 12, 1977~~ with the Secretary of State of the State of Delaware, the authorized capital stock of ADC was increased as provided for in such Agreement and Plan of Merger.

2. The date on which such merger occurs is hereby defined to be and is hereinafter called the Effective Date.

3. Newco, as the surviving corporation (herein as such called the Surviving Corporation), shall continue its corporate existence under the laws of the State of Delaware, and the directors and officers of Newco shall continue as the directors and officers of the Surviving Corporation until their successors are elected and qualify. On the Effective Date, the separate existence and corporate organization of ADC, except insofar as it may be continued by operation of law, shall be terminated and cease. The Board of Directors of the Surviving Corporation may, in the manner provided by the by-laws of the Surviving Corporation, substitute for or add to the officers of the Surviving Corporation, such persons who were officers of ADC at the time of the merger, as they may deem advisable.

ARTICLE II

CERTIFICATE OF INCORPORATION AND BY-LAWS OF THE SURVIVING CORPORATION

1. The Certificate of Incorporation of Newco is hereby amended upon the merger becoming effective by changing Article 1 thereof so as to read:

1. The name of the corporation is "The Anaconda Company."

As so amended, the Certificate of Incorporation of Newco shall be the certificate of incorporation of the Surviving Corporation, until altered, amended or repealed in accordance with the provisions thereof and of applicable law.

2. The by-laws of Newco on the date hereof shall on the Effective Date become and be the by-laws of the Surviving Corporation, until altered, amended or repealed in accordance with the provisions thereof, of the certificate of incorporation and of applicable law.

ARTICLE III

TREATMENT OF SHARES OF EACH OF THE CONSTITUENT CORPORATIONS

1. On the Effective Date:

(a) Each share of ADC Common Stock outstanding immediately prior to the merger (other than shares owned by Atlantic Richfield or Newco, which shall cease to exist and be canceled) shall, by virtue of the merger and without any action on the part of the holder thereof, be converted (subject to the provisions of Section 3 of Article III of this Agreement regarding fractional share interests) into and become one-half (.5) of a share of Atlantic Richfield Common Stock and a right to receive \$6.00 in cash;

(b) The merger shall effect no change in any of the shares of Common Stock, par value \$1.00 per share, of Newco and none of its shares shall be converted as a result of the merger; and

(c) Each option for shares of ADC Common Stock outstanding immediately prior to the merger shall, by virtue of the merger and without any action on the part of the holder thereof, be converted into and become an option for shares of Atlantic Richfield Common Stock in which the option price per share (rounded upward to the nearest full cent) shall be the option price of

the option for ADC Common Stock multiplied by a fraction, the numerator of which is the fair market value of one share of Atlantic Richfield Common Stock (determined on the basis of the closing sale price of Atlantic Richfield Common Stock on the New York Stock Exchange on the date of Closing as defined in the Plan of Reorganization) and the denominator of which is the sum of one-half ($\frac{1}{2}$) the fair market value of one share of Atlantic Richfield Common Stock (determined as provided above) and \$6.00, and in which the number of shares of Atlantic Richfield Common Stock subject to the option (with any fractional share of Atlantic Richfield Common Stock being disregarded) is the number of shares stated in the option for ADC Common Stock multiplied by the reciprocal of this fraction; each option shall thereafter be subject to adjustment for anti-dilution as provided therein, and otherwise upon the same terms and conditions.

2. After the Effective Date each holder of an outstanding certificate representing shares of ADC Common Stock (which formerly represented shares of Common Stock of Anaconda) shall surrender the same to the Surviving Corporation or the exchange agent designated by it and each such holder (other than Atlantic Richfield) shall be entitled upon such surrender to receive shares of Atlantic Richfield Common Stock and cash on the basis provided herein. Until such certificates are surrendered, outstanding certificates representing shares of ADC Common Stock (which formerly represented shares of Common Stock of Anaconda) shall be deemed for all purposes as evidencing the ownership of shares of Atlantic Richfield Common Stock and the right to receive cash on the basis provided herein as though said surrender and exchange had taken place, except that the holder of such certificate shall not be entitled to exercise voting rights or to receive dividends or other distributions in respect of Atlantic Richfield Common Stock. Any cash, dividend or other distribution will be remitted, without interest, to the former ADC stockholder entitled thereto at the time such certificates representing ADC shares (which formerly represented Anaconda shares) are exchanged for certificates representing Atlantic Richfield Common Stock and cash as provided herein.

3. No fractional share of Common Stock of Atlantic Richfield nor scrip certificates for such shares shall be delivered. In lieu thereof, any holder of ADC Common Stock otherwise entitled to receive a fractional share of Atlantic Richfield Common Stock shall be paid an amount in cash equal to the value of such fractional interest based on the closing sale price of a share of Atlantic Richfield Common Stock on the New York Stock Exchange on the Effective Date, or, if such shares are not traded on such date or such date is not a business day for the New York Stock Exchange, upon the closing sale price thereof on such Exchange on the next preceding day on which such shares were traded on such Exchange. If more than one certificate representing shares of ADC Common Stock shall be surrendered at one time for the account of the same stockholder the number of full shares of Atlantic Richfield Common Stock for which certificates shall be delivered shall be computed on the basis of the aggregate number of shares represented by the certificates so surrendered.

ARTICLE IV

SUBMISSION TO STOCKHOLDERS AND EFFECTIVENESS

1. This Agreement shall be submitted as promptly as practicable (a) to Atlantic Richfield as sole stockholder of Newco for its consent, approval and adoption in accordance with the General Corporation Law of the State of Delaware, and (b) to Anaconda as sole stockholder of ADC for its consent, approval and adoption in accordance with the General Corporation Law of the State of Delaware. Upon such approval and consent, the officers of the Constituent Corporations, subject to the satisfaction of the terms and conditions contained in the Plan of Reorganization and subject to the further provisions of this Article IV, shall take all steps necessary in order to make the merger effective as provided for in this Agreement.

2. This Agreement may be terminated at any time before or after adoption thereof by the stockholder of ADC or Newco or both, but not later than the Effective Date, in accordance with the provisions of Article X of the Plan of Reorganization.

3. In the event of termination of this Agreement as above provided, this Agreement shall become wholly void and of no effect, and there shall be no liability on the part of either Constituent Corporation or its Board of Directors or its stockholder except as provided in Section 4 of this Article IV.

4. If the merger becomes effective, the Surviving Corporation shall assume and pay all expenses in connection therewith not theretofore paid by the respective parties. If for any reason the merger shall not become effective, each of the parties shall pay all of the expenses incurred by it in connection with all the proceedings taken in respect of this Agreement or relating thereto.

5. Notwithstanding anything in this Agreement to the contrary, no person shall have authority to cause the merger to become effective, and this merger shall not become effective, prior to the effectiveness of the merger of Anaconda into and with ADC.

ARTICLE V

TRANSFER OF ASSETS AND LIABILITIES

On the Effective Date, the rights, privileges, powers and franchises, both of a public as well as a private nature, of each of the Constituent Corporations shall be vested in and possessed by the Surviving Corporation, subject to all the disabilities, duties and restrictions of or upon each of the Constituent Corporations, and all and singular the rights, privileges, powers and franchises of each of the Constituent Corporations, and all property, real, personal and mixed, of each of the Constituent Corporations, and all debts due to each of the Constituent Corporations on whatever account, and all things in action or belonging to each of the Constituent Corporations shall be vested in the Surviving Corporation; and all property, rights, privileges, powers and franchises, and all and every other interest, shall be thereafter as effectually the property of the Surviving Corporation as they were of the Constituent Corporations, and the title to any real estate vested by deed or otherwise in either of the Constituent Corporations shall not revert or be in any way impaired by reason of the merger; provided, however, that all rights of creditors and all liens upon any property of either of the Constituent Corporations shall be preserved unimpaired, except as they may be modified with the consent of such creditors, and all debts, liabilities and duties of or upon each of the Constituent Corporations shall thenceforth attach to the Surviving Corporation, and may be enforced against it to the same extent as if such debts, liabilities and duties had been incurred or contracted by it. The parties hereto agree that from time to time and as and when requested by the Surviving Corporation, or by its successors or assigns, to the extent permitted by law, the officers and directors of ADC and the officers and directors of the Surviving Corporation, are fully authorized in the name of ADC or otherwise to execute and deliver all such deeds, assignments, confirmations, assurances and other instruments and to take or cause to be taken all such further action as the Surviving Corporation may deem necessary or desirable in order to vest, perfect, confirm in or assure the Surviving Corporation title to and possession of all of said property, rights, privileges, powers and franchises and otherwise to carry out the intent and purposes of this Agreement.

ARTICLE VI

MISCELLANEOUS

For the convenience of the parties and to facilitate the filing and recording of this Agreement, any number of counterparts hereof may be executed, each of which shall be deemed to be an original of this Agreement but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties to this Agreement, pursuant to the approval and authority duly given by resolutions adopted by their respective boards of directors have caused these presents to be executed by the President or a Vice President and attested by the Secretary or an Assistant Secretary of each party hereto, and its corporate seal affixed, as of the day and year first above written.

ANACONDA DELAWARE CORPORATION

(Corporate Seal)

By William D. Miller
President

ATTEST:

By John E. M. Binley
Secretary

ATLANTIC RICHFIELD
DELAWARE CORPORATION

(Corporate Seal)

By T. S. Brundage
President

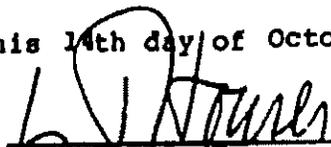
ATTEST:

By W. A. Lewis
Secretary

CERTIFICATE OF SECRETARY
OF
ANACONDA DELAWARE CORPORATION

I, L. Thomas Houser, Secretary of Anaconda Delaware Corporation, a corporation organized and existing under the laws of the State of Delaware, hereby certify that, pursuant to Section 228 of the General Corporation Law of the State of Delaware, the Agreement of Merger dated July 26, 1976 to which this certificate is attached was approved and adopted on October 14th, 1976 by the unanimous consent in writing of the sole holder of all the outstanding shares of capital stock of said corporation.

WITNESS my hand this 14th day of October, 1976.



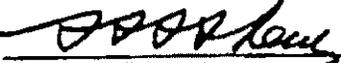
L. Thomas Houser
Secretary

[Corporate Seal]

CERTIFICATE OF SECRETARY
OF
ATLANTIC RICHFIELD DELAWARE CORPORATION

I, H. H. Lewis, Secretary of Atlantic Richfield Delaware Corporation, a corporation organized and existing under the laws of the State of Delaware, hereby certify that, pursuant to Section 228 of the General Corporation Law of the State of Delaware, the Agreement of Merger dated July 28, 1976, to which this certificate is attached was approved and adopted on October 22, 1976, by the unanimous consent in writing of the sole holder of all the outstanding shares of capital stock of said corporation.

WITNESS my hand this 22nd day of October, 1976.


Secretary


[Corporate Seal]

The foregoing Agreement of Merger dated July 26, 1976, having been duly executed on behalf of each corporate party thereto, and having been duly adopted separately by each corporate party thereto, in accordance with the General Corporation Law of the State of Delaware, and that fact having been certified on said Agreement of Merger by the Secretary of each corporate party thereto, the President of each corporate party thereto does now hereby execute said Agreement of Merger and the Secretary of each corporate party thereto does now hereby attest said Agreement of Merger, as the act, deed and agreement of such corporation, on this 22nd day of October, 1976.

Attest:


[Signature]
Secretary

ATLANTIC RICHFIELD
DELAWARE CORPORATION

By [Signature]
President

Attest:


[Signature]
Secretary

ANACONDA DELAWARE CORPORATION

By [Signature]
President

**AGREEMENT AND PLAN OF MERGER
BETWEEN
THE ANACONDA COMPANY
AND
ANACONDA DELAWARE CORPORATION**

AGREEMENT AND PLAN OF MERGER ("Agreement"), dated the 26th day of July, 1976, made by and between THE ANACONDA COMPANY, a Montana corporation ("Anaconda"), and ANACONDA DELAWARE CORPORATION, a Delaware corporation ("ADC"), which corporations are sometimes hereinafter collectively called the Constituent Corporations.

WITNESSETH:

WHEREAS, Anaconda is a corporation duly organized and existing under the laws of the State of Montana, having been incorporated under Montana law on June 18, 1895, and has an authorized capital stock consisting of 75,000,000 shares of Common Stock, without par value, ("Anaconda Common Stock") of which at June 30, 1976, 22,150,326 shares were issued and outstanding, 25,000,000 shares of Voting Preferred Stock, without par value, of which no shares are issued and outstanding, and 25,000,000 shares of Non-Voting Preferred Stock, without par value, of which no shares are issued and outstanding; and

WHEREAS, ADC is a corporation duly organized and existing under the laws of the State of Delaware, having been incorporated on July 23, 1976 under the General Corporation Law of the State of Delaware, and has now authorized capital stock consisting solely of Common Stock, \$1.00 par value ("ADC Common Stock"), of which 1,000 shares are authorized, issued and outstanding and are owned beneficially and of record by Anaconda; and

WHEREAS, the Board of Directors of each of the Constituent Corporations deems it advisable and in the best interests of each of the Constituent Corporations and its stockholders that Anaconda be merged into and with ADC as permitted by the General Corporation Law of the State of Delaware and the Montana Business Corporation Act under and pursuant to the terms and conditions hereinafter set forth; and

WHEREAS, the Board of Directors of each of the Constituent Corporations has approved this Agreement and directed that this Agreement be submitted to its stockholders; and

WHEREAS, on this date, Anaconda, ADC, Atlantic Richfield Company, a Pennsylvania corporation, and Atlantic Richfield Delaware Corporation, a Delaware corporation, have entered into a Plan and Agreement of Reorganization ("Plan of Reorganization") containing various representations, warranties, covenants and conditions relating, among other things, to the merger provided for herein;

NOW, THEREFORE, in consideration of the premises and the mutual agreements and covenants herein contained and in accordance with the applicable provisions of the General Corporation Law of the State of Delaware and the Montana Business Corporation Act, the parties hereto have agreed and covenanted, and do hereby agree and covenant, as follows:

ARTICLE I
THE MERGER, THE SURVIVING CORPORATION AND
THE EFFECTIVE DATE

1. Anaconda shall be merged into and with ADC, which shall survive the merger, effective immediately upon the filing of this Agreement in accordance with the General Corporation Law of the State of Delaware, provided that the related Articles of Merger required by the Montana Business Corporation Act shall have first been filed in accordance therewith.

2. The date on which such merger occurs is hereby defined to be and is hereinafter called the Effective Date.

3. ADC, as the surviving corporation (herein as such called the Surviving Corporation), shall continue its corporate existence under the laws of the State of Delaware, and the directors and officers of ADC shall continue as the directors and officers of the Surviving Corporation until their successors are elected and qualify. On the Effective Date, the separate existence and corporate organization of Anaconda, except insofar as it may be continued by operation of law, shall be terminated and cease. The Board of Directors of the Surviving Corporation may, in the manner provided by the by-laws of the Surviving Corporation, substitute for or add to the officers of the Surviving Corporation, such persons who were officers of Anaconda at the time of the merger, as they may deem advisable.

ARTICLE II
CERTIFICATE OF INCORPORATION AND BY-LAWS
OF THE SURVIVING CORPORATION

1. The Certificate of Incorporation of ADC is hereby amended upon the merger becoming effective by changing Article Fourth thereof to read as set forth in Attachment I hereto and as so amended shall be the certificate of incorporation of the Surviving Corporation, until altered, amended or repealed in accordance with the provisions thereof and of applicable law.

2. The by-laws of ADC on the date hereof shall on the Effective Date become and be the by-laws of the Surviving Corporation, until altered, amended or repealed in accordance with the provisions thereof, of the certificate of incorporation and of applicable law.

ARTICLE III
TREATMENT OF SHARES OF EACH OF THE
CONSTITUENT CORPORATIONS

1. On the Effective Date:

(a) Each share of Anaconda Common Stock outstanding immediately prior to the merger (other than those held by persons who make timely demand for payment of the value of their stock in accordance with Section 15-2274 of the Montana Business Corporation Act and whose right to payment does not cease as provided in said Section, which shares shall cease to exist and be canceled) shall, by virtue of the merger and without any action on the part of the holder thereof, be converted into and become one share of ADC Common Stock;

(b) Each share of ADC Common Stock outstanding immediately prior to the merger shall cease to exist and be canceled;

(c) Each share of Anaconda Common Stock issued and held in the treasury of Anaconda on the Effective Date shall be canceled, and no shares of stock or other securities of ADC shall be issuable with respect thereto; and

(d) Each option outstanding under Anaconda's Stock Option Plan for Officers and Key Employees and 1974 Stock Option Plan for Officers and Key Employees immediately prior to the merger shall, by virtue of the merger and without any action on the part of the holder thereof, be converted into and become an option to purchase the same number of shares of ADC Common Stock at the same price and otherwise upon the same terms and conditions.

2. No certificates for shares of ADC Common Stock will be issued to holders of Anaconda Common Stock upon the merger of Anaconda into and with ADC. Certificates representing shares of Anaconda Common Stock (other than certificates representing shares which are canceled pursuant to Sections 1(a) or 1(c) of this Article III) shall upon the merger of Anaconda into and with ADC be deemed for all purposes to represent an equal number of shares of ADC Common Stock.

ARTICLE IV

SUBMISSION TO STOCKHOLDERS AND EFFECTIVENESS

1. This Agreement shall be submitted as promptly as practicable (a) to Anaconda as sole stockholder of ADC for its consent, approval and adoption in accordance with the General Corporation Law of the State of Delaware, and (b) to a vote of the stockholders of Anaconda for their approval at a meeting thereof duly held in accordance with the Montana Business Corporation Act. If this Agreement shall be so consented to and approved, the officers of the Constituent Corporations, subject to the terms and conditions contained in the Plan of Reorganization and subject to the further provisions of this Article IV, shall take all steps necessary to make the merger effective as provided for in this Agreement.

2. This Agreement may be terminated at any time before or after adoption thereof by the stockholders of ADC or Anaconda or both, but not later than the Effective Date, in accordance with the provisions of Article X of the Plan of Reorganization.

3. In the event of termination of this Agreement as above provided, this Agreement shall become wholly void and of no effect, and there shall be no liability on the part of either Constituent Corporation or its Board of Directors or its stockholders except as provided in Section 4 of this Article IV.

4. If the merger becomes effective, the Surviving Corporation shall assume and pay all expenses in connection therewith not theretofore paid by the respective parties. If for any reason the merger shall not become effective, each of the parties shall pay all of the expenses incurred by it in connection with all the proceedings taken in respect of this Agreement or relating thereto.

ARTICLE V

TRANSFER OF ASSETS AND LIABILITIES

On the Effective Date, the rights, privileges, powers and franchises, both of a public as well as of a private nature, of each of the Constituent Corporations shall be vested in and possessed by the Surviving Corporation, subject to all the disabilities, duties and restrictions of or upon each of the Constituent Corporations; and all and singular the rights, privileges, powers and franchises of each of the Constituent Corporations, and all property, real, personal and mixed, of each of the Constituent Corporations, and all debts due to each of the Constituent Corporations on whatever account, and all things in action or belonging to each of the Constituent Corporations shall be vested in the Surviving Corporation; and all property, rights, privileges, powers and franchises, and all and every other interest, shall be thereafter

as effectually the property of the Surviving Corporation as they were of the Constituent Corporations, and the title to any real estate vested by deed or otherwise in either of the Constituent Corporations shall not revert or be in any way impaired by reason of the merger; provided, however, that all rights of creditors and all liens upon any property of either of the Constituent Corporations shall be preserved unimpaired, except as they may be modified with the consent of such creditors, and all debts, liabilities and duties of or upon each of the Constituent Corporations shall thenceforth attach to the Surviving Corporation, and may be enforced against it to the same extent as if such debts, liabilities and duties had been incurred or contracted by it. The parties hereto agree that from time to time and as and when requested by the Surviving Corporation, or by its successors or assigns, to the extent permitted by law, the officers and directors of Anaconda and, the officers and directors of the Surviving Corporation, are fully authorized in the name of Anaconda or otherwise to execute and deliver all such deeds, assignments, confirmations, assurances and other instruments and to take or cause to be taken all such further action as the Surviving Corporation may deem necessary or desirable in order to vest, perfect, confirm in or assure the Surviving Corporation title to and possession of all of said property, rights, privileges, powers and franchises and otherwise to carry out the intent and purposes of this Agreement.

ARTICLE VI
MISCELLANEOUS

For the convenience of the parties and to facilitate the filing and recording of this Agreement, any number of counterparts hereof may be executed, each of which shall be deemed to be an original of this Agreement but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties to this Agreement, pursuant to the approval and authority duly given by resolutions adopted by their respective Boards of Directors have caused these presents to be executed by the President or a Vice President and attested by the Secretary or an Assistant Secretary of each party hereto, and its corporate seal affixed, as of the day and year first above written.

ANACONDA DELAWARE CORPORATION

(Corporate Seal)

By William D. Miller
President

ATTEST:

By John E. H. Bischof
Asst. Secretary

THE ANACONDA COMPANY

(Corporate Seal)

By John B. M. Stone
President

ATTEST:

By Richard B. Stewart
Secretary

**AMENDED ARTICLE FOURTH OF
CERTIFICATE OF INCORPORATION OF
ANACONDA DELAWARE CORPORATION**

ARTICLE FOURTH. The aggregate number of shares which the corporation shall have authority to issue is One Hundred Twenty-Five Million (125,000,000), divided into three classes, consisting of and designated as Seventy-Five Million (75,000,000) shares of Common Stock, par value one dollar (\$1.00) per share, Twenty-Five Million (25,000,000) shares of Voting Preferred Stock, par value one dollar (\$1.00) per share, and Twenty-Five Million (25,000,000) shares of Non-Voting Preferred Stock, par value one dollar (\$1.00) per share. The preferences, limitations, and relative rights of such classes of shares are as follows:

1. **Common Stock.** Each outstanding share of Common Stock shall be entitled to one vote, and each fractional share, if any, of Common Stock shall be entitled to a corresponding fractional vote on each matter submitted to a vote at a meeting of shareholders, except as otherwise provided in this Article Fourth. Whenever, at any time, dividends on the then outstanding Voting Preferred Stock and Non-Voting Preferred Stock as may be required with respect to all series outstanding shall have been paid or declared and set apart for payment, the Board of Directors may declare and pay dividends on the Common Stock, and the holders of shares of the Voting Preferred Stock and the Non-Voting Preferred Stock shall not be entitled to share therein. Upon any voluntary or involuntary liquidation of the corporation and after the holders of shares of the Voting Preferred Stock and the Non-Voting Preferred Stock shall have been paid the full amounts to which they shall be entitled, the holders of shares of the Common Stock shall be entitled to share in all assets of the corporation remaining.

2. **Voting Preferred Stock.** (a) The shares of Voting Preferred Stock may be divided into and issued in series. The Board of Directors of the corporation is hereby expressly vested with authority to establish one or more series of Voting Preferred Stock and to fix and determine by resolution or resolutions the relative rights and preferences of the shares of any series so established, to the full extent now or hereafter permitted by the law of the State of Delaware, including but not limited to the fixing and determining of the following:

- A. The rate of dividend of such series;
- B. Whether the shares of such series may be redeemed and, if so, the redemption price and the terms and conditions of redemption;
- C. The amount payable upon shares of such series in event of voluntary or involuntary liquidation;
- D. Sinking fund provision, if any, for the redemption or purchase of shares of such series; and
- E. The terms and conditions, if any, on which shares of such series may be converted into or exchanged for shares of any other class or into shares of any series of the same class, and, if provision is made for conversion or exchange, the times, prices, rates, adjustments, and other terms and conditions of such conversion or exchange.

(b) The holders of shares of Voting Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors, but only out of funds legally available for payment of dividends, cumulative cash dividends at the annual rate for each particular series theretofore fixed by the Board of Directors as hereinbefore authorized, and no more, payable on dates to be established by the Board of Directors. Such dividends on Voting Preferred Stock shall be paid or declared and set apart for payment before any dividend on any Common Stock shall be paid or declared and set apart for payment. All series of Voting Preferred Stock shall rank on a parity as to dividends with all other series of the same or of any other class of Preferred Stock according to the respective dividend rates fixed for each such series and without

preference or priority of any series over any other series of the same or any other class. Dividends on each series of Voting Preferred Stock shall accrue and be cumulative from such date as may be fixed by the Board of Directors prior to the issue thereof (provided, however, that such dividends shall accrue and be cumulative as to shares issued at a time when no other shares of the same series are outstanding, from the date of issuance, and as to shares issued at a time when other shares of the same series are outstanding from such date as shall make the dividend rights per share of the shares being issued uniform with the dividend rights per share of the shares then outstanding of such series, excluding rights to dividends declared and directed to be paid to shareholders of record as of a date preceding the date of issuance of shares being issued). Arrearages in the payment of dividends shall not bear interest.

(c) All series of Voting Preferred Stock shall rank on a parity as to distribution of assets with all other series of the same or of any other class of Preferred Stock according to the respective amounts distributable upon any voluntary or involuntary liquidation of the corporation fixed for each such series and without preference or priority of any series over any other series of the same or any other class of Preferred Stock; but all shares of the Voting Preferred Stock shall be preferred over the Common Stock as to amounts distributable upon any voluntary or involuntary liquidation of the corporation to the extent provided in the resolution or resolutions of the Board of Directors establishing each series of shares.

(d) Except as otherwise provided herein, each outstanding share of Voting Preferred Stock shall be entitled to one vote, and each fractional share, if any, of Voting Preferred Stock shall be entitled to a corresponding fractional vote, on each matter submitted to a vote at a meeting of shareholders. Except as otherwise provided herein or as may be required by law, the holders of shares of all series of Voting Preferred Stock shall vote together with the holders of shares of Common Stock as one class; provided, however, that so long as any shares of Voting Preferred Stock are outstanding, the affirmative approval of the holders of at least two-thirds of the Voting Preferred Stock present and voting at a meeting, acting as a single class without regard to series, shall be required for the creation, or an increase in the authorized amount, of any class of shares ranking, as to dividends or assets, prior to the Voting Preferred Stock, and the affirmative approval of the holders of at least a majority of the Voting Preferred Stock present and voting at a meeting, acting as a single class without regard to series, shall be required for an increase in the authorized amount of the Voting Preferred Stock or for the creation, or an increase in the authorized amount, of any class of shares ranking, as to dividends or assets, on a parity with the Voting Preferred Stock.

(e) In the event that at any time, or from time to time, dividends payable on any share of Preferred Stock shall be in default in an amount equivalent to six quarterly dividends, and thereafter until all dividends on shares of Preferred Stock in default shall have been paid, the holders of outstanding shares of Voting Preferred Stock and the holders of outstanding shares of Non-Voting Preferred Stock, voting as one class, shall have the right to elect at each annual meeting of shareholders two directors of the corporation. During such period, the holders of shares of Voting Preferred Stock shall not have the right to vote with respect to the election of any other directors of the corporation.

3. Non-Voting Preferred Stock. (a) The shares of Non-Voting Preferred Stock may be divided into and issued in series. The Board of Directors of the corporation is hereby expressly vested with authority to establish one or more series of Non-Voting Preferred Stock and to fix and determine by resolution or resolutions the relative rights and preferences of the shares of any series so established to the full extent now or hereafter permitted by the law of the State of Delaware, including but not limited to the fixing and determining of the following:

- A. The rate of dividend of such series;
- B. Whether the shares of such series may be redeemed and, if so, the redemption price and the terms and conditions of redemption;
- C. The amount payable upon shares of such series in event of voluntary or involuntary liquidation;
- D. Sinking fund provision, if any, for the redemption or purchase of shares of such series; and

E. The terms and conditions, if any, on which shares of such series may be converted into or exchanged for shares of any other class or into shares of any series of the same class, and, if provision is made for conversion or exchange, the times, prices, rates, adjustments and other terms and conditions of such conversion or exchange.

(b) The holders of shares of Non-Voting Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors, but only out of funds legally available for the payment of dividends, cumulative cash dividends at the annual rate for each particular series theretofore fixed by the Board of Directors as hereinbefore authorized, and no more, payable on dates to be established by the Board of Directors. Such dividends on Non-Voting Preferred Stock shall be paid or declared and set apart for payment before any dividend on any Common Stock shall be paid or declared and set apart for payment. All series of Non-Voting Preferred Stock shall rank on a parity as to dividends with all other series of the same or of any other class of Preferred Stock according to the respective dividend rates fixed for each such series and without preference or priority of any series over any other series of the same or any other class of Preferred Stock. Dividends on each series of Non-Voting Preferred Stock shall accrue and be cumulative from such date as may be fixed by the Board of Directors prior to the issue thereof (provided, however, that such dividends shall accrue and be cumulative as to shares issued at a time when no other shares of the same series are outstanding, from the date of issuance, and as to shares issued at a time when other shares of the same series are outstanding, from such date as shall make the dividend rights per share of the shares being issued uniform with the dividend rights per share of the shares then outstanding of such series, excluding rights to dividends declared and directed to be paid to shareholders of record as of a date preceding the date of issuance of shares being issued). Arrearages in the payment of dividends shall not bear interest.

(c) All series of Non-Voting Preferred Stock shall rank on a parity as to distribution of assets with all other series of the same or of any other class of Preferred Stock according to the respective amounts distributable upon any voluntary or involuntary liquidation of the corporation fixed for each such series and without preference or priority of any series over any other series of the same or any other class; but all shares of the Non-Voting Preferred Stock shall be preferred over the Common Stock as to amounts distributable upon any voluntary or involuntary liquidation of the corporation to the extent provided in the resolution or resolutions of the Board of Directors establishing each series of shares.

(d) Shares of Non-Voting Preferred Stock shall have no voting rights except as may be required by law or provided for herein. To the extent that said shares are entitled to vote, each outstanding share of Preferred Stock shall be entitled to one vote, and each fractional share, if any, of Preferred Stock shall be entitled to a corresponding fractional vote. So long as any shares of Non-Voting Preferred Stock are outstanding, the affirmative approval of the holders of at least two-thirds of the Non-Voting Preferred Stock present and voting at a meeting, acting as a single class without regard to series, shall be required for the creation, or an increase in the authorized amount, of any class of shares ranking, as to dividends or assets, prior to the Non-Voting Preferred Stock, and the affirmative approval of the holders of at least a majority of the Non-Voting Preferred Stock present and voting at a meeting, acting as a single class without regard to series, shall be required for an increase in the authorized amount of the Non-Voting Preferred Stock or for the creation, or an increase in the authorized amount, of any class ranking, as to dividends or assets, on a parity with the Non-Voting Preferred Stock.

(e) In the event that at any time, or from time to time, dividends payable on any share of Preferred Stock shall be in default in an amount equivalent to six quarterly dividends, and thereafter until all dividends on shares of Preferred Stock in default shall have been paid, the holders of outstanding shares of Non-Voting Preferred Stock and the holders of outstanding shares of Voting Preferred Stock, voting as one class, shall have the right to elect at each annual meeting of shareholders two directors of the corporation.

\$1.75 CUMULATIVE NON-VOTING PREFERRED STOCK, SERIES A

There is a series of the corporation's authorized Non-Voting Preferred Stock without par value consisting of 4,000,000 shares, with the following relative rights and preferences thereof:

1. Designation, issuance, etc.

1.1 The designation of said series is "\$1.75 Cumulative Non-Voting Preferred Stock, Series A" (hereinafter called "Series A Non-Voting Preferred Stock").

1.2 Shares of the Series A Non-Voting Preferred Stock shall be issuable only to Atlantic Richfield Company, a Pennsylvania corporation, or its successors or assigns (hereinafter called "Atlantic Richfield"), or to a person directly or indirectly controlling, controlled by or under direct or indirect common control with Atlantic Richfield (hereinafter called an "Affiliate"), upon conversion by Atlantic Richfield or an Affiliate of all or a portion of the corporation's 8% Conditionally Convertible Subordinated Debenture in the principal amount of \$100,000,000 issued on July 1, 1976 to Atlantic Richfield (hereinafter called the "Debenture"). As set forth in Section 9.1 of the Debenture, Debentures held by Atlantic Richfield or an Affiliate shall be converted at the rate of 40 shares of Series A Non-Voting Preferred Stock for each \$1,000 principal amount thereof.

1.3 The Series A Non-Voting Preferred Stock shall rank on a parity as to dividends and distribution of assets upon liquidation with the \$1.75 Cumulative Convertible Voting Preferred Stock, Series A (hereinafter called "Series A Voting Preferred Stock") as is more fully set forth in Section 2.7 and Section 3.2 hereof, respectively.

1.4 The number of shares of Series A Non-Voting Preferred Stock herein authorized may not be increased, but may be decreased (to a number not less than the sum of the number of shares of Series A Non-Voting Preferred Stock then outstanding and the number of shares reserved for issuance upon conversion of the Debenture) from time to time by resolution of the Board of Directors.

2. Dividend rights.

2.1 The holders of shares of Series A Non-Voting Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors, but only out of funds legally available for payment of dividends, cumulative cash dividends at the annual rate of \$1.75 per share, and no more, payable in equal quarterly installments on the 15th day of March, June, September, and December of each year (each such date hereinafter called a "Dividend Payment Date"). Dividends on each share of Series A Non-Voting Preferred Stock issued upon conversion of the Debentures shall accrue and be cumulative from the date of issuance thereof (the date of issuance being the Date of Conversion, as defined in the Debenture, of Debentures into such share), and the initial quarterly dividend on such share shall be a pro rata portion of such equal quarterly installment based upon the portion of such quarter during which such share was outstanding and shall be payable on the Dividend Payment Date which first follows the date of issuance. Dividends on each such share of Series A Non-Voting Preferred Stock issued upon transfer or exchange of outstanding shares of Series A Non-Voting Preferred Stock shall accrue and be cumulative from the Dividend Payment Date which coincides with or next precedes the date of issuance thereof, except that dividends on any share issued after a record date for the determination of holders of Series A Non-Voting Preferred Stock entitled to receive a quarterly dividend and before the Dividend Payment Date for such quarterly dividend shall accrue and be cumulative from such Dividend Payment Date, and except that dividends on any such share issued while dividends on outstanding shares of Series A Non-Voting Preferred Stock shall be in default shall accrue and be cumulative from the last Dividend Payment Date as of which all dividends then accrued on such shares were paid. Holders of shares of Series A Non-Voting Preferred Stock shall have the right to elect two directors of the corporation as set forth in Section 9 hereof when dividends payable on such shares shall be in default in an amount equivalent to six quarterly dividends.

2.2 Dividends shall cease to accrue on shares of the Series A Non-Voting Preferred Stock that are redeemed pursuant to Section 4 hereof or are converted into Series A Voting Preferred Stock pursuant to Section 5 hereof as of the date fixed for such redemption or the date conversion is effected.

2.3 So long as any shares of the Series A Non-Voting Preferred Stock are outstanding, no dividends shall be paid or declared and set apart for payment, nor shall any other distribution be made, on the Common Stock or on any other stock junior to the Series A Non-Voting Preferred Stock as to dividends (other than dividends payable in stock junior to the Series A Non-Voting Preferred Stock both as to dividends and distribution upon liquidation) unless dividends on the Series A Non-Voting Preferred Stock for any past quarterly dividend period and for the current quarterly dividend period shall have been paid or declared and set apart for payment.

2.4 So long as any shares of the Series A Non-Voting Preferred Stock are outstanding, no shares of any stock on a parity with or junior to the Series A Non-Voting Preferred Stock shall be purchased, redeemed or otherwise acquired by the corporation or by any subsidiary (except in connection with (a) a reclassification or exchange of any stock junior to the Series A Non-Voting Preferred Stock through the issuance of other stock junior to the Series A Non-Voting Preferred Stock both as to dividends and distribution upon liquidation, or (b) the purchase, redemption or other acquisition of any stock junior to the Series A Non-Voting Preferred Stock with proceeds of a reasonably contemporaneous sale of other stock junior to the Series A Non-Voting Preferred Stock both as to dividends and distribution upon liquidation), nor shall any funds be set aside or made available for any purchase, retirement or sinking fund for the purchase or redemption of any stock on a parity with or junior to the Series A Non-Voting Preferred Stock, unless dividends on the Series A Non-Voting Preferred Stock for any past quarterly dividend period shall have been paid or declared and set apart for payment.

2.5 Subject to the foregoing provisions, such dividends (payable in cash, property or stock junior to the Series A Non-Voting Preferred Stock) as may be determined by the Board of Directors may be declared and paid from time to time on the shares of any stock junior to the Series A Non-Voting Preferred Stock, without any right of participation therein by the holders of Series A Non-Voting Preferred Stock.

2.6 Accrued and unpaid dividends on Series A Non-Voting Preferred Stock shall not bear interest.

2.7 The Series A Non-Voting Preferred Stock shall rank on a parity as to dividends with all other series of Non-Voting Preferred Stock or of any other class of Preferred Stock according to the respective dividend rates fixed for each such series and without preference or priority of any series over any other series of the same or any other class of Preferred Stock. In case dividends for any quarterly dividend period are not paid in full, all shares of Series A Non-Voting Preferred Stock and all shares of any other series of the same or any other class of Preferred Stock ranking as to dividends on a parity with the Series A Non-Voting Preferred Stock shall participate ratably in the payment of dividends for such period in proportion to the full amounts of dividends for such period to which they are respectively entitled.

2.8 For the purposes of this Section 2, (a) the term "subsidiary" means any corporation or business trust, the majority of whose outstanding shares (at the time of determination) having voting power for the election of directors or trustees, either at all times or only so long as no senior class or series of shares has such voting power because of arrearages in the payment of dividends or because of the existence of some default, is owned directly or indirectly by the parent corporation, (b) the term "stock junior to the Series A Non-Voting Preferred Stock" means, unless otherwise specified, stock junior to the Series A Non-Voting Preferred Stock either as to dividends or as to distribution of assets upon liquidation and (c) the term "stock on a parity with the Series A Non-Voting Preferred Stock" means, unless otherwise specified, stock on a parity with the Series A Non-Voting Preferred Stock either as to dividends or as to distribution of assets upon liquidation.

3. Liquidation rights.

3.1 In the event of any liquidation, dissolution or winding up of the corporation, whether voluntary or involuntary (hereinafter called "Liquidation"), the holders of shares of Series A Non-Voting Preferred Stock then outstanding shall be entitled to be paid out of the assets of the corporation available for distribution to its shareholders an amount equal to \$25.00 per share, plus an amount equal to all dividends thereon accrued to and unpaid as of the date fixed for the payment in Liquidation, before any distribution shall be made to the holders of Common Stock or any other stock junior to the Series A Non-Voting Preferred Stock as to the distribution of assets upon Liquidation.

3.2 The Series A Non-Voting Preferred Stock shall rank on a parity as to distribution of assets upon Liquidation with all other series of Non-Voting Preferred Stock or of any other class of Preferred Stock according to the respective amounts distributable upon Liquidation fixed for each such series and without preference or priority of any series over any other series of the same or any other class of Preferred Stock. If, upon Liquidation, the corporation's assets are not sufficient to pay in full the amounts so payable to the holders of shares of Series A Non-Voting Preferred Stock and the amounts payable to the holders of shares of any other series or class of Preferred Stock ranking on a parity as to distribution of assets on Liquidation with the Series A Non-Voting Preferred Stock, all shares of Series A Non-Voting Preferred and of such other series and classes of Preferred Stock shall participate ratably in the distribution of assets in proportion to the full amounts to which they are respectively entitled.

3.3 For the purposes of this Section 3, a consolidation or merger of the corporation with any other corporation, or the sale, transfer or lease of all or substantially all of its assets, shall not constitute or be deemed a Liquidation.

4. Sinking fund redemption.

4.1 The corporation shall have no optional redemption rights in respect of the Series A Non-Voting Preferred Stock. On or before July 1, 1987, and on or before each July 1 thereafter through and including July 1, 1996 (each such July 1 being hereinafter called a "Sinking Fund Redemption Date") so long as any shares of Series A Non-Voting Preferred Stock shall be outstanding, the corporation shall pay to the transfer agent, or other redemption agent, for the Series A Non-Voting Preferred Stock, or if there be no such agent then the corporation shall set aside, in trust, as and for a sinking fund for the Series A Non-Voting Preferred Stock, a sum (hereinafter called the "Sinking Fund Payment") sufficient in each instance to redeem at a price equal to \$25 per share plus all accrued and unpaid dividends on each such share, a number of shares of the Series A Non-Voting Preferred Stock equal to the number of such shares shown as outstanding on the books of the corporation on the April 15 prior to such Sinking Fund Redemption Date multiplied by a fraction, the numerator of which fraction shall be one and the denominator of which shall be the number of Sinking Fund Redemption Dates (including the Sinking Fund Redemption Date on which such payment is made) remaining. If any shares of the Series A Non-Voting Preferred Stock called for redemption from the sinking fund shall have been converted pursuant to Section 5 hereof after such April 15 and before the Sinking Fund Redemption Date, the Sinking Fund Payment shall be reduced by an amount equal to the sinking fund redemption price of such shares, and any moneys which shall have been paid to the transfer agent, or other redemption agent, for purposes of the sinking fund with respect to such converted shares shall, at the option of the corporation, be repaid to the corporation upon delivery to such agent of satisfactory evidence of such conversion or held by such agent for application to the next Sinking Fund Payment.

4.2 On May 1 in each of the years in which a Sinking Fund Payment is due, the corporation shall notify the transfer agent, or other redemption agent, if any, of the amount of the Sinking Fund Payment to be made on the next following Sinking Fund Redemption Date and the number of shares to be redeemed thereon and such agent, or the corporation if there is no such agent, shall thereupon take action to redeem, in accordance with the notice and other provisions of this Section 4, the shares of Series A Non-Voting Preferred Stock to be redeemed on such Sinking Fund Redemption Date. During the

continuance of any default by the corporation on any payment required under the provisions of this Section 4, no sum shall be set aside for or applied to the purchase or redemption (pursuant to any applicable sinking fund or redemption provisions or otherwise) of any shares of any class of stock ranking as to dividends or distribution upon Liquidation on a parity with or junior to the Series A Non-Voting Preferred Stock and no dividend shall be declared or paid or any other distribution ordered or made upon any class of stock ranking as to dividends junior to the Series A Non-Voting Preferred Stock (other than a dividend payable in stock junior to the Series A Non-Voting Preferred Stock both as to dividends and distribution upon Liquidation); *provided, however*, that any moneys theretofore desposited in any sinking fund with respect to any stock of the corporation in compliance with the provisions of such sinking fund may thereafter be applied to the purchase or redemption of such stock in accordance with the terms of such sinking fund whether or not at the time of such application such default is continuing under the provisions of this Section 4. In the event that the corporation shall not have funds legally available to make any sinking fund payment, the obligation to make such payment shall be carried forward and fulfilled when such funds are legally available.

4.3 If less than all the outstanding shares of the Series A Non-Voting Preferred Stock are to be redeemed, the shares to be redeemed shall be selected either by lot or *pro rata* in such manner as may be prescribed by resolution of the Board of Directors.

4.4 Notice to the holders of the shares of Series A Non-Voting Preferred Stock to be redeemed shall be given by (i) mailing to such holders a notice of such redemption, first class, postage prepaid, not less than 30 nor more than 60 days before the Sinking Fund Redemption Date, at their last addresses as they shall appear upon the books of the corporation, and (ii) publishing such notice at least twice in a newspaper printed in the English language and of general circulation in the Borough of Manhattan, in the City and State of New York, the first publication to be not less than 30 nor more than 60 days before the date fixed for an optional or sinking fund redemption. Any notice which is mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the shareholder receives such notice; and failure duly to give such notice by mail, or any defect in such notice to any shareholder designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of the Series A Non-Voting Preferred Stock. The notice of redemption to each shareholder whose shares of Series A Non-Voting Preferred Stock are to be redeemed shall specify the number of shares of Series A Non-Voting Preferred Stock held by such shareholder to be redeemed, the date fixed for redemption and the redemption price at which shares of Series A Non-Voting Preferred Stock are to be redeemed, and shall specify where payment of the redemption price is to be made upon surrender of such shares, and shall state that dividends accrued to and unpaid as of the date fixed for redemption will be paid as specified in said notice, that from and after said date dividends thereon will cease to accrue, and that such shares of Series A Non-Voting Preferred Stock shall cease to be convertible into shares of Series A Voting Preferred Stock at the close of business on the day immediately preceding the date fixed for redemption.

4.5 On and after the Sinking Fund Redemption Date (unless default shall be made by the corporation in providing the Sinking Fund Payment), (a) all rights of the holders of the shares of Series A Non-Voting Preferred Stock to be redeemed, except the right to receive the redemption price as herein provided, shall cease and terminate and (b) dividends on the shares of Series A Non-Voting Preferred Stock to be redeemed shall cease to accumulate. At any time on or after the Sinking Fund Redemption Date, the respective holder of record of shares of the Series A Non-Voting Preferred Stock to be redeemed shall be entitled to receive the redemption price upon actual delivery to the transfer agent, or redemption agent, or the corporation if there is no such agent, of certificates for the shares to be redeemed, such certificates, if required by the corporation, to be properly stamped for transfer and duly endorsed in blank or accompanied by proper instruments of assignment and transfer thereof duly executed in blank. Any moneys deposited with the transfer agent, or other redemption agent, if any, for the redemption of any shares of Series A Non-Voting Preferred Stock which shall not be claimed

after six years from the date fixed for redemption of such shares shall be repaid to the corporation by such agent on demand and thereafter any holder of record of such shares shall look only to the corporation for payment of the redemption price. Such agent shall pay to the corporation from time to time any interest accrued on any such unclaimed deposits.

5. Conversion.

5.1 Each share of the Series A Non-Voting Preferred Stock transferred by Atlantic Richfield or an Affiliate to a person other than Atlantic Richfield or an Affiliate shall, effective upon such transfer and with no further action on the part of Atlantic Richfield, such Affiliate, such person or the corporation, be converted into one share of Series A Voting Preferred Stock, and such share of Series A Voting Preferred Stock shall be entitled to any accrued and unpaid dividends which shall exist on the date of transfer on the share of converted Series A Non-Voting Preferred Stock. The Series A Voting Preferred Stock shall rank on a parity as to dividends and distribution of assets with the Series A Non-Voting Preferred Stock as is more fully set forth in Section 2.7 and Section 3.2 hereof, respectively.

5.2 The corporation shall at all times reserve and keep available, free from pre-emptive rights, out of its authorized but unissued shares of Series A Voting Preferred Stock, for the purpose of effecting the conversion of outstanding shares of Series A Non-Voting Preferred Stock, the full number of shares of Series A Voting Preferred Stock then deliverable upon the conversion thereof.

6. Status of Series A Non-Voting Preferred Stock redeemed or converted.

Shares of Series A Non-Voting Preferred Stock redeemed for cash or converted into shares of any other class or series shall be deemed to be cancelled and, upon the filing of a statement of cancellation or other document required by law, shall be deemed to be authorized but unissued shares of Non-Voting Preferred Stock undesignated as to series.

7. No voting rights.

The Series A Non-Voting Preferred Stock shall have no voting rights except as may be required by law or provided in the Articles of Incorporation or this resolution.

8. Restriction on certain actions affecting Series A Non-Voting Preferred Stock.

8.1 So long as any shares of Series A Non-Voting Preferred Stock are outstanding, the corporation will not create, or increase the authorized amount of, any class of shares ranking, as to dividends or assets, prior to the Series A Non-Voting Preferred Stock without the affirmative approval of the holders of at least two-thirds of the Non-Voting Preferred Stock present and voting at a meeting, acting as a single class without regard to series.

8.2 So long as any shares of Series A Non-Voting Preferred Stock are outstanding, the corporation will not create, or increase the authorized amount of, any class of shares ranking, as to dividends or assets, on a parity with the Series A Non-Voting Preferred Stock without the affirmative approval of the holders of at least a majority of the Non-Voting Preferred Stock present and voting at a meeting, acting as a single class without regard to series.

9. Election of directors by holders of Voting Preferred Stock and the holders of Non-Voting Preferred Stock in event of nonpayment of dividends.

9.1 In the event that at any time, or from time to time, dividends payable on any share of Preferred Stock shall be in default in an amount equivalent to six quarterly dividends, and thereafter until all dividends on shares of Preferred Stock in default have been paid, the holders of outstanding shares of

Voting Preferred Stock and the holders of outstanding shares of Non-Voting Preferred Stock, voting as one class, shall have the right to elect at each annual meeting of shareholders two directors of the corporation. Upon payment of such dividends theretofore in default all voting rights as a class provided for under this Section 9 shall be divested from the Voting Preferred Stock and Non-Voting Preferred Stock (subject, however, to being at any time or from time to time similarly revived if payments of dividends for subsequent quarterly periods as specified above in this Section 9.1 shall be in default).

9.2 At any annual meeting at which the holders of the Voting Preferred Stock and the holders of Non-Voting Preferred Stock shall be entitled to vote as a class for the election of such two directors as above provided, the holders of one-third of the aggregate number of shares of the Voting Preferred Stock and the Non-Voting Preferred Stock then outstanding present in person or by proxy shall constitute a quorum for the election of such two directors and for no other purpose. Each holder of Voting Preferred Stock and each holder of Non-Voting Preferred Stock entitled to vote for such directors shall have the right to vote the number of shares owned by him for two candidates or to cumulate his votes by giving one candidate a number of votes equal to two multiplied by the number of his shares, or by distributing such votes on the same principle among any number of candidates. The two candidates having the greatest number of votes shall be elected directors. The number of directors elected other than by Voting Preferred Stock and Non-Voting Preferred Stock voting as a class shall be at least two less than the maximum number of directors permitted by the Articles of Incorporation. The persons so elected as directors by the holders of Voting Preferred Stock and Non-Voting Preferred Stock shall hold office until the next annual meeting of shareholders and until their successors shall have been elected by such holders or until the right of such holders to vote as a class in the election of directors shall be divested as provided in Section 9.1 hereof. Upon divestment of the right to elect directors as above provided, any directors so elected shall forthwith cease to be directors of the corporation, and the vacancies created thereby shall be filled by the remaining directors.

9.3 At any such meeting or any adjournment thereof, (a) the absence of a quorum of the holders of Voting Preferred Stock and the holders of Non-Voting Preferred Stock shall not prevent the election of the directors other than those to be elected by such holders voting as a class, and the absence of a quorum of holders of the shares entitled to vote for directors other than those to be elected by the holders of Voting Preferred Stock and the holders of Non-Voting Preferred Stock voting as a class shall not prevent the election of the directors to be elected by the holders of Voting Preferred Stock and the holders of Non-Voting Preferred Stock voting as a class, and (b) in the absence of a quorum of the holders of Voting Preferred Stock and the holders of Non-Voting Preferred Stock, the holders of a majority of such stock present in person or by proxy shall have power to adjourn from time to time the meeting for the election of the directors which they are entitled to elect voting as a class without notice other than announcement at the meeting, until a quorum shall be present, and in the absence of a quorum of the holders of the shares entitled to vote for directors other than those elected by the holders of Voting Preferred Stock and the holders of Non-Voting Preferred Stock voting as a class, the holders of a majority of such stock present in person or by proxy shall have power to adjourn from time to time the meeting for the election of the directors which they are entitled to elect, without notice other than announcement at the meeting, until a quorum shall be present.

9.4 During any period in which the holders of Voting Preferred Stock and the holders of Non-Voting Preferred Stock have the right to elect two directors of the corporation, such holders shall not have the right to vote with respect to the election of any other directors of the corporation.

\$1.75 CUMULATIVE CONVERTIBLE VOTING PREFERRED STOCK, SERIES A

There is a series of the corporation's authorized Voting Preferred Stock without par value consisting of 4,000,000 shares, with the following relative rights and preferences:

1. Designation, issuance, etc.

1.1 The designation of said series is "\$1.75 Cumulative Convertible Voting Preferred Stock, Series A" (hereinafter called "Series A Voting Preferred Stock").

1.2 Shares of the Series A Voting Preferred Stock shall be issuable only upon conversion of shares of the corporation's \$1.75 Cumulative Non-Voting Preferred Stock, Series A (hereinafter called "Series A Non-Voting Preferred Stock"). The Series A Non-Voting Preferred Stock shall be converted into Series A Voting Preferred Stock, on the basis of one share of Series A Non-Voting Preferred Stock for one share of Series A Voting Preferred Stock, effective upon their transfer by Atlantic Richfield Company, a Pennsylvania corporation, or its successors or assigns (hereinafter called "Atlantic Richfield") or by a person directly or indirectly controlling, controlled by or under direct or indirect common control with Atlantic Richfield (hereinafter called an "Affiliate") to any person other than Atlantic Richfield or an Affiliate; *provided, however*, that such transferee of shares from Atlantic Richfield or an Affiliate shall not be entitled to receive any dividends or other distributions which may be payable to holders of record of Series A Voting Preferred Stock or to vote on any matters upon which holders of record of Series A Non-Voting Preferred Stock are entitled to vote until certificates formerly representing the shares of Series A Non-Voting Preferred Stock that were converted into shares of Series A Voting Preferred Stock are surrendered to the corporation in exchange for certificates for shares of Series A Voting Preferred Stock.

1.3 The Series A Voting Preferred Stock shall rank on a parity as to dividends and distribution of assets upon liquidation with the Series A Non-Voting Preferred Stock as is more fully set forth in Section 2.7 and Section 3.2 hereof, respectively.

1.4 The number of shares of Series A Voting Preferred Stock herein authorized may not be increased, but may be decreased (to a number not less than the sum of the number of shares of Series A Voting Preferred Stock then outstanding and the number of shares reserved for issuance upon conversion of the Series A Non-Voting Preferred Stock) from time to time by resolution of the Board of Directors.

2. Dividend rights.

2.1 The holders of shares of Series A Voting Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors, but only out of funds legally available for payment of dividends, cumulative cash dividends at the annual rate of \$1.75 per share, and no more, payable in equal quarterly installments on the 15th day of March, June, September, and December of each year (each such date hereinafter called a "Dividend Payment Date"). Dividends on each share of Series A Voting Preferred Stock issued upon conversion of shares of Series A Non-Voting Preferred Stock shall accrue and be cumulative from the date of issuance thereof (the date of issuance being the date of conversion of Series A Non-Voting Preferred Stock into such share), and the initial quarterly dividend on such share shall be a pro rata portion of such equal quarterly installment based upon the portion of such quarter during which such share was outstanding and shall be payable (subject to the proviso in Section 1.2 hereof) on the Dividend Payment Date which first follows the date of issuance. Each share of Series A Voting Preferred Stock issued upon conversion of a share of Series A Non-Voting Preferred Stock shall be entitled to receive all accrued and unpaid dividends that exist on such share of Series A Non-Voting Preferred Stock on the date of conversion. Dividends on each share of Series A Voting Preferred Stock issued upon transfer or exchange of outstanding shares of Series A Voting Preferred Stock shall accrue and be cumulative from the Dividend Payment Date which coincides with or next precedes the date of issuance thereof, except that dividends on any share issued after a record date for the determination of holders of Series A Voting Preferred Stock entitled to receive a quarterly dividend

and before the Dividend Payment Date for such quarterly dividend shall accrue and be cumulative from such Dividend Payment Date, and except that dividends on any such share issued while dividends on outstanding shares of Series A Voting Preferred Stock shall be in default shall accrue and be cumulative from the last Dividend Payment Date as of which all dividends then accrued on such shares were paid. Holders of shares of Series A Voting Preferred Stock shall have the right to elect two directors of the corporation as set forth in Section 9 hereof when dividends payable on such shares shall be in default in an amount equivalent to six quarterly dividends.

2.2 Dividends shall cease to accrue on shares of the Series A Voting Preferred Stock that are redeemed pursuant to Section 4 hereof or are converted to the Common Stock pursuant to Section 5 hereof as of the date fixed for such redemption or the date conversion is effected.

2.3 So long as any shares of the Series A Voting Preferred Stock are outstanding, no dividends shall be paid or declared and set apart for payment, nor shall any other distribution be made, on Common Stock or on any other stock junior to the Series A Voting Preferred Stock as to dividends (other than dividends payable in stock junior to the Series A Voting Preferred Stock both as to dividends and distribution upon liquidation) unless dividends on the Series A Voting Preferred Stock for any past quarterly dividend period and for the current quarterly dividend period shall have been paid or declared and set apart for payment.

2.4 So long as any shares of the Series A Voting Preferred Stock are outstanding, no shares of any stock on a parity with or junior to the Series A Voting Preferred Stock shall be purchased, redeemed or otherwise acquired by the corporation or by any subsidiary (except in connection with (a) a re-classification or exchange of any stock junior to the Series A Voting Preferred Stock through the issuance of other stock junior to the Series A Voting Preferred Stock both as to dividend and distribution upon liquidation, or (b) the purchase, redemption or other acquisition of any stock junior to the Series A Voting Preferred Stock with proceeds of a reasonably contemporaneous sale of other stock junior to the Series A Voting Preferred Stock both as to dividends and distribution upon liquidation), nor shall any funds be set aside or made available for any purchase, retirement or sinking fund for the purchase or redemption of any stock on a parity with or junior to the Series A Voting Preferred Stock, unless dividends on the Series A Voting Preferred Stock for any past quarterly dividend period shall have been paid or declared and set apart for payment.

2.5 Subject to the foregoing provisions, such dividends (payable in cash, property or stock junior to the Series A Voting Preferred Stock) as may be determined by the Board of Directors may be declared and paid from time to time on the shares of any stock junior to the Series A Voting Preferred Stock, without any right of participation therein by the holders of Series A Voting Preferred Stock.

2.6 Accrued and unpaid dividends on Series A Voting Preferred Stock shall not bear interest.

2.7 The Series A Voting Preferred Stock shall rank on a parity as to dividends with all other series of Voting Preferred Stock or of any other class of Preferred Stock according to the respective dividend rates fixed for each such series and without preference or priority of any series over any other series of the same or any other class of Preferred Stock. In case dividends for any quarterly dividend period are not paid in full, all shares of Series A Voting Preferred Stock and all shares of any other series of the same or any other class of Preferred Stock ranking as to dividends on a parity with the Series A Voting Preferred Stock shall participate ratably in the payment of dividends for such period in proportion to the full amounts of dividends for such period to which they are respectively entitled.

2.8 For the purposes of this Section 2, (a) the term "subsidiary" means any corporation or business trust, the majority of whose outstanding shares (at the time of determination) having voting power for the election of directors or trustees, either at all times or only so long as no senior class or series of shares has such voting power because of arrearages in the payment of dividends or because of the existence of some default, is owned directly or indirectly by the parent corporation, (b) the

term "stock junior to the Series A Voting Preferred Stock" means, unless otherwise specified, stock junior to the Series A Voting Preferred Stock either as to dividends or as to distribution of assets upon liquidation and (c) the term "stock on a parity with the Series A Voting Preferred Stock" means, unless otherwise specified, stock on a parity with the Series A Voting Preferred Stock either as to dividends or as to distribution of assets upon liquidation.

3. Liquidation rights.

3.1 In the event of any liquidation, dissolution or winding up of the corporation, whether voluntary or involuntary (hereinafter called "Liquidation"), the holders of shares of Series A Voting Preferred Stock then outstanding shall be entitled to be paid out of the assets of the corporation available for distribution to its shareholders an amount equal to \$25.00 per share, plus an amount equal to all accrued dividends thereon unpaid as of the date fixed for the payment in Liquidation, before any distribution shall be made to the holders of Common Stock or any other stock junior to the Series A Voting Preferred Stock as to the distribution of assets upon Liquidation.

3.2 The Series A Voting Preferred Stock shall rank on a parity as to distribution of assets upon Liquidation with all other series of Voting Preferred Stock or of any other class of Preferred Stock according to the respective amounts distributable upon Liquidation fixed for each such series and without preference or priority of any series over any other series of the same or any other class of Preferred Stock. If, upon Liquidation, the corporation's assets are not sufficient to pay in full the amounts so payable to the holders of shares of Series A Voting Preferred Stock and the amounts payable to the holders of shares of any other series or class of Preferred Stock ranking on a parity as to distribution of assets on Liquidation with the Series A Voting Preferred Stock, all shares of Series A Voting Preferred Stock and of such other series and classes of Preferred Stock shall participate ratably in the distribution of assets in proportion to the full amounts to which they are respectively entitled.

3.3 For the purpose of this Section 3, a consolidation or merger of the corporation with any other corporation, or the sale, transfer or lease of all or substantially all of its assets, shall not constitute or be deemed a Liquidation.

4. Optional redemption; sinking fund redemption.

4.1 Shares of Series A Voting Preferred Stock may be redeemed, in whole or in part, at any time on or after July 1, 1981, at the option of the corporation expressed by resolution of the Board of Directors, at the following redemption prices per share, plus in each case an amount equal to dividends accrued to and unpaid as of the date fixed for redemption:

If redeemed during the twelve-month period beginning July 1,

1981	.....	\$26.75
1982	.....	26.40
1983	.....	26.05
1984	.....	25.70
1985	.....	25.35

and on and after July 1, 1986, at \$25.00 per share.

4.2 On or before July 1, 1987, and on or before each July 1 thereafter through and including July 1, 1996 (each such July 1 being hereinafter called a "Sinking Fund Redemption Date") so long as any shares of Series A Voting Preferred Stock shall be outstanding, the corporation shall pay to the transfer agent, or other redemption agent, for the Series A Voting Preferred Stock, or if there be no such agent then the corporation shall set aside, in trust, as and for a sinking fund for the Series A Voting Preferred Stock, a sum (hereinafter called the "Sinking Fund Payment") sufficient in each instance to redeem, at a price equal to \$25.00 per share plus all accrued and unpaid dividends on each

such share, a number of shares of the Series A Voting Preferred Stock equal to the number of such shares shown as outstanding on the books of the corporation on the April 15 prior to such Sinking Fund Redemption Date multiplied by a fraction, the numerator of which fraction shall be one and the denominator of which shall be the number of Sinking Fund Redemption Dates (including the Sinking Fund Redemption Date on which such payment is made) remaining. If any shares of the Series A Voting Preferred Stock called for redemption from the sinking fund shall have been redeemed under the optional redemption provisions of this Section 4 or converted pursuant to Section 5 hereof after such April 15 and before the Sinking Fund Redemption Date, the Sinking Fund Payment shall be reduced by an amount equal to the sinking fund redemption price of such shares, and any moneys which shall have been paid to the transfer agent, or other redemption agent, for purposes of the sinking fund with respect to such optionally redeemed or converted shares shall, at the option of the corporation, be repaid to the corporation upon delivery to such agent of satisfactory evidence of such redemption or conversion or held by such agent for application to the next Sinking Fund Payment.

4.3 On May 1 in each of the years in which a Sinking Fund Payment is due, the corporation shall notify the transfer agent, or other redemption agent, if any, of the amount of the Sinking Fund Payment to be made on the next following Sinking Fund Redemption Date and the number of shares to be redeemed thereon and such agent, or the corporation if there be no such agent, shall thereupon take action to redeem, in accordance with the notice and other provisions of this Section 4, the shares of Series A Voting Preferred Stock to be redeemed on such Sinking Fund Redemption Date. During the continuance of any default by the corporation on any payment required under the provisions of this Section 4, no sum shall be set aside for or applied to the purchase or redemption (pursuant to any applicable sinking fund or redemption provisions or otherwise) of any shares of any class of stock ranking as to dividends or distribution upon Liquidation on a parity with or junior to the Series A Voting Preferred Stock and no dividend shall be declared or paid or any other distribution ordered or made upon any class of stock ranking as to dividends junior to the Series A Voting Preferred Stock (other than a dividend payable in stock junior to the Series A Voting Preferred Stock both as to dividends and distribution upon Liquidation); *provided, however*, that any moneys theretofore deposited in any sinking fund with respect to any stock of the corporation in compliance with the provisions of such sinking fund may thereafter be applied to the purchase or redemption of such stock in accordance with the terms of such sinking fund whether or not at the time of such application such default is continuing under the provisions of this Section 4. In the event that the corporation shall not have funds legally available to make any sinking fund payment, the obligation to make such payment shall be carried forward and fulfilled when such funds are legally available.

4.4 If less than all the outstanding shares of Series A Voting Preferred Stock are to be redeemed pursuant to the optional or sinking fund redemption provisions of this Section 4, the shares to be redeemed shall be selected either by lot or *pro rata* in such manner as may be prescribed by resolution of the Board of Directors.

4.5 Notice to the holders of shares of the Series A Voting Preferred Stock to be redeemed shall be given by (i) mailing to such holders a notice of such redemption, first class, postage prepaid, not less than 30 nor more than 60 days before the date fixed for an optional or sinking fund redemption, at their last addresses as they shall appear upon the books of the corporation and (ii) publishing such notice at least twice in a newspaper printed in the English language and of general circulation in the Borough of Manhattan, in the City and State of New York, the first publication to be not less than 30 nor more than 60 days before the date fixed for an optional or sinking fund redemption. Any notice which is mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the shareholder receives such notice; and failure duly to give such notice by mail, or any defect in such notice, to any shareholder designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of the Series A Voting Preferred Stock. The notice of redemption to each shareholder whose shares of Series A Voting Preferred Stock are to be redeemed shall specify the number of shares of Series A Voting Preferred Stock held by such share-

holder to be redeemed, the date fixed for such optional or sinking fund redemption and the redemption price at which shares of Series A Voting Preferred Stock are to be redeemed, and shall specify where payment of the redemption price is to be made upon surrender of such shares, and shall state that dividends accrued to and unpaid as of the date fixed for redemption will be paid as specified in said notice, that from and after said date dividends thereon will cease to accrue, and that conversion rights of such shares pursuant to Section 5 hereof shall cease and terminate at the close of business on the day immediately preceding the date fixed for redemption.

4.6 On and after the date fixed in any such notice of redemption as the date of redemption (unless default shall be made by the corporation in providing moneys for the payment of the redemption price), (a) all rights as shareholders of the corporation of the holders of shares of the Series A Voting Preferred Stock to be redeemed (including the right of conversion provided in Section 5), except the right to receive the redemption price as herein provided, shall cease and terminate and (b) dividends on the shares of Series A Voting Preferred Stock to be redeemed shall cease to accumulate. At any time on or after the date fixed as aforesaid for such redemption, the respective holders of record of shares of the Series A Voting Preferred Stock to be redeemed shall be entitled to receive the redemption price upon actual delivery to the transfer agent, or redemption agent, or the corporation if there be no such agent, of certificates for the shares to be redeemed, such certificates, if required by the corporation, to be properly stamped for transfer and duly endorsed in blank or accompanied by proper instruments of assignment and transfer thereof duly executed in blank. Any moneys deposited with the transfer agent, or other redemption agent, if any, for the redemption of any shares of Series A Voting Preferred Stock which shall not be claimed after six years from the date fixed for redemption of such shares shall be repaid to the corporation by such agent on demand and thereafter any holder of record of such shares shall look only to the corporation for payment of the redemption price. Such agent shall pay to the corporation from time to time any interest accrued on any such unclaimed deposits.

5. Conversion.

5.1 Each share of Series A Voting Preferred Stock shall be convertible, at the option of the holder thereof, into Common Stock at the conversion rate specified in Section 5.4 hereof, upon the surrender of the certificate for such share at an office or agency of the corporation to be maintained by it for that purpose in the Borough of Manhattan, in the City and State of New York and in such other city or cities as the corporation may determine (hereinafter called "Conversion Agency") accompanied by written notice to the corporation of such election to convert and stating the name or names (with addresses) in which the certificate or certificates for shares of Common Stock issuable on such conversion shall be issued. Each certificate for shares of Series A Voting Preferred Stock surrendered for conversion shall, unless the shares issuable on conversion are to be issued in the same name as the registration of such certificate, be duly endorsed by, or be accompanied by instruments of transfer in form satisfactory to the corporation duly executed by, the holder or his duly authorized attorney.

5.2 As soon as practicable after the receipt of certificates for shares surrendered for conversion accompanied by the notice required by Section 5.1 hereof, the corporation shall issue and shall deliver at a Conversion Agency to the holder of the shares surrendered for conversion, or to such other person or persons as may be named in said required notice, a certificate or certificates for the full number of whole shares of Common Stock to which the holder is entitled as aforesaid, together with a cash adjustment in lieu of any fractional share as provided in Section 5.3 hereof. Such conversion shall be deemed to have been effected on the date on which the Conversion Agency shall have received such certificates for shares of Series A Voting Preferred Stock and such notice, and the person or persons in whose name or names any certificate or certificates for Common Stock shall be issuable upon such conversion shall be deemed to have become on said date the holder or holders of record of the shares represented thereby; *provided, however*, that any such surrender on any date when the Common Stock transfer books of the corporation shall be closed shall not be deemed to constitute notice of the person or persons in whose name or names the certificates for such Common Stock are to be issued as the record holder or holders

thereof for any purpose until the close of business on the next succeeding day on which such transfer books shall be open, but such conversion shall be at the conversion rate in effect on the date of such surrender.

5.3 The corporation shall not be required to issue fractional shares of stock or scrip upon conversion of shares of Series A Voting Preferred Stock. If more than one share of Series A Voting Preferred Stock shall be surrendered for conversion at one time by the same holder, the number of full shares issuable by the corporation upon conversion thereof shall be computed on the basis of the aggregate number of shares of Series A Voting Preferred Stock so surrendered. If any fractional interest in a share of Common Stock would be deliverable upon the conversion of any shares of Series A Voting Preferred Stock, the corporation shall make an adjustment therefor in cash at the current market value thereof computed on the basis of the last reported sale price regular way for shares of Common Stock on the New York Stock Exchange on the last business day before the conversion date, or if there was no reported sale on that day, the mean between the closing bid and asked prices regular way on that Exchange on that day, or if the Common Stock was not listed or admitted to trading on that Exchange on that day, the mean between the lowest bid and the highest asked quotations in the over-the-counter market on that day.

5.4 Each share of Series A Voting Preferred Stock shall initially be convertible into .925 share of Common Stock, but such conversion rate shall be subject to adjustment (which shall be made to the nearest .001) from time to time on and after July 1, 1976 (whether or not any shares of Series A Voting Preferred Stock shall be issued outstanding at the time of any such adjustment) as below set forth:

(a) If the corporation shall pay to the holders of Common Stock a dividend in shares of Common Stock or securities convertible into Common Stock, the conversion rate in effect immediately prior to the record date for such dividend shall be adjusted so that, as so adjusted, it shall bear the same relation to the conversion rate in effect immediately prior to such record date as the total number of shares of Common Stock outstanding immediately prior to such record date plus the number of shares of Common Stock payable as such dividend or upon conversion of such securities bears to the total number of shares of Common Stock outstanding immediately prior to such record date, and such adjustment shall be effective as of the opening of business on the day next following such record date.

(b) If the corporation shall subdivide the outstanding shares of Common Stock into a greater or combine them into a lesser number of shares of Common Stock, the conversion rate in effect immediately prior to the effective date of each such subdivision or combination shall be adjusted so that, as so adjusted, it shall bear the same relation to the conversion rate in effect immediately prior to the effective date of such subdivision or combination as the total number of shares of Common Stock outstanding immediately after such effective date (after giving effect to such subdivision or combination) bears to the total number of shares of Common Stock outstanding immediately prior to such effective date, and such adjustment shall be effective as of the opening of business on the day next following such effective date.

(c) If the corporation shall issue to the holders of its Common Stock rights or warrants to subscribe for or purchase shares of its Common Stock at a price less than the Current Market Price (as defined below in this Section 5.4(c)) of the Common Stock at the record date fixed for the determination of the holders of Common Stock entitled to such rights or warrants, the conversion rate in effect immediately prior to said record date shall be increased, effective at the opening of business on the next following business day, to an amount determined by multiplying such conversion rate by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately prior to said record date plus the number of additional shares of Common Stock offered for subscription or purchase and the denominator of which is said number of shares outstanding immediately prior to said record date plus the number of shares of Common Stock which the aggregate subscription or purchase price of the total number of shares so offered would purchase

at the Current Market Price of the Common Stock at said record date. As used in Sections 5.4(c) and 5.4(d) the term "Current Market Price" at said record date shall mean the average of the daily last reported sale prices regular way for shares of Common Stock on the New York Stock Exchange during the 20 consecutive full business days commencing with the 30th full business day before said record date, or if there was no reported sale on any such day or days, the average of the closing bid and asked prices regular way on that Exchange on that day, or if the Common Stock was not listed or admitted to trading on that Exchange on any such day or days, the average of the lowest bid and the highest asked quotations in the over-the-counter market on that day.

(d) If the corporation shall distribute to the holders of Common Stock any evidences of its indebtedness, or any rights or warrants to subscribe for any security other than Common Stock, or any other assets (excluding dividends and distributions in cash to the extent permitted by law and dividends of securities convertible into Common Stock), the conversion rate in effect immediately prior to the record date fixed for the determination of the holders of Common Stock entitled to such distribution shall be increased, effective at the opening of business on the next following business day, to an amount determined by multiplying such conversion rate by a fraction, the numerator of which is the Current Market Price (as defined in Section 5.4(c) hereof) of the Common Stock at said record date and the denominator of which is such Current Market Price less the fair market value (as determined by the Board of Directors, whose determination, in the absence of fraud, shall be conclusive) of the amount of evidences of indebtedness, rights, warrants or other assets (excluding cash dividends and distributions as aforesaid) so distributed which is applicable to one share of Common Stock.

(e) Anything in this Section 5.4 to the contrary notwithstanding, the corporation shall not be required to make any adjustment of the conversion rate unless it would require an increase or decrease of at least 1% in such rate; *provided, however*, that any adjustments which by reason of this Section 5.4(e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment.

(f) Whenever the conversion rate shall be adjusted as required by the provisions of this Section 5.4, the corporation shall forthwith (i) file with each Conversion Agency a statement showing the adjusted conversion rate determined as provided in this Section 5.4 and setting forth in reasonable detail the facts requiring the adjustment of the conversion rate and the manner of computing such adjustment; and (ii) cause a notice setting forth the adjusted conversion rate to be mailed to each record holder of Series A Voting Preferred Stock at his address appearing on the records of the corporation.

5.5 In case of any capital reorganization, reclassification or change of the Common Stock (including any such reorganization, reclassification or change in connection with a consolidation or merger in which the corporation is the continuing corporation), of any consolidation of the corporation with, or merger of the corporation with or into, any other corporation (other than a consolidation or merger in which the corporation is the continuing corporation), or of any sale of the properties and assets of the corporation as, or substantially as, an entirety to any other corporation, the holder of each share of Series A Voting Preferred Stock then outstanding shall thereafter have the right to convert such share into the kind and amount of shares of stock or other securities or property receivable upon such reorganization, reclassification, change, consolidation, merger or sale by a holder of the number of shares of Common Stock into which such share of Series A Voting Preferred Stock was convertible immediately prior thereto. The instrument effecting or providing for such reorganization, reclassification, change, consolidation, merger or sale shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 5, and the provisions of this Section 5.5 shall similarly apply to successive reorganizations, reclassifications, changes, consolidations, mergers or sales.

5.6 If any date shall be fixed by the corporation as the date as of which holders of Common Stock shall be entitled to receive any dividend or any distribution upon the Common Stock, other than a dividend payable in cash or in Common Stock or in securities convertible into Common Stock or a distribution resulting from a subdivision of the Common Stock, or if the corporation shall effect any reorganization, reclassification, change, consolidation, merger or sale of assets contemplated by Section 5.5 hereof, the corporation shall cause notice thereof to be mailed to each Conversion Agency and to each record holder of Series A Voting Preferred Stock, at his address appearing on the records of the corporation, at least 20 days prior to the date as of which holders of Common Stock who shall participate in such dividend or distribution are to be determined, or the date as of which it is expected that holders of Common Stock who shall be entitled to exchange their Common Stock for the shares of stock or other securities or property deliverable upon such reorganization, reclassification, change, consolidation, merger or sale of assets are to be determined. Failure to give such notice, or any defect therein, shall not affect the legality or validity of any such dividend, distribution, reorganization, reclassification, change, consolidation, merger or sale.

5.7 The issue of stock certificates on conversions of Series A Voting Preferred Stock shall be made without charge to the converting holder for any tax in respect of the issue thereof. The corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of stock certificates in any name other than that of the holder of shares of Series A Voting Preferred Stock converted, and the corporation shall not be required to issue or deliver any such stock certificate unless and until the person or persons requesting the issue thereof shall have paid to the corporation the amount of such tax or shall have established to the satisfaction of the corporation that such tax has been paid.

5.8 The corporation shall at all times reserve and keep available, free from preemptive rights, out of its authorized but unissued shares of Common Stock, or its issued but not outstanding shares of Common Stock held in its treasury, for the purpose of effecting the conversion of the outstanding shares of Series A Voting Preferred Stock, the full number of shares of Common Stock then deliverable upon the conversion thereof. All shares which may be issued upon conversion of Series A Voting Preferred Stock will upon issue be fully paid and non-assessable by the corporation and free from all taxes, liens and charges with respect to the issue thereof.

6. Status of Series A Voting Preferred Stock redeemed or converted.

Shares of Series A Voting Preferred Stock redeemed for cash or converted into shares of any other class or series shall be deemed to be cancelled and, upon the filing of a statement of cancellation or other document required by law, shall be deemed to be authorized but unissued shares of Voting Preferred Stock undesignated as to series.

7. Voting Rights.

Except as set forth in the proviso contained in Section 1.2 and as provided in Section 9 hereof, each outstanding share of Series A Voting Preferred Stock shall be entitled to one vote on each matter submitted to a vote at a meeting of shareholders, and votes of the Series A Voting Preferred Stock shall be counted together with those of any other shares of capital stock having general voting powers, and not separately as a class or group, except as otherwise required by law or provided by the Articles of Incorporation or this resolution.

8. Restrictions on certain actions affecting Series A Voting Preferred Stock.

8.1 So long as any shares of Series A Voting Preferred Stock are outstanding, the corporation will not create, or increase the authorized amount of, any class of shares ranking, as to dividends or assets, prior to the Series A Voting Preferred Stock without the affirmative approval of the holders of

at least two-thirds of the Voting Preferred Stock present and voting at a meeting, acting as a single class without regard to series.

8.2 So long as any shares of Series A Voting Preferred Stock are outstanding, the corporation will not create, or increase the authorized amount of, any class of shares ranking, as to dividends or assets, on a parity with the Series A Voting Preferred Stock without the affirmative approval of the holders of at least a majority of the Voting Preferred Stock present and voting at a meeting, acting as a single class without regard to series.

9. Election of directors by holders of Voting Preferred Stock and Non-Voting Preferred Stock in event of non-payment of Dividends.

9.1 In the event that at any time, or from time to time, dividends payable on any share of Preferred Stock shall be in default in an amount equivalent to six quarterly dividends, and thereafter until all dividends on shares of Preferred Stock in default have been paid, the holders of outstanding shares of Voting Preferred Stock and the holders of outstanding shares of Non-Voting Preferred Stock, voting as one class, shall have the right to elect at each annual meeting of shareholders two directors of the corporation. Upon payment of such dividends theretofore in default, all voting rights as a class provided for under this Section 9 shall be divested from the Voting Preferred Stock and Non-Voting Preferred Stock (subject, however, to being at any time or from time to time similarly revived if payments of dividends for subsequent quarterly periods as specified above in this Section 9.1 shall be in default).

9.2 At any annual meeting at which the holders of the Voting Preferred Stock and the holders of the Non-Voting Preferred Stock shall be entitled to vote as a class for the election of such two directors as above provided, the holders of one-third of the aggregate number of shares of the Voting Preferred Stock and the Non-Voting Preferred Stock then outstanding present in person or by proxy shall constitute a quorum for the election of such two directors and for no other purpose. Each holder of Voting Preferred Stock and each holder of Non-Voting Preferred Stock entitled to vote for such directors shall have the right to vote the number of shares owned by him for two candidates or to cumulate his votes by giving one candidate a number of votes equal to two multiplied by the number of his shares, or by distributing such votes on the same principle among any number of candidates. The two candidates having the greatest number of votes shall be elected directors. The number of directors elected other than by Voting Preferred Stock and Non-Voting Preferred Stock voting as a class shall be at least two less than the maximum number of directors permitted by the Articles of Incorporation. The persons so elected as directors by the holders of Voting Preferred Stock and Non-Voting Preferred Stock shall hold office until the next annual meeting of shareholders and until their successors shall have been elected by such holders or until the right of such holders to vote as a class in the election of directors shall be divested as provided in Section 9.1 hereof. Upon divestment of the right to elect directors as above provided, any directors so elected shall forthwith cease to be directors of the corporation, and the vacancies created thereby shall be filled by the remaining directors.

9.3 At any such meeting or any adjournment thereof, (a) the absence of a quorum of the holders of Voting Preferred Stock and the holders of Non-Voting Preferred Stock shall not prevent the election of the directors other than those to be elected by such holders voting as a class, and the absence of a quorum of holders of the shares entitled to vote for directors other than those to be elected by the holders of Voting Preferred Stock and the holders of Non-Voting Preferred Stock voting as a class shall not prevent the election of the directors to be elected by the holders of Voting Preferred Stock and the holders of Non-Voting Preferred Stock voting as a class, and (b) in the absence of a quorum of the holders of Voting Preferred Stock and the holders of Non-Voting Preferred Stock, the holders of a majority of such stock present in person or by proxy shall have power to adjourn from time to time the meeting for the election of the directors which they are entitled to elect voting as a class without notice other than announcement at the meeting, until a quorum shall be present, and in the absence of a quorum of the holders of the shares entitled to vote for directors other than those elected by the holders of

Voting Preferred Stock and the holders of Non-Voting Preferred Stock voting as a class, the holders of a majority of such stock present in person or by proxy shall have power to adjourn from time to time the meeting for the election of the directors which they are entitled to elect, without notice other than announcement at the meeting, until a quorum shall be present.

9.4 During any period in which the holders of Voting Preferred Stock and the holders of Non-Voting Preferred Stock voting as a class have the right to elect two directors of the corporation, such holders shall not have the right to vote with respect to the election of any other directors of the corporation.

CERTIFICATE OF SECRETARY

OF

THE ANACONDA COMPANY

I, Richard B. Steinmetz, Jr., Secretary of The Anaconda Company, a corporation organized and existing under the laws of the State of Montana, hereby certify that the Agreement and Plan of Merger dated July 26, 1976 to which this certificate is attached was submitted to the stockholders of said corporation at a meeting thereof duly called and held in accordance with the Business Corporation Act of the State of Montana on *October 20 and / November 1*, 1976, and at said meeting said Agreement and Plan of Merger was approved and adopted by the affirmative votes of holders of two thirds of the outstanding shares of capital stock entitled to vote thereon.

WITNESS my hand this *1st* day of *November*, 1976.


Richard B. Steinmetz, Jr.
Secretary

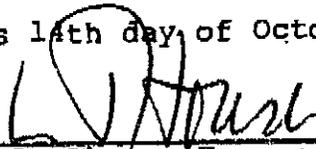
[Corporate Seal]



CERTIFICATE OF SECRETARY
OF
ANACONDA DELAWARE CORPORATION

I, L. Thomas Houser, Secretary of Anaconda Delaware Corporation, a corporation organized and existing under the laws of the State of Delaware, hereby certify that, pursuant to Section 228 of the General Corporation Law of the State of Delaware, the Agreement and Plan of Merger dated July 26, 1976 to which this certificate is attached was approved and adopted on October 14th, 1976 by the unanimous consent in writing of the sole holder of all the outstanding shares of capital stock of said corporation.

WITNESS my hand this 14th day of October , 1976.



L. Thomas Houser
Secretary

[Corporate Seal]

The foregoing Agreement and Plan of Merger dated July 26, 1976, having been duly executed on behalf of each corporate party thereto, and having been duly adopted separately by each corporate party thereto, in accordance with the General Corporation Law of the State of Delaware and the Business Corporation Act of the State of Montana, and that fact having been certified on said Agreement and Plan of Merger by the Secretary of each corporate party thereto, the President of each corporate party thereto does now hereby execute said Agreement and Plan of Merger and the Secretary of each corporate party thereto does now hereby attest said Agreement and Plan of Merger, as the act, deed and agreement of such corporation, on this 1st day of November, 1976.

Attest:


Richard B. Steinmetz, Jr.
Secretary

THE ANACONDA COMPANY

By 
John B.M. Place
President

Attest:


L. Thomas Houser
Secretary

ANACONDA DELAWARE CORPORATION

By 
William D. Miller
President

FILED

DEC 24 1981

Alan C. Keaton 11 AM
SECRETARY OF STATE

CERTIFICATE OF OWNERSHIP AND MERGER

MERGING

THE ANACONDA COMPANY

INTO

ATLANTIC RICHFIELD COMPANY

(Pursuant to Section 253 of the General
Corporation Law of the State of Delaware)

ATLANTIC RICHFIELD COMPANY, a Pennsylvania corporation
(hereinafter called "the Company"),

DOES HEREBY CERTIFY THAT:

FIRST: The Company was organized and exists under
the laws of the Commonwealth of Pennsylvania and is subject
to the Business Corporation Law of the Commonwealth of
Pennsylvania, the provisions of which permit the merger of
a subsidiary corporation of another state into a parent
corporation organized and existing under the laws of the
Commonwealth of Pennsylvania.

SECOND: The Company owns all the outstanding shares
of The Anaconda Company, a corporation organized and existing
under the laws of the State of Delaware.

THIRD: The Company, by the following resolution of
its Board of Directors, duly adopted at a meeting held on
October 26, 1981, determined to merge into itself The Anaconda
Company (which merger is intended to constitute a liquidation
as described in Section 332 of the Internal Revenue Code of 1954,
as amended) effective on December 31, 1981:

RESOLVED, That Atlantic Richfield Company, pursuant to Section 253 of the General Corporation Law of the State of Delaware and Sections 901 and 902.1 of the Business Corporation Law of the Commonwealth of Pennsylvania, merge into itself, effective on December 31, 1981, The Anaconda Company, a Delaware corporation, and as a condition of such merger hereby assumes, as of such date, all the obligations of the said corporation.

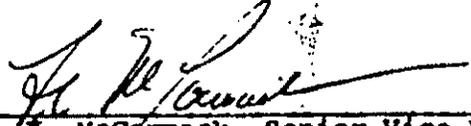
FOURTH: The Company agrees that it may be served with process in the State of Delaware in any proceeding for enforcement of any obligation of The Anaconda Company as well as for enforcement of any obligation of the Company arising from the merger, and it does hereby irrevocably appoint the Secretary of State of the State of Delaware as its agent to accept service of process in any such proceeding.

The address to which a copy of such process shall be mailed by the Secretary of State is 515 South Flower Street, Los Angeles, California 90071, until the Company shall have hereafter designated in writing to the Secretary of State a different address for such purpose. Service of such process may be made by personally delivering to and leaving with the Secretary of State duplicate copies of such process, one of which copies the Secretary of State shall forthwith send by registered mail to the Company at the most recent address designated hereunder.

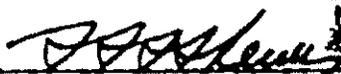
IN WITNESS WHEREOF, Atlantic Richfield Company has caused its corporate seal to be affixed and this certificate

to be signed by F. X. McCormack, its Senior Vice President,
and by H. H. Lewis, its Secretary this 17th day of December,
1981.

ATLANTIC RICHFIELD COMPANY

BY 
F. X. McCormack, Senior Vice President

ATTEST

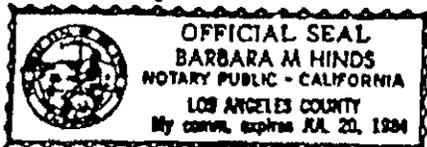
BY 
H. H. Lewis, Secretary



STATE OF CALIFORNIA)
 : SS.:
COUNTY OF LOS ANGELES)

BE IT REMEMBERED that on this 17th day of December, 1981, personally came before me, Barbara M. Hinds, a Notary Public in and for the County and State aforesaid, F. X. McCormack a Senior Vice President of Atlantic Richfield Company, a Pennsylvania corporation, being the corporation described in and which executed the foregoing certificate, known to me personally to be such, and he, the said F. X. McCormack as such Senior Vice President, duly acknowledged the said certificate to be the act and deed of said corporation and the facts stated therein to be true.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office the day and year aforesaid.



Barbara M. Hinds



Certificate of Ownership of the "ATLANTIC RICHFIELD COMPANY",
a corporation organized and existing under the laws of the Commonwealth of
~~District of~~ Pennsylvania,
merging "THE ANACONDA COMPANY",
a corporation organized and existing under the laws of the State of Delaware,
pursuant to Section 253 of the General Corporation Law of the State of Delaware,
as received and filed in this office the twenty-fourth day of December,
A.D. 1981, at 11 o'clock A. M.

And I do hereby further certify that the aforesaid Corporation
shall be governed by the laws of the ~~State of~~ Commonwealth of Pennsylvania.

Ericsson, Inc.

PURCHASE AND SALE AGREEMENT

PURCHASE AND SALE AGREEMENT dated November 19, 1985 by and between TELEFONAKTIEBOLAGET L M ERICSSON, a Swedish corporation ("Ericsson"), and ATLANTIC RICHFIELD COMPANY, a Delaware corporation ("Atlantic Richfield").

Recitals. Pursuant to an Amended Purchase and Sale Agreement dated July 25, 1980 (the "1980 Agreement") among Ericsson, Atlantic Richfield Company, a Pennsylvania corporation ("Old Atlantic") (to which Atlantic Richfield is the successor by merger), The Anaconda Company, a Delaware corporation ("Anaconda") (to which Atlantic Richfield is successor by merger), and Anaconda-Holdings Inc., a Delaware corporation, (i) Ericsson and Anaconda contributed assets to Anaconda-Holdings Inc. and changed its name to Anaconda-Ericsson Inc. (now named "Ericsson, Inc.") ("Ericsson U.S.") which is fifty percent (50%) owned by each of Ericsson and Atlantic Richfield and (ii) Ericsson, Old Atlantic and Ericsson U.S. entered into the Anaconda-Ericsson Stockholders' Agreement dated as of July 28, 1980 (the "Stockholders' Agreement"). ARCO Information Systems, Inc., a Delaware corporation ("Systems") and a wholly-owned subsidiary of Atlantic Richfield, Ericsson North America Inc., a Delaware corporation ("Ericsson N.A.") and a wholly-owned subsidiary of Ericsson, and Ericsson U.S., as general partners, formed Ericsson Information Systems ("Systems Partnership") and Continental Wire & Cable ("Continental Partnership"), each a Delaware general partnership (collectively, the "Partnerships"). Ericsson desires to purchase and Atlantic Richfield desires to sell to Ericsson all of the capital stock of Ericsson U.S. now owned by Atlantic Richfield and they desire to exchange the New Ericsson U.S. Note referred to below for the Old Ericsson U.S. Note referred to below and to cause Systems to convey its interests in the Partnerships to Ericsson U.S. and Ericsson desires to guarantee payment of the New Ericsson U.S. Note pursuant to the Undertaking referred to below, all on the terms of this Agreement.

Agreement. Ericsson and Atlantic Richfield hereby agree as follows:

1. **Closing Date.** The "Closing Date" under this Agreement shall be November 19, 1985, or such other date not later than December 31, 1985 which the parties shall select. The Closing shall be held at the offices of Atlantic Richfield, 717 Fifth Ave., New York, N.Y. commencing at 10:00 a.m. on the Closing Date. This Agreement will be finally consummated not earlier than December 31, 1985, upon the consummation of the Escrow Agreement referred to below.
2. **Transactions on the Closing Date.** On or prior to the Closing Date, the following transactions shall take place:
 - a.) **Escrow Agreement.** Ericsson, Atlantic Richfield and the Escrow Agent named herein (the "Escrow Agent"), shall execute and deliver the Escrow Agreement (the "Escrow Agreement") in substantially the form of Exhibit A hereto.
 - b.) **Ericsson Note.** Ericsson shall execute and deliver to the Escrow Agent the Ericsson Note (the "Ericsson Note") referred to in the Escrow Agreement.
 - c.) **Systems Partnership Interests.** Atlantic Richfield shall cause Systems to sell and assign to Ericsson U.S. all of Systems' right, title and interest in and to general partnership interests in the Partnerships and Systems, Ericsson U.S. and Ericsson N.A. will execute and deliver the Document of Sale and Agreement (the "Document of Sale") in substantially the form of Exhibit B hereto.

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- d.) Exchange of Ericsson U.S. Notes. Atlantic Richfield shall deliver to Ericsson U.S. the promissory note of Ericsson U.S. (the "Old Ericsson U.S. Note") payable to Atlantic Richfield in the principal amount of \$35,358,000, (of which \$18,358,000 is outstanding and unpaid on the date hereof) marked "Cancelled and Paid in Full", against (i) payment to Atlantic Richfield of \$87,200.50 representing interest accrued and unpaid on the Old Ericsson U.S. Note to but excluding the Closing Date and (ii) the execution and delivery by Ericsson U.S. to Atlantic Richfield of its promissory note (the "New Ericsson U.S. Note") in substantially the form of Exhibit C hereto.
- e.) Letter of Awareness and Undertaking. Ericsson shall execute and deliver to Atlantic Richfield a Letter of Awareness in substantially the form of Exhibit D-1 hereto and the Undertaking (the "Undertaking") substantially in the form of Exhibit D-2 hereto.
- f.) Termination of Stockholders' Agreement. Ericsson, Ericsson U.S. and Atlantic Richfield shall execute and deliver the Termination Agreement (the "Termination Agreement") in substantially the form of Exhibit E hereto, terminating the Stockholders' Agreement.
- g.) Capital Contribution. Atlantic Richfield, subsequent to October 1, 1985, shall have made or caused to be made a contribution to the capital of Systems in the amount of \$10 million (\$10,000,000.00) and shall have caused Systems to contribute a like sum to the Systems Partnership, which shall be in full discharge of all of Systems' obligations under the agreements pursuant to which the Partnerships were formed.
- h.) Litigation Agreement. Ericsson, Ericsson U.S. and Atlantic Richfield shall have executed and delivered the Supplemental Agreement Concerning Litigation (the "Litigation Agreement") in substantially the form of Exhibit J hereto.

3. Consideration for Ericsson U.S. Stock. The Ericsson Note shall be full and complete consideration for the purchase by Ericsson of Atlantic Richfield's right, title and interest in and to the Ericsson U.S. Stock (as defined in the Escrow Agreement).

4. Representations and Warranties of Atlantic Richfield. Atlantic Richfield hereby represents and warrants to Ericsson that the representations and warranties set forth in Exhibit F hereto are true and correct on the date hereof as if made on such date.

5. Representations and Warranties of Ericsson. Ericsson hereby represents and warrants to Atlantic Richfield that the representations and warranties set forth in Exhibit G hereto are true and correct on the date hereof as if made on such date.

6. Conditions Precedent to the Obligations of Atlantic Richfield. The obligations of Atlantic Richfield under this Agreement are subject to the satisfaction, prior to or on the Closing Date, of each of the following conditions precedent, unless waived by Atlantic Richfield pursuant to Section 8 hereof:

a) Representations, etc.; Ericsson Certificate. All representations and warranties made herein by Ericsson shall be true and correct in all material respects on the date hereof and on and as of the Closing Date as if made on and as of such Date; Ericsson shall have performed in all material respects all obligations and agreements undertaken by it herein to be performed on or prior to the Closing Date; and Atlantic Richfield shall have received from Ericsson a certificate dated the Closing Date to the effect of Exhibit G hereto.

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b) Transactions at Closing. Each of the transactions referred to in paragraph 2 shall have occurred on or prior to the Closing Date.

c) Opinion of Counsel with Respect to Ericsson. Atlantic Richfield shall have received from the General Counsel of Ericsson an opinion dated the Closing Date substantially in the form of Exhibit H hereto.

d) Litigation. There shall not be any pending or threatened litigation, proceeding or governmental investigation seeking to restrain, prevent or enjoin the transactions contemplated hereby or by the Escrow Agreement or change the terms of such transactions or obtain damages in connection therewith or terminate this Agreement or the Escrow Agreement which makes it impractical or inadvisable in the opinion of Atlantic Richfield to proceed with the consummation of such transactions.

e) Regulatory Authorizations. Except for approvals, authorizations or consents pursuant to the Undertaking, all required approvals, authorizations and consents of Swedish and United States federal, state and local governmental authorities in respect of this Agreement or the Escrow Agreement and the consummation of the transactions contemplated hereby or by the Escrow Agreement shall have been duly obtained.

f) Validity of Transactions. All legal and other proceedings or matters in connection with the transactions contemplated hereby or by the Escrow Agreement, and all opinions, certificates and other instruments incident to such transactions, shall be satisfactory, in form and substance, to Atlantic Richfield and its counsel.

7. Conditions Precedent to the Obligations of Ericsson. The obligations of Ericsson hereunder are subject to the satisfaction, prior to or on the Closing Date, of the following conditions precedent, unless waived by Ericsson pursuant to Section 8 hereof:

a) Representations, etc.; Atlantic Richfield Certificate. All representations and warranties made herein by Atlantic Richfield shall be true and correct in all material respects on the date hereof and on and as of the Closing Date as if made on and as of such Date; Atlantic Richfield shall have performed in all material respects all obligations and agreements undertaken by it herein to be performed on or prior to the Closing Date; and Ericsson shall have received from an officer of Atlantic Richfield a certificate dated the Closing Date to the effect of Exhibit F hereto.

b) Transactions at Closing. Each of the transactions referred to in Paragraph 2 shall have occurred on or prior to the Closing Date.

c) Opinion of Counsel with Respect to Atlantic Richfield. Ericsson shall have received from Robert M. Shea, Esq., an Associate General Counsel of Atlantic Richfield, an opinion dated the Closing Date, substantially in the form set forth as Exhibit I hereto.

d) Litigation. There shall not be any pending or threatened litigation, proceeding or governmental investigation seeking to restrain, prevent or enjoin the transactions contemplated hereby or by the Escrow Agreement or change the terms of such transactions or obtain damages in connection therewith or terminate this Agreement or the Escrow Agreement which makes it impractical or inadvisable in the opinion of Ericsson to proceed with the consummation of such transactions.

e) Regulatory Authorizations. Except for approvals, authorizations or consents pursuant to the Undertaking, all required approvals, authorizations and consents of Swedish and



United States federal, state and local governmental authorities in respect of this Agreement or the Escrow Agreement and the consummation of the transactions contemplated hereby or by the Escrow Agreement shall have been duly obtained.

f) Validity of Transactions. All legal and other proceedings or matters in connection with the transactions contemplated hereby or by the Escrow Agreement, and all opinions, certificates and other instruments incident to such transactions, shall be satisfactory, in form and substance, to Ericsson and its counsel as they shall reasonably require to carry out the provisions of this Agreement.

8. Amendment and Waiver. This Agreement may be amended or modified in whole or in part at any time on or prior to the Closing Date by an instrument in writing executed by the parties. In addition, any party may, at its option, by an instrument in writing executed by it, waive or extend the time for the fulfillment of any or all of the conditions herein contained to which its obligations hereunder are subject.

9. Assignment. This Agreement or any interest herein shall not be assigned, except to the extent expressly provided herein, without the prior written consent of the other party hereto.

10. Notices. Any notice or other communication required or permitted hereunder will be in writing and will be deemed sufficiently given only if delivered in person or sent by cable or telex (confirmed by airmail letter) or by airmail, postage prepaid, addressed as follows:

If to Ericsson:

Telefonaktiebolaget L M Ericsson
Telefonplan, S-126 25
Stockholm, Sweden

Attention: General Counsel

Telex: 854-17440 LMES

If to Atlantic Richfield:

Atlantic Richfield Company
515 South Flower Street
Los Angeles, California 90071

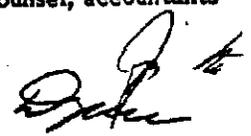
Attention: Treasurer

Telex: 677415 ARCO PLAZA

or to such other address as the party may have specified in a notice duly given to the other party as provided herein. Such notice or communication will be deemed to have been given as of the date so delivered, telexed or mailed.

11. Entire Agreement; Termination of Agreements. This Agreement sets forth the entire and only agreement or understanding between the parties relating to the subject matter hereof and supersedes and cancels all previous agreements, negotiations, commitments and representations in respect thereof between them, and no party shall be bound by any other conditions, definitions, warranties or representations with respect to this Agreement. The purchase and sale of stock provided for by this Agreement shall be governed solely by the provisions of this Agreement and the parties hereto waive (and agree to cause Ericsson U.S. to waive) any other rights any of them (or Ericsson U.S.) may have with respect to the sale or purchase of such stock, including without limitation any rights under the Stockholders' Agreement or the 1980 Agreement. Ericsson and Atlantic Richfield agree to take (and to cause Ericsson U.S. to take) all actions necessary to implement this Agreement and to waive any rights either may have which, if asserted, would interfere with performance under this Agreement.

12. Costs Incident to Agreement. Each party will pay the costs incurred by it incident to the preparation, execution and delivery of this Agreement or the performance of its obligations hereunder, including, without limitation, the fees and disbursements of its counsel, accountants and consultants.



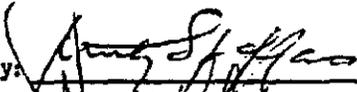
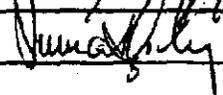
13. Headings. The Section headings in this Agreement are solely for convenience and reference and shall be given no effect in the construction or interpretation of this Agreement.

14. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

15. Governing Law. This Agreement shall be governed by and construed in accordance with the substantive laws of the State of New York without giving effect to its choice of law rules.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers thereunto duly authorized on the date first above written.

TELEFONAKTIEBOLAGET L M ERICSSON

By: 
By: 

ATLANTIC RICHFIELD COMPANY

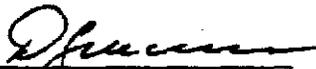
By: 
D. G. McNair
Vice President

EXHIBIT A

ESCROW AGREEMENT

ESCROW AGREEMENT, dated November 19, 1985, by and among TELEFONAKTIEBOLAGET L M ERICSSON, a Swedish corporation ("Ericsson"), ATLANTIC RICHFIELD COMPANY, a Delaware corporation ("Atlantic Richfield"), and THE CHASE MANHATTAN BANK, N.A., a national banking association, as Escrow Agent (the "Escrow Agent").

Ericsson, Atlantic Richfield and the Escrow Agent hereby agree as follows:

1. Escrow of Ericsson Note. On the date hereof, Ericsson is delivering to the Escrow Agent its promissory note (the "Ericsson Note") in the principal amount of \$42 million and in the form of Exhibit A to this Agreement, payable to Atlantic Richfield, duly executed by Ericsson and in all respects prepared for final delivery to Atlantic Richfield.
2. Escrow Closing. On December 31, 1985 after the close of business or any date thereafter not later than January 31, 1986 designated by Atlantic Richfield and Ericsson by not less than 5 days notice to the Escrow Agent (the "Escrow Closing Date"), the Escrow Agent shall deliver the Ericsson Note to Atlantic Richfield at its address set forth in paragraph 6 below (or to such other address as Atlantic Richfield shall request in writing), but only upon the delivery by Atlantic Richfield to the Escrow Agent of:
 - a.) Share certificates, duly endorsed for transfer by Atlantic Richfield, representing 188 shares of the common stock (the "Ericsson U.S. Stock") of Ericsson, Inc., a Delaware corporation, now owned by Atlantic Richfield;
 - b.) A duly executed Officer's Certificate of Atlantic Richfield in substantially the form of Exhibit B to this Agreement; and
 - c.) A duly executed opinion of counsel to Atlantic Richfield in substantially the form of Exhibit C to this Agreement.

Upon receipt of the Ericsson U.S. Stock, said Officer's Certificate and said opinion of counsel, the Escrow Agent shall deliver the same to Ericsson at its address set forth in paragraph 6 below (or to such other address as Ericsson shall request in writing), whereupon this Escrow Agreement shall terminate.

3. Termination of Escrow Agreement. This Escrow Agreement and escrow hereby created shall terminate upon the earlier to occur of (i) the Escrow Closing Date and compliance with all the conditions set forth in paragraph 2 hereof; or (ii) 5:00 p.m. on January 31, 1986. If the Escrow Closing Date shall not have occurred, or said conditions been satisfied, on or before such time on January 31, 1986, the Escrow Agent shall redeliver the Ericsson Note to Ericsson and this Agreement shall forthwith terminate.
4. Irrevocable Escrow; Amendment. The escrow hereby created shall be irrevocable. This Agreement may be amended only by a writing signed by all parties hereto.
5. About The Escrow Agent. Ericsson and Atlantic Richfield agree with the Escrow Agent as follows:
 - a.) The Escrow Agent shall not be bound in any way by any agreement or contract between Ericsson and Atlantic Richfield (whether or not the Escrow Agent has

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knowledge thereof), and the Escrow Agent's only duties and responsibilities shall be to hold the Ericsson Note and to dispose of it in accordance with terms of this Agreement.

- b.) Ericsson and Atlantic Richfield have satisfied themselves as to the authority of any persons signing this Agreement in a representative capacity. Should it be necessary for the Escrow Agent to accept or act upon any instructions, directions, documents or instruments signed or issued by or on behalf of any corporation, partnership, trade-name, fiduciary or individual, it shall not be necessary for the Escrow Agent to inquire into the authority of the signer(s).
- c.) This Agreement may be altered or amended only with the written consent of Ericsson, Atlantic Richfield and the Escrow Agent. Should Ericsson and Atlantic Richfield attempt to change this Agreement in a manner which, in the Escrow Agent's sole discretion, the Escrow Agent deems undesirable, the Escrow Agent may resign as Escrow Agent by notifying Ericsson and Atlantic Richfield in writing; otherwise, the Escrow Agent may resign as Escrow Agent at any time upon 30 days' prior written notice to Ericsson and Atlantic Richfield. Ericsson and Atlantic Richfield may remove the Escrow Agent as Escrow Agent at any time upon 30 days' prior written notice to the Escrow Agent. In the case of the Escrow Agent's resignation, the Escrow Agent's only duty, until a successor Escrow Agent shall have been appointed and shall have accepted such appointment, shall be to hold and dispose of the Ericsson Note in accordance with the original provisions contained in this Agreement (but without regard to any notices, requests, instructions or demands received by the Escrow Agent from either or both of Ericsson and Atlantic Richfield after the Escrow Agent's notice of resignation shall have been given, unless the same shall be a direction by both Ericsson and Atlantic Richfield that the Ericsson Note be delivered out of escrow).
- d.) The Escrow Agent's fees as Escrow Agent shall be as determined by letter agreement with the other parties separate from this Agreement. The Escrow Agent shall also be reimbursed by Ericsson and Atlantic Richfield (which shall be jointly and severally liable therefor) for any reasonable expenses incurred in connection with this Agreement, including but not limited to the actual cost of legal services should the Escrow Agent deem it necessary to retain counsel. The Escrow Agent shall have a first lien on the Ericsson Note for the payment of such fees and expenses.
- e.) The Escrow Agent shall not be liable for any action taken or omitted by it in good faith in accordance with the advice of the Escrow Agent's counsel and in no event shall the Escrow Agent be liable or responsible except for the Escrow Agent's own gross negligence or wilful misconduct. The Escrow Agent shall not be responsible for any loss with respect to or reduction in value of the Ericsson Note.
- f.) Each of Ericsson and Atlantic Richfield warrants to and agrees with the Escrow Agent that, unless otherwise expressly set forth in this Agreement: there is no security interest in the Ericsson Note or any payment thereunder; no financing statement under the Uniform Commercial Code is on file in any jurisdiction claiming a security interest in or describing (whether specifically or generally) the Ericsson Note or any payment thereunder; and the Escrow Agent shall have

no responsibility at any time to ascertain whether or not any security interest exists in the Ericsson Note or any payment thereunder or to file any financing statement under the Uniform Commercial Code with respect to the Ericsson Note or any payment thereunder.

6. **Notices.** Any notice or other communication required or permitted hereunder will be in writing and will be deemed sufficiently given only if delivered in person or sent by cable or telex (confirmed by airmail letter) or by airmail, postage prepaid, addressed as follows:

If to Ericsson:

Telefonaktiebolaget L M Ericsson
Telefonplan, S-126 25
Stockholm, Sweden

Attention: General Counsel

Telex: 854-17440 LMES

If to Atlantic Richfield:

Atlantic Richfield Company
515 South Flower Street
Los Angeles, California 90071

Attention: Treasurer

Telex: 677415 ARCO PLAZA

If to the Escrow Agent:

The Chase Manhattan Bank, N.A.
Trust Department
1211 Avenue of the Americas
New York, N.Y. 10036

Attention: Escrow Division

7. **Headings.** The paragraph headings in this Agreement are solely for convenience and reference and shall be given no effect in the construction or interpretation of this Agreement.
8. **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.
9. **Governing Law; Successors and Assigns.** This Agreement shall be governed by and construed in accordance with the substantive laws of the State of New York without giving effect to its choice of law rules. This Agreement shall be binding upon Ericsson, Atlantic Richfield and the Escrow Agent and their respective successors and assigns; provided that any assignment or transfer by Ericsson or Atlantic Richfield of its rights under this Agreement or with respect to the Ericsson Note shall be void as against the Escrow Agent unless (i) written notice thereof shall be given to the Escrow Agent, (ii) the assignee or

transferee shall agree in writing to be bound by the provisions of this Agreement, and (ii) the Escrow Agent and the other party shall have consented to such assignment or transfer.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers thereunto duly authorized on the date first above written.

TELEFONAKTIEBOLAGET L M ERICSSON

By: _____

By: _____

ATLANTIC RICHFIELD COMPANY

By: _____

**D. G. McNair
Vice President**

**THE CHASE MANHATTAN BANK, N.A.,
as Escrow Agent**

By: _____

**EXHIBIT A
to
ESCROW
AGREEMENT**

This Note has not been registered under the Securities Act of 1933,
as amended, and may be offered or sold only if registered under said Act
or if an exemption from such registration is available.

TELEFONAKTIEBOLAGET L M ERICSSON

Note Due 1992

\$42,000,000

November 19, 1985

Telefonaktiebolaget L M Ericsson, a corporation duly organized and existing under the laws of the Kingdom of Sweden (the "Company"), for value received, hereby promises to pay to Atlantic Richfield Company, a Delaware, U.S.A. corporation ("Atlantic"), or registered assigns, the principal sum of Forty-two million dollars (\$42,000,000) as provided herein on November 19, 1992, and to pay interest on the principal amount from time to time outstanding hereunder from the date hereof, quarterly on the nineteenth day of February, May, August and November in each year (each an "Interest Payment Date"), commencing February 19, 1986, at the base rate per annum from time to time in effect as quoted by Citibank, N.A., New York, N.Y. on 90-day loans to responsible and substantial commercial borrowers (computed on the basis of a 360-day year for the actual number of days involved) until the principal hereof shall have been paid in full. Payment of the principal of and interest on this Note shall be made by wire transfer of same day funds to an account specified in writing to the Company by the holder hereof, in such coin or currency of the United States of America as at the time of payment is legal tender.

The principal amount hereof shall be repaid in 12 equal quarterly installments, unless adjusted for partial prepayments as provided herein, payable on each Interest Payment Date commencing on February 19, 1990.

Prepayment in whole, or one or more prepayments in part, of the principal amount hereof may be made at any time. Partial prepayments shall be applied ratably over all remaining principal payments.

If the Company shall fail to pay any installment of principal or any interest due hereunder or under any other obligation of the Company for money borrowed, the holder hereof may, by notice to the Company, declare the entire principal balance of this Note due and payable, and upon any such declaration such principal, and interest hereon to the date of actual payment thereof, shall be immediately due and payable. No delay by or omission of the holder of this Note to exercise any right or remedy accruing upon any such failure to pay shall impair any such right or remedy or constitute a waiver thereof or an acquiescence therein. Every right and remedy given by this paragraph or by law to such holder may be exercised from time to time, and as often as may be deemed expedient, by such holder.

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ERICSSON08860
Ericsson 0000015045

This Note, and all amounts due hereunder, shall rank pari passu with all other unsecured and unsubordinated debt of the Company.

This Note is transferable by the registered holder hereof, or by its attorney duly authorized in writing, at the principal office of the Company referred to below upon surrender and cancellation of this Note, without payment of any service or other charge except for any tax or other governmental charge required to be paid in connection with such transfer. Upon any such transfer, a new Note or Notes in the same aggregate principal amount as the then remaining unpaid principal amount hereunder and containing the same terms and provisions as this Note, in such principal amount or amounts and in the name of such new registered holder or holders as the transferring registered holder shall request by notice to the Company will be issued in exchange herefor. This Note may be offered or sold only if registered under the United States Securities Act of 1933, as amended, or if an exemption from such registration is available, and the Company may request a confirming legal opinion from counsel for any such transferring holder in connection with any such transfer.

Any notice, demand or other communication required or permitted hereunder will be in writing and will be deemed sufficiently given only if delivered in person or sent by air mail, postage prepaid, addressed as follows:

If to Company:

Telefonaktiebolaget L M Ericsson
Telefonplan, S-126 25
Stockholm, Sweden
Attention: Chief Financial Officer

If to Atlantic:

Atlantic Richfield Company
515 South Flower Street
Los Angeles, California 90017
Attention: Treasurer

or to such other address as the Company or Atlantic, as the case may be, may have specified in a notice duly given to the other as provided herein; and if to any other holder of this Note, at its address appearing on the books of the Company as the result of such a notice. Such notice or other communication will be deemed to have been given as of the date so delivered or mailed.

In case any provision in this Note shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

This Note shall be governed by and construed in accordance with the substantive law of the State of New York, excluding its choice of law rules.

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed this nineteenth day of November, 1985.

Telefonaktiebolaget L M Ericsson

By: _____

By: _____

**EXHIBIT B
to
ESCROW
AGREEMENT**

ATLANTIC RICHFIELD COMPANY

Officer's Certificate

The undersigned hereby certifies that he is a Vice President of Atlantic Richfield Company, a Delaware corporation ("Atlantic Richfield"), that he is providing this Officer's Certificate for the purposes of Section 2 of the Escrow Agreement dated November 19, 1985 (the "Escrow Agreement") between Telefonaktiebolaget L M Ericsson, a Swedish corporation ("Ericsson"), Atlantic Richfield and the Escrow Agent named therein, entered into pursuant to the Purchase and Sale Agreement dated November 19, 1985 (the "Purchase and Sale Agreement") between Ericsson and Atlantic Richfield, and that:

1. **Defined Terms.** Capitalized terms used in this Officer's Certificate which are defined in the Escrow Agreement shall have the same meanings as used herein.

2. **Representations and Warranties.** To his best knowledge and belief, the following representations and warranties are true and correct in all material respects on the date hereof:

a.) **Organization, etc.** Atlantic Richfield is a corporation duly organized and existing in good standing under the laws of the State of Delaware and has corporate power to own its properties and carry on its businesses as presently conducted and is duly qualified to do business and is in good standing as a foreign corporation in all states of the United States in which the ownership of its properties or the conduct of its businesses requires it to be so qualified.

b.) **Authorization; Consents, etc.** The execution, delivery and performance of the Escrow Agreement and the Purchase and Sale Agreement and the performance of the transactions contemplated thereby by Atlantic Richfield have been duly authorized by all necessary corporate action and no authorization, approval, order or consent of any governmental or other person, or waiting period, is required in connection with the execution, delivery or performance of the Escrow Agreement or the Purchase and Sale Agreement by Atlantic Richfield.

c.) **No Breach or Conflict.** Neither the execution, delivery or performance of the Escrow Agreement or the Purchase and Sale Agreement by Atlantic Richfield nor the consummation by Atlantic Richfield of the transactions contemplated thereby will conflict with or result in a breach or violation of or default under the certificate of incorporation or by-laws of such company, or the terms of any indenture or other agreement or instrument to which such company is a party or by which it is bound, or any order or regulation applicable to it of any court, regulatory body, administrative agency, governmental body or arbitration having jurisdiction over such company.

d.) **Valid and Binding.** Assuming the due execution, delivery and performance of the Escrow Agreement and the Purchase and Sale Agreement by the other parties thereto, each such Agreement constitutes the legal, valid and binding obligation of Atlantic Richfield enforceable against it in accordance with its terms.

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Ericsson 0000015047

e.) Ownership of Stock. Atlantic Richfield is the record and beneficial owner of the Ericsson U.S. Stock free of any lien or other encumbrance with full power and authority to sell and transfer the same as provided in the Escrow Agreement and the Purchase and Sale Agreement. Upon the consummation of the transactions contemplated by the Escrow Agreement and the Purchase and Sale Agreement, Ericsson will be the beneficial owner of the Ericsson U.S. Stock free and clear of any lien or other encumbrance incurred or created by Atlantic Richfield.

3. Performance of Agreement. To his best knowledge and belief, Atlantic Richfield has performed in all material respects all obligations and agreements undertaken by it in the Escrow Agreement or the Purchase and Sale Agreement to be performed at or prior to the date hereof.

IN WITNESS WHEREOF, the undersigned being duly authorized on behalf of Atlantic Richfield has set his hand on the * day of *, 1985.

ATLANTIC RICHFIELD COMPANY

By: _____
Vice President

The undersigned hereby certifies that he is the Secretary or an Assistant Secretary of Atlantic Richfield Company, that _____ is a Vice President of that Company and that the foregoing is his genuine signature.

Secretary

ISEALI

* Insert December 31, 1985, or such other date as the Escrow Agreement is closed.

**EXHIBIT C
to
ESCROW
AGREEMENT**

(Letterhead of R. M. Shea)

_____, 1985

Telefonaktiebolaget L M Ericsson
Telefonplan, S-126 25
Stockholm, Sweden

Gentlemen:

I am an Associate General Counsel of Atlantic Richfield Company, a Delaware corporation ("Atlantic Richfield"), and am familiar with the execution and delivery of the Purchase and Sale Agreement, dated November 19, 1985, between Telefonaktiebolaget L M Ericsson, a Swedish corporation ("Ericsson"), and Atlantic Richfield (the "Purchase and Sale Agreement") and the Escrow Agreement, dated November 19, 1985 (the "Escrow Agreement"), by and among Ericsson, Atlantic Richfield and The Chase Manhattan Bank, N.A., as Escrow Agent, and the transfer of 188 shares of the common stock of Ericsson, Inc., a Delaware corporation, by Atlantic Richfield to Ericsson, pursuant to the Purchase and Sale Agreement and the Escrow Agreement. I have acted as counsel to Atlantic Richfield in connection with the Purchase and Sale Agreement and the Escrow Agreement.

In this connection, I have examined such documents and records of corporate proceedings of Atlantic Richfield and have made such other investigations as I have deemed necessary for the purposes of this opinion. On the basis of the foregoing, I am of the opinion that, insofar as the laws of the United States and the State of Delaware are concerned:

- (i) Atlantic Richfield has been duly incorporated and is existing in good standing under the laws of the State of Delaware;
- (ii) each of the Purchase and Sale Agreement and the Escrow Agreement has been duly authorized, executed and delivered by Atlantic Richfield and, assuming the due authorization, execution and delivery thereof by the other parties thereto, constitutes a valid and legally binding agreement of Atlantic Richfield except as enforcement thereof may be limited by bankruptcy, insolvency, or other laws affecting enforcement of creditors' rights or by principles of equity;
- (iii) the execution, delivery and performance by Atlantic Richfield of the Purchase and Sale Agreement and the Escrow Agreement will not result in a conflict with or a breach or violation of or default under the certificate of incorporation or by-laws of Atlantic Richfield or, to my knowledge, any covenant or agreement to which Atlantic Richfield is a party or any judgment, order, decree, law, ordinance, rule or regulation to which Atlantic Richfield is subject; and
- (iv) no authorizations, approvals or consents of United States or Delaware governmental authorities are required for the execution, delivery and performance by Atlantic Richfield of the Purchase and Sale Agreement or the Escrow Agreement.

Very truly yours,

* Insert December 31, 1985 or such other date as the Escrow Agreement closes.

1000216

EXHIBIT B

DOCUMENT OF SALE AND AGREEMENT

ARCO Information Systems, Inc., a Delaware corporation ("Seller"), for \$1.00 and other good and valuable consideration receipt of which is hereby acknowledged, hereby bargains, sells, conveys and assigns to Ericsson, Inc., a Delaware corporation ("Buyer"), all of Seller's right, title and interest in and to Seller's general partnership interests in Ericsson Information Systems and Continental Wire & Cable, each a Delaware general partnership.

This Document of Sale and Agreement shall be construed and enforced in accordance with the laws of the State of Delaware.

Dated: November 19, 1985

ARCO Information Systems, Inc.

By: _____
Name: D.G. McNair

Title: Vice President

The undersigned, each a general partner of each of the aforementioned general partnerships, consents to the foregoing and agrees that each such partnership shall not thereby terminate but shall continue in effect and that Buyer shall succeed to all rights and privileges of Seller as a general partner therein pursuant to the Partnership Agreement under which such partnership was formed.

Dated: November 19, 1985

Ericsson, Inc.,
a Delaware corporation,
as a general partner

By: _____
Name:

Title:

Ericsson North America Inc.,
a Delaware corporation,
as a general partner.

By: _____
Name:

Title:

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ERICSSON08865
Ericsson 0000015050

EXHIBIT C

This Note has not been registered under the Securities Act of 1933, as amended, and may be offered or sold only if registered under said Act or if an exemption from such registration is available

ERICSSON, INC.

Subordinated Note Due November 19, 1992

\$18,358,000

November 19, 1985

Ericsson, Inc., a corporation duly organized and existing under the laws of the State of Delaware (herein called the "Company", which term includes any successor corporation as provided below) (previously named Anaconda-Ericsson Inc.), for value received and in exchange for a release and satisfaction relating to a subordinated note of Anaconda-Ericsson Inc. payable to Atlantic Richfield Company ("Atlantic"), due July 28, 1990 with an outstanding principal amount of \$18,358,000, hereby promises to pay to Atlantic, or registered assigns, the principal sum of Eighteen Million Three Hundred Fifty-Eight Thousand Dollars (\$18,358,000) as provided herein on November 19, 1992, and to pay interest thereon from the date hereof, quarterly on the nineteenth day of February, May, August and November in each year (each an "Interest Payment Date"), and at maturity, commencing February 19, 1986, at the rate per annum (computed on the basis of a 360-day year for the actual number of days involved) determined as provided in Section 1 below, until the principal hereof shall have been paid. The principal amount hereof shall be repaid in 12 equal quarterly installments, unless adjusted for partial prepayments as provided herein, payable on each Interest Payment Date, commencing on February 19, 1990. Prepayment in whole, or one or more prepayments in part, of the principal amount hereof may be made at any time. Partial prepayments shall be applied ratably over all remaining principal payments. Payment of the principal of and interest on this Note shall be made by wire transfer of same day funds to an account designated to the Company in writing, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

1. RATE OF INTEREST.

The rate of interest per annum on this Note from the date hereof until the principal hereof shall have been paid in full shall be equal to the base rate from time to time in effect as quoted by Citibank, N.A., New York, N.Y., on 90-day loans to responsible and substantial commercial borrowers.

2. REMEDIES.

(a) Events of Default.

"Event of Default", wherever used herein, means any one of the following events (whatever the reason for such Event of Default and whether it shall be occasioned by the provisions of Section 5 or be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

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ERICSSON08866

Ericsson 0000015051

(i) default in the payment of any interest upon this Note when it becomes due and payable, and continuance of such default for a period of ten days; or

(ii) default in the payment of the principal of this Note at its Maturity (as defined in Section 6(a)); or

(iii) default in the performance, or breach, of any covenant of the Company in this Note (other than a covenant the default in the performance of which or the breach of which is elsewhere in this Section specifically dealt with), and continuance of such default or breach for a period of 60 days after there has been given to the Company by the Holder (as defined in Section 6(a)) a notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(iv) a default under any bond, debenture, note or other evidence of indebtedness for money borrowed by the Company or under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any indebtedness for money borrowed by the Company, whether such indebtedness now exists or shall hereafter be created, which default shall have resulted in any such indebtedness in principal amount in excess of \$2,000,000 becoming or being declared due and payable prior to the date on which it would otherwise have become due and payable, without such acceleration having been rescinded or annulled, or such indebtedness having been discharged, within a period of 10 days after there shall have been given to the Company by the Holder notice specifying such default and requiring the Company to cause such acceleration to be rescinded or annulled or cause such indebtedness to be discharged and stating that such notice is a "Notice of Default" hereunder; or

(v) the entry of a decree or order by a court having jurisdiction in the premises adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under Federal bankruptcy law or any other applicable Federal or State law, or appointing a receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days; or

(vi) the institution by the Company of proceedings to be adjudicated a bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under Federal bankruptcy law or any other applicable Federal or State law, or the consent by it to the filing of such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequestrator or similar official of the Company or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Company in furtherance of any such action.

(b) Acceleration of Maturity.

If an Event of Default occurs and is continuing, then and in every such case, unless the Event of Default shall have been cured and remedied by the Company, the Holder may declare the principal of this Note to be due and payable immediately, by a notice to the Company, and upon any such declaration such principal shall become immediately due and payable.

(c) Delay or Omission Not Waiver.

No delay or omission of the Holder of this Note to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Section or by law to the Holder may be exercised from time to time, and as often as may be deemed expedient, by such Holder.

3. CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE.

(a) Company May Consolidate, Etc., Only on Certain Terms.

The Company shall not consolidate with or merge into any other corporation or convey, transfer or lease its properties and assets substantially as an entirety to any Person (as defined in Section 6(a)), unless:

(1) the corporation formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer, or which leases, the properties and assets of the Company substantially as an entirety shall be a corporation organized and existing under the laws of the United States of America, any State thereof or the District of Columbia and shall expressly assume, by an instrument, executed and delivered to the Holder, in form reasonably satisfactory to the Holder, the due and punctual payment of the principal of and interest on this Note and the performance of every covenant of this Note on the part of the Company to be performed or observed;

(2) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing; and

(3) the Company has delivered to the Holder a certificate stating that such consolidation, merger, conveyance, transfer or lease and such instrument comply with this Section and that all conditions precedent herein provided for relating to such transaction have been complied with.

(b) Successor Corporation Substituted. Upon any consolidation or merger or any conveyance, transfer or lease of the properties and assets of the Company substantially as an entirety in accordance with Section 3(a), the successor corporation formed by such consolidation or into which the Company is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Note with the same effect as if such successor corporation had been named as the Company herein, and thereafter, except in the case of a lease, the predecessor corporation shall be relieved of all obligations and covenants under this Note.

4. COVENANTS.

(a) Payment of Principal and Interest.

The Company will duly and punctually pay the principal of and interest on this Note in accordance with the terms of this Note.

(b) Corporate Existence.

Subject to Section 3, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, rights (charter and statutory) and franchises; provided, however, that the Company shall not be required to preserve any such right or franchise if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company.

(c) Payment of Taxes and Other Claims.

The Company will pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (i) all taxes, assessments and governmental charges levied or imposed upon the Company or any Subsidiary or upon the income, profits or property of the Company or any Subsidiary; and (ii) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien upon the property of the Company or any Subsidiary; provided, however, that the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings.

5. SUBORDINATION OF NOTE.

(a) Note Subordinate to Senior Indebtedness.

The Company, for itself, its successors and assigns, covenants and agrees, and the Holder, by his acceptance thereof, likewise covenants and agrees, that this Note shall be subordinated and subject, to the extent and in the manner herein set forth, in right of payment to the prior payment in full of all Senior Indebtedness (as defined in Section 6(a)). The provisions of this Section are made for the benefit of all holders of Senior Indebtedness, and any such holder may proceed to enforce such provisions.

(b) Payment Over of Proceeds Upon Dissolution, Etc.

No payment on account of principal of or interest on this Note shall be made, and this Note shall not be purchased, either directly or indirectly, by the Company or any of its Subsidiaries, if any event of default with respect to any Senior Indebtedness, permitting the holders thereof (or a trustee on their behalf) to accelerate the maturity thereof, or any event which with the passage of time or the giving of notice or both would constitute such an event of default, shall have occurred and be continuing.

In the event that this Note is declared due and payable before its Stated Maturity (as defined in Section 6(a)) pursuant to Section 2, or upon any payment or distribution of assets of the Company of any kind or character, whether in cash, property, or securities, to creditors upon any dissolution or winding up or total or partial liquidation or reorganization of the Company, whether voluntary or involuntary or in bankruptcy, insolvency, receivership or other proceedings, all principal of and interest due or to become due upon all Senior Indebtedness shall first be paid in full before the Holder shall be entitled to retain any assets (other than shares of stock of the Company as reorganized or readjusted or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment, the payment of which is subordinated, at least to the same extent as this Note, to the payment of all Senior Indebtedness which may at the time be outstanding, provided that the rights of the holders of the Senior Indebtedness are

not altered by such reorganization or readjustment) so paid or distributed in respect of this Note (for principal or interest); and upon any such dissolution or winding up or liquidation or reorganization any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities (other than shares of stock of the Company as reorganized or readjusted or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment, the payment of which is subordinated, at least to the same extent as this Note, to the payment of all Senior Indebtedness which may at the time be outstanding, provided that the rights of the holders of the Senior Indebtedness are not altered by such reorganization or readjustment), to which the Holder would be entitled, except for the provisions of this Section, shall be paid by the Company or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other Person making such payment or distribution, or by the Holder if received by it, direct to the holders of Senior Indebtedness (pro rata to each such holder on the basis of the respective amounts of Senior Indebtedness held by such holder) or their representatives, to the extent necessary to pay all Senior Indebtedness in full, after giving effect to any concurrent payment or distribution to or for the holders of Senior Indebtedness, before any payment or distribution is made to the Holder.

No holder of Senior Indebtedness shall be prejudiced in his right to enforce subordination of this Note by any act or failure to act on the part of the Company.

Subject to the payment in full of all Senior Indebtedness, the Holder shall be subrogated (equally and ratably with the holders of all indebtedness of the Company which, by its express terms, ranks on a parity with this Note and is entitled to like rights of subrogation) to the rights of the holders of Senior Indebtedness to receive payments or distributions of assets of the Company applicable to the Senior Indebtedness until this Note shall be paid in full. For purposes of such subrogation, no payments or distributions on the Senior Indebtedness pursuant to this Section shall, as between the Company, its creditors other than the holders of Senior Indebtedness, and the Holder, be deemed to be a payment by the Company to or on account of the Senior Indebtedness, and no payments or distributions to the Holder of assets by virtue of the subrogation herein provided for shall, as between the Company, its creditors other than the holders of Senior Indebtedness, and the Holder, be deemed to be a payment to or on account of this Note. The provisions of this Section are intended solely for the purpose of defining the relative rights of the Holder, on the one hand, and the holders of Senior Indebtedness, on the other hand, and nothing contained in this Section or elsewhere in this Note is intended to or shall impair the obligation of the Company, which is unconditional and absolute, to pay the principal of and interest on this Note as and when the same shall become due and payable in accordance with its terms, or to affect the relative rights of the Holder and creditors of the Company other than the holders of Senior Indebtedness, nor shall anything herein or therein prevent the Holder from exercising all remedies otherwise permitted by applicable law upon default under this Note, subject to the rights, if any, under this Section, of the holders of Senior Indebtedness in respect of cash, property or securities of the Company otherwise payable or delivered to such Holder upon the exercise of any such remedy.

Upon any payment or distribution pursuant to this Section, the Holder shall be entitled to rely upon any order or decree of a court of competent jurisdiction in which any proceedings of the nature referred to in this Section are pending, and the Holder shall be entitled to rely upon a certificate of the liquidating trustee or agent or other Person making such payment or distribution to the Holder for the purpose of ascertaining the Persons entitled to participate in such payment or distribution, the holders of the Senior Indebtedness and other indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Section.

6. MISCELLANEOUS.

(a) **Definitions.** For all purposes of this Note, except as otherwise expressly provided or unless the context otherwise requires:

(i) the terms defined in this Section have the meanings assigned to them in this Section and include the plural as well as the singular, and

(ii) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Note as a whole and not to any particular Section or other subdivision.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in The City of New York are authorized or obligated by law or executive order to close.

"Company" means the Person named as the "Company" in the first paragraph of this Note until a successor corporation shall have become such pursuant to the applicable provisions of this Note, and thereafter "Company" shall mean such successor corporation.

"Corporation" includes corporations, associations, companies and business trusts.

"Event of Default" has the meaning specified in Section 2(a).

"Holder" means the payee of this Note, or any Person to which such payee has transferred this Note as provided in Section 6(b) hereof, and "registered Holder" means the Person in whose name this Note is registered on the books of the Company.

"Interest Payment Date" means the Stated Maturity of an installment of interest on this Note.

"Maturity" when used with respect to this Note means the date(s) on which the principal of such Note becomes due and payable as herein provided at the Stated Maturity or by declaration of acceleration.

"Officers' Certificate" means a certificate signed by the Chairman of the Board, the President or a Vice President, and by the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary, of the Company and delivered to the Holder.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Senior Indebtedness" means any indebtedness for money borrowed outstanding on the

date of execution and delivery of this Note as originally executed, or thereafter created, incurred or assumed, for the payment of which the Company is at the time of determination responsible or liable as obligor, guarantor or otherwise, other than (i) indebtedness as to which, in the instrument creating or evidencing the same or pursuant to which the same is outstanding, it is provided that such indebtedness is subordinate in right of payment to any other indebtedness of the Company and (ii) indebtedness of the Company in respect of this Note.

"Stated Maturity", when used with respect to this Note or any installment of interest thereon, means the date(s) specified herein as the fixed date(s) on which the principal of this Note or such installment of interest is due and payable.

"Subsidiary" means a corporation more than 50% of the outstanding voting stock of which is owned, directly or indirectly, by the Company or by one or more other Subsidiaries, or by the Company and one or more other Subsidiaries. For the purposes of this definition, "voting stock" means stock which ordinarily has voting power for the election of directors, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

(b) Transfer of Note.

This Note is transferable by the registered Holder hereof or by its attorney duly authorized in writing at the principal office of the Company referred to in Section 6(d) upon surrender and cancellation of this Note, without payment of any service or other charge except for any tax or other governmental charge in connection therewith. Upon any such transfer, a new Note in the same principal amount and containing the same terms and provisions as this Note will be issued to the transferee in exchange herefor. This Note may be offered or sold only if registered under the Securities Act of 1933, as amended, or if an exemption from such registration is available.

(c) Legal Holidays.

In any case where any Interest Payment Date or the Stated Maturity of this Note shall not be a Business Day, then (notwithstanding any other provision of this Note) payment of interest or principal need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the Interest Payment Date or at the Stated Maturity, provided that no interest shall accrue for the period from and after such Interest Payment Date or Stated Maturity, as the case may be.

(d) Notices.

Any notice, demand or other communication required or permitted hereunder will be in writing and will be deemed sufficiently given only if delivered in person or sent by first-class mail or air mail, postage prepaid, addressed as follows:

- (i) If to the Company:
Ericsson, Inc.
730 International Parkway
Richardson, Texas 75081
Attention: The Treasurer

(ii) **If to Atlantic:
Atlantic Richfield Company
515 South Flower Street
Los Angeles, California 90071
Attention: The Treasurer**

or to such other address as the Company or Atlantic, as the case may be, may have specified in a notice duly given to the other as provided herein; and if to any other Holder of this Note, at its address appearing on the books of the Company. Such notice or other communication will be deemed to have been given as of the date so delivered or mailed.

(e) Payments of Principal and Interest.

Payment of the principal of and interest on this Note, if by mail, shall be sent by first class mail or air mail to the address provided to the Company by such Holder.

(f) Separability Clause

In case any provision in this Note shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

(g) Effect of Headings.

The Section headings herein are for convenience only and shall not affect the construction hereof.

(h) Governing Law.

This Note shall be governed by and construed in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed under its corporate seal.

Dated: November 19, 1985

ERICSSON, INC.

By: _____

SEALI

Attest:

EXHIBIT D-2

UNDERTAKING, dated November 19, 1985, by and between TELEFONAKTIEBOLAGET L M ERICSSON, a Swedish corporation ("Ericsson"), and ATLANTIC RICHFIELD COMPANY, a Delaware corporation ("Atlantic Richfield").

A. **Recitals.** Ericsson and Atlantic Richfield are entering into a Purchase and Sale Agreement dated November 19, 1985 pursuant to which Ericsson, among other things, will purchase from Atlantic Richfield shares of the common stock of Ericsson, Inc., a Delaware corporation ("Ericsson U.S."), and Ericsson will cause Ericsson U.S. to issue its promissory note in the principal amount of \$18,358,000 (the "New Ericsson U.S. Note"). Ericsson desires to guarantee payment of the New Ericsson U.S. Note.

B. **Agreement.** Ericsson and Atlantic Richfield hereby agree as follows:

1.) **Guarantee.** On or prior to December 31, 1985, Ericsson shall execute and deliver to Atlantic Richfield at its address set forth in paragraph 4 below Ericsson's Guaranty (the "Guaranty") in substantially the form of Exhibit A to this Undertaking.

2.) **Approvals, etc.** Ericsson shall take all reasonable steps to obtain any approvals, authorizations or consents of Swedish or other governmental or banking authorities that may be required for its execution, delivery and performance of the Guaranty.

3.) **Opinion of Counsel.** At the time of the delivery of the Guaranty to Atlantic Richfield pursuant to paragraph 1 above, Ericsson shall cause its general counsel to deliver his opinion as to the Guaranty in substantially the form of Exhibit B to this Undertaking.

4.) **Notices.** Any notice or other communication required or permitted hereunder will be in writing and will be deemed sufficiently given only if delivered in person or sent by cable or telex (confirmed by airmail letter) or by airmail, postage prepaid, addressed as follows:

If to Ericsson:

Telefonaktiebolaget L M Ericsson
Telefonplan, S-126 25
Stockholm, Sweden

Attention: Chief Financial Officer

Telex: 854-17440 LMES

If to Atlantic Richfield:

Atlantic Richfield Company
515 South Flower Street
Los Angeles, California 90071

Attention: Treasurer

Telex: 677415 ARCO PLAZA

or to such other address as the party may have specified in a notice duly given to the other party as provided herein. Such notice or communication will be deemed to have been given as of the date so delivered, telexed or mailed.

5.) **Headings.** The paragraph headings in this Undertaking are solely for convenience and reference and shall be given no effect in the construction or interpretation of this Undertaking.

6.) **Counterparts.** This Undertaking may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

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7.) Governing Law. This Undertaking shall be governed by and construed in accordance with the substantive laws of the State of New York without giving effect to its choice of law rules.

IN WITNESS WHEREOF, the parties hereto have caused this Undertaking to be duly executed by their respective officers thereunto duly authorized on the date first above written.

TELEFONAKTIEBOLAGET L M ERICSSON

By: _____

By: _____

ATLANTIC RICHFIELD COMPANY

By: _____

D. G. McNair
Vice President

GUARANTY

GUARANTY dated November 19, 1985 by and between TELEFONAKTIEBOLAGET L M ERICSSON, a Swedish corporation ("Ericsson"), and ATLANTIC RICHFIELD COMPANY, a Delaware corporation ("Atlantic Richfield").

A. **Recitals.** Pursuant to a Purchase and Sale Agreement dated November 19, 1985 (the "Purchase and Sale Agreement"), between Ericsson and Atlantic Richfield, Ericsson has caused its subsidiary Ericsson, Inc., a Delaware corporation ("Ericsson U.S."), to execute and deliver to Atlantic Richfield its promissory note (the "New Ericsson U.S. Note") in substantially the form of Exhibit C to the Purchase and Sale Agreement. Ericsson desires to guarantee payment of the New Ericsson U.S. Note.

B. **Agreement.** In consideration of the transactions contemplated by the Purchase and Sale Agreement and in order to induce Atlantic Richfield's entry therein and performance thereof, Ericsson hereby unconditionally guarantees the due and punctual payment by Ericsson U.S. of the principal and accrued and unpaid interest on the New Ericsson U.S. Note and any other sums payable pursuant to the terms of the New Ericsson U.S. Note (all of the foregoing being herein collectively referred to as the "Obligations") when due in accordance with its terms, whether at maturity, by acceleration, by notice of prepayment or otherwise. Ericsson further agrees that the New Ericsson U.S. Note may be extended or renewed, in whole or in part, without notice or further assent from it, and that it will remain bound upon this Guaranty notwithstanding any extension or renewal of the New Ericsson U.S. Note.

Ericsson waives presentation to, demand of payment from and protest to Ericsson U.S. of the principal amount of the Note, and also waives notice of protest for nonpayment. The obligations of Ericsson hereunder shall not be affected by (a) the failure of Atlantic Richfield to assert any claim or demand or to enforce any right or remedy against Ericsson U.S. under the provisions of the New Ericsson U.S. Note or any agreement or otherwise, (b) any extension or renewal of any thereof, (c) any rescission, waiver, amendment or modification of any of the terms or provisions of the New Ericsson U.S. Note or of any other agreement or (d) the release of any security held by Atlantic Richfield for the payment of the Obligations.

Ericsson further agrees that this Guaranty constitutes a guaranty of payment when due and not of collection, and waives any right to require that any resort be had by Atlantic Richfield to any security held for payment of any of the Obligations, to Atlantic Richfield's rights against any other person or to any other right or remedy available to Atlantic Richfield by contract, applicable law or otherwise.

The obligations of Ericsson hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason, including, without limitation, any claim of waiver, release, surrender, alteration or compromise, and shall not be subject to any defense or set-off, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality or unenforceability of the New Ericsson U.S. Note or otherwise. Without limiting the generality of the foregoing, the obligations of Ericsson hereunder shall not be discharged or impaired or otherwise affected by the failure of Atlantic Richfield or any person on its behalf to assert any claim or demand or to enforce any remedy under the New Ericsson U.S. Note or any agreement or otherwise, by any waiver or modification of any thereof, by any default, failure or delay,

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wilful or otherwise, in the payment of any Obligation or by any other act or thing or omission or delay to do any other act or thing which may or might in any manner or to any extent vary the risk of Ericsson or would otherwise operate as a discharge of Ericsson as a matter of law.

Ericsson further agrees that this Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of any Obligation is rescinded or must otherwise be restored by Atlantic Richfield upon the bankruptcy or reorganization of Ericsson U.S. or otherwise.

In furtherance of the foregoing and not in limitation of any other right which Atlantic Richfield may have at law or in equity against Ericsson by virtue hereof, upon the failure of Ericsson U.S. to pay any Obligation when and as the same shall become due, whether at maturity, by acceleration, by notice of prepayment or otherwise, Ericsson hereby promises to and will, upon receipt of written demand by Atlantic Richfield, forthwith pay, or cause to be paid, to Atlantic Richfield, in cash, an amount equal to such Obligation when due. All rights of Ericsson against Ericsson U.S. shall be subordinate in right of payment to the payment in full of the Obligations to Atlantic Richfield.

This Guaranty shall be construed in accordance with and governed by the laws of the State of New York, without giving effect to its choice of law rules.

IN WITNESS WHEREOF, the parties have caused this Guaranty to be duly executed by their duly authorized officers on the date first above written.

TELEFONAKTIEBOLAGET L M ERICSSON

By: _____

By: _____

ATLANTIC RICHFIELD COMPANY

By: _____

EXHIBIT B
to
EXHIBIT D-2

To Atlantic Richfield Company
515 South Flower Street
Los Angeles, California 90071
United States of America

I, Lennart Grabe, General Counsel of Telefonaktiebolaget L M Ericsson ("Ericsson"), have acted as counsel to Ericsson in connection with the Guaranty dated November 19, 1985 (the "Guaranty") between Ericsson and Atlantic Richfield Company.

I am not familiar with the laws of any country other than the laws of Sweden and my opinion is confined to matters of Swedish law only.

I am of the opinion that:

- (i) Ericsson is a corporation duly organized and existing in good standing under the laws of the Kingdom of Sweden;
- (ii) the Guaranty has been duly authorized, executed and delivered by Ericsson and constitutes a valid and legally binding agreement of Ericsson, except as enforcement thereof may be limited by bankruptcy, insolvency, or other laws affecting enforcement of creditors rights or by principles of equity;
- (iii) the execution, delivery and performance by Ericsson of the Guaranty will not result in a conflict with or a breach or violation of or default under the Articles of Association of Ericsson or, to my knowledge, any covenant or agreement to which Ericsson is a party or any judgment, order, decree, law, ordinance, rule or regulation to which Ericsson is subject; and
- (iv) all necessary authorizations, approvals and consents of Swedish governmental authorities required for the execution, delivery and performance by Ericsson of the Guaranty have been obtained.

Dated, November 19, 1985

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EXHIBIT E

TERMINATION AGREEMENT

TERMINATION AGREEMENT dated November 19, 1985 by and among TELEFONAKTIEBOLAGET L M ERICSSON, a Swedish corporation ("Ericsson"), ERICSSON, INC., a Delaware corporation ("Ericsson U.S.") and ATLANTIC RICHFIELD COMPANY, a Delaware corporation ("Atlantic Richfield").

The parties hereto hereby agree as follows:

1. Termination of Agreement. That certain Anaconda-Ericsson Stockholders' Agreement dated as of July 28, 1980 (the "Stockholder's Agreement") by and among Ericsson, Ericsson U.S. (under its previous name "Anaconda - Ericsson Inc.") and Atlantic Richfield Company, a Pennsylvania corporation (to which Atlantic Richfield is the successor by merger) is hereby terminated effective on the date hereof, except as to liabilities thereunder which have been incurred prior to the date hereof and except that Section 9 thereof shall survive such termination.
2. Headings. The Section headings in this Agreement are solely for convenience and reference and shall be given no effect in the construction or interpretation of this Agreement.
3. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.
4. Governing Law. This Agreement shall be governed by and construed in accordance with the substantive laws of the State of Delaware without giving effect to its choice of law rules.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers thereunto duly authorized on the date first above written.

TELEFONAKTIEBOLAGET L M ERICSSON

By: _____

By: _____

ERICSSON, INC.

By: _____

ATLANTIC RICHFIELD COMPANY

By: _____

D. G. McNair
Vice President

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EXHIBIT F

ATLANTIC RICHFIELD COMPANY

Officer's Certificate

The undersigned hereby certifies that he is a Vice President of Atlantic Richfield Company, a Delaware corporation ("Atlantic Richfield"), that he is providing this Officer's Certificate for the purposes of Sections 4 and 7(a) of the Purchase and Sale Agreement dated November 19, 1985 (the "Purchase and Sale Agreement") between Telefonaktiebolaget L M Ericsson, a Swedish corporation ("Ericsson"), and Atlantic Richfield, and that:

1. Defined Terms. Capitalized terms used in this Officer's Certificate which are defined in the Purchase and Sale Agreement shall have the same meanings as used herein.

2. Representations and Warranties. To his best knowledge and belief, the following representations and warranties are true and correct in all material respects on the date hereof:

a.) Organization, etc. Atlantic Richfield is a corporation duly organized and existing in good standing under the laws of the State of Delaware and has corporate power to own its properties and carry on its businesses as presently conducted and is duly qualified to do business and is in good standing as a foreign corporation in all states of the United States in which the ownership of its properties or the conduct of its businesses requires it to be so qualified.

b.) Authorization; Consents, etc. The execution, delivery and performance of the Purchase and Sale Agreement, the Escrow Agreement, the Undertaking, the Litigation Agreement and Termination Agreement and the performance of the transactions contemplated thereby by Atlantic Richfield have been duly authorized by all necessary corporate action and no authorization, approval, order or consent of any governmental or other person, or waiting period, is required in connection with the execution, delivery or performance of the Purchase and Sale Agreement, the Escrow Agreement, the Undertaking, the Litigation Agreement or the Termination Agreement by Atlantic Richfield or such performance by Systems.

c.) No Breach or Conflict. Neither the execution, delivery or performance of the Purchase and Sale Agreement, the Escrow Agreement, the Undertaking, the Litigation Agreement or the Termination Agreement by Atlantic Richfield or the Document of Sale by Systems nor the consummation by Atlantic Richfield or Systems of the transactions contemplated thereby will conflict with or result in a breach or violation of or default under the certificate of incorporation or by-laws of such company, or the terms of any indenture or other agreement or instrument to which such company is a party or by which it is bound, or any order or regulation applicable to it of any court, regulatory body, administration agency, governmental body or arbitration having jurisdiction over such company.

d.) Valid and Binding. Assuming the due execution, delivery and performance of the Purchase and Sale Agreement, the Escrow Agreement, the Termination Agreement, the Undertaking, the Litigation Agreement and the Document of Sale by the other parties thereto, each of the Purchase and Sale Agreement, the Escrow Agreement, the Undertaking, the Litigation Agreement and the Termination Agreement constitutes the legal, valid and binding obligation of Atlantic Richfield enforceable against it in

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accordance with its terms and the Document of Sale constitutes the legal, valid and binding obligation of Systems enforceable against it in accordance with its terms.

e.) Ownership of Partnership Interests. Systems is the legal and beneficial owner of general partnership interests in each of the Systems Partnership and the Continental Partnership free of any lien or other encumbrance with full power and authority to sell and transfer the same as provided in the Purchase and Sale Agreement and the Document of Sale. Upon the consummation of the transactions contemplated by the Purchase and Sale Agreement and the Document of Sale, Ericsson U.S. will be the beneficial owner of the both said general partnership interests free and clear of any lien or other encumbrance incurred or created by Atlantic Richfield or Systems. Systems is not in default in the performance of any of its obligations under the partnership agreements pursuant to which the Systems Partnership or the Continental Partnership was formed.

f.) Capital Contribution. On or prior to the date hereof and subsequent to October 1, 1985, Atlantic Richfield has made a capital contribution in the amount of \$10 million to the capital of Systems and has caused Systems to make a capital contribution in like amount to the capital of the Systems Partnership.

3. Performance of Agreement. To his best knowledge and belief, Atlantic Richfield has performed in all material respects all obligations and agreements undertaken by it in the Purchase and Sale Agreement or the Escrow Agreement to be performed at or prior to the Closing Date.

IN WITNESS WHEREOF, the undersigned being duly authorized on behalf of Atlantic Richfield has set his hand on the nineteenth day of November, 1985.

ATLANTIC RICHFIELD COMPANY

By: _____
D. G. McNair
Vice President

The undersigned hereby certifies that she is the Secretary or an Assistant Secretary of Atlantic Richfield Company, that D. G. McNair is a Vice President of that Company and that the foregoing is his genuine signature.

Assistant Secretary

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TELEFONAKTIEBOLAGET L M ERICSSON

Certificate

The undersigned hereby certify that they are duly authorized to execute and deliver this document by and on behalf of Telefonaktiebolaget L M Ericsson, a Swedish corporation ("Ericsson"), that they are providing this Certificate for the purposes of Sections 5 and 6(a) of the Purchase and Sale Agreement dated November 19, 1985 (the "Purchase and Sale Agreement") between Ericsson and Atlantic Richfield Company, a Delaware corporation ("Atlantic Richfield"), and that:

1. Defined Terms. Capitalized terms used in this Certificate which are defined in the Purchase and Sale Agreement shall have the same meanings as used herein.

2. Representations and Warranties. To their best knowledge and belief, the following representations and warranties are true and correct in all material respects on the date hereof:

a.) Organization, etc. Ericsson is a corporation duly organized and existing in good standing under the laws of the Kingdom of Sweden and has the corporate power to own its properties and carry on its businesses as presently conducted and is duly qualified to do business and is in good standing in each jurisdiction in which the ownership of its properties or the conduct of its businesses requires it to be so qualified.

b.) Authorization; Consents, etc. The execution, delivery and performance of the Purchase and Sale Agreement, the Escrow Agreement, the Termination Agreement, the Undertaking, the Litigation Agreement and the Ericsson Note and the performance of the transactions contemplated thereby by Ericsson and the execution, delivery and performance of the Litigation Agreement and the New Ericsson U.S. Note by Ericsson U.S. and of the Document of Sale by Ericsson U.S. and Ericsson N.A. have been duly authorized by all necessary corporate action and no authorization, approval, order or consent of any governmental or other person is required in connection with such execution, delivery or performance.

c.) No Breach or Conflict. Neither the execution, delivery or performance of the Purchase and Sale Agreement, the Escrow Agreement, the Termination Agreement, the Undertaking, the Litigation Agreement or the Ericsson Note by Ericsson nor the consummation by Ericsson of the transactions contemplated thereby nor the execution, delivery or performance of the Litigation Agreement, the New Ericsson U.S. Note or the Termination Agreement by Ericsson U.S. or of the Document of Sale by Ericsson U.S. or Ericsson N.A. or the consummation of the transactions contemplated thereby will conflict with or result in a breach or violation of or default under the articles of association of any such company or the terms of any indenture or other agreement or instrument to which any such company is a party or by which it is bound, or any order or regulation applicable to it of any court, regulatory body, administrative agency, governmental body or arbitrator having jurisdiction over it.

d.) Valid and Binding. Assuming the due execution, delivery and performance of such documents by the other parties thereto, each of the Purchase and Sale Agreement, the Escrow Agreement, the Termination Agreement, the Undertaking, the Litigation Agreement and the Ericsson Note constitutes a legal, valid and binding obligation of

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Ericsson enforceable against it in accordance with its respective terms, the Litigation Agreement, the Termination Agreement and the New Ericsson U.S. Note constitute legal, valid and binding obligations of Ericsson U.S. enforceable against it in accordance with their respective terms and the Document of Sale constitutes a legal, valid and binding obligation of Ericsson U.S. and Ericsson N.A. enforceable against each of them in accordance with its terms.

3. Performance of Agreements. To their best knowledge and belief, Ericsson has performed in all material respects all obligations and agreements undertaken by it in the Purchase and Sale Agreement or the Escrow Agreement to be performed at or prior to the Closing Date.

IN WITNESS WHEREOF, the undersigned being duly authorized on behalf of Ericsson has set his hand on the nineteenth day of November, 1985.

TELEFONAKTIEBOLAGET L M ERICSSON

By: _____
Title:

By: _____
Title:

EXHIBIT H

To Atlantic Richfield Company
515 South Flower Street
Los Angeles, California 90071
United States of America

I, Lennart Grabe, General Counsel of Telefonaktiebolaget L M Ericsson ("Ericsson"), have acted as counsel to Ericsson in connection with the Purchase and Sale Agreement dated November 19, 1985 (the "Purchase and Sale Agreement") between Ericsson and Atlantic Richfield Company ("Atlantic"), the Escrow Agreement dated November 19, 1985 (the "Escrow Agreement") by and among Ericsson, Atlantic and the Escrow Agent named therein, the Termination Agreement dated November 19, 1985 (the "Termination Agreement") among Ericsson, Ericsson, Inc., a Delaware corporation ("Ericsson U.S.") (formerly named "Anaconda-Ericsson Inc."), and Atlantic, the Undertaking dated November 19, 1985 (the "Undertaking") between Ericsson and Atlantic and the Supplemental Agreement Concerning Litigation dated November 19, 1985 (the "Litigation Agreement") by and among Ericsson, Ericsson U.S. and Atlantic, all relating among other things to the sale by Atlantic to Ericsson of 188 shares of the common stock of Ericsson U.S.

I am not familiar with the laws of any country other than the laws of Sweden and my opinion is confined to matters of Swedish law only.

I am of the opinion that:

- (i) Ericsson is a corporation duly organized and existing in good standing under the laws of the Kingdom of Sweden;
- (ii) each of the Purchase and Sale Agreement, the Escrow Agreement, the Termination Agreement, the Undertaking, the Litigation Agreement and the promissory note of Ericsson in the principal amount of \$42,000,000, due November 19, 1992, payable to Atlantic (the "Note") has been duly authorized, executed and delivered by Ericsson and constitutes a valid and legally binding agreement of Ericsson, except as enforcement thereof may be limited by bankruptcy, insolvency, or other laws effecting enforcement of creditors rights or by principles of equity;
- (iii) the execution, delivery and performance by Ericsson of the Purchase and Sale Agreement, the Escrow Agreement, the Termination Agreement, the Undertaking, the Litigation Agreement and the Note will not result in a conflict with or a breach or violation of or default under the articles of association of Ericsson or, to my knowledge, any covenant or agreement to which Ericsson is a party or any judgment, order, decree, law, ordinance, rule or regulation to which Ericsson is subject; and
- (iv) all necessary authorizations, approvals and consents of Swedish governmental authorities required for the execution, delivery and performance by Ericsson of the Purchase and Sale Agreement, the Escrow Agreement, the Termination Agreement, the Undertaking, the Litigation Agreement and the Note have been obtained.

Dated, November 19, 1985

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Ericsson 0000015070

EXHIBIT I

(Letterhead of R. M. Shea)

November 19, 1985

**Telefonaktiebolaget L M Ericsson
Telefonplan, S-126 25
Stockholm, Sweden**

Gentlemen:

I am an Associate General Counsel of Atlantic Richfield Company, a Delaware corporation ("Atlantic Richfield"), and am familiar with the execution and delivery of the Purchase and Sale Agreement, dated November 19, 1985 (the "Purchase and Sale Agreement"), between Telefonaktiebolaget L M Ericsson, a Swedish corporation ("Ericsson"), and Atlantic Richfield, the Escrow Agreement, dated November 19, 1985 (the "Escrow Agreement"), by and among Atlantic Richfield, Ericsson and the Escrow Agent named therein, the Termination Agreement, dated November 19, 1985 (the "Termination Agreement"), by and among Atlantic Richfield, Ericsson and Ericsson, Inc., a Delaware corporation ("Ericsson U.S."), the Undertaking dated November 19, 1985 (the "Undertaking") between Ericsson and Atlantic Richfield and the Supplemental Agreement Concerning Litigation dated November 19, 1985 (the "Litigation Agreement") among Ericsson, Ericsson U.S. and Atlantic Richfield and the transfer by ARCO Information Systems, Inc., a Delaware corporation ("Systems") and a wholly-owned subsidiary of Atlantic Richfield, to Ericsson U.S. of Systems' interests as a general partner in each of Ericsson Information Systems and Continental Wire & Cable, each a Delaware general partnership, as evidenced by a certain Document of Sale and Agreement, dated November 19, 1985 (the "Document of Sale"), by and among Systems, Ericsson U.S. and Ericsson North America Inc., a Delaware corporation. I have acted as counsel to Atlantic Richfield and Systems in connection with the foregoing.

In this connection, I have examined such documents and records of corporate proceedings of Atlantic Richfield and Systems and have made such other investigations as I have deemed necessary for the purposes of this opinion. On the basis of the foregoing, I am of the opinion that, insofar as the laws of the United States and the State of Delaware are concerned:

- (i) Each of Atlantic Richfield and Systems has been duly incorporated and is existing in good standing under the laws of the State of Delaware;
- (ii) Each of the Purchase and Sale Agreement, the Escrow Agreement the Undertaking, the Litigation Agreement and the Termination Agreement has been duly authorized, executed and delivered by Atlantic Richfield and, assuming the due authorization, execution and delivery thereof by the other party thereto, constitutes a valid and legally binding agreement of Atlantic Richfield except as enforcement thereof may be limited by bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights or by principles of equity;
- (iii) the Document of Sale has been duly authorized, executed and delivered by Systems, and, assuming the due authorization, execution and delivery thereof by the other

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Ericsson 0000015071

parties thereto, constitutes a valid and legally binding agreement of Systems except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights or by principles of equity;

- (iv) the execution, delivery and performance by Atlantic Richfield of the Purchase and Sale Agreement, the Escrow Agreement, the Undertaking, the Litigation Agreement and the Termination Agreement and the execution, delivery and performance by Systems of the Document of Sale will not result in a conflict with or a breach or violation of or default under the certificate of incorporation or by-laws of Atlantic Richfield or Systems or, to my knowledge, any covenant or agreement to which such company is a party or any judgment, order, decree, law, ordinance, rule or regulation to which such company is subject; and
- (iv) no authorizations, approvals or consents of United States or Delaware governmental authorities are required for the execution, delivery and performance by Atlantic Richfield of the Purchase and Sale Agreement, the Escrow Agreement, the Undertaking, the Litigation Agreement or the Termination Agreement or by Systems of the Document of Sale.

Very truly yours,

EXHIBIT J

SUPPLEMENTAL AGREEMENT CONCERNING LITIGATION, dated November 19, 1985, by and among TELEFONAKTIEBOLAGET L M ERICSSON, a Swedish corporation ("Ericsson"), ERICSSON, INC., a Delaware corporation ("Ericsson U.S."), and ATLANTIC RICHFIELD COMPANY, a Delaware corporation ("Atlantic Richfield").

In order to modify the responsibilities of Ericsson, Ericsson U.S., and Atlantic Richfield under the 1980 Purchase and Sale Agreement ("the 1980 Agreement") for litigation arising out of the United States Wire and Cable Operations contributed by Atlantic Richfield to Ericsson U.S. in 1980 pursuant to Section 1(a)(i) of the 1980 Agreement, the parties agree as follows:

1. Atlantic Richfield will continue to defend lawsuits filed before July 28, 1980, arising from said operations, as provided for by the 1980 Agreement, and will pay all judgments, settlements and attorneys' fees relating thereto to the extent not paid or reimbursed by insurance.

2. Atlantic Richfield will supervise those lawsuits identified on attached Exhibit 1 and will pay all judgments, settlements and attorneys' fees relating thereto to the extent not paid or reimbursed by insurance. Atlantic Richfield will permit Ericsson U.S. to participate in the defense of these lawsuits.

3. With respect to lawsuits filed against Ericsson U.S. between July 28, 1980, and November 19, 1995, not referred to in Paragraph 2, above, and which arise out of United States Wire and Cable Operations conducted before July 28, 1980:

a.) Atlantic Richfield will reimburse Ericsson U.S. for one-half of all judgments, settlements and attorneys' fees which are paid by Ericsson U.S. and which are not paid or reimbursed by insurance; Ericsson U.S. will pay the other one-half of any such judgments, settlements and attorneys' fees to the extent not paid or reimbursed by insurance;

b.) Ericsson U.S. will promptly notify Atlantic Richfield of any lawsuits filed against it which are the subject of this Supplemental Agreement, will permit Atlantic Richfield to participate in the defense of these lawsuits and will not settle any of these lawsuits without the prior consent of Atlantic Richfield;

c.) Atlantic Richfield will provide at its own expense the services of its in-house legal staff in managing and supervising up to thirty representative asbestos lawsuits (not including class actions) chosen by agreement between Atlantic Richfield and Ericsson U.S. Lawsuits involving more than one family member and arising out of the same facts shall be considered to be one lawsuit for purposes of this subparagraph;

d.) Atlantic Richfield will provide at Ericsson U.S.'s request, and at Ericsson U.S.'s expense, the services of its in-house staff in managing and supervising a reasonable number of lawsuits not addressed in subparagraph 3(c) in accordance with agreements from time to time between the parties hereto.

1000240

ERICSSON08888
Ericsson 0000015073

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STATE:	CA
ZIP:	90071
BUSINESS PHONE:	2134863511

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1993

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act
of 1934 [Fee Required]

For the fiscal year ended December 31, 1993
Commission file number 1--1196

[ARCO LOGO]

ATLANTIC RICHFIELD COMPANY
(Exact name of registrant as specified in its charter)

Delaware	23-0371610
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

515 South Flower Street, Los Angeles, California 90071
(Address of principal executive offices)
(Zip Code)

Registrant's telephone number, including area code: (213) 486-3511
Securities registered pursuant to Section 12(b) of the Act:

<TABLE>
<CAPTION>

Title of each class -----	Name of each exchange on which registered -----
<S> Common Stock (\$2.50 par value)	<C> New York Stock Exchange Pacific Stock Exchange Basel Stock Exchange Geneva Stock Exchange Zurich Stock Exchange London Stock Exchange
\$3.00 Cumulative Convertible Preference Stock (\$1 par value)	New York Stock Exchange Pacific Stock Exchange
\$2.80 Cumulative Convertible Preference Stock (\$1 par value)	New York Stock Exchange Pacific Stock Exchange
Thirty year 5 5/8% Debentures Due May 15, 1997	New York Stock Exchange
Thirty year 7.70% Debentures Due December 15, 2000	New York Stock Exchange
Thirty year 7 3/4% Debentures Due December 15, 2003	New York Stock Exchange
Ten year 10 3/8% Notes Due July 15, 1995	New York Stock Exchange
Twenty year 10 7/8% Debentures Due July 15, 2005	New York Stock Exchange
Thirty year 9 7/8% Debentures Due March 1, 2016	New York Stock Exchange
Twenty-five year 9 1/8% Debentures Due March 1, 2011	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X]. No [].

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the voting stock held by nonaffiliates of the registrant on December 31, 1993, based on the closing price on the New York Stock Exchange composite tape on that date, was \$17,095,095,972.

Number of shares of Common Stock, \$2.50 par value, outstanding as of December 31, 1993: 159,953,980.

DOCUMENTS INCORPORATED BY REFERENCE

The registrant's definitive proxy statement, which will be filed with the Securities and Exchange Commission within 120 days after December 31, 1993 (incorporated by reference under Part III).

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PART I

ITEMS 1. AND 2. BUSINESS AND PROPERTIES

GENERAL DEVELOPMENT OF BUSINESS

Atlantic Richfield Company ("ARCO," the "Company" or the "Corporation") was incorporated in 1870 under the laws of Pennsylvania as The Atlantic Refining Company. Atlantic Petroleum Storage Company, a predecessor to The Atlantic Refining Company, began operations in 1866. The Company's principal executive offices are at 515 South Flower Street, Los Angeles, California 90071 (Telephone (213) 486-3511). ARCO's present name was adopted subsequent to the merger of Richfield Oil Corporation into The Atlantic Refining Company in 1966. In 1969, Sinclair Oil Corporation was merged into ARCO. In 1977, The Anaconda Company was merged into a wholly owned subsidiary of ARCO and, on December 31, 1981, that subsidiary was merged into ARCO. On May 7, 1985, ARCO was reincorporated in the State of Delaware. Unless indicated otherwise, the terms "ARCO," the "Company" or the "Corporation" as used herein refer to Atlantic Richfield Company or Atlantic Richfield Company and one or more of its consolidated subsidiaries.

FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

Reference is made to Note 4 of Notes to Consolidated Financial Statements on page 43 for segment information concerning sales and other operating revenues, earnings, total assets and additional information for certain operations of the Company.

SUMMARY DESCRIPTION OF BUSINESS

ARCO, including its subsidiaries, constitutes one of the largest integrated enterprises in the petroleum industry, with its principal operations conducted in the United States. ARCO conducts operations in two business segments: resources and products. ARCO also owns a 49.9 percent equity interest in Lyondell Petrochemical Company ("Lyondell"), which operates petrochemical and petroleum processing businesses.

ARCO's resources segment includes the exploration, development and production of petroleum, which includes petroleum liquids (crude oil, condensate and natural gas liquids ("NGLs")) and natural gas, the purchase and sale of petroleum liquids and natural gas, and the mining and sale of coal. The exploration, development and production of all of ARCO's oil and gas interests in the State of Alaska and surrounding offshore waters are conducted through a wholly owned subsidiary, ARCO Alaska, Inc. ("ARCO Alaska"). The exploration, development and production of ARCO's oil and gas interests in foreign countries are conducted through the ARCO International Oil and Gas division ("ARCO International"). The mining and marketing of coal from surface and underground mines located in the western United States and in Australia are conducted through the ARCO Coal division ("ARCO Coal").

In October 1993, ARCO reorganized the ARCO Oil and Gas division, which operated ARCO's Lower 48 exploration, development, production and marketing

activities. The cornerstone of ARCO's program to reorganize its Lower 48 operations is Vastar Resources, Inc. ("Vastar"), which on a stand alone basis is one of the largest independent (non-integrated) oil and gas companies in the United States. Vastar is engaged in the exploration for and the development and production of natural gas and, to a lesser extent, crude oil in selected major producing basins in the Gulf of Mexico, the Gulf Coast, the San Juan Basin and the Mid-Continent areas. ARCO conducts its other operations in the Lower 48 through its ARCO Permian business unit ("ARCO Permian"), which exploits long-lived producing fields in the Permian and East Texas basins; its ARCO Western Energy business unit

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("ARCO Western Energy"), which focuses on oil production primarily from five producing oil fields in California and related cogeneration operations; and ARCO Long Beach Inc., a wholly-owned subsidiary ("ALBI"), which manages the optimized waterflood program for the Long Beach unit of the Wilmington Field pursuant to a contractual arrangement with the State of California and the City of Long Beach.

ARCO's products segment includes the refining and transportation of petroleum and petroleum products, the marketing of petroleum products on the West Coast and the manufacture and sale of intermediate chemicals and specialty products. The ARCO Products division ("ARCO Products") is a refiner and marketer of refined petroleum products on the West Coast. ARCO Chemical Company, a subsidiary of which ARCO owns 83.3 percent ("ARCO Chemical"), produces and markets on a worldwide basis certain intermediate chemicals and specialty products, including propylene oxide and its derivatives, tertiary butyl alcohol and its derivatives, and styrene monomer and its derivatives. The ARCO Transportation division ("ARCO Transportation") operates domestic facilities for the transportation and storage of petroleum liquids, refined petroleum products, petrochemicals and natural gas.

RECENT DEVELOPMENTS

On January 17, 1994, at about 4:30 a.m., Southern California experienced a major earthquake that caused widespread property damage and major disruptions to utilities and highways. While ARCO's Los Angeles and Long Beach headquarters buildings and Los Angeles Refinery did not suffer any discernible damage, certain of ARCO's other assets located in the region experienced varying degrees of damage. One of ARCO's common carrier crude oil pipelines suffered ruptures; ARCO temporarily closed all of its pipelines in Southern California to assess damage. Nearly 70 ARCO-branded service stations throughout the region experienced damage; all but one are now back in operation. ARCO does not believe that the aggregate damage it suffered will have a material adverse effect on its financial position or operations.

On January 28, 1994, Vastar, ARCO's wholly-owned subsidiary, filed a registration statement on Form S-1 with the Securities and Exchange Commission for the proposed sale of up to 17,250,000 shares of common stock to the public. ARCO intends to retain 80,000,001 shares, or 82.3 percent of Vastar's common stock. ARCO has a continuous, cumulative option to purchase from Vastar, at then current market prices, such number of shares of stock as will permit ARCO to continue to include Vastar in its consolidated federal income tax return. ARCO will be in a position to continue to elect Vastar's board of directors and to control the affairs of the company.

RESOURCES

OIL AND GAS

Following the 1993 reorganization of its Lower 48 operations, ARCO conducts oil and gas exploration and production primarily through a number of business units, which are either wholly-owned subsidiaries or divisions of ARCO. ARCO Alaska is responsible for exploration, development and production of all of ARCO's oil and gas interests in the State of Alaska and surrounding offshore waters, of which the principal producing properties are interests in the Prudhoe Bay field, the Kuparuk River field and the Greater Point McIntyre area. As previously described, ARCO's principal Lower 48 operations are conducted by Vastar; the remainder of its Lower 48 operations are conducted through ARCO Permian, ARCO Western Energy and ALBI. ARCO International is responsible for exploration, development and production of ARCO's oil and gas interests overseas. In addition, Vastar, ARCO Permian, and ARCO International are responsible for marketing oil and gas production, and for crude oil, natural gas and NGLs purchases, resales and locational exchanges to reduce transportation costs.

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Estimated net quantities of ARCO's proved oil and gas reserves at December 31, 1993 were as follows:

<TABLE>
<CAPTION>

	PETROLEUM LIQUIDS (MILLION BARRELS)		NATURAL GAS (BILLION CUBIC FEET)	
	DOMESTIC	FOREIGN	DOMESTIC	FOREIGN
	<C>	<C>	<C>	<C>
Proved reserves.....	2,259	206	4,725	3,280
Proved developed reserves.....	1,804	127	4,190	1,120

Reference is made to Supplemental Information, Oil and Gas Producing Activities, beginning on page 54, for additional information concerning oil and gas producing activities and estimates of proved oil and gas reserves.

In 1993 and 1992, ARCO produced approximately 147 percent and 158 percent, respectively, of the crude oil requirements for its two West Coast refineries. Of the excess production, a portion was delivered to a refinery owned by Tosco Corporation ("Tosco") under a long-term supply agreement, some was sold to Lyondell and the significant remainder was sold on the open market. See "Products--Refining and Marketing."

Net quantities of petroleum liquids and natural gas produced by ARCO were as follows:

<TABLE>
<CAPTION>

YEARS ENDED DECEMBER 31,	PETROLEUM LIQUIDS (BARRELS PER DAY)		NATURAL GAS (MILLION CUBIC FEET PER DAY)	
	DOMESTIC	FOREIGN	DOMESTIC	FOREIGN
	<C>	<C>	<C>	<C>
1993.....	604,700	79,700	911	321
1992.....	660,500	77,700	1,202	240
1991.....	668,500	75,700	1,399	261

Average sales prices and average production costs per unit of petroleum liquids and natural gas were as follows:

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31,					
	1993		1992		1991	
	DOMESTIC	FOREIGN	DOMESTIC	FOREIGN	DOMESTIC	FOREIGN
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Average sales price (including transfers) per barrel of petroleum liquids produced.....	\$11.67	\$16.05	\$12.88	\$17.82	\$12.92	\$18.19
Average lifting cost per equivalent barrel of production.....	4.90	4.01	4.83	5.41	5.00	5.27
Average sales price per MCF of natural gas produced....	1.93	2.69	1.65	2.96	1.54	3.16

Delivery commitments covering natural gas production are as follows:

In the United States, the Company has various long-term natural gas sales contracts. Certain contracts are reservoir dedicated, and present no obligation to deliver if production from these reservoirs ceases. Deliveries under such contracts comprised approximately 70 billion cubic feet in 1993 and will decline to approximately 18 billion cubic feet by 1995.

Additional long-term domestic contracts, with terms varying from 1 to 20 years, had delivery commitments of approximately 174 billion cubic feet in 1993. The majority of these contracts are index based and present little or no price risk. Deliveries under these existing long-term contracts will increase to approximately 285 billion cubic feet annually in 1995. The Company can satisfy its existing natural gas delivery commitments from proprietary domestic production in the Lower 48. Total proprietary domestic production,

which includes associated royalty volumes, was 367 billion cubic feet in 1993. The

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Company reported 4,725 billion cubic feet of domestic proved natural gas reserves at December 31, 1993. There have been no instances in the last three years in which the Company was unable to meet its natural gas delivery commitments.

Overseas, the Company has various long-term natural gas sales contracts. The majority of ARCO's natural gas production from the North Sea and its Indonesian operations is committed under long-term sales agreements. While annual delivery requirements may vary under these contracts, delivery obligations under the agreements are essentially limited to producible reserves from specific fields.

ARCO Alaska, Inc.

During 1993, approximately 69 percent of ARCO's domestic petroleum liquids production came from the Prudhoe Bay, Kuparuk River and the Greater Point McIntyre area fields on the North Slope of Alaska. While ARCO Alaska's net liquids production was down 20,200 barrels per day from 1992 to 418,700 barrels per day in 1993 as a result of natural field decline, production is expected to increase in 1994 as a full year's benefit from the new Point McIntyre field and the first phase of Prudhoe Bay's second major gas handling expansion facility ("GHX-2") is recognized.

ARCO Alaska operates the eastern half of the Prudhoe Bay field and has a 21.78 percent working interest in the oil produced from the field, a 42.56 percent working interest in the condensate produced and, in 1993, a 37.7 percent working interest in the NGLs produced. ARCO's net petroleum liquids production from the Prudhoe Bay field averaged 250,800 barrels per day in 1993, compared to 270,500 barrels per day in 1992, the result of natural field decline. The first phase of GHX-2, which started up in September 1993, increased gas handling capacity to an average 6.7 billion cubic feet per day in the fourth quarter. The GHX-2 project, a joint undertaking among the working interest owners, is designed to increase the field's average gas handling capacity, and thereby mitigate declining oil production. Pursuant to an agreement reached among ARCO Alaska and the working interest owners of the Prudhoe Bay field in 1990, the owners committed to invest approximately \$1.3 billion in additional gas handling facilities. Upon full implementation, expected in late 1994, the GHX-2 project is expected to increase gas handling capacity to 7.5 billion cubic feet per day and provide gross liquids production benefits of approximately 100,000 barrels per day.

ARCO Alaska is the sole operator of the Kuparuk River field and holds a 55.17 percent working interest in the field. Its share of production from the field was 151,500 net barrels per day of petroleum liquids during 1993, compared to 150,800 net barrels per day during 1992 when ARCO was in an equity payback position for the first part of the year. Natural field decline has been offset at Kuparuk through continued peripheral development and infill drilling, as well as downhole fracturing and refracturing programs and expansion of enhanced oil recovery processes.

The Greater Point McIntyre area encompasses the Point McIntyre, Lisburne, and the smaller West Beach and North Prudhoe Bay State fields. ARCO operates the Lisburne field, which has been producing since 1986, with production averaging 9,300 net barrels of liquids per day in 1993. The three other fields, which recently began production, are all produced through the Lisburne field facilities. Point McIntyre, the largest of the four fields in the area, with approximately 94 million net barrels of proved reserves, started up in October 1993 and averaged 25,400 net barrels per day for the remainder of the year. One well at the West Beach field was brought on line in April 1993 and one well from the North Prudhoe Bay State reservoir began production in October 1993. By December 1993, liquids produced through the Lisburne Production Facility averaged 135,200 gross barrels per day, and 42,700 net barrels per day. ARCO Alaska holds a 30.1 percent working interest in Point McIntyre, a 40 percent interest in Lisburne, a 50 percent interest in West Beach and a 50 percent interest in North Prudhoe Bay State.

ARCO Alaska maintained an active exploration and delineation program in 1993, participating in 13 wells. One well was announced as a discovery, the North Prudhoe Bay State #3. Following further

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delineation work on the 1991 Sunfish discovery, ARCO and its partner reported at least one more season of drilling will be required to determine the amount

of reserves in the field. Delineation drilling in the northern part of the Sunfish structure is continuing following the completion of one well in 1993. In the southern part of the prospect, no further drilling is planned following the completion of two unsuccessful wells in 1993. ARCO Alaska holds a 60 percent working interest in the Sunfish prospect. In the Beaufort Sea, east of Prudhoe Bay, ARCO and its partners drilled two delineation wells on the Kuvlum prospect, where a discovery was made in 1992. While a substantial accumulation of hydrocarbons was confirmed, the discovery is not commercial as a stand-alone development. A well drilled in the adjacent Wild Weasel prospect did not encounter commercial hydrocarbons.

All petroleum liquids shipped from the North Slope fields are transported to market through the Trans Alaska Pipeline System ("TAPS") to terminal facilities at Valdez, and from there to West Coast locations by ocean-going tankers.

Lower 48

During 1993, ARCO's Lower 48 operations had net production of 321 billion cubic feet of natural gas and 68 million barrels of petroleum liquids as compared to 425 and 81 in 1992, respectively. Reserves were reduced by 173 million barrels of oil equivalent, primarily due to production and property divestitures. Development and exploration activities replaced 41 percent of 1993 net production.

ARCO began in late 1991 to re-evaluate its Lower 48 operations in order to reduce overhead and lease operating costs, to upgrade its property portfolio and to achieve a better economic return on its exploration and development spending. During the period 1991-1993, ARCO took various steps to achieve these goals, culminating in its October 1993 reorganization of its Lower 48 operations. This reorganization resulted in the creation of four discrete business units to operate ARCO's Lower 48 properties. Each of these four business units has its own assets, operations and business strategies. ARCO believes that this reorganization will enable these units to operate with a lower overhead cost profile, a flatter organizational structure and a more focused resource exploitation.

Vastar, headquartered in Houston, Texas, is engaged in the exploration for and the development, production and marketing of natural gas and, to a lesser extent, crude oil in selected major producing basins in the Gulf of Mexico, the Gulf Coast, the San Juan Basin and the Mid-Continent areas. At December 31, 1993, Vastar had net proved reserves of 423 million barrels of oil equivalent, of which 78 percent were natural gas. 1993 net production averaged 161,000 barrels of oil equivalent per day.

Vastar has entered into fixed for floating swap agreements under which 350 million cubic feet per day of natural gas production from various Vastar properties is hedged at an average fixed price of \$2.25 per thousand cubic feet. These hedges cover approximately 50 percent of Vastar's production for the period from March through December 1994.

ARCO Permian, headquartered in Midland, Texas, owns producing fields in the Permian and East Texas oil fields. Its proved reserves as of December 31, 1993 were 336 million barrels of oil equivalent, of which 75 percent were petroleum liquids. 1993 net production averaged 81,000 barrels of oil equivalent per day.

ARCO Western Energy, headquartered in Bakersfield, California, operates five producing oil fields in California, the largest being the Midway-Sunset field. Its assets also include cogeneration operations in three of the fields, as well as conventional steam-generating facilities. ARCO Western Energy had proved reserves as of December 31, 1993, of 173 million barrels of oil equivalent, of which 96 percent was petroleum liquids. 1993 net production averaged 44,000 barrels of oil equivalent per day.

ALBI, headquartered in Long Beach, California, manages the development of the optimized waterflood program, begun in 1992, for the Long Beach Unit portion of the Wilmington Field. Under ALBI's contractual arrangement with the State of California and the City of Long Beach, ALBI receives

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half of any profits above an agreed base profit level. In addition, THUMS Long Beach Company, the operating company responsible for the day to day operations of the unit under the direction and control of the City of Long Beach, is a wholly owned subsidiary of ALBI. ALBI had proved reserves as of December 31, 1993 of 122 million barrels of oil equivalent. 1993 net production averaged 23,000 barrels of oil equivalent per day.

As a part of the reorganization of its Lower 48 operations, ARCO decided to

close its Dallas headquarters; however, a transition team will remain in place in the Dallas area for an extended period. This team will provide certain transition services to, and will manage the disposition of assets not allocated to, these four units. Such assets include certain improved real estate, undeveloped leasehold property, and fee lands which do not conform to the reorganized operations.

In connection with the reorganization of its Lower 48 oil and gas exploration and production operations, ARCO recorded a charge against fourth quarter 1993 earnings of \$450 million after tax. Included in the charge are costs related to write-downs for sale or other disposition of certain oil and gas properties and excess office space and the severance of approximately 1,300 employees.

ARCO International Oil and Gas Company

ARCO International's principal operations are in the North Sea, Indonesia and Dubai. Foreign petroleum liquids production comes from Indonesia, the United Kingdom, Dubai and Turkey. Foreign natural gas production comes from the United Kingdom, Indonesia and the Netherlands. In 1993, principal foreign exploration activities were conducted in Indonesia, the United Kingdom, China and Algeria.

In August 1993, the Orwell gas field in the U. K. sector of the North Sea began production; for the fourth quarter of 1993 it averaged 49 million net cubic feet of gas per day. ARCO British Limited operates and holds a 50 percent working interest in the field. In addition, the Murdoch gas field in the U. K. sector of the North Sea began production in October 1993. Initial production averaged 45 million net cubic feet of gas per day during the fourth quarter. The Murdoch Field is partner-operated, with ARCO holding a 34 percent working interest.

ARCO International became a significant offshore gas producer in Indonesia in 1993, following completion of two developments. In September 1993, production and sale of natural gas began from a new gas development in the Offshore Northwest Java contract area in Indonesia. ARCO has a 46 percent interest in the contract area, where production is expected to average 260 million gross cubic feet per day in 1994. In January 1994, a second major gas project in Indonesia, the Pagerungan gas project north of Bali, began initial production. During 1994, the Pagerungan gas field is expected to produce 300 million gross cubic feet of gas per day. This gas is transported via a third party pipeline to a local power generation plant and local users. ARCO is operator and currently holds a 54 percent working interest.

Development of the Yacheng 13-1 natural gas field in China continued on schedule in 1993. The fabrication of the process and wellhead platforms is underway and the installation of the undersea gas pipeline began in December 1993. The installation of the wellhead platform is scheduled for March 1994 and developmental drilling activities are expected to begin in May 1994. ARCO will be the operator and will hold a 34.3 percent working interest in the project. Gross production at the rate of 330 million cubic feet per day is expected to start up in early 1996, and is to be sold to customers in Hong Kong and on Hainan Island for power generation and other uses.

In early 1992, ARCO International and its partner Agip announced an oil discovery in Ecuador. During 1993, an extension of the exploration license for this block was granted by the Ecuadorian government. Efforts are currently underway on commercialization and development plans and at year-end a third well was in progress.

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ARCO International entered into several new exploration arrangements during 1993 in the United Kingdom, Indonesia, China, and Tunisia. ARCO British Limited was awarded six North Sea licenses in the 14th Licensing Round in June of 1993. Seismic options were acquired in eleven blocks in the Celtic Sea off the coast of Ireland and two offshore blocks in the Philippines. In China, drilling has begun on one of the two newly acquired blocks adjacent to the Yacheng gas field and pipeline route in the South China Sea.

ARCO International's net proved reserves increased 22 million barrels of oil equivalent in 1993, primarily as a result of the Sirasun gas discovery in Indonesia.

Exploration and Drilling Activity

The following table shows the number of wells drilled to completion by the Company:

<TABLE>
<CAPTION>

YEARS ENDED DECEMBER 31,

	1993		1992		1991	
	DOMESTIC	FOREIGN	DOMESTIC	FOREIGN	DOMESTIC	FOREIGN
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net productive exploratory wells drilled.....	13	8	16	9	26	6
Net dry exploratory wells drilled.....	65	13	70	15	42	19
Net productive development wells drilled.....	228	31	164	22	433	29
Net dry development wells drilled.....	21	2	19	1	173(a)	--

(a) Includes 132 dry development wells associated with a shallow coal bed methane gas project at a total cost of \$5.5 million.

The Company's current activities, as of December 31, 1993, were as follows:

<TABLE>
<CAPTION>

	DOMESTIC	FOREIGN
	<C>	<C>
Gross wells in process of drilling (including wells temporarily suspended).....	55	56
Net wells in process of drilling (including wells temporarily suspended).....	34	25
Waterflood projects in process.....	3	--
Pressure maintenance and waterflood operations.....	61	6

The following table shows the approximate number of productive wells at December 31, 1993:

<TABLE>
<CAPTION>

	OIL		GAS	
	DOMESTIC(a)	FOREIGN(b)	DOMESTIC	FOREIGN
	<C>	<C>	<C>	<C>
Total gross productive wells.....	12,661	645	3,160	182
Total net productive wells.....	5,523	253	1,383	44

(a) Includes approximately 1,637 gross and 294 net multiple completions.

(b) Includes approximately 113 gross and 48 net multiple completions.

As of December 31, 1993, the Company's holdings of petroleum rights acreage (including options and exploration rights) were as follows (in thousands):

<TABLE>
<CAPTION>

	DEVELOPED ACREAGE		UNDEVELOPED ACREAGE	
	NET	GROSS	NET	GROSS
	<C>	<C>	<C>	<C>
Domestic				
Alaska.....	208	373	1,285	1,668
Other domestic.....	1,577	2,876	3,964	5,651
Total domestic.....	1,785	3,249	5,249	7,319
Foreign.....	91	242	22,603	34,668
Total.....	1,876	3,491	27,852	41,987

</TABLE>

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COAL

ARCO Coal, headquartered in Denver, Colorado, operates mines in the western United States and in northeastern Australia. ARCO Coal is owner and operator of two surface mines in Wyoming's Powder River Basin, Black Thunder and Coal Creek, that produce low sulfur steam coal. During 1993, the start-up of a third dragline at Black Thunder completed the mine's transition from a truck-and-shovel operation to a dragline operation. This start-up enabled Black Thunder to achieve record shipments of 34.3 million tons in 1993. ARCO Coal also owns and operates West Elk, an underground longwall mine in the Uinta Basin in western Colorado that produces low sulfur, high BTU steam coal. West Elk achieved record shipments of 3.0 million tons in 1993. In early 1994, ARCO Coal acquired the Jumbo Mountain lease adjacent to the West Elk mine. The new lease holds an estimated 10 million tons of recoverable reserves. Total U.S. coal shipments for 1993 were 37.5 million tons of coal.

ARCO Coal has interests in three mines in the Bowen Basin of Queensland, Australia. ARCO Coal has an effective 87 percent interest in Curragh and a 31.4 percent interest in Blair Athol, both surface mines. Curragh produces high-grade coking and steam coal, while Blair Athol produces only steam coal. Curragh and Blair Athol had record shipments of 5.5 million net tons and 3.4 million net tons, respectively, in 1993. In December 1993, ARCO and the operator of Blair Athol signed an agreement to acquire 55 percent of the nearby undeveloped Clermont Project, which includes estimated gross reserves of approximately 200 million tons of steam coal. ARCO Coal also operates and has an 80 percent interest in Gordonstone, a state-of-the-art underground longwall mine that began production of high-grade coking and steam coal in the first half of 1993. ARCO Coal's net share of total shipments in 1993 from Australian operations was 10.2 million tons.

As of December 31, 1993, ARCO Coal had long-term domestic contracts to supply U.S. utility companies with steam coal from its Black Thunder and Coal Creek mines. These contracts have various termination dates with the longest being December 31, 2017 and the earliest being April 30, 1994. Several of these include options for extensions for additional periods. Future revenues from these contracts can be affected by periodic reopeners that adjust sales prices based on prevailing market conditions. It is anticipated that these contracts will require approximately 85 percent of planned production from Black Thunder and Coal Creek in 1994. Approximately 80 percent of planned 1994 production in Australia is committed under both long and short-term contract arrangements.

In total, ARCO Coal shipped 47.7 million tons of coal during 1993 and had 1,510 million tons of recoverable coal reserves as of December 31, 1993. Reference is made to Supplemental Information, Coal Operations on page 57 for further information concerning reserves and shipments of coal.

PRODUCTS

REFINING AND MARKETING

ARCO Products operates two domestic petroleum refineries on the West Coast, the Los Angeles Refinery in Carson, California and the Cherry Point Refinery near Ferndale, Washington. Both of these refineries are accessible to major supply sources and major markets through ocean-going tankers, pipelines and other transportation facilities. Both currently utilize Alaskan North Slope crude oil exclusively.

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The combined annual average operable crude distillation capacities of these two refineries, as measured pursuant to the standards of the American Petroleum Institute, are shown in the following table:

<TABLE>
<CAPTION>

	ANNUAL AVERAGE OPERABLE CRUDE DISTILLATION CAPACITY (BARRELS PER DAY)		
	1993	1992	1991
<S>	<C>	<C>	<C>
Los Angeles Refinery.....	237,000	223,000	223,000
Cherry Point Refinery.....	181,000	167,000	167,000
Total.....	418,000	390,000	390,000
	=====	=====	=====

</TABLE>

ARCO Products' crude oil refinery runs and petroleum products manufactured

at its refining facilities were as follows:

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31,		
	1993	1992	1991
	(EQUIVALENT BARRELS PER DAY)		
<S>	<C>	<C>	<C>
Crude oil refinery runs.....	425,800	425,100	404,900
Petroleum products manufactured:			
Gasoline.....	221,600	198,800	191,800
Distillate fuels.....	79,500	81,600	85,900
Jet fuels.....	84,600	90,600	82,200
Refinery gas.....	25,400	24,100	24,200
Coke.....	15,500	15,200	17,000
Natural gas liquids.....	18,400	18,500	11,700
Other (a).....	10,100	21,600	13,600
Total (b).....	455,100	450,400	426,400

</TABLE>

(a) Includes chemical products and feedstocks, sulfur, middle-of-barrel specialties and changes in unfinished stocks.

(b) Total manufactured petroleum products volumes exceed total crude oil runs as a result of the expansion of petroleum product through rearrangement of molecular structure and refinery blending of oxygenates.

ARCO Products obtains additional gasoline supplies from the Avon, California refinery of Tosco under a 1986 supply agreement. Pursuant to the agreement, which has an initial term of 10 years, ARCO Products delivers approximately 50,000 barrels per day of Alaskan North Slope crude oil to Tosco's refinery in exchange for a quantity of gasoline that is a variable percentage of the amount of crude oil delivered, based on the price of certain crude oils.

In connection with its refining operations, ARCO Products also produces petroleum coke and operates electric cogeneration facilities. Petroleum coke, a refinery by-product, is processed at the company's calciner operations into calcined coke. ARCO Products operates the Watson Cogeneration Facility at its Los Angeles Refinery under a joint venture agreement with a subsidiary of SCEcorp. A second cogeneration facility is located at the calciner operation in Wilmington, California, near the Los Angeles Refinery.

ARCO Products markets gasoline and other refined petroleum products to both consumers and resellers. Gasoline is marketed under the ARCO(Registered) trademark through independent dealers and distributors and directly to motorists at branded retail outlets located in Arizona, California, Nevada, Oregon and Washington. ARCO Products also sells gasoline to unbranded resellers. NGLs are sold directly to end-use customers and the Watson Cogeneration Facility, and are also marketed through

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distributors. Jet fuels are sold directly to airlines and the United States Department of Defense. Calcined coke is sold to domestic and international industrial consumers. Cargo and bulk sales of petroleum products are also made to commercial and industrial consumers, and certain products are marketed through other channels.

As of December 31, 1993, there were 1,611 branded retail outlets, which included franchisee and Company-operated am/pm(Registered) convenience stores and SMOGPROS(Registered) Service Centers, and traditional service stations.

In response to anticipated federal, state and local air quality requirements, ARCO Products began development of reformulated gasolines in the late 1980s. In September 1989, ARCO Products introduced its first reformulated, emission control gasoline, EC-1(Registered) Regular, in Southern California to replace its regular leaded gasoline. In September 1990, ARCO Products introduced a second reformulated gasoline, EC-Premium(Registered), to replace its super unleaded gasoline in Southern California markets. As of January 1, 1992, the sale of leaded gasoline was banned in California. ARCO Products now markets only unleaded and reformulated unleaded gasolines in California.

EC-1(Registered) Regular, EC-Premium(Registered) and other reformulated gasolines being developed by the Company use oxygenates, such as methyl tertiary butyl ether ("MTBE"), to produce a cleaner burning fuel. ARCO Products has a small MTBE production unit at the Los Angeles Refinery. In addition, during 1991, ARCO Products and ARCO Chemical entered into long-term sales agreements providing for delivery of fixed quantities of MTBE to ARCO Products at contract prices. Also in response to federal and state air quality requirements, ARCO Products introduced California Air Resources Board ("CARB") specification diesel into the California market and Environmental Protection Agency ("EPA") specification diesel into the balance of its U.S. markets in September 1993.

In order to remain in compliance with federal, state and local air quality requirements that are being phased in over the next several years, ARCO Products is making major modifications at its Los Angeles Refinery.

Total domestic and foreign refined petroleum product sales, which include insignificant sales to ARCO Chemical and Lyondell, for the periods indicated, were as follows:

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31,		
	1993	1992	1991
	(EQUIVALENT BARRELS PER DAY)		
<S>	<C>	<C>	<C>
Petroleum product sales:			
Domestic:			
Gasoline.....	252,500	240,800	234,500
Distillate fuels.....	78,700	81,800	84,600
Jet fuels.....	97,100	104,900	95,600
Coke.....	15,100	16,000	17,000
Natural gas liquids.....	18,700	18,600	13,900
Other.....	19,400	17,400	20,800
Total.....	481,500	479,500	466,400
Foreign.....	94,400	92,800	97,000
Total.....	575,900	572,300	563,400

</TABLE>

Total petroleum product sales differ from total petroleum products manufactured due to the consumption of some products as refinery fuel, the exchange of products with other companies, change in inventory levels, and the purchase and resale of products not manufactured by ARCO Products.

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TRANSPORTATION

ARCO Transportation, through various wholly owned subsidiaries of ARCO, manages facilities that transport and store petroleum liquids, refined petroleum products, petrochemicals and natural gas. Ownership interests in petroleum liquids pipeline systems in the United States include approximately 1,200 miles of gathering lines serving producing fields in California, Colorado, New Mexico, Oklahoma, Texas and Utah, and approximately 5,300 miles of common carrier trunk lines extending from producing areas, including Alaska, to refineries and terminals. Ownership interests in refined petroleum product and petrochemical pipeline systems in the United States include approximately 1,900 miles of trunk lines originating at refineries in Texas, California and Oklahoma; these pipelines move petroleum liquids and refined petroleum products for all shippers (including ARCO) that properly tender these materials for transportation. In addition, the Company has interests in several other petroleum liquids and refined petroleum product pipelines and several small natural gas pipeline systems in the western United States.

ARCO Transportation Alaska, Inc. ("ATA"), a wholly owned subsidiary of ARCO, owns an undivided interest in TAPS. TAPS consists of an 800-mile, 48-inch diameter pipeline system used to transport petroleum liquids from the North Slope of Alaska to the ice-free port of Valdez in southern Alaska. The percentage of ownership varies by facility, with ATA's weighted average TAPS ownership being approximately 21.3 percent. In addition, ATA owns approximately 21.3 percent of the stock of Alyeska Pipeline Service Company, which was established to design, construct, operate and maintain TAPS for the owners. See page 17 of "Environmental Matters--Material Environmental Litigation." ATA's undivided interest in TAPS is proportionally consolidated

for financial reporting purposes. TAPS 1993 throughput averaged approximately 1,620,000 barrels per day. During 1993, a federal audit team completed a study that pointed to deficiencies in TAPS operations and maintenance, inspection procedures, and management. During Congressional hearings following this audit, the Company reiterated its overriding commitment to safety and high environmental standards for TAPS.

Kuparuk Pipeline Company, a wholly owned subsidiary of ARCO, owns a 57 percent partnership interest in a pipeline system that links the Kuparuk River field to TAPS Pump Station No. 1. An average of 333,000 barrels of petroleum liquids per day was transported through this pipeline system in 1993.

In the Lower 48, ARCO Pipe Line Company, Four Corners Pipe Line Company, and ARCO Terminal Services Corporation, wholly owned subsidiaries of ARCO, provide transportation and storage facilities for various types of crude oil, finished products and petrochemicals. ARCO Pipe Line Company owns and operates petroleum liquids, product and petrochemical pipelines located east of the Rocky Mountains; gross throughput of these pipelines averaged 1,117,000 barrels per day in 1993. Four Corners Pipe Line Company owns and operates common carrier pipelines in the western United States that transported approximately 279,000 barrels per day of crude oil in 1993. ARCO Terminal Services Corporation owns and operates pipelines and owns or leases and operates terminals that provide a variety of storage and transportation services both to ARCO and third-party customers. In February 1994, in an effort to strengthen the competitive position and improve efficiencies, the management of ARCO Pipe Line and Four Corners Pipe Line companies have been combined.

During 1993, ARCO Transportation completed two significant pipeline expansions. Line 90, a major west-to-east crude oil pipeline, was expanded to accommodate 12,000 additional barrels of crude oil per day for a total of up to 84,000 barrels per day. Additionally, a new long-term agreement for the shipping of Alaska North Slope crude oil from Long Beach eastward on this pipeline was signed. Also expanded was the Gulf Coast to Cushing crude oil pipeline system, that links the Gulf of Mexico port at Texas City with Midcontinent and Midwest refineries through Cushing, Oklahoma. This project raised system capacity by up to 40,000 barrels per day, depending on the viscosity of the crude oil being carried, and is intended to capitalize on growing demand from domestic refiners for imported crude oil.

ARCO Marine, Inc., a wholly owned subsidiary of ARCO, owns or operates under long-term lease 10 ocean-going, United States flag tankers with an aggregate tonnage of approximately 1.5 million tons.

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INTERMEDIATE CHEMICALS AND SPECIALTY PRODUCTS

The Company's Intermediate Chemicals and Specialty Products operation consists of the businesses owned by ARCO Chemical. ARCO currently owns 80,000,001 shares of common stock of ARCO Chemical, which represent 83.3 percent of the outstanding shares.

ARCO Chemical is a leading international manufacturer and marketer of intermediate chemicals and specialty products used in a broad range of consumer goods. Major products include propylene oxide ("PO") and its derivatives (which include polyols and propylene glycols ("PG")), tertiary butyl alcohol ("TBA") and its derivatives (which include MTBE and ethyl tertiary butyl ether ("ETBE")), and styrene monomer ("SM") and its derivatives (including polystyrenics).

ARCO Chemical's principal chemical facilities are located in: Bayport, Texas (PO, TBA and various derivatives including PG); Channelview, Texas (PO, SM and various derivatives including polyols and MTBE); Monaca (Beaver Valley), Pennsylvania (SM derivatives); Rotterdam, the Netherlands (PO, TBA and various derivatives including PG and MTBE); Fos-sur-Mer, France (PO, TBA and various derivatives including PG, polyols and MTBE); and a joint venture in Chiba, Japan (PO and SM). Other production facilities include facilities for the production of polystyrenics at Painesville, Ohio and polyols at: Institute and South Charleston, West Virginia; Rieme, Belgium; Kaohsiung, Taiwan; and Anyer, West Java, Indonesia. ARCO Chemical owns a majority equity interest in the second PO/SM plant at Channelview, Texas, completed in 1992. The two equity investors in the plant, which are limited partners, each will take a substantial portion of the SM output of the plant through long-term processing agreements.

The following table shows ARCO Chemical's worldwide production capacity (in millions of pounds per year, except where otherwise noted) for PO, TBA, SM and certain key derivatives:

<TABLE>
<CAPTION>

ASIA PRODUCT PACIFIC	AMERICAS	EUROPE	
<S>	<C>	<C>	<C>
PO	2,315	980	
310			
Polyols	655	385	
120			
PG	430	305	--
TBA	2,870	2,395	--
SM	2,525	--	
740			
MTBE--Bbls/day	30,000	28,500	--

Capacities shown reflect the production capacities that, as of December 31, 1993, ARCO Chemical believes that it can obtain based upon plant design and subject to certain on-stream factors, product mix, and other variable factors. Capacities shown include the full capacity of on-stream joint-venture facilities. Plants can and have exceeded these capacities for extended periods of time. In addition, ARCO Chemical currently has processing arrangements at third party facilities pursuant to which it has the capacity to produce an additional 20,000 barrels per day of MTBE in the Americas region.

The following table sets forth ARCO Chemical's key product volumes sold to and processed for customers for the periods indicated:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1993	1992	1991
	(MILLIONS)		
<S>	<C>	<C>	<C>
PO and derivatives (pounds).....	3,356	3,055	2,729
TBA and derivatives (gallons).....	1,164	1,092	996
SM and derivatives (pounds).....	2,084	1,434	1,278

Total sales and other operating revenues for the Company's intermediate chemicals and specialty products segment for the years ended December 31, 1993, 1992 and 1991 were \$3,192 million, \$3,100 million, and \$2,990 million, respectively, including immaterial amounts for sales and services to Lyondell.

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In addition to sales to, or processing agreements with, unrelated third parties, ARCO Chemical has agreements with the Company and Lyondell which provide for, among other things, the purchase, sale and processing of various products and feedstocks. ARCO Chemical sells MTBE at contract prices to ARCO Products for use in the production of the Company's reformulated gasolines. During 1991, ARCO Products and ARCO Chemical entered into long-term sales agreements providing for delivery of fixed quantities of MTBE. Lyondell provides to ARCO Chemical a portion of the feedstocks purchased by ARCO Chemical for use at its chemical manufacturing facilities in Texas. Lyondell also provides certain plant services at these facilities. ARCO Chemical in turn provides certain feedstocks and supplies to Lyondell. ARCO Chemical is also a party to certain service agreements and other arrangements with the Company and Lyondell.

For additional information about ARCO Chemical, a copy of ARCO Chemical's 1993 Annual Report to Stockholders and 1993 Annual Report on Form 10-K can be obtained by writing to Manager, Investor Relations, ARCO Chemical Company, 3801 West Chester Pike, Newtown Square, Pennsylvania 19073-2387. ARCO Chemical's telephone number is (610) 359-2000.

EQUITY INTEREST IN LYONDELL

ARCO owns a 49.9 percent equity interest in Lyondell, which is accounted for on the equity method. Prior to 1989, Lyondell was a wholly owned subsidiary of ARCO. See Note 20 of Notes to Consolidated Financial Statements on page 52, and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Lyondell is a petrochemical and petroleum processor and marketer. Lyondell manufactures a wide variety of petrochemicals, including olefins (ethylene, propylene, butadiene, butylenes and specialty products), polyolefins (polyethylene and polypropylene), methanol and MTBE, and refined petroleum products, including gasoline, heating oil, jet fuel, aromatics and lubricants.

For the year ended December 31, 1993, Lyondell recorded total revenues of approximately \$263 million from sales to ARCO Chemical. Lyondell also provides certain plant services at these facilities. ARCO Chemical in turn provides certain feedstocks and supplies to Lyondell. See "Products--Intermediate Chemicals and Specialty Products."

Lyondell historically purchased a portion of its crude oil, natural gas and NGLs requirements from ARCO. Lyondell currently purchases certain of these requirements from ARCO's Lower 48 business units under short-term contracts and/or on the spot market at prices based on prevailing market prices. In addition, Lyondell and ARCO have entered into a services agreement and various leases, technology transfers and licenses and other arrangements. During 1993, Lyondell paid ARCO and its consolidated subsidiaries an aggregate of \$73 million under these agreements, arrangements and transactions and received an aggregate of \$278 million.

In July 1993, Lyondell and CITGO Petroleum Corporation ("CITGO"), a subsidiary of Petroleos de Venezuela, S.A. ("PDVSA"), the Venezuelan national oil company, created a jointly owned Texas limited liability company, LYONDELL-CITGO Refining Company Ltd. ("LCR"), that owns and operates Lyondell's refining business. Lyondell contributed its refinery assets (including the lube oil blending and packaging plant in Birmingham, Alabama) and refinery working capital to LCR and retained an approximate 95 percent participation interest in LCR. CITGO initially contributed \$50 million to the operations of LCR and in exchange received an approximate five percent participation interest in the ongoing operations of LCR. At the end of 1993, CITGO made an additional \$50 million contribution to the ongoing operations of LCR, and increased its participation interest to approximately ten percent. LCR is undertaking a major upgrading project at the refinery to enable the facility to process substantial additional volumes of very heavy crude oil. Project engineering for the upgrade is currently underway;

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LCR management anticipates the cost over the next four years to be approximately \$800 million. CITGO will contribute a significant portion of the funding required to complete this upgrade. Upon completion of the upgrade, CITGO will own a significant minority interest in LCR and CITGO will have an option to increase its interest to 50 percent that can be exercised under certain conditions. In addition, in 1993 PDVSA entered into a long-term contract to supply heavy crude oil to LCR, and CITGO has a long-term obligation to purchase a substantial portion of the refined products produced at the refinery.

For additional information about Lyondell, a copy of Lyondell's 1993 Annual Report to Stockholders and 1993 Annual Report on Form 10-K can be obtained by writing to Investor Relations, Lyondell Petrochemical Company, One Houston Center, 1221 McKinney Street, Houston, Texas 77010. Lyondell's telephone number is (713) 652-7200.

CAPITAL PROGRAM

The Company's capital expenditures for additions to fixed assets (including dry hole costs) totaled approximately \$2.1 billion in 1993 and are budgeted at \$1.9 billion for 1994. The levels of future capital expenditures may be affected by business conditions in the industry, particularly possible changes in prices of and demand for crude oil, natural gas and petroleum products. Changes in the tax laws, the imposition of and changes in federal and state clean air and clean fuel requirements, and other changes in environmental rules and regulations may also affect future capital expenditures.

PATENTS

ARCO owns numerous patents, many of which are available for license to the petroleum industry, and is itself a licensee under certain patents which are available generally to the industry. The Company's operations are not dependent upon any particular patent or patents or upon any exclusive patent rights.

COMPETITION

The petroleum industry is competitive in all its phases, including manufacturing, distribution and marketing of petroleum products and

petrochemicals. Methods of competition for new sources of supply include finding and developing such sources and competition in bidding for leases which may contain such sources and the acquisition of producing properties. Competitive factors in manufacturing, distribution and marketing include price, methods and reliability of delivery, product quality, new product development and, with respect to consumer products, advertising and sales promotion.

Crude oil and natural gas supplies are currently abundant relative to demand in the worldwide markets for those commodities. Market prices are typically volatile as a result of uncertainties caused by world events. ARCO's leasehold position on the North Slope of Alaska and its emphasis on the cost-efficient exploration and development of petroleum resources and on innovative marketing strategies make the Company well situated to compete in this environment.

In the refining, marketing and manufacturing segment of the industry, refining operations that yield a higher proportion of high-margin products and marketing operations that put a premium on high volume and innovation are of primary importance. The Company's historic emphasis on efficient refinery operations and innovative retail marketing makes ARCO a strong competitor in its wholesale markets and in its West Coast retail market.

The domestic coal industry serves competitive U.S. markets, where specific transportation arrangements are often a key element in competition because transportation costs are a significant component of the delivered price of coal. Almost all of the Company's domestic coal customers are

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electric utilities. The Company's Australian mines are export-oriented, largely to Japan, and face worldwide competition, primarily from Canadian, Indonesian, South African, U.S. and other Australian producers.

Key competitive factors in the intermediate chemicals and specialty products markets include product price, quality, reliability of supply, technical support, customer service and potential substitute materials. Commodity chemicals and polymers compete mainly on the basis of price, while specialty products compete mainly on the basis of product performance.

The Company ranked twenty-second in sales in the most recent Fortune 500 list of industrial companies.

HUMAN RESOURCES

As of December 31, 1993, ARCO had approximately 25,100 full-time equivalent employees, of whom approximately 12 percent were represented by collective bargaining agents.

RESEARCH AND DEVELOPMENT

ARCO engages in research for new and improved methods, equipment and products principally at three facilities located at Plano, Texas, Newtown Square, Pennsylvania and Anaheim, California. Total research and development expenses were \$109 million, \$89 million and \$119 million in 1993, 1992 and 1991, respectively.

ENVIRONMENTAL MATTERS

Site Remediation

The Company is subject to federal, state and local environmental laws and regulations, including the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA" or "Superfund"), and the Superfund Amendments and Reauthorization Act of 1986 and the Resource Conservation Recovery Act of 1976 ("RCRA"), which may require the Company to remove or mitigate the effects on the environment of the disposal or release of certain chemical, mineral and petroleum substances at various sites, including the restoration of natural resources located at these sites and damages for loss of use and non-use values. The Company is currently participating in environmental remediation activities at numerous sites under Superfund and comparable state statutes at sites associated with discontinued operations, under RCRA and other state and local statutes at certain operating sites, and pursuant to indemnification agreements at certain former Company facilities. The Company is currently participating in environmental assessments and cleanups under these laws at federal Superfund and state-managed sites, as well as other clean-up sites, including service stations, refineries, terminals, chemical facilities, third party landfills, former nuclear processing facilities, and sites associated with discontinued operations. The Company may in the future be involved in additional environmental assessments and cleanups, including the restoration of natural

resources and damages for loss of use and non-use values. The ultimate amount of the future costs associated with such environmental assessments and cleanups is indeterminable due to such factors as the unknown nature and/or extent of contaminants at many sites, the unknown timing, extent and method of the remedial actions which may be required and the determination of the Company's liability in proportion to other responsible parties. The Company continues to estimate the amount of these costs in periodically establishing reserves based on progress made in determining the magnitude of remediation costs, experience gained from sites on which remediation has been completed, the timing, extent and method of remedial actions required by the applicable governmental authorities and an evaluation of the amount of the Company's liability considered in light of the liability and financial wherewithal of the

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other responsible parties. As the scope of the Company's obligation becomes more clearly defined, there may be changes in these estimated costs, which might result in future charges against the Corporation's earnings.

The Company's environmental remediation accrual of \$648 million at December 31, 1993 covers federal Superfund and state-managed sites as well as other clean-up sites, including service stations, refineries, terminals, chemical facilities, third-party landfills, former nuclear processing facilities and sites associated with discontinued operations. The Company has been named a potentially responsible party ("PRP") for 123 sites. The number of PRP sites in and of itself does not represent a relevant measure of liability, because the nature and extent of environmental concerns vary from site to site and the Company's share of responsibility varies from sole responsibility to very little responsibility. The Company reviews all of the PRP sites along with other sites as to which no claims have been asserted, in estimating the amount of accrual. The Company's future costs for these sites could exceed the amount accrued by as much as \$1 billion.

Approximately half of the reserve relates to sites associated with the Company's discontinued operations, primarily mining activities in the states of Montana and Colorado. Another significant component relates to currently and formerly owned chemical, nuclear processing, and refining and marketing facilities, and other sites which received wastes from these facilities. The Company is also the subject of certain material legal proceedings described below under the caption "Material Environmental Litigation." The remainder relates to sites with reserves ranging from \$1 million to \$10 million per site. No one site represents more than 15 percent of the total reserve. Substantially all amounts accrued in the reserve are expected to be paid out over the next five to six years.

Clean Air

The Federal Clean Air Act Amendments of 1990 (the "1990 Clean Air Act Amendments") and various state and local laws and regulations impose certain air quality requirements that may have a significant economic impact on ARCO during the next decade. Among other things, the 1990 Clean Air Act Amendments effectively require the manufacture and sale of reformulated and oxygenated gasolines in areas not meeting specified air quality standards. These requirements are to be effective by January 1, 1995 for the nine U.S. cities, including Los Angeles and San Diego, with the worst ozone pollution. In November 1991, the CARB announced its specifications for reformulated gasoline effective March 1, 1996, which are stricter than those to be applied under the federal rules. To comply with these air quality requirements, ARCO expects to make major modifications at its Los Angeles Refinery. The Company does not anticipate any material adverse effect upon its consolidated financial position as a result of compliance with such environmental laws and regulations.

In 1992 the South Coast Air Quality Management District, or AQMD, which sets environmental standards for a five county area of Southern California, proposed a Regional Clean Air Incentives Market ("RECLAIM") program for the buying and selling of emission credits. On October 15, 1993, after several modifications, AQMD adopted the program, which includes the innovative credits trading feature, and emission reductions, pursuant to which the Los Angeles Refinery must, by 2003, achieve overall reductions from 1992 levels of oxides of nitrogen (NOx) by 63 percent and oxides of sulfur (SOx) by 83 percent.

Environment-Related Expenditures

For the past three years, the Company's environment-related expenditures have been comprised of both capital expenditures and operating expenses. Environment-related capital expenditures include the cost of projects to reduce and/or eliminate pollution and contamination in the future and the cost of modifications to the Company's manufacturing facilities necessary to comply

with the aforementioned federal, state and local air quality laws and regulations. Environment-related operating costs include

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both costs to eliminate, control or dispose of, pollutants, as well as costs to remediate previously contaminated sites. Sites are remediated using a variety of techniques, including on site stabilization, bioremediation, soil removal, pump and treat and other methods as deemed appropriate for each specific site.

For the past three years, the Company's environment-related capital expenditures have averaged approximately \$280 million per year. The Company anticipates environment-related capital programs of approximately \$440 million and \$360 million for 1994 and 1995, respectively. For the past three years, the Company's operating expenses for the remediation of previously contaminated properties either compelled or likely to be compelled in the foreseeable future by government or third parties have averaged approximately \$160 million per year. Cash payments for site remediation have averaged \$191 million per year over the same period. The Company's operating expenses also include ongoing costs of controlling or disposing of pollutants. For the past three years, the Company estimates that its operating expenses related to these ongoing costs have averaged approximately \$270 million per year.

In addition to the reserve accrual for environmental remediation costs, the Company has also accrued, as of December 31, 1993, \$788 million for the estimated cost, net of salvage value, of dismantling facilities as required by contract, regulation or law, and the estimated costs of restoration and reclamation of land associated with such facilities.

Material Environmental Litigation

Pursuant to the authority provided under Superfund, the State of Montana has asserted claims against ARCO for compensation for damage to natural resources up to the maximum amount allowed by 42 United States Code Section 9607. These alleged damages, arising out of ARCO's or its predecessors' alleged activities, include restoration and compensable damages, assessment costs, and prejudgment interest. These claims, which relate to the four Upper Clark Fork River Basin Superfund sites in Montana, have been filed both as a lawsuit and an informal letter claim against the Company. The lawsuit, styled Montana v. ARCO, ex rel., was filed on December 12, 1983, in the United States District Court for the District of Montana (Case No. CV-83-317-HLN-PGH). On August 24, 1984, by agreement of the parties, the Court temporarily stayed all further proceedings pending completion of a natural resources damage assessment by the State of Montana. On August 17, 1990, the Court issued a Case Management Order and lifted the stay; the litigation proceeded under the order until December 1992, when the Court issued another temporary stay in an attempt to facilitate settlement negotiations between the parties. On March 17, 1993, the parties filed a joint petition seeking an extension of the stay until September 15, 1994 to allow the parties to engage in settlement negotiations pursuant to a memorandum of understanding signed by the parties on March 16, 1993. On March 22, 1993, the Court granted the parties' joint petition.

In addition, on June 23, 1989, the EPA filed a CERCLA cost-recovery action against ARCO (amended October 15, 1992), styled U.S. v. ARCO, et al. (Case No. CV-89-039-BU-PGH), in the United States District Court for the District of Montana, for oversight costs at several of the Upper Clark Fork River Basin Superfund sites. A stay previously entered in U.S. v. ARCO has been lifted as of February 15, 1993, and litigation is proceeding on both the EPA's claims (in the approximate amount of \$80 million) and ARCO's counterclaims against various federal agencies. (In the counterclaims, ARCO seeks contributions from the federal agencies for remediation costs and for any natural resource damage liability ARCO might incur in Montana v. ARCO.)

In addition, the State of Colorado has filed a natural resource damage claim which relates to the Rico-Argetine Mine Site. This claim was originally filed against the Superfund itself as an administrative claim with the EPA; it has been denied by the EPA. An additional informal letter claim was filed against the Company; this claim remains unresolved.

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ARCO and its subsidiary, Atlantic Richfield Hanford Company ("ARHCO"), and several other companies who have served as government contractors at the Hanford Nuclear Reservation in south central Washington State (the "Reservation") are named as defendants in a consolidated complaint in the United States District Court for the Eastern District of Washington. Presently, this action is proceeding on the basis of a consolidated complaint filed on April 19, 1991 (the "Consolidated Complaint") which is titled In re

Hanford Nuclear Reservation Litigation (CY-91-3015-AAM). The Consolidated Complaint is brought on behalf of over 2,500 individuals and five purported classes of persons. The Consolidated Complaint alleges that the defendant government contractors accidentally or deliberately released radioactive and non-radioactive toxic and hazardous substances generated at the Reservation into the surrounding air, water and ground. The Consolidated Complaint contains claims for relief based upon state tort and real estate law and purportedly arising under the Price-Anderson Act. The Consolidated Complaint also contains claims for relief purportedly arising under CERCLA. The Consolidated Complaint seeks extensive relief on behalf of the individual and class plaintiffs, including compensatory and punitive damages for personal injury, wrongful death and economic loss, and as well as broad injunctive and declaratory relief pursuant to CERCLA. The Consolidated Complaint also seeks attorneys' fees and costs. On October 18, 1991, the District Court dismissed plaintiffs' claims for abatement, medical monitoring, response costs, and disclosure of information pursuant to CERCLA. The Court also dismissed plaintiffs' claims for punitive damages and dismissed one of the purported classes, the Hanford Downwinders Coalition, from the litigation. The Court denied defendants' motions for a more definite statement and for dismissal of certain of plaintiffs' state law claims. On approximately January 6, 1992, ARCO and ARHCO filed an answer denying the remaining claims of the Consolidated Complaint. Discovery is proceeding, and no trial date has been set. On July 9, 1993, a new action, entitled Pamela Durfey, et al. v. E. I. Du Pont De Nemours and Company, et al. (93-2-01325-5), was filed in the Superior Court of the State of Washington for the County of Yakima. The complaint, which names ARCO and ARHCO as defendants, was filed on behalf of a purported class that includes all people who have lived from 1942 to the present in the Washington and Oregon counties surrounding the Reservation. This action seeks "a comprehensive medical monitoring program to permit the early identification, detection and diagnosis" of diseases caused by the released radioactive and non-radioactive waste from the Reservation. This complaint has been removed to the United States District Court for the Eastern District of Washington. Plaintiffs have filed a motion for remand which is presently before the Court. With respect to all of these actions, the Company and ARHCO believe that, should either or both ultimately be held liable, they will be entitled to indemnification by the federal government as provided under the Price-Anderson Act, and pursuant to the terms of the contract between ARHCO and the Atomic Energy Commission. Without confirming or denying the government's indemnity obligations, the DOE has instructed the defendants to proceed with the good faith defense of the lawsuits.

ARCO is one of the named defendants in several lawsuits filed in federal court in Texas brought by approximately 2,500 plaintiffs relating to the French Ltd. and Sikes (Texas) Superfund sites and several lawsuits filed in state court in Texas brought by several hundred plaintiffs relating to the Brio (Texas) Superfund site. These suits generally allege personal injury and/or property damage caused by chemical substances allegedly sent to the sites by the Company and other defendants. Most of the claims of the plaintiffs in the French Ltd. lawsuits have been resolved either by dismissal or by settlement with plaintiffs. In June 1992, ARCO agreed to settle the claims of approximately 1,500 plaintiffs relating to the Brio site. Since that date, new claims have been filed by approximately 1,200 plaintiffs. Neither the French Ltd. settlements nor the Brio settlement involved amounts which are material to the Company.

On March 24, 1989, an oil tanker, the EXXON VALDEZ, ran aground near Bligh Island, Alaska, after taking on crude oil from the Valdez Marine Terminal operated by Alyeska, of which ATA owns approximately 21 percent. Roughly 240,000 barrels of crude oil were discharged into the waters of Prince William Sound. As a result, numerous lawsuits seeking compensatory and punitive damages and injunctions were filed in state and federal courts in Alaska against Exxon, Alyeska, and Alyeska's

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owner companies (including ATA) alleging, among other things, that Alyeska responded inadequately to the oil spill. The State of Alaska filed an action that sought, among other things, the imposition of civil penalties and the recovery of environmental, economic and punitive damages suffered by the State. The United States filed an action that sought, among other things, the recovery of cleanup response costs and environmental damages resulting from the oil spill. Private plaintiffs filed other actions, many seeking certification as class actions. On October 8, 1991, the United States District Court in Alaska approved an Agreement and Consent Decree by which Exxon will pay \$900 million over the next 10 years (with a possible additional \$100 million to be paid under a re-opener provision) in settlement of all federal and state civil damage claims. In further consideration of the Exxon payments under the Agreement and Consent Decree, Alyeska and its owner companies are released from federal and state natural resource civil damage claims. On November 25, 1992, the United States District Court in Alaska approved an

Agreement and Consent Decree by which Alyeska and its owner companies will pay \$2 million to the United States and a total of \$29.7 million by February 4, 1995 to the State of Alaska, of which \$9.9 million was ATA's share, in settlement of remaining civil damage claims by federal and state governments. On July 13, 1993, it was announced that Alyeska and its owner companies had agreed to pay \$98 million in settlement of the lawsuits by all but a handful of private plaintiffs, of which \$20.9 million was ATA's share. This settlement was made contingent on, among other things, approval by the federal and state courts. In response to this announced settlement, Exxon Shipping Company filed a lawsuit against Alyeska and its non-Exxon owner companies in the United States District Court in Alaska seeking an injunction and stay of certain aspects of the settlement pending arbitration. Exxon Shipping's principal contention was that those aspects of the proposed settlement that affect the claims that Exxon Shipping may have against Alyeska and its owner companies as a result of the spill must be arbitrated because such claims fall under the arbitration provisions of the agreement that governed the calling of vessels at the Valdez Marine Terminal at the time of the spill. At the October 28, 1993 approval hearing on the settlement, the settlement was tentatively approved as fair, reasonable and adequate. On December 8, 1993, the United States District Court in Alaska issued various orders generally resolving the issues raised by Exxon Shipping concerning the settlement in favor of Alyeska and its owner companies. Exxon Shipping has sought reconsideration of one of those judicial orders, appealed two others and may appeal the rest of the orders.

On November 21, 1990, ARCO filed a complaint in Los Angeles County Superior Court, Atlantic Richfield Company v. AETNA Casualty and Surety Company of America, et al. (Case No. BC 015575), naming more than 70 insurance companies as defendants and seeking recovery under numerous insurance policies in effect at times during past years for certain environmental expenses incurred by ARCO. The claims arise from the activities of ARCO and its predecessor companies, including Anaconda, at sites and locations throughout the United States. The Company cannot predict the outcome of this litigation, which may be protracted.

Conclusion

Environmental concerns, including the minimization and prevention of environmental contamination from ongoing operations, and the cost-effective remediations of existing contaminated sites, continue to be vital factors in the Company's future planning. See Note 12 of Notes to Consolidated Financial Statements on page 47, and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

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ITEM 3. LEGAL PROCEEDINGS

THE COMPANY

On March 23, 1979, in the case of Van Vranken, et al. v. Atlantic Richfield, two California service station dealers purporting to represent a class of all resellers of gasoline, aviation fuels, butane and propane sued the Company in the United States District Court for the Northern District of California (Case No. C-79-0627-SW) for allegedly willfully violating the Department of Energy's ("DOE") 1973-1981 price regulations by unlawfully inflating its costs of crude oil eligible for recovery. On March 25, 1986, the District Court certified the plaintiffs as representatives of the class for purchases made between May 1, 1976 and January 28, 1981. On July 23, 1992, a jury found for the Company on the class' original claim, and for the class on three subsequent claims in the amount of \$22.8 million, plus prejudgment interest. On October 22, 1992, the trial court ordered a formula for interest resulting in a total judgment of approximately \$63 million. On September 30, 1993, the United States Court of Appeals for the Federal Circuit affirmed, without opinion, the trial court's judgment. The Company has sought reconsideration.

On June 7, 1989, the City of New York, the New York City Housing Authority and the New York City Health and Hospitals Corporation brought suit in the Supreme Court of the State of New York for the County of New York (Case No. 14365/89) against six alleged former lead pigment manufacturers or their successors (including ARCO as successor to International Smelting and Refining Company ("IS&R"), a former subsidiary of The Anaconda Company), and the Lead Industries Association ("LIA"), a trade association. Plaintiffs seek to recover damages in excess of \$50 million including (i) past and future costs of abating lead-based paint from housing owned by New York City and the New York City Housing Authority; (ii) other costs associated with dealing with the presence of lead-based paint in that housing and privately owned housing; and (iii) any amounts paid by the City or the Housing Authority to tenants because of injuries caused by the ingestion of lead-based paint. Plaintiffs also seek punitive damages and attorney fees. On January 7, 1991, defendant Eagle-

Picher, one of the lead pigment manufacturers, filed for Chapter 11 bankruptcy protection in the Southern District of Ohio, for reasons unrelated to this litigation. As a result of the filing, all proceedings against Eagle-Picher have been stayed in this litigation. On December 23, 1991, the Court dismissed plaintiffs' claims of negligent product design, negligent failure to warn, and strict liability as time-barred under the applicable statute of limitation. The Court also ruled, however, that the plaintiffs' fraud and restitution claims were adequately pled and that more facts were needed to determine if the fraud claim was also time-barred. Interlocutory appeals were taken, and this decision was affirmed. On March 12, 1992, ARCO filed its answer to the complaint and its counterclaims against the City of New York and the New York City Housing Authority. On April 8, 1993, pursuant to stipulation by the parties, the trial court entered an order dismissing with prejudice plaintiffs' claims for indemnification arising from third-party personal injury claims resolved before March 15, 1993, and dismissing without prejudice claims for indemnification brought after that date. On September 3, 1993, plaintiffs filed an amended complaint adding American Cyanamid Company and Fuller-O'Brien Corporation as defendants.

On August 25, 1992, ARCO (as successor to IS&R) was added as a defendant to a purported class action suit pending in the Court of Common Pleas in Cuyahoga County (Cleveland), Ohio, Jackson, et al. v. The Glidden Company, et al. (Case No. 236835), that seeks on behalf of the three named plaintiffs, and all other persons similarly situated in the state of Ohio, money damages for injuries allegedly suffered from exposure to lead paint, punitive damages, and an order requiring defendants to remove and abate all lead paint applied to any building in Ohio. The suit names as defendants, in addition to ARCO, the LIA and 16 companies alleged to have participated in the manufacture and sale of lead pigments and paints and includes causes of action for strict product liability, negligence, breach of warranty, fraud, nuisance, restitution, negligent infliction of emotional distress, and enterprise, market share and alternative liability. On July 29, 1993, the Court entered an order granting defendants' motion to dismiss the complaint on the grounds that Ohio law does not recognize market share,

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enterprise or alternative liability causes of action in this case. On August 27, 1993, plaintiffs filed their notice of appeal.

In addition, the Company is a defendant in several lawsuits, brought by individuals that allege injury from exposure to lead paint. These cases, in the aggregate, are not material to the financial condition of the Company.

On July 5, 1990, an explosion and fire occurred at ARCO Chemical's Channelview, Texas plant. The incident resulted in the death of 17 people and in significant damage to the waste water treatment section of the plant, with some damage to the adjacent area providing utilities to the plant. Various lawsuits have been filed and claims made against ARCO Chemical for wrongful death, personal injury and property damage in connection with this incident, most of which have been resolved.

ENVIRONMENTAL PROCEEDINGS

As discussed under the caption "Environmental Matters," ARCO is currently participating in environmental assessments and cleanups at numerous operating and non-operating sites under Superfund and comparable state laws, RCRA and other state and local laws and regulations, and pursuant to third party indemnification requests, and is the subject of material legal proceedings relating to certain of these sites. See "Environmental Matters--Material Environmental Litigation." Set forth below is a description, in accordance with SEC rules, of certain fines and penalties imposed by governmental agencies in respect of environmental rules and regulations.

In September 1991, the California Department of Toxic Substances Control filed an administrative complaint against ARCO Products Company seeking a civil penalty of \$137,500 for failure to comply with certain hazardous waste regulations. The alleged violations stem from sandblasting and related actions by subcontractors while performing work at the Los Angeles Refinery. In December 1991, an administrative law hearing was held on these alleged violations. The Administrative Law Judge proposed a reduced penalty of \$62,000, and the matter has been settled on that basis.

ARCO Chemical has discovered that certain organic waste material is situated in the soil and ground water at portions of its Monaca, Pennsylvania (Beaver Valley) plant. ARCO Chemical has commenced a feasibility study to determine the technology required to remedy the conditions at the plant. Concurrently, ARCO Chemical is working with the Pennsylvania Department of Environmental Resources ("DER") to design a plan to remedy the conditions at the plant. ARCO Chemical has signed an agreement with Beazer East, Inc., the successor to

Koppers Inc. (the previous owner of the Beaver Valley plant), whereby Beazer East, Inc. has agreed to pay for approximately 50 percent of the cost of the remediation. ARCO Chemical has agreed to pay to the Pennsylvania DER a fine in the amount of \$300,000 in settlement for contamination of the ground water at the plant.

In August 1993, the City Prosecuting Attorney of Long Beach, California, filed a complaint against ARCO Terminal Services Corporation ("ATSC"), an ARCO subsidiary, alleging that ATSC illegally disposed of hazardous waste. A second complaint was filed against ATSC and Four Corners Pipe Line Company ("FCPL"), another ARCO subsidiary, alleging that ATSC and FCPL illegally disposed of hazardous waste. The allegations made in each complaint are not related. In December 1993, pursuant to the provisions of judicially approved Orders for Civil Compromise, the complaints were dismissed. Liability was not admitted with regard to any of the allegations raised in the complaints, but payments in the amount of \$150,000 and \$100,000 have been placed into escrow accounts to fund environmental training and the acquisition of various materials and equipment to be used for environmental purposes.

In addition to the matters reported herein, from time to time, certain of the Company's operating divisions and subsidiaries receive notices from federal, state or local governmental entities of alleged violations of environmental laws and regulations pertaining to, among other things, the disposal, emission and storage of chemical and petroleum substances, including hazardous wastes. Such alleged violations may become the subject of enforcement actions or other legal proceedings and may involve monetary sanctions of \$100,000 or more (exclusive of interest and costs).

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OTHER LITIGATION

The Company and its subsidiaries are defendants in numerous suits in which they are not covered by insurance which involve smaller amounts than the matters described above. Although the legal responsibility and financial impact in respect to such litigation cannot be ascertained, it is not anticipated that these suits will result in the payment by the Company or its subsidiaries of monetary damages which in the aggregate would be material in relation to the net assets of the Company and its subsidiaries.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of 1993.

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EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below are the executive officers of Registrant as of February 28, 1994.

<TABLE>

<CAPTION>

NAME, AGE AND PRESENT
POSITION WITH ATLANTIC
RICHFIELD

BUSINESS EXPERIENCE DURING PAST
FIVE YEARS AND PERIOD SERVED AS OFFICER(a)(b)

<S>

Lodwick M. Cook, 65
Chairman of the Board,
Chief Executive Officer
and Director

<C>

Mr. Cook has been Chief Executive Officer of ARCO since October 1985, Chairman of the Board since January 1986 and a director since June 1980. He was President from October 1985 to January 1986, Chief Operating Officer--Products from May 1984 until October 1985 and Executive Vice President from June 1980 to May 1984. From September 1977 to June 1980 he was a Senior Vice President of ARCO and from January 1979 to June 1980 was President of ARCO Transportation Company. He has been an officer of the Company since 1970.

Mike R. Bowlin, 51
President, Chief
Operating Officer and
Director

Mr. Bowlin has been President and Chief Operating Officer of ARCO since June 1, 1993 and a director since June 1992. From June 1992 to May 1993, he served as Executive Vice President. He was a Senior Vice President of ARCO from August 1985 to June 1992 and President of ARCO International Oil and Gas Company from November 1987 to June 1992. He was President of ARCO Coal Company from August 1985 to July 1987. He was Senior Vice President of International

Oil and Gas Acquisitions from July 1987 to November 1987. From October 1984 to July 1985, he was a Vice President of the Company. From April 1981 to December 1984 he was Vice President of ARCO Oil and Gas Company. He has been an officer of the Company since October 1984.

Ronald J. Arnault, 50
Executive Vice
President, Chief
Financial Officer and
Director

Mr. Arnault has been an Executive Vice President of ARCO and a director since October 1987. He was Chief Financial Officer from June 1984 to July 1990 and July 1992 to present. From June 1980 to October 1987 he was a Senior Vice President of ARCO. From January 1980 to June 1984 he was President of ARCO Solar Industries. Prior to June 1980 he was a Vice President of ARCO. He has been an officer of the Company since 1977.

James A. Middleton, 57
Executive Vice
President and Director

Mr. Middleton has been an Executive Vice President of ARCO and a director since October 1987. He was President of ARCO Oil and Gas Company from January 1985 to July 1990. From June 1981 to October 1987 he was a Senior Vice President of ARCO. From April 1982 to January 1985 he was Senior Vice President, Production Operations, ARCO Oil and Gas Company, and from July 1981 to April 1982 he was President of ARCO Coal Company. Prior to June 1981 he was a Vice President of ARCO. He has been an officer of the Company since 1980.

William E. Wade, Jr., 51
Executive Vice
President and Director

Mr. Wade has been an Executive Vice President of ARCO and a director since June 1993. He served as a Senior Vice President from May 1987 to May 1993 and President of ARCO Oil and Gas Company from October 1990 to May 1993. He was President of ARCO Alaska, Inc. from July 1987 to July 1990. He was a Vice President of the Company from 1985 to May 1987. From 1981 to 1985, he was Vice President of ARCO Exploration Company. He has been an officer of the Company since 1985.

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<CAPTION>

NAME, AGE AND PRESENT
POSITION WITH ATLANTIC
RICHFIELD

BUSINESS EXPERIENCE DURING PAST
FIVE YEARS AND PERIOD SERVED AS OFFICER(a)(b)

<S>

H. L. Bilhartz, 47
Senior Vice President

<C>

Mr. Bilhartz has been a Senior Vice President of ARCO and President of ARCO Alaska, Inc. since July 1990. From June 1987 to July 1990 he was a Vice President of ARCO and from July 1987 to July 1990 he was President of ARCO Coal Company. From 1985 to June 1987 he was Vice President and Managing Director for ARCO British Limited and ARCO Netherlands in London. He served as Vice President of Finance, Control and Planning for ARCO International Oil and Gas Company from 1984 to 1985. From 1983 to 1984 he was Vice President and District Manager for ARCO Oil and Gas Company. He has been an officer of the Company since 1987.

Camron Cooper, 54
Senior Vice President

Miss Cooper has been a Senior Vice President of ARCO since October 1987 and Treasurer from October 1978 to January 1993. She was a Vice President from May 1983 to October 1987. She has been an officer of the Company since 1975. It was announced January 24, 1994, that Miss Cooper will retire from ARCO on May 1, 1994.

E. Kent Damon, Jr., 51
Senior Vice President

Mr. Damon has been a Senior Vice President of ARCO since July 1990. He was President and Chief Investment Officer of ARCO Investment Management Company from December 1987 to February 1991. From August 1985 to July 1990 he was Vice President of ARCO. From July 1984 to August 1985 he served as Vice President, Finance and Administration of ARCO Transportation Company. Prior to July 1984 he served as Assistant Treasurer of ARCO. He has been an officer of the Company since 1985.

Kenneth R. Dickerson, 58
Senior Vice President

Mr. Dickerson has been a Senior Vice President of ARCO since July 1988. From October 1985 to June 1988 he served as Vice President and General Tax Officer. From September 1983 to October 1985 he served as Deputy General Counsel--Resources. From September 1982 to September 1983 he was Associate General Counsel for ARCO Oil and Gas Company. He has been an officer of the Company since 1985.

Marlan W. Downey, 62

Mr. Downey has been a Senior Vice President of ARCO and Pres-

Senior Vice President	ident of ARCO International Oil and Gas Company since June 1992. He was Senior Vice President of ARCO International Oil and Gas from 1987 to 1992. He has been an officer of the Company since 1992.
Anthony G. Fernandes, 48 Senior Vice President	Mr. Fernandes has been a Senior Vice President of ARCO and President of ARCO Coal Company since July 1990. From July 1987 to July 1990 he served as Vice President and Controller of the Company. From January 1985 to July 1987 he was a Vice President of ARCO Oil and Gas Company and from May 1981 to January 1985 he was a Vice President of Anaconda Minerals. He has been an officer of the Company since 1987.

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<CAPTION>

NAME, AGE AND PRESENT
POSITION WITH ATLANTIC
RICHFIELD

BUSINESS EXPERIENCE DURING PAST
FIVE YEARS AND PERIOD SERVED AS OFFICER(a)(b)

<S>

Marie L. Knowles, 47
Senior Vice President

<C>

Mrs. Knowles has been a Senior Vice President of ARCO and President of ARCO Transportation Company since June 1993. From July 1990 to May 1993 she served as Vice President and Controller of the Company. From July 1988 to July 1990 she served as Vice President of Finance, Control and Planning for ARCO International Oil and Gas Company. She was Assistant Treasurer of Banking for ARCO from October 1986 to July 1988 and Manager, Corporate Planning from August 1985 to October 1986. She has been an officer of the Company since 1990.

Francis X. McCormack, 64
Senior Vice President
and General Counsel

Mr. McCormack has been a Senior Vice President of ARCO since September 1973 and General Counsel since September 1972. He has been an officer of the Company since 1972.

William C. Rusnack, 49
Senior Vice President

Mr. Rusnack has been a Senior Vice President of ARCO since July 1990 and President of ARCO Products Company since June 1993. He was President of ARCO Transportation Company from July 1990 to May 1993. From June 1987 to July 1990 he served as Vice President, Corporate Planning of ARCO. He was Senior Vice President, Marketing and Employee Relations of ARCO Oil and Gas Company from 1985 to June 1987. He has been an officer of the Company since 1987.

Michael E. Wiley, 43
Senior Vice President

Mr. Wiley has been a Senior Vice President of ARCO since June 1993 and President of Vastar Resources, Inc. since October 1993. From June to October 1993 he served as President of ARCO Oil and Gas Company. From 1991 to June 1993, he was Vice President of ARCO and Manager of ARCO Exploration and Production Technology. From 1989 to 1991 he was Vice President of ARCO Oil and Gas Company's Southern District. He has been an officer of the Company since 1991.

Allan L. Comstock, 50
Vice President and
Controller

Mr. Comstock has been a Vice President and Controller of ARCO since June 1993. He was a Vice President of ARCO Chemical Company from October 1989 to May 1993. From November 1985 to September 1989 he was General Auditor of ARCO. He has been an officer of the Company since 1993.

Terry G. Dallas, 43
Vice President and
Treasurer

Mr. Dallas has been a Vice President of ARCO since June 1993 and Treasurer since January 24, 1994. He was Vice President, Corporate Planning from June 1993 to January 1994. He served as Assistant Treasurer, Corporate Finance from 1990 to 1993 and was the Manager, Finance, Control and Planning, ARCO British, Ltd. from 1988 to 1990. He has been an officer of the Company since July 1993.

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(a) Division names used in the descriptions of business experience of executive officers of the Company are the names which were in effect at the time such officers held such positions. In some instances, divisions have been combined or reorganized and, accordingly, activities thereof are presently conducted under different division names.

(b) The By-Laws of the Company provide that each officer shall hold office until the officer's successor is elected or appointed and qualified or until the officer's death, resignation or removal by the Board of Directors.

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DESCRIPTION OF CAPITAL STOCK

The following description of the Company's capital stock is included in order to facilitate incorporation by reference of such description in filings by the Company under the federal securities laws.

Certain statements under this heading are summaries of provisions of the Certificate of Incorporation of ARCO, as adopted upon the reincorporation of the Company into a Delaware corporation on May 7, 1985, and do not purport to be complete. A copy of the Certificate of Incorporation, as amended through May 3, 1993, is filed as an exhibit hereto. The summaries make use of certain terms defined in the Certificate of Incorporation and are qualified in their entirety by reference thereto.

The term "\$3.00 Preference Stock" refers to the Company's \$3.00 Cumulative Convertible Preference Stock, par value \$1 per share. The term "\$2.80 Preference Stock" refers to the Company's \$2.80 Cumulative Convertible Preference Stock, par value \$1 per share. The term "Preferred Stock" refers to the Company's Preferred Stock, par value \$.01 per share; this new class of Preferred Stock was authorized by stockholders on May 3, 1993. The term "Common Stock" refers to the Company's Common Stock, par value \$2.50 per share.

The following is a summary of the capital stock of ARCO as of December 31, 1993.

<TABLE>
<CAPTION>

	SHARES AUTHORIZED	SHARES OUTSTANDING
<S>	<C>	<C>
\$3.00 Preference Stock.....	94,316	81,309
\$2.80 Preference Stock.....	942,016	854,053
Preferred Stock.....	75,000,000	--
Common Stock.....	600,000,000	159,953,980*

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* Excludes treasury stock.

New Class of Preferred Stock. Under the Certificate of Incorporation, as amended following approval by stockholders on May 3, 1993, the Board is authorized to issue, at any time or from time to time, one or more series of Preferred Stock at its discretion. In addition, the Board has the power to determine all designations, powers, preferences and the rights of such stock and any qualifications, limitations and restrictions, including but not limited to: (i) the designation of series and numbers of shares; (ii) the dividend rights, if any; (iii) the rights upon liquidation or distribution of the assets of the Company, if any; (iv) the conversion or exchange rights, if any; (v) the redemption provisions, if any; and (vi) the voting rights, if any.

So long as the Preference Stocks are outstanding, and only for that period of time, the rights of the Preferred Stock are subordinate to the rights of the holders of Preference Stocks.

Dividend Rights. Holders of \$3.00 Preference Stock and holders of \$2.80 Preference Stock are entitled to receive cumulative dividends at the annual rate of \$3.00 per share and \$2.80 per share, respectively, payable quarterly, before cash dividends are paid on the Preferred Stock, if any, and the Common Stock. Shares of \$3.00 Preference Stock and shares of \$2.80 Preference Stock rank on a parity as to dividends. After provision for payment in full of cumulative dividends on the outstanding \$3.00 Preference and \$2.80 Preference Stocks, and the payment in full of cumulative dividends on the outstanding Preferred Stock, if any, dividends may be paid on the Common Stock as the Board of Directors may deem advisable, within the limits and from the sources permitted by law.

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Conversion Rights. Each share of \$3.00 Preference Stock is convertible, at the option of the holder, into six and eight-tenths (6.8) shares of Common Stock of the Company at any time, and each share of \$2.80 Preference Stock is convertible, at the option of the holder, into two and four-tenths (2.4)

shares of Common Stock of the Company at any time. These conversion rates are subject to adjustment as set forth in the Certificate of Incorporation. Shares of Preferred Stock would be convertible, if at all, on such terms as were designated by the Board of Directors.

Voting Rights. The holders of \$3.00 Preference Stock are entitled to eight votes per share; holders of \$2.80 Preference Stock are entitled to two votes per share; and holders of Common Stock are entitled to one vote per share. Holders of \$3.00 Preference and \$2.80 Preference Stocks are entitled to vote cumulatively for directors; holders of Common Stock have no cumulative voting rights. The \$3.00 Preference, \$2.80 Preference and Common Stocks vote together as one class, except as provided by law and except as to certain matters which require a vote by the holders of \$3.00 Preference Stock or by the holders of \$2.80 Preference Stock as a separate class as set forth below.

The Certificate of Incorporation provides that if the Company shall be in default with respect to dividends on the \$3.00 Preference Stock in an amount equal to six quarterly dividends, the number of directors of the Company shall be increased by two at the first annual meeting thereafter, and at such meeting and at each subsequent annual meeting until all dividends on the \$3.00 Preference Stock shall have been paid in full, the holders of the \$3.00 Preference Stock shall have the right, voting as a class, to elect such two additional directors. The Certificate of Incorporation contains identical provisions with respect to the \$2.80 Preference Stock.

The Certificate of Incorporation provides that the Company shall not, without the assent of the holders of two-thirds of the then outstanding shares of \$3.00 Preference Stock, (a) change any of the terms of the \$3.00 Preference Stock in any material respect adverse to the holders, or (b) authorize any prior ranking stock; and that the Company shall not, without the assent of the holders of a majority of the then outstanding shares of \$3.00 Preference Stock, (1) authorize any additional \$3.00 Preference Stock or stock on a parity with it; (2) sell, lease or convey all or substantially all of the property or business of the Company; or (3) become a party to a merger or consolidation unless the surviving or resulting corporation will have immediately after such merger or consolidation no stock either authorized or outstanding (except such stock of the Company as may have been authorized or outstanding immediately before such merger or consolidation of such stock of the surviving or resulting corporation as may be issued upon conversion thereof or in exchange therefor) ranking as to dividends or assets prior to or on a parity with the \$3.00 Preference Stock or the stock of the surviving or resulting corporation issued upon conversion thereof or in exchange therefor. The Certificate of Incorporation contains identical provisions with respect to the \$2.80 Preference Stock.

The holders of Preferred Stock, if any, would have such voting rights, if any, as were designated by the Board.

Redemption Provisions. The \$3.00 Preference Stock is redeemable at the option of the Company as a whole or in part at any time on at least thirty days' notice at \$82 per share plus accrued dividends to the redemption date. The \$2.80 Preference Stock is redeemable at the option of the Company as a whole or in part at any time on at least thirty days' notice at \$70 per share plus accrued dividends to the redemption date. The holders of Preferred Stock, if any, would have such redemption provisions, if any, as were designated by the Board.

Liquidation Rights. In the event of liquidation of the Company, the holders of \$3.00 Preference Stock and holders of \$2.80 Preference Stock will be entitled to receive, before any payment to holders of Common Stock, \$80 per share and \$70 per share, respectively, together in each case with accrued and unpaid dividends. Shares of \$3.00 Preference Stock and shares of \$2.80 Preference Stock will rank on a parity as to assets of the Company upon its liquidation. Subject to the rights of creditors and the holders of \$3.00 Preference Stock and \$2.80 Preference Stock, the holders of Common Stock are

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entitled pro rata to the assets of the Company upon its liquidation. The holders of Preferred Stock, if any, would have such liquidation rights, if any, as were designated by the Board.

Preemptive Rights. No holders of shares of capital stock of the Company have or will have any preemptive rights to acquire any securities of the Company.

Liability to Assessment. The shares of Common Stock are fully paid and non-assessable.

Prohibition of Greenmail. Article VII of the Certificate of Incorporation provides in general that any direct or indirect purchase by the Company of any

of its voting stock (or rights to acquire voting stock) known to be beneficially owned by any person or group which holds more than 3 percent of a class of its voting stock and which has owned the securities being purchased for less than two years must be approved by the affirmative vote of at least 66 2/3 percent of the votes entitled to be cast by the holders of the voting stock. Such approval shall not be required with respect to any purchase by the Company of such securities made (i) at or below fair market value (based on average New York Stock Exchange closing prices over the preceding 90 days) or (ii) as part of a Company tender offer or exchange offer made on the same terms to all holders of such securities and complying with the Securities Exchange Act of 1934 or (iii) in a Public Transaction (as defined).

Rights to Purchase Common Stock. On May 27, 1986, the Board of Directors of the Company declared a dividend distribution of one Right for each outstanding share of Common Stock to the stockholders of record on June 9, 1986 (the "Record Date"). Each Right entitles the registered holder to purchase from the Company one share of Common Stock at a price of \$200 per share (the "Purchase Price"), subject to adjustment. The description and terms of the Rights are set forth in a Rights Agreement (the "Rights Agreement") between the Company and Morgan Guaranty Trust Company of New York, as Rights Agent (the "Rights Agent").

The Rights were issued on the Record Date. Thereafter, as long as the Rights are attached to the Common Stock, the Company will issue one Right with each share of Common Stock that shall become outstanding so that all such shares will have attached Rights.

The Rights are attached to all Common Stock certificates representing outstanding Common Stock, and no separate certificates evidencing Rights ("Right Certificates") have been distributed. Until the earlier to occur of (i) 10 days following a public announcement that a person or group of affiliated or associated persons acquired, or obtained the right to acquire, beneficial ownership of 20 percent or more of the outstanding shares of Common Stock (an "Acquiring Person") or (ii) 10 days following the earlier of the commencement of, or the announcement of an intention to make, a tender offer or exchange offer the consummation of which would result in the beneficial ownership by a person or group of 30 percent or more of the outstanding shares of Common Stock (the earlier of such dates described in (i) and (ii) above being called the "Distribution Date"), the Rights are evidenced by such Common Stock certificate with a copy of the Summary of Rights attached thereto. The date of announcement of the existence of an Acquiring Person referred to in clause (i) above is hereinafter referred to as the "Shares Acquisition Date." The Rights Agreement provides that, until the Distribution Date, the Rights will be transferred with and only with the Common Stock. Until the Distribution Date (or earlier redemption or expiration of the Rights), Common Stock certificates issued after the Record Date upon transfer or issuance of Common Stock contain a notation incorporating the Rights Agreement by reference. Until the Distribution Date (or earlier redemption or expiration of the Rights), the surrender for transfer of any certificates evidencing Common Stock outstanding as of the Record Date, even without a copy of the Summary of Rights attached thereto, will also constitute the transfer of the Rights associated with the Common Stock represented by such certificate. As soon as practicable following the Distribution Date, Right Certificates will be mailed to holders of record of the Common Stock as of the close of business on the Distribution Date and such separate Right Certificates alone will evidence the Rights.

The Rights are not exercisable until the Distribution Date. The Rights will expire on June 9, 1996, unless earlier redeemed by the Company as described below.

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The Purchase Price payable, and the number of shares of Common Stock or other securities or property issuable, upon exercise of the Rights are subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of the Common Stock, (ii) upon the grant to holders of the Common Stock of certain rights or warrants to subscribe for Common Stock or convertible securities at less than the current market price of the Common Stock or (iii) upon the distribution to holders of the Common Stock of evidences of indebtedness or assets (excluding regular periodic cash dividends out of earnings or retained earnings at a rate not in excess of 125 percent of the rate of the last cash dividend theretofore paid or dividends payable in Common Stock) or of subscription rights or warrants (other than those referred to above).

In the event that the Company were to be acquired in a merger or other business combination transaction, or more than 50 percent of its assets or earning power were sold, proper provision would be made so that each holder of a Right would thereafter have the right to receive, upon the exercise thereof

at the then current exercise price of the Right, that number of shares of common stock of the acquiring company which at the time of such transaction would have a market value of two times the exercise price of the Right. In the event that the Company were to be the surviving corporation in a merger with an Acquiring Person and its Common Stock were not changed or exchanged, or in the event that an Acquiring Person were to engage in one of a number of self-dealing transactions or certain other events occur while there is an Acquiring Person (e.g., a reverse stock split), as specified in the Rights Agreement, proper provision would be made so that each holder of a Right (except as provided below) would thereafter have the right to receive upon exercise that number of shares of Common Stock of the Company having a market value of two times the exercise price of the Right. Upon the occurrence of any of the events described in the preceding sentence, any Rights that are or were at any time on or after the earlier of (a) the Shares Acquisition Date and (b) the Distribution Date beneficially owned by an Acquiring Person will immediately become null and void, and no holder of such Rights will have any right with regard to such Rights from and after such occurrence.

With certain exceptions, no adjustment in the Purchase Price will be required until cumulative adjustments require an adjustment of at least 1 percent in such Purchase Price. No fractional shares will be issued and in lieu thereof, an adjustment in cash will be made based on the market price of the Common Stock on the last trading date prior to the date of exercise.

At any time prior to the time that a person or group of affiliated or associated persons has acquired beneficial ownership of 20 percent or more of the outstanding Common Stock, the Company may redeem the Rights in whole, but not in part, at a price of \$0.10 per Right (the "Redemption Price"). Immediately upon the action of the Board of Directors of the Company electing to redeem the Rights, the Company will make announcement thereof, and upon such election, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

Until a Right is exercised, the holder thereof, as such, will have no rights as a stockholder of the Company, including, without limitation, the right to vote or to receive dividends.

While the distribution of the Rights was not, and the issuance of Rights thereafter is not, taxable to plan participants or the Company, stockholders may recognize taxable income if the Rights become exercisable.

The terms of the Rights may be amended by the Board of Directors of the Company and the Rights Agent, provided that the amendment does not adversely affect the interests of the holders of Rights.

The Rights have certain antitakeover effects. The Rights will cause substantial dilution to a person or group that attempts to acquire the Company on terms not approved by its Board of Directors, except pursuant to an offer conditioned on a substantial number of Rights being acquired. The Rights should not interfere with any merger or other business combination approved by the Board of Directors at a time when the Rights are redeemable.

A copy of the Rights Agreement is filed as an exhibit hereto. This summary description of the Rights is qualified in its entirety by reference thereto.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

<TABLE>
<CAPTION>

	1993				1992			
	4TH	3RD	2ND	1ST	4TH	3RD	2ND	1ST
<S>	<C>							
Common Stock:								
Market price per share								
High.....	\$116 1/4	\$117 3/8	\$127 3/4	\$122	\$121 1/8	\$121 3/4	\$119 3/4	\$112 5/8
Low.....	\$100 1/2	\$109 3/8	\$113 1/8	\$107 1/2	\$105 5/8	\$107 1/8	\$ 98 1/8	\$ 98 1/8
Cash dividends per share.....	\$1.375	\$1.375	\$1.375	\$1.375	\$1.375	\$1.375	\$1.375	\$1.375
\$3.00 Convertible Preference Stock:								
Market price per share								
High.....	\$749 3/4	\$780 1/2	\$834 1/2	\$776	\$820	\$740	\$782	\$721 5/8
Low.....	\$730	\$760	\$806 1/2	\$745 1/2	\$714	\$736 7/8	\$716 1/2	\$680
Cash dividends per								

share.....	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75
\$2.80 Convertible Pref- erence Stock:									
Market price per share									
High.....	\$275 1/4	\$279 3/4	\$302 3/4	\$287	\$287	\$290 3/4	\$281 1/8	\$266 1/2	
Low.....	\$245	\$262 1/2	\$277	\$260 3/4	\$252	\$259 1/2	\$235 5/8	\$236	
Cash dividends per share.....	\$0.70	\$0.70	\$0.70	\$0.70	\$0.70	\$0.70	\$0.70	\$0.70	\$0.70

Prices in the foregoing table are from the New York Stock Exchange composite tape. On February 28, 1994 the high price per share was \$101 3/8 and the low price per share was \$100 5/8.

As of December 31, 1993, the approximate number of holders of record of Common Stock of ARCO was 120,000. The principal markets in which ARCO's Common Stock is traded are listed on the cover page.

The quarterly dividend rate for Common Stock was increased to \$1.375 per share in January 1991. On January 24, 1994, a dividend of \$1.375 per share was declared on Common Stock, payable on March 15, 1994 to stockholders of record on February 18, 1994. Future cash dividends will depend on earnings, financial conditions and other factors; however, the Company presently expects that dividends will continue to be paid.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial information for ARCO:

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31,				
	1993(1)	1992(1)	1991(1)	1990	1989(2)
	(MILLIONS OF DOLLARS EXCEPT PER SHARE AMOUNTS)				
<S>	<C>	<C>	<C>	<C>	<C>
Sales and other operating revenues (including excise taxes).....	\$18,487	\$18,668	\$18,191	\$18,836	\$16,049
Income before changes in accounting principles.....	\$ 269	\$ 1,193	\$ 709	\$ 1,688	\$ 1,953
Net income.....	\$ 269	\$ 801	\$ 709	\$ 2,011	\$ 1,953
Earned per share before changes in accounting principles.....	\$ 1.66	\$ 7.39	\$ 4.39	\$ 10.20	\$ 11.26
Earned per share.....	\$ 1.66	\$ 4.96	\$ 4.39	\$ 12.15	\$ 11.26
Cash dividends per common share.....	\$ 5.50	\$ 5.50	\$ 5.50	\$ 5.00	\$ 4.50
Total assets.....	\$23,894	\$24,256	\$24,492	\$23,864	\$22,261
Long-term debt and capital lease obligations.....	\$ 7,089	\$ 6,227	\$ 5,989	\$ 5,997	\$ 5,313

(1) See Note 2 of Notes to Consolidated Financial Statements regarding unusual items on page 42.

(2) Includes after-tax gain of \$634 million from sale of majority interest in Lyondell.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW OF 1993 RESULTS

In 1993, ARCO's net income was \$269 million, or \$1.66 per share. Operating results were lower compared to 1992. Operations in 1993 benefited from improved margins and higher gasoline sales volumes in ARCO's West Coast refining and marketing operations, higher coal sales volumes and higher natural gas prices. These benefits were more than offset by lower crude oil prices and volumes, lower natural gas volumes, higher exploration and selling, general and administrative expenses and lower after-tax earnings from transportation operations.

The 1993 results included net charges of \$545 million after tax related to reorganization of ARCO's Lower 48 oil and gas operations, the impact of the federal corporate tax rate increase on deferred taxes, litigation issues, reserves for future environmental remediation and a loss on the sale of Brazilian marketing subsidiaries partially offset by gains from Lower 48

property sales.

The charges associated with the fourth quarter reorganization of ARCO's Lower 48 oil and gas operations were \$450 million after tax. Included in those charges were unusual items of \$659 million before tax, \$404 million after tax, primarily related to writedowns for sale or other disposition of oil and gas properties and excess office space, in addition to workforce reductions. The incremental cash cost associated with these charges is approximately \$60 million after tax.

OVERVIEW OF 1992 RESULTS

In 1992, ARCO's net income was \$801 million, or \$4.96 per share. The improvement in operating results compared to 1991 reflected improved margins and higher sales volumes in refining and marketing operations, lower lease operating costs, higher sales volumes and margins in chemical operations and higher natural gas prices, partially offset by lower natural gas sales volumes. In addition, income from equity earnings, interest income and interest expense were lower in 1992.

The 1992 results included approximately \$140 million after tax in net benefits primarily related to unusual items, partially offset by provisions for future environmental costs. Unusual items were \$271 million before tax, \$211 million after tax, and were comprised of a settlement on assets nationalized by Iran and recognition of a previously deferred portion of the gain from the 1989 sale of a majority interest in Lyondell Petrochemical Company (Lyondell), partially offset by a charge related to the withdrawal by ARCO Chemical Company (ARCO Chemical) from a South Korean joint venture.

The 1992 results also included a net after-tax charge of

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\$392 million, or \$2.43 per share, for the cumulative effect of adopting two new accounting standards related to non-pension postretirement benefits and income taxes.

OVERVIEW OF 1991 RESULTS

In 1991, ARCO's net income was \$709 million, or \$4.39 per share. Results included net charges for unusual items of \$503 million before tax, \$312 million after tax, primarily related to personnel reductions, anticipated loss on property sales and property writedowns.

RESULTS OF CONSOLIDATED OPERATIONS

REVENUES

Sales and other operating revenues were \$18.5 billion in 1993, \$18.7 billion in 1992 and \$18.2 billion in 1991. The decrease in revenues in 1993, compared to 1992, resulted from lower crude oil prices and volumes, lower natural gas volumes, decreased crude oil trading volumes and lower refined and chemical products prices, partially offset by increased natural gas marketing volumes and higher refined and chemical products sales volumes and natural gas prices.

The increase in revenues in 1992, compared to 1991, resulted from higher crude oil trading volumes, refined product prices and sales volumes, chemical product sales volumes and natural gas prices, partially offset by lower crude oil prices and natural gas volumes.

Income from equity investments was \$40 million in 1993, \$22 million in 1992 and \$119 million in 1991. The increase in income from equity investments in 1993, compared to 1992, primarily reflected reduced losses from ARCO Chemical's equity affiliates. The lower income in 1992, compared to 1991, primarily resulted from a decline in earnings from Lyondell.

Other revenues were \$492 million in 1993, compared to \$376 million in 1992 and \$385 million in 1991. The increase in 1993 reflected higher gains on asset sales.

EXPENSES

Trade purchases were \$7.2 billion in 1993, \$7.3 billion in 1992 and \$7.0 billion in 1991. The 1993 trade purchases decrease compared to 1992 reflected lower crude oil trading prices and volumes and lower purchased volumes of finished refined products and chemical feedstocks, partially offset by higher natural gas marketing volumes and prices. The trade purchases increase in 1992, compared to 1991, related primarily to higher crude oil trading volumes, partially offset by lower crude oil prices.

Operating expenses were \$3.3 billion in 1993, \$3.2 billion in 1992 and \$3.1 billion in 1991. In 1993, operating expenses were higher than in 1992 as a

result of litigation-related accruals, higher compensation and contract personnel costs associated with downstream and coal operations and higher maintenance costs, including turnarounds at three chemical plants, partially offset by lower operating costs in oil and gas operations. In 1992, lower operating costs in oil and gas were offset by higher operating costs in chemical operations.

Exploration expenses were \$667 million in 1993, \$567 million in 1992 and \$593 million in 1991. The increase in 1993, compared to 1992, reflected higher dry hole costs in Alaska and increased activity overseas, partially offset by decreased activity in the Lower 48.

Selling, general and administrative expenses were \$1.8 billion in 1993, \$1.7 billion in 1992, and \$1.8 billion in 1991. Increased expenses in 1993, compared to 1992, primarily resulted from higher compensation expense and higher delivery and advertising costs. The decrease in expenses in 1992, compared to 1991, primarily reflected lower insurance and pension costs.

Taxes other than excise and income taxes were \$1.1 billion in 1993, \$1.2 billion in 1992, and \$1.1 billion in 1991. The decrease in 1993 primarily resulted from lower production taxes related to lower crude oil prices and volumes. The increase in 1992 primarily resulted from an increase in the Brazilian value-added tax rate.

Excise taxes were \$1.3 billion in 1993, \$1.2 billion in 1992 and \$1.1 billion in 1991. The increase in 1993, compared to 1992, primarily resulted from the fourth quarter 1993 federal excise tax rate increase, the full-year effect in 1993 of increased state excise tax rates in 1992 and higher refined products sales volumes. The increase in 1992, compared to 1991, resulted from higher refined product sales volumes and increases in state excise tax rates in certain states in the fourth quarter of 1992.

Depreciation, depletion and amortization was \$1.7 billion in 1993, \$1.8 billion in 1992 and \$1.7 billion in 1991. The decrease in 1993, compared to 1992, resulted from

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the sale of Lower 48 oil and gas properties, partially offset by a \$73 million accrual for the plugging and abandonment of onshore wells. The increase in 1992, compared to 1991, included the startup of the new ARCO Chemical propylene oxide/styrene monomer plant in Channelview, Texas and assets placed in service at the Corporation's two West Coast refineries.

Interest expense was \$715 million in 1993, \$762 million in 1992 and \$892 million in 1991. A decline in the weighted average interest rate on outstanding long-term debt in 1993 and 1992 is the primary cause of the lower interest expense compared to 1991.

The Corporation's effective tax rate was 51.6% in 1993, compared to 35.6% in 1992 and 36.2% in 1991. The higher effective tax rate in 1993 reflected increased taxes on foreign income and the effect of the 1993 federal tax rate increase on deferred taxes.

RESULTS OF SEGMENT OPERATIONS

OIL AND GAS

ARCO's worldwide oil and gas exploration and production operations earned \$45 million after tax in 1993, versus \$816 million after tax in 1992. The effect of lower crude oil prices and volumes and natural gas volumes and higher dry hole expense, partially offset by higher natural gas prices and lower depletion and lease operating costs, resulted in the lower earnings for 1993. The 1993 results included net charges of approximately \$390 million after tax comprised of the previously discussed charges associated with the Lower 48 reorganization, the federal tax rate increase and other charges, partially offset by gains on property sales. Annual future cost savings associated with the Lower 48 reorganization are estimated to be approximately \$100 million after tax. The 1992 results included a net benefit of \$138 million after tax consisting of gains from the Iranian settlement, and gains from Lower 48 property sales, partially offset by charges associated with the downsizing of Lower 48 operations.

ARCO's oil and gas exploration and production operations earned \$816 million after tax in 1992, up from \$549 million after tax in 1991. The 1992 results reflected the effect of lower operating and exploration costs and higher natural gas prices, offset by lower natural gas sales volumes, compared to 1991. The 1991 results included approximately \$170 million after tax in net charges related to personnel reductions and the anticipated loss on divestiture of properties in the Lower 48, partially offset by a benefit from the reduction in

U.K. corporation tax rates.

The Corporation's domestic composite average price for crude oil was \$11.67 per barrel in 1993, \$12.92 per barrel in 1992 and \$12.93 per barrel in 1991. Average domestic natural gas prices were \$1.93 per thousand cubic feet in 1993, \$1.65 per thousand cubic feet in 1992 and \$1.54 per thousand cubic feet in 1991.

Worldwide petroleum liquids production averaged 684,400 barrels per day in 1993, 738,200 barrels per day in 1992 and 744,200 barrels per day in 1991. Volumes decreased in 1993 as a result of Lower 48 property divestitures and natural field declines, partially offset by increased overseas production. Natural field decline in Alaska was partially offset by the September 1993 startup of the first phase of the second gas handling expansion facility (GHX-2) at Prudhoe Bay and new volumes which came on-stream from the Greater Point McIntyre area in October 1993. Worldwide production in 1992, compared to 1991, benefited from increased international volumes, although this was offset by natural field declines and Lower 48 property divestitures.

ARCO's share of production from its largest Alaskan field, Prudhoe Bay, was 250,800 barrels of petroleum liquids per day in 1993, compared to 270,500 barrels per day in 1992 and 281,700 barrels per day in 1991. The decline in 1993 and 1992, compared to 1991, primarily reflected natural field decline.

ARCO's share of petroleum liquids production from the Kuparuk River field was 151,500 barrels per day in 1993 compared to 150,800 barrels per day in 1992 and 140,300 barrels per day in 1991. The increase in 1992, compared to 1991, reflected the completion as of July 1, 1992 of a 24-month production payback of 9,000 barrels per day and improved field operations.

Lower 48 petroleum liquids production was 186,000 barrels per day in 1993, 221,600 barrels per day in 1992 and 227,900 barrels per day in 1991. Domestic natural gas production totaled 911 million cubic feet per day in

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1993, 1.2 billion cubic feet per day in 1992 and 1.4 billion cubic feet per day in 1991. The decreases in 1993 and 1992 production were primarily associated with the sale of Lower 48 properties and natural field declines.

Foreign petroleum liquids production averaged 79,700 barrels per day in 1993, 77,700 barrels per day in 1992 and 75,700 barrels per day in 1991. Foreign natural gas production increased to 321 million cubic feet per day in 1993 as a result of the first full year of production from the Pickerill field in the United Kingdom North Sea and new production from the Orwell and Murdoch fields in the U.K. North Sea and from the offshore Northwest Java Sea field in Indonesia, all of which began production in late 1993. The decrease in 1992 natural gas production to 240 million cubic feet per day from 261 million cubic feet per day in 1991, reflected primarily natural field decline in the United Kingdom.

COAL

After-tax earnings from coal operations were \$107 million in 1993, \$83 million in 1992 and \$33 million in 1991. The improvement in 1993 earnings reflected record sales volumes as a result of strong electric utility demand and reduced East Coast supply as a result of a mine workers strike. Australian mines also set production volumes and sales records for 1993. 1993 results included a benefit of approximately \$10 million after tax associated with a change in the accrued estimated loss on the sale of the Coal Resources of Queensland (CRQ) mine, which was completed in January 1993. Included in the 1991 earnings were approximately \$50 million in net after-tax charges primarily associated with a writedown of the CRQ mine, partially offset by gains from the sale of Venezuelan and other assets. Total worldwide coal shipments in 1993 were 47.7 million tons compared to 39.8 million tons in 1992 and 41.6 million tons in 1991.

REFINING AND MARKETING

After-tax earnings for refining and marketing operations were \$307 million in 1993, \$346 million in 1992 and \$266 million in 1991. Earnings were lower in 1993, compared to 1992, because operating results were offset by a net charge of approximately \$80 million after tax, comprised primarily of litigation-related accruals, the loss associated with the sale of the Brazilian marketing subsidiaries and the effect of the federal tax rate increase on deferred taxes. The improved earnings in 1992, compared to 1991, were the result of higher margins and sales volumes in the West Coast marketing area. The 1992 results included a charge of approximately \$40 million after tax primarily for environmental costs related to previously divested operations. The 1991 earnings included approximately \$10 million of net after-tax charges for personnel reductions, future environmental remediation primarily associated with previously divested properties and certain legal exposures, partially offset by

benefits associated with accounting and tax adjustments related to Brazilian operations.

West Coast petroleum products sales totaled 481,500 barrels per day in 1993, 479,500 barrels per day in 1992 and 466,400 barrels per day in 1991. The higher level of sales in 1993, compared to 1992, resulted from increased demand. The higher level of sales in 1992, compared to 1991, resulted from increased market share. The marketing operations supplemented ARCO's production with third-party purchases in order to meet increased sales.

TRANSPORTATION

After-tax earnings for the transportation operations were \$189 million in 1993, \$239 million in 1992 and \$212 million in 1991. The 1993 earnings were lower, compared to 1992, as a result of a lower Trans Alaska Pipeline System (TAPS) tariff, lower volumes and the effect of the federal tax rate increase on deferred taxes. In 1992, improved results from Lower 48 terminal and pipeline operations offset a decline in earnings from TAPS. The 1991 earnings included after-tax charges of approximately \$30 million for personnel reduction costs and for settlement of the Kuparuk Pipeline tariff rate litigation.

INTERMEDIATE CHEMICALS AND SPECIALTY PRODUCTS

After-tax earnings for the intermediate chemicals and specialty products segment were \$239 million in 1993, \$210 million in 1992 and \$192 million in 1991. The segment consists of ARCO Chemical, an 83.3 percent owned subsidiary of the Corporation. ARCO Chemical's reported net income in 1993 included a \$10 million after-tax loss on early debt extinguishment and benefited from a lower effective income tax rate. The 1992

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results included \$56 million before tax for a charge resulting from ARCO Chemical's withdrawal from the YUKONG ARCO Chemical Ltd., joint venture in South Korea.

In 1993, increased sales volumes in ARCO Chemical's core products worldwide were offset by higher fixed costs associated with a new plant and maintenance expense resulting from turnarounds at three plants. Additional offsets included lower methyl tertiary butyl ether (MTBE) margins, primarily in Europe and lower overall propylene oxide (PO) and derivative margins as a result of lower margins for new products and continued weakness in the European economy.

The 1992 earnings improved, compared to 1991, as a result of higher sales volumes and margins. Sales volumes for all major product groups, including PO derivatives and MTBE, were higher in 1992 than 1991. PO margins were higher in 1992, primarily in Europe, reflecting a weaker dollar. MTBE sales volumes were higher in 1992, primarily in the U.S., as a result of higher demand from domestic gasoline refiners. MTBE margins were higher on average in 1992 in both the U.S. and Europe as a result of lower raw material costs.

ARCO Chemical's reported 1991 results included a \$153 million before tax benefit from business interruption insurance related to a plant accident and to feedstock contamination at another plant in 1990. Also included in 1991 results were net pretax charges totaling \$20 million reflecting personnel reductions and future environmental remediation costs, partially offset by a benefit related to a change in estimated accident charges.

LYONDELL PETROCHEMICAL COMPANY

ARCO's 49.9 percent equity share of Lyondell's net income was \$13 million for 1993, \$8 million for 1992 and \$111 million for 1991. Lyondell's results in 1993 improved as a result of higher margins attained through the processing of greater volumes of Venezuelan crude oil. Lyondell's 1992 earnings, compared to 1991, were lower as a result of lower olefins margins and volumes and reduced refining margins in the Gulf Coast.

UNALLOCATED EXPENSES AND OTHER

Unallocated expenses and other was a net after-tax expense of \$140 million in 1993 and \$60 million in 1991 compared to a net after-tax benefit of \$25 million in 1992. The increase in unallocated expenses in 1993, compared to 1992, reflected the absence of a \$111 million after-tax gain recognized in 1992, increased employee-related expenses, higher charges for future environmental remediation, and lower net investment income. In 1992, unallocated expenses and other included the recognition of a \$111 million after-tax gain representing a previously deferred portion of the gain from the 1989 sale of a majority interest in Lyondell, partially offset by corporate staff expense and charges for future environmental remediation. The 1991 unallocated expenses and other included after-tax charges of \$34 million for future environmental remediation and higher insurance costs.

RECENT DEVELOPMENTS

On January 28, 1994, Vastar Resources, Inc. (Vastar), a wholly owned subsidiary of ARCO, filed a registration statement on Form S-1 with the Securities and Exchange Commission for the proposed sale of up to 17,250,000 shares of common stock to the public. ARCO intends to retain 80,000,001 shares, or 82.3 percent of Vastar's common stock. On December 7, 1993, Vastar borrowed \$1.25 billion under a revolving credit agreement with a group of banks at an initial interest rate of 3.9 percent. The revolving line of credit is available until November 30, 1996.

FINANCIAL POSITION AND LIQUIDITY

Cash flows from operating activities were \$2.8 billion in 1993, \$3.1 billion in 1992 and \$3.0 billion in 1991. The net cash used in investing activities was \$2.2 billion in 1993 and primarily included expenditures for additions to fixed assets (including dry hole costs) of \$2.1 billion, proceeds from asset sales of \$582 million and a net increase in short-term investments of \$789 million. The net cash used in financing activities was \$431 million in 1993 and primarily included repayments of long-term debt of \$886 million, proceeds of \$1.3 billion from the issuance of long-term debt and dividend payments of \$879 million.

Cash and cash equivalents and short-term investments totaled \$3.7 billion at year-end 1993 and short-term borrowings were \$1.5 billion. Working capital was \$1.1 billion higher at the end of 1993, reflecting an increase in

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short-term investments and a decrease in long-term debt due within one year. At December 31, 1993, the Corporation had unused committed bank credit facilities totaling \$3.2 billion. In addition, ARCO Chemical had unused bank credit facilities totaling \$300 million.

The Corporation's 1994 capital spending program includes \$1.9 billion for additions to fixed assets. Future capital expenditures remain subject to business conditions affecting the industry, particularly changes in price and demand for crude oil, natural gas and petroleum products. Changes in the tax laws, the imposition of and changes in federal and state clean air and clean fuel requirements, and other changes in environmental rules and regulations may also affect future capital expenditures.

It is expected that future cash requirements for capital expenditures, dividends and debt repayments will come from cash generated from operating activities, existing cash balances, and any asset sales and future financings.

ENVIRONMENTAL MATTERS

During 1993, the Corporation charged to income \$172 million before tax for environmental remediation costs and made related payments of \$206 million. At December 31, 1993, the environmental remediation reserve totaled \$648 million. The amount reserved represents an estimate of the undiscounted costs which the Corporation will incur to remediate sites with known contamination. In view of the uncertainties associated with estimating these costs, such as uncertainties with respect to the appropriate method for remediating contaminated sites, the extent of contamination at various sites, and the Corporation's ultimate share of costs at various sites, actual future costs could exceed the amount accrued by as much as \$1 billion.

Although the contingencies associated with environmental matters could result in significant expenses or judgments that, if aggregated and assumed to occur within a single fiscal year, would be material to the Corporation's results of operations, the likelihood of such occurrence is considered remote. On the basis of management's best assessment of the ultimate amount and timing of these events, such expenses or judgments are not expected to have a material adverse effect on the Corporation's consolidated financial position, stockholders' equity, liquidity or capital resources.

In addition to the provision for environmental remediation costs, \$788 million has been accrued for the estimated cost, net of salvage value, of dismantling facilities as required by contract, regulation or law, and the estimated costs of restoration and reclamation of land associated with such facilities.

For further discussion of environmental matters see Note 12 of Notes to Consolidated Financial Statements.

EFFECTS OF INFLATION

While the annual rate of inflation remained moderate during the three-year period ended December 31, 1993, the Corporation continued to experience certain

inflationary effects. The Corporation will achieve some benefits by using current, inflated dollars to satisfy its debt obligations and other monetary liabilities, because the Corporation's monetary assets are less than its monetary liabilities at December 31, 1993.

Based on the age of the Corporation's property, plant and equipment, it is estimated that the replacement cost of those assets is greater than the historical cost reflected in the Corporation's financial statements. Accordingly, the Corporation's depreciation, depletion and amortization expense for the three years ended December 31, 1993, would be greater if the expense were stated on a current-cost basis.

To the extent that the Corporation uses the last-in, first-out (LIFO) inventory accounting method, the replacement cost of inventory is greater than the historical cost reflected on the Corporation's balance sheet, while the costs of products sold reflected in the Corporation's income statement approximate current cost.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

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</TABLE>

Schedules other than those listed above have been omitted since they are either not required, are not applicable, or the required information is shown in the financial statements or related notes.

Financial statements with respect to unconsolidated subsidiaries and 50 percent owned companies are omitted per Rule 3-09(a) of Regulation S-X.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders and Board of Directors of Atlantic Richfield Company

We have audited the accompanying consolidated balance sheets of Atlantic Richfield Company as of December 31, 1993 and 1992, and the related consolidated statements of income and retained earnings and cash flows for each of the three years in the period ended December 31, 1993 and the related financial statement schedules listed in the index on page 37 of this Form 10-K. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Atlantic Richfield Company as of December 31, 1993 and 1992, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1993, in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

As discussed in Note 3 to the consolidated financial statements, the Company changed its method of accounting for income taxes, postretirement benefits other than pensions and postemployment benefits in 1992.

COOPERS & LYBRAND

Los Angeles, California
February 11, 1994

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<PAGE>

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

ARCO

<TABLE>
<CAPTION>

Millions of dollars, except per share amounts	For the year ended December 31,		
	1993	1992	1991
	<C>	<C>	<C>
REVENUES			
Sales and other operating revenues (including excise taxes)	\$18,487	\$18,668	\$18,191
Income from equity investments	40	22	119
Interest	164	182	261
Other revenues	492	376	385
	19,183	19,248	18,956
EXPENSES			
Trade purchases	7,224	7,263	7,022
Operating expenses	3,293	3,174	3,078
Exploration expenses (including undeveloped lease amortization)	667	567	593
Selling, general and administrative expenses	1,828	1,724	1,763
Taxes other than excise and income taxes	1,147	1,203	1,131
Excise taxes	1,298	1,165	1,120
Depreciation, depletion and amortization	1,718	1,754	1,694
Interest	715	762	892
Unusual items	659	(271)	503
	18,549	17,341	17,796
Income before income taxes, minority interest and cumulative effect of changes in accounting principles	634	1,907	1,160
Provision for taxes on income	327	678	420
Minority interest in earnings of subsidiaries	38	36	31
Income before cumulative effect of changes in accounting principles	269	1,193	709
Cumulative effect of changes in accounting principles	--	(392)	--
Net income	\$ 269	\$ 801	\$ 709
EARNED PER SHARE			
Before cumulative effect of changes in accounting principles	\$1.66	\$7.39	\$4.39
Cumulative effect of changes in accounting principles	--	(2.43)	--
Net income per share	\$1.66	\$4.96	\$4.39
RETAINED EARNINGS			
Balance, January 1	\$ 5,918	\$ 5,990	\$ 6,837

Net income	269	801	709
Cash dividends:			
Preference stocks	(3)	(3)	(3)
Common stock	(876)	(870)	(869)
Cancellation of treasury stock	--	--	(684)
	-----	-----	-----
Balance, December 31	\$ 5,308	\$ 5,918	\$ 5,990
	=====	=====	=====

</TABLE>

See Notes on pages 42 through 53.

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<PAGE>

CONSOLIDATED BALANCE SHEET

ARCO

<TABLE>

<CAPTION>

Millions of dollars	December 31,	
	1993	1992
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,458	\$ 1,414
Short-term investments	2,289	1,501
Accounts receivable	1,333	1,511
Inventories	914	963
Prepaid expenses and other current assets	237	257
	-----	-----
Total current assets	6,231	5,646
	-----	-----
Investments and long-term receivables:		
Investments accounted for on the equity method	266	318
Other investments and long-term receivables	221	210
	-----	-----
	487	528
	-----	-----
Fixed assets:		
Property, plant and equipment	31,494	31,798
Less accumulated depreciation, depletion and amortization	15,628	14,882
	-----	-----
	15,866	16,916
Deferred charges and other assets	1,310	1,166
	-----	-----
Total assets	\$23,894	\$24,256
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Notes payable	\$ 1,510	\$ 1,494
Accounts payable	1,091	1,263
Taxes payable, including excise taxes	272	267
Long-term debt due within one year	165	676
Accrued interest	190	224
Other	1,107	897
	-----	-----
Total current liabilities	4,335	4,821
	-----	-----
Long-term debt	7,089	6,227
Deferred income taxes	2,779	2,982
Other deferred liabilities and credits	3,177	3,177
Minority interest	387	328
Stockholders' equity:		
Preference stocks	1	1
Common stock, \$2.50 par value;		
shares issued 160,746,125 (1993),		
160,745,937 (1992);		
shares outstanding 159,953,980 (1993),		
158,922,188 (1992)	402	402
Capital in excess of par value of stock	661	676
Retained earnings	5,308	5,918
Pension liability adjustment	(29)	--
Treasury stock, at cost	(83)	(191)
Foreign currency translation	(133)	(85)
	-----	-----
Total stockholders' equity	6,127	6,721
	-----	-----

Total liabilities and stockholders' equity \$23,894 \$24,256
=====

</TABLE>

The Corporation follows the successful efforts method of accounting for oil and gas producing activities.

See Notes on pages 42 through 53.

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<PAGE>

CONSOLIDATED STATEMENT OF CASH FLOWS

ARCO

<TABLE>
<CAPTION>

Millions of dollars	For the year ended December 31,		
	1993	1992	1991
	-----	-----	-----
	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 269	\$ 801	\$ 709
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	1,718	1,754	1,694
Dry hole expense and undeveloped leasehold amortization	419	331	330
Net gains on asset sales	(204)	(162)	(28)
Income from equity investments	(40)	(22)	(119)
Dividends from equity investments	97	111	112
Transition obligation for postretirement benefits	--	697	--
Noncash provisions greater (less) than cash payments	513 (a)	(207)	440
(b) Net change in deferred taxes	(203)	(242)	(216)
Net change in accounts receivable, inventories and accounts payable	55	109	9
Net change in other working capital accounts	201	(162)	21
Other	(58)	71 (a)	12
	-----	-----	-----
Net cash provided by operating activities	2,767	3,079	2,964
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to fixed assets (including dry hole costs)	(2,070)	(2,278)	(3,239)
Net cash provided (used) by short-term investments	(789)	(180)	608
Proceeds from asset sales	582	553	117
Investments and long-term receivables	(6)	(93)	(205)
Other	46	(117)	48
	-----	-----	-----
Net cash used by investing activities	(2,237)	(2,115)	(2,671)
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments of long-term debt	(886)	(834)	(957)
Proceeds from issuance of long-term debt	1,255	1,112	1,079
Net cash provided (used) by notes payable	30	(199)	873
Dividends paid	(879)	(873)	(872)
Treasury stock purchases	--	--	(204)
Treasury stock contributed to benefit plans	81	110	--

Other	(32)	(32)	(31)
Net cash used by financing activities	(431)	(716)	(112)
Effect of exchange rate changes on cash	(55)	(62)	(55)
Net increase in cash and cash equivalents	44	186	126
Cash and cash equivalents at beginning of year	1,414	1,228	1,102
Cash and cash equivalents at end of year	\$ 1,458	\$ 1,414	\$ 1,228

</TABLE>

(a) Includes noncash unusual items of \$659 and (\$149) in 1993 and 1992, respectively.

(b) Includes noncash unusual items of \$476.
See Notes on pages 42 through 53.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 Accounting Policies

ARCO's accounting policies conform to generally accepted accounting principles, including the "successful efforts" method of accounting for oil and gas producing activities.

Principles of Consolidation

The consolidated financial statements include the accounts of all subsidiaries, ventures and partnerships in which a controlling interest is held, including ARCO Chemical Company (ACC), of which ARCO owned 83.3 percent of the outstanding shares at December 31, 1993. ARCO also consolidates its interests in undivided interest pipeline companies and in oil and gas and coal mining joint ventures. ARCO uses the equity method of accounting for companies where its ownership is between 20 and 50 percent and for other ventures and partnerships in which less than a controlling interest is held.

Cash Equivalents; Short-Term Investments

Cash equivalents consist of highly liquid investments, such as time deposits, certificates of deposit and marketable securities other than equity securities, maturing within three months of purchase. Short-term investments consist of similar investments maturing in more than three months of purchase. Cash equivalents and short-term investments are stated at cost, which approximates market value.

Oil and Gas Unproved Property Costs

Unproved property costs are capitalized and amortized on a composite basis, considering past success experience and average property life. In general, costs of properties surrendered or otherwise disposed of are charged to accumulated amortization. Costs of successful properties are transferred to developed properties.

Fixed Assets

Fixed assets are recorded at cost and are written off on either a unit-of-production method or a straight-line method based on the expected lives of individual assets or groups of assets.

Upon disposal of assets depreciated on an individual basis, residual cost less salvage is included in current income. Upon disposal of assets depreciated on a group basis, unless unusual in nature or amount, residual cost less salvage is charged against accumulated depreciation.

Dismantlement, Restoration and Reclamation Costs

The estimated costs, net of salvage value, of dismantling facilities or projects with limited lives or facilities that are required to be dismantled by contract, regulation or law, and the estimated costs of restoration and reclamation associated with oil and gas and mining operations are accrued during production and classified as a long-term liability. Such costs are taken into account in determining the cost of production in all operations, except oil and gas

production, in which case such costs are considered in determining depreciation, depletion and amortization.

Environmental Remediation

Environmental remediation costs are accrued as operating expenses based on the estimated timing and extent of remedial actions required by applicable governmental authorities, experience gained from similar sites on which remediation has been completed, and the amount of ARCO's liability in consideration of the proportional liability and financial wherewithal of other responsible parties. Estimated liabilities are not discounted to present value.

Reclassifications

Certain previously reported amounts have been restated to conform to classifications adopted in 1993.

NOTE 2 Unusual Items

In the fourth quarter of 1993, ARCO announced a reorganization of its Lower 48 oil and gas operations. ARCO provided as unusual items a pretax charge of \$659 million, \$404 million after tax, primarily related to the writedown for sale or other disposition of oil and gas properties and excess office space, in addition to workforce reductions.

In the fourth quarter of 1992, ARCO recognized a pretax benefit of \$149 million from the settlement with Iran related to Corporation assets that had been nationalized in the late 1970s. In the second quarter of 1992, ARCO recognized a pretax benefit of \$178 million related to a portion of the gain from the 1989 sale of a majority interest in Lyondell Petrochemical Company (Lyondell) which was previously deferred as the amount equal to ARCO's guarantee of notes associated with certain of Lyondell's manufacturing facilities. When Lyondell repaid the notes in 1992, ARCO was released from its guarantee and accordingly recognized the gain. In the second quarter of 1992, ARCO also recognized a pretax charge of \$56 million resulting from ACC's withdrawal from the YUKONG ARCO Chemical Ltd. joint venture in Korea. The net benefit related to 1992 unusual items was \$211 million after tax.

In 1991, ARCO announced a reorganization of its oil and gas operations in the Lower 48 states and a companywide workforce reduction. An estimated pretax charge of \$281 million was provided as unusual items for the

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cost of these programs. ARCO also provided as unusual items a pretax charge of approximately \$222 million for the anticipated loss on the sale of certain Lower 48 oil and gas properties and the writedown of certain coal assets. The net provision related to the above items was \$312 million after tax.

NOTE 3 Accounting Changes

Effective January 1, 1992, ARCO implemented on the immediate recognition basis Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," which requires accrual of the actuarially determined costs of postretirement benefits during the years that the employee renders the necessary service. ARCO's previous policy was to expense these costs when incurred.

The cumulative effect of adopting SFAS No. 106 as of January 1, 1992, resulted in a charge of \$435 million, or \$2.70 per share, to 1992 earnings, net of income tax effects of approximately \$262 million.

Effective January 1, 1992, ARCO adopted SFAS No. 109, "Accounting for Income Taxes." The cumulative effect of the change on 1992 net income was a benefit of \$43 million, or \$0.27 per share. The effect of adopting SFAS Nos. 106 and 109 on 1992 net income, excluding the cumulative effect, was not material.

Effective January 1, 1992, ARCO also adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits." The standard requires companies to accrue the cost of postemployment benefits either during the years that the employee renders the necessary service or at the date of the event giving rise to the benefit, depending upon whether certain conditions are met. The effect of adoption did not have a material impact on 1992 net income.

NOTE 4 Segment Information

ARCO operates primarily in the Resources and Products segments. The Resources segment includes oil and gas operations, which comprise the exploration, development and production of petroleum, including petroleum liquids (crude oil, condensate and natural gas liquids) and natural gas; the purchase and sale of

petroleum liquids and natural gas; and the mining and sale of coal. The Products segment includes the refining and transportation of petroleum and petroleum products; the marketing of petroleum products; and the manufacture and sale of intermediate chemicals and specialty products, including propylene oxide and derivatives, tertiary butyl alcohol, methyl tertiary butyl ether and styrene monomer.

Segment information for the years ended December 31, 1993, 1992 and 1991 was as follows:

<TABLE>
<CAPTION>

Millions of dollars	1993	1992	1991
<S>	<C>	<C>	<C>
SALES AND OTHER OPERATING REVENUES			
Resources:			
Oil and gas	\$ 8,357	\$ 8,994	\$ 8,859
Coal	648	585	597
Products:			
Refining and marketing	8,603	8,461	7,989
Transportation	878	900	849
Intermediate chemicals and specialty products	3,192	3,100	2,990
Other	28	24	30
Elimination of intersegment amounts	(3,219)	(3,396)	(3,123)
Total	\$18,487	\$18,668	\$18,191

</TABLE>

Intersegment sales were made at prices approximating current market values. The amounts for intersegment sales included in sales and other operating revenues were as follows:

<TABLE>
<CAPTION>

Millions of dollars	1993	1992	1991
<S>	<C>	<C>	<C>
Resources:			
Oil and gas	\$2,592	\$2,833	\$2,694
Products:			
Refining and marketing	19	16	19
Transportation	385	419	346
Intermediate chemicals and specialty products	195	104	41
Other	28	24	23
Total	\$3,219	\$3,396	\$3,123

</TABLE>

<TABLE>
<CAPTION>

Millions of dollars	1993	1992	1991
<S>	<C>	<C>	<C>
PRETAX SEGMENT EARNINGS			
Resources:			
Oil and gas	\$ 114	\$1,183	\$ 841
Coal	160	107	25
Products:			
Refining and marketing	569	547	394
Transportation	327	378	333
Intermediate chemicals and specialty products	412	396	377
Equity in earnings from Lyondell Petrochemical Company	13	8	111
Unallocated expenses and other	(246)	50	(29)
Interest	(715)	(762)	(892)
Income taxes	(327)	(678)	(420)

Minority interest	(38)	(36)	(31)
Cumulative effect of changes in accounting principles	--	(392)	--
Net income	\$ 269	\$ 801	\$ 709

</TABLE>

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<PAGE>

<TABLE>
<CAPTION>

Millions of dollars	1993	1992	1991
<S>	<C>	<C>	<C>
AFTER-TAX SEGMENT EARNINGS			
Resources:			
Oil and gas	\$ 45	\$ 816	\$ 549
Coal	107	83	33
Products:			
Refining and marketing	307	346	266
Transportation	189	239	212
Intermediate chemicals and specialty products(a)	239	210	192
Equity in earnings from Lyondell Petrochemical Company	13	8	111
Unallocated expenses and other	(140)	25	(60)
Interest	(491)	(534)	(594)
Cumulative effect of changes in accounting principles	--	(392)	--
Net income	\$ 269	\$ 801	\$ 709

</TABLE>

(a) Net of minority interest of \$(36), \$(32), and \$(31) in 1993, 1992 and 1991, respectively.

<TABLE>
<CAPTION>

Millions of dollars	1993	1992	1991
<S>	<C>	<C>	<C>
TOTAL ASSETS			
Resources:			
Oil and gas	\$ 9,349	\$10,362	\$11,351
Coal	1,320	1,411	1,095
Products:			
Refining and marketing	2,789	2,830	2,732
Transportation	2,145	2,191	2,223
Intermediate chemicals and specialty products	3,502	3,599	3,676
Other	4,789	3,863	3,415
Total	\$23,894	\$24,256	\$24,492

ADDITIONS TO FIXED ASSETS

Resources:			
Oil and gas	\$ 1,383	\$ 1,249	\$ 1,890
Coal	94	308	305
Products:			
Refining and marketing	345	315	448
Transportation	59	94	124
Intermediate chemicals and specialty products	181	295	435
Other	8	17	37
Total	\$ 2,070	\$ 2,278	\$ 3,239

DEPRECIATION, DEPLETION AND AMORTIZATION

Resources:

Oil and gas(a)	\$ 1,092	\$ 1,176	\$ 1,203
Coal	59	53	46
Products:			
Refining and marketing	200	178	161
Transportation	104	98	94
Intermediate chemicals and specialty products	223	199	164
Other	40	50	26
	-----	-----	-----
Total	\$ 1,718	\$ 1,754	\$ 1,694
	=====	=====	=====

</TABLE>

(a) Excludes undeveloped leasehold amortization of \$98, \$110, and \$113, respectively, included in exploration expense.

Foreign operations are conducted principally in the following geographic regions: Oil and gas--United Kingdom, Indonesia and Dubai; Coal--Australia; Intermediate chemicals and specialty products---Europe and Asia Pacific; Refining and marketing--Brazil (marketing only). The Brazilian operations were sold in December 1993.

<TABLE>
<CAPTION>

Millions of dollars	1993	1992	1991
	-----	-----	-----
<S>	<C>	<C>	<C>
FOREIGN OPERATIONS			
Sales and other operating revenues:			
Oil and gas	\$ 998	\$ 952	\$ 980
Coal	304	282	293
Refining and marketing(c)	1,920	1,794	1,751
Intermediate chemicals and specialty products	1,122	1,255	1,172
Other	29	23	23
Elimination of intersegment amounts -- oil and gas	--	--	(11)
	-----	-----	-----
Total	\$4,373	\$4,306	\$4,208
	=====	=====	=====

Net income (loss):			
Oil and gas	\$ (17)	\$ 171(a)	\$ 79
Coal	59	41	(16)
Refining and marketing(c)	2	28	57
Intermediate chemicals and specialty products(b)	58	37	22
Other	(25)	(26)	(38)
	-----	-----	-----
Total	\$ 77	\$ 251	\$ 104
	=====	=====	=====

Total assets:			
Oil and gas	\$2,691	\$2,415	\$2,466
Coal	821	901	693
Refining and marketing(c)	--	301	305
Intermediate chemicals and specialty products	1,424	1,567	1,731
Other	230	233	710
	-----	-----	-----
Total	\$5,166	\$5,417	\$5,905
	=====	=====	=====

</TABLE>

(a) Includes gain from settlement on assets nationalized by Iran (Note 2).
(b) Includes losses of equity affiliates, principally Asian joint ventures, of \$(2), \$(18), and \$(22), in 1993, 1992 and 1991, respectively.
(c) Operations sold in December 1993.

NOTE 5 Inventories

Inventories are recorded when purchased, produced or manufactured and are stated at the lower of cost or market. In 1993, approximately 88 percent of inventories excluding materials and supplies were determined by the last-in, first-out (LIFO) method. Materials and supplies and other non-LIFO inventories are determined predominantly on an average cost basis.

Total inventories at December 31, 1993 and 1992 comprised the following

categories:

<TABLE>
<CAPTION>

Millions of dollars	1993	1992
<S>	<C>	<C>
Crude oil and petroleum products	\$ 266	\$ 283
Chemical products	373	375
Other products	32	42
Materials and supplies	243	263
Total	\$ 914	\$ 963

</TABLE>

The excess of the current cost of inventories over book value was approximately \$228 million and \$285 million at December 31, 1993 and 1992, respectively.

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<PAGE>

NOTE 6 Taxes

Taxes other than excise and income taxes for the years ended December 31, 1993, 1992 and 1991 comprised the following:

<TABLE>
<CAPTION>

Millions of dollars	1993	1992	1991
<S>	<C>	<C>	<C>
Property	\$ 198	\$ 205	\$ 206
Production/severance	331	389	406
Value added	349	330	250
Other	269	279	269
Total	\$1,147	\$1,203	\$1,131

</TABLE>

The components of the provision for taxes on income for the years ended December 31, 1993, 1992 and 1991 were as follows:

<TABLE>
<CAPTION>

Millions of dollars	1993	1992	1991
<S>	<C>	<C>	<C>
Federal:			
Current	\$ 382	\$292	\$355
Deferred	(159)	198	(66)
	223	490	289
Foreign:			
Current	69	80	104
Deferred	13	17	(36)
	82	97	68
State:			
Current	33	42	76
Deferred	(11)	49	(13)
	22	91	63
Total provision for taxes on income	\$ 327	\$678	\$420
Total income taxes paid in cash	\$ 510	\$ 675	\$ 776

</TABLE>

The deferred tax benefit in 1993 and 1991 primarily resulted from book accruals

associated with the reorganizations and workforce reductions.

The major components of the net deferred tax liability as of December 31, 1993 and 1992, and January 1, 1992 were as follows:

<TABLE>
<CAPTION>

Millions of dollars	December 31 1993	December 31 1992	January 1 1992
<S>	<C>	<C>	<C>
Depreciation, depletion and amortization	\$(3,630)	\$(3,734)	\$(3,754)
Other	(329)	(306)	(312)
Total deferred tax liabilities	(3,959)	(4,040)	(4,066)
Dismantlement and environmental	492	474	481
Postretirement benefits	302	277	262
Foreign excess tax basis/loss carryforwards	197	165	130
Other	316	244	327
Total deferred tax assets	1,307	1,160	1,200
Valuation allowance	(127)	(102)	(34)
Net deferred income tax liability	\$(2,779)	\$(2,982)	\$(2,900)

</TABLE>

ARCO has foreign loss carryforwards of \$227 million which begin expiring in 1994.

The domestic and foreign components of income before income taxes, minority interest and cumulative effect of changes in accounting principles, and a reconciliation of income tax expense with tax at the effective federal statutory rate for the years ended December 31, 1993, 1992 and 1991 were as follows:

<TABLE>
<CAPTION>

Millions of dollars	Amount	Percent of Pretax Income
<S>	<C>	<C>
1993		
Income before income taxes:		
Domestic	\$ 342	53.9
Foreign	292	46.1
Total	\$ 634	100.0
Tax at 35%	\$ 222	35.0
Increase (reduction) in taxes resulting from:		
Dividend exclusion	7	1.1
Impact of federal rate increase on deferred tax liability	65	10.3
Taxes on foreign income in excess of statutory rate	74	11.7
Sale of foreign subsidiary	37	5.8
Foreign deferred tax asset recognition	(26)	(4.1)
State income taxes (net of federal effect)	14	2.2
Tax credits	(49)	(7.7)
Other	(17)	(2.7)
Provision for taxes on income	\$ 327	51.6
1992		
Income before income taxes:		
Domestic	\$1,449	76.0
Foreign	458	24.0
Total	\$1,907	100.0
Tax at 34%	\$ 648	34.0
Increase (reduction) in taxes resulting from:		
Dividend exclusion	12	.6
Taxes on foreign income in excess of statutory rate	25	1.3
State income taxes (net of federal effect)	60	3.2

Tax credits	(43)	(2.2)
Other	(24)	(1.3)
Provision for taxes on income	\$ 678	35.6
1991		
Income before income taxes:		
Domestic	\$ 900	77.6
Foreign	260	22.4
Total	\$1,160	100.0
Tax at 34%	\$ 394	34.0
Increase (reduction) in taxes resulting from:		
Dividend exclusion	(30)	(2.6)
Taxes on foreign income in excess of statutory rate	54	4.7
State income taxes (net of federal effect)	42	3.6
Tax credits	(36)	(3.1)
Other	(4)	(.4)
Provision for taxes on income	\$ 420	36.2

</TABLE>

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<PAGE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 Long-Term Debt

Long-term debt at December 31, 1993 and 1992 comprised the following:

<TABLE>
<CAPTION>

Millions of dollars	1993	1992
<S>	<C>	<C>
5-5/8%, due in 1997	\$ 18	\$ 23
5.90%, due in 2007	265	265
6-1/8%, due in 1996	102	102
7.70%, due in 2000	31	51
7-3/4%, due in 2003	52	124
8-1/4%, due in 2022	250	250
8-1/2%, due in 2012	250	250
8-5/8%, due in 2000	--	76
8-3/4%, due in 2032	250	250
9%, due in 2021	300	300
9%, due in 2031	150	150
9-1/8%, due in 1993	--	200
9-1/8%, due in 2011	300	300
9-1/8%, due in 2031	350	350
9-1/4%, due in 1993	--	250
9-1/2%, due in 1996	--	150
9-7/8%, due in 2016	450	450
10-1/4%, due in 2000	250	250
10-3/8%, due in 1995	500	500
10-7/8%, due in 2005	500	500
Third Series Medium-Term Notes	137	137
Medium-Term Notes--A Series	200	200
Medium-Term Notes--B Series	250	250
ARCO Tresop Notes	311	311
ARCO Chemical Company:		
9.35%, due in 2019	--	123
9.375%, due in 2005	100	100
9.8%, due in 2020	224	224
9.9%, due in 2000	200	200
10.25%, due in 2010	100	100
Medium-Term Notes	--	35
French bank loans	94	117
ACNL bank loans	155	165
Vastar bank loans	1,250	--
Capitalized lease obligations	26	26
Other	204	256
Total, including debt due within one year	7,269	7,035
Less:		
Debt due within one year	165	676
Bonds held in sinking fund	15	132

Long-term debt -----
\$7,089 \$6,227
=====

</TABLE>

Maturities and sinking fund obligations for the five years subsequent to December 31, 1993 are as follows (millions of dollars): 1994--\$165; 1995--\$632; 1996--\$1,434; 1997--\$269; 1998--\$182. No material amounts of long-term debt are collateralized by Corporation assets.

Vastar Resources, Inc. (Vastar), a wholly owned subsidiary of ARCO, entered into a \$1.25 billion unsecured, variable rate, revolving-term credit agreement. In December 1993, Vastar borrowed \$1.25 billion principal amount at an initial interest rate of 3.9 percent. The agreement contains restrictions

which, among other things, require Vastar to maintain certain financial ratios and restrict encumbrance of assets.

NOTE 8 Bank Credit Facilities and Compensating Balances

In 1993, ARCO and certain wholly owned subsidiaries had committed bank credit facilities of approximately \$3.2 billion, including a credit facility negotiated on behalf of a subsidiary that is denominated in pounds sterling. At December 31, 1993, there were no borrowings under these committed facilities.

ACC maintains two credit facilities under which it may borrow up to \$300 million which are not guaranteed by ARCO. At December 31, 1993, there were no borrowings against the ACC credit facilities. The facilities replace a previous facility that effectively expired in December 1993.

Notes payable on the balance sheet consist primarily of commercial paper issued to a variety of financial investors and institutions and any amounts outstanding under ARCO or ACC credit facilities.

ARCO has no requirements for compensating balances. ARCO does maintain balances for some of its banking services and products. Such balances are solely at ARCO's discretion, so that on any given date, none of ARCO's cash is restricted.

At December 31, 1993, ARCO had letters of credit outstanding totalling \$305 million.

NOTE 9 Interest Expense

Interest expense for the years ended December 31, 1993, 1992 and 1991 was comprised of the following:

<TABLE>

Millions of dollars	1993	1992	1991
	-----	-----	-----
<S>	<C>	<C>	<C>
Long-term debt	\$ 573	\$ 624	\$ 684
Short-term debt	92	105	92
Other	106	148	195
	-----	-----	-----
Capitalized interest	771 (56)	877 (115)	971 (79)
Total interest expense	\$ 715	\$ 762	\$ 892
	=====	=====	=====
Total interest paid in cash	\$ 749	\$ 752	\$ 912
	=====	=====	=====

</TABLE>

NOTE 10 Foreign Currency Transaction Gains

Foreign exchange transactions, which relate primarily to Brazilian operations, resulted in net gains of \$22 million, \$1 million and \$41 million in 1993, 1992 and 1991, respectively.

<PAGE>

NOTE 11 Fixed Assets

Property, plant and equipment, and related accumulated depreciation, depletion and amortization at December 31, 1993 and 1992 were as follows:

<TABLE>

<CAPTION>

Millions of dollars	1993	1992
---------------------	------	------

	<C>	<C>
<S>		
Resources:		
Oil and gas	\$19,100	\$19,543
Coal	1,296	1,324
Products:		
Refining and marketing	3,647	3,600
Transportation	3,588	3,546
Intermediate chemicals and specialty products	3,257	3,165
Other	606	620
	-----	-----
	31,494	31,798
Accumulated depreciation, depletion and amortization	15,628	14,882
	-----	-----
Total	\$15,866	\$16,916
	=====	=====

</TABLE>

Expenses for maintenance and repairs for 1993, 1992 and 1991 were \$509 million, \$513 million and \$523 million, respectively.

NOTE 12 Other Commitments and Contingencies

ARCO has commitments, including those related to the acquisition, construction and development of facilities, all made in the normal course of business.

At December 31, 1993 and 1992, there were contingent liabilities primarily with respect to guarantees of securities of other issuers of approximately \$111 million and \$100 million, respectively, of which approximately \$41 million and \$45 million, respectively, were indemnified.

Following the March 1989 EXXON VALDEZ oil spill, Alyeska Pipeline Service Company (Alyeska) and Alyeska's owner companies were the subject of numerous lawsuits by the State of Alaska, the United States and private plaintiffs. ARCO Transportation Alaska, Inc. (ATA) owns approximately 21 percent of Alyeska. In July 1993, it was announced that Alyeska and its owner companies had agreed to pay \$98 million in settlement of all but a handful of the lawsuits by private plaintiffs of which \$20.9 million was ATA's share. At the October 1993 approval hearing on the settlement, the settlement was tentatively approved; however, there remain certain issues concerning claims that Exxon might assert against Alyeska and its owner companies that must be resolved before the settlement becomes final.

ARCO and former producers of lead pigments have been named as defendants in cases filed by a municipal housing authority, a purported class and several individuals seeking damages and injunctive relief as a consequence of the presence of lead-based paint in certain housing units.

ARCO and its subsidiary, Atlantic Richfield Hanford Company (ARHCO), and several other companies have been named as defendants in lawsuits filed on behalf of individual persons and a number of purported classes. These lawsuits arise out of radioactive and non-radioactive toxic and hazardous substances allegedly generated at the Hanford Nuclear Reservation in Richland, Washington (HNR). The claims against ARCO and ARHCO arise out of the performance by ARHCO of a contract with the Atomic Energy Commission to provide chemical processing, waste management and support services at HNR from 1967 to 1977. ARCO and ARHCO believe that, should either or both ultimately be held liable, they will be entitled to indemnification by the federal government as provided under the Price-Anderson Act, and pursuant to the terms of the contract between ARHCO and the Atomic Energy Commission.

ARCO is also the subject of or party to a number of pending or threatened legal actions for which the legal responsibility and financial impact cannot presently be ascertained. Although any ultimate liability arising from any of these suits, or from any of the proceedings described above, if aggregated and assumed to occur in a single fiscal year, would be material to ARCO's results of operations, the likelihood of such occurrence is considered remote. On the basis of management's best assessment of the ultimate amount and timing of these events, such expenses or judgments are not expected to have a material adverse effect on ARCO's consolidated financial position, stockholders' equity, liquidity or capital resources.

ARCO is subject to other loss contingencies pursuant to federal, state and local environmental laws and regulations. These include possible obligations to remove or mitigate the effects on the environment of the disposal or release of certain chemical, mineral and petroleum substances at various sites, including the restoration of natural resources located at these sites and damages for loss of use and non-use values. ARCO is currently participating in environmental assessments and cleanups under these laws at federal Superfund and state-managed sites, as well as other clean-up sites, including service stations, refineries, terminals, chemical facilities, third-party landfills, former nuclear processing facilities, and sites

<PAGE>

associated with discontinued operations. ARCO may in the future be involved in additional environmental assessments and cleanups, including the restoration of natural resources and damages for loss of use and non-use values. The amount of such future costs is indeterminable due to such factors as the unknown nature and extent of contamination at many sites, the unknown timing, extent and method of the remedial actions which may be required and the determination of ARCO's liability in proportion to other responsible parties.

ARCO continues to estimate the amount of these costs in periodically establishing reserves based on progress made in determining the magnitude of remediation costs, experience gained from sites on which remediation has been completed, the timing and extent of remedial actions required by the applicable governmental authorities and an evaluation of the amount of ARCO's liability considered in light of the liability and financial wherewithal of the other responsible parties. At December 31, 1993, the reserve balance is \$648 million. As the scope of ARCO's obligations becomes more clearly defined, there may be changes in these estimated costs, which might result in future charges against ARCO's earnings.

ARCO's reserve covers federal Superfund and state-managed sites as well as other clean-up sites, including service stations, refineries, terminals, chemical facilities, third-party landfills, former nuclear processing facilities and sites associated with discontinued operations. ARCO has been named a potentially responsible party (PRP) for 123 sites. The number of PRP sites in and of itself does not represent a relevant measure of liability, because the nature and extent of environmental concerns varies from site to site and ARCO's share of responsibility varies from sole responsibility to very little responsibility. ARCO reviews all of the PRP sites, along with other sites as to which no claims have been asserted, in estimating the amount of the reserve. ARCO's future costs at these sites could exceed the reserve by as much as \$1 billion.

Approximately half of the reserve related to sites associated with ARCO's discontinued operations, primarily mining activities in the states of Montana and Colorado. Another significant component related to currently and formerly owned chemical, nuclear processing, and refining and marketing facilities, and other sites which received wastes from these facilities. The remainder related to other sites with reserves ranging from \$1 million to \$10 million per site. No one site represents more than 15 percent of the total reserve. Substantially all amounts accrued in the reserve are expected to be paid out over the next five to six years.

Claims for recovery of remediation costs already incurred and to be incurred in the future have been filed against various insurance companies and other third parties. None of these claims has been resolved. Due to the uncertainty as to ultimate recovery from these parties, ARCO has neither recorded any asset nor reduced any liability in anticipation of such recovery.

Environmental loss contingencies also include claims for personal injuries allegedly caused by exposure to toxic materials manufactured or used by ARCO. Although these contingencies could result in significant expenses or judgments that, if aggregated and assumed to occur within a single fiscal year, would be material to ARCO's results of operations, the likelihood of such occurrence is considered remote. On the basis of management's best assessment of the ultimate amount and timing of these events, such expenses or judgments are not expected to have a material adverse effect on ARCO's consolidated financial position, stockholders' equity, liquidity or capital resources.

The operations and consolidated financial position of ARCO continue to be affected from time to time in varying degrees by domestic and foreign political developments as well as legislation, regulations and litigation pertaining to restrictions on production, imports and exports, tax increases, environmental regulations, cancellation of contract rights and expropriation of property. Both the likelihood of such occurrences and their overall effect on ARCO vary greatly and are not predictable.

These uncertainties are part of a number of items that ARCO has taken and will continue to take into account in periodically establishing reserves.

NOTE 13 Retirement Plans

ARCO and its subsidiaries have defined benefit pension plans to provide pension benefits to substantially all employees. The benefits are based on years of service and the employee's compensation, primarily during the last three years of service. ARCO's funding policy is to make annual contributions as required by applicable regulations. ARCO charges pension costs as accrued, based on an actuarial valuation for each plan, and funds the plans through contributions to trust funds that are kept apart from Corporation funds.

<PAGE>

The following table sets forth the plans' funded status and amounts recognized in the balance sheet at December 31, 1993 and 1992:

<TABLE>

<CAPTION>

Millions of dollars	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets
<S>	<C>	<C>
1993		
Actuarial present value of benefit obligations:		
Vested benefit obligation	\$2,007	\$ 158
	=====	=====
Accumulated benefit obligation	\$2,054	\$ 161
	=====	=====
Projected benefit obligation	\$2,420	\$ 214
Plan assets at fair value, primarily stocks and bonds	2,720	--
	-----	-----
Projected benefit obligation (in excess of) or less than plan assets	300	(214)
Unrecognized net (gain) loss	134	100
Prior service cost not yet recognized in net periodic pension cost	148	27
Remaining unrecognized (asset) obligation from January 1, 1986	(348)	9
Adjustment required to recognize minimum liability	--	(83)
	-----	-----
Prepaid pension cost (pension liability) recognized in the balance sheet	\$ 234	\$(161)
	=====	=====
1992		
Actuarial present value of benefit obligations:		
Vested benefit obligation	\$1,626	\$ 85
	=====	=====
Accumulated benefit obligation	\$1,638	\$ 85
	=====	=====
Projected benefit obligation	\$1,828	\$ 98
Plan assets at fair value, primarily stocks and bonds	2,443	--
	-----	-----
Projected benefit obligation (in excess of) or less than plan assets	615	(98)
Unrecognized net (gain) loss	(178)	4
Prior service cost not yet recognized in net periodic pension cost	143	1
Remaining unrecognized (asset) obligation from January 1, 1986	(376)	10
Adjustment required to recognize minimum liability	--	(4)
	-----	-----
Prepaid pension cost (pension liability) recognized in the balance sheet	\$ 204	\$ (87)
	=====	=====

</TABLE>

Pension costs related to ARCO-sponsored plans, on a pretax basis, including amortization of unfunded projected benefit obligations for the years ended December 31, 1993, 1992 and 1991 were as follows:

<TABLE>

<CAPTION>

Millions of dollars	1993	1992	1991
<S>	<C>	<C>	<C>
Service cost-benefits earned during the period	\$ 59	\$ 51	\$ 43
Interest cost on projected benefit obligation	173	133	137
Actual return on plan assets	(483)	(91)	(370)
Net amortization and deferral	220	(127)	201
	-----	-----	-----
Net periodic pension (benefit) cost	\$ (31)	\$ (34)	\$ 11
	=====	=====	=====

</TABLE>

In addition to the pension (benefit) cost above, in 1993 and 1991 ARCO recorded

\$61 million and \$103 million, respectively, before tax as additional pension expense in connection with the workforce reductions in those years.

ARCO's assumptions used as of December 31, 1993, 1992 and 1991 in determining the pension cost and pension liability shown above were as follows:

<TABLE> <CAPTION> Percent	1993	1992	1991
<S>	<C>	<C>	<C>
Discount rate	7.25	8.5	8.75
Rate of salary progression	5.0	5.0	5.0
Long-term rate of return on assets	10.5	10.5	9.5
	=====		

NOTE 14 Other Postretirement Benefits

ARCO and its subsidiaries sponsor defined postretirement benefit plans to provide other postretirement benefits to substantially all employees who retire with ARCO having rendered the required years of service, along with their spouses and eligible dependents. Health care benefits are provided primarily through comprehensive indemnity plans. Currently, ARCO pays approximately 80 percent of the cost of such plans, but has the right to modify the cost-sharing provisions at any time. Life insurance benefits are based primarily on the employee's final compensation and are also partially paid for by retiree contributions, which vary based upon coverage chosen by the retiree.

ARCO's current policy is to fund the cost of postretirement health care and life insurance plans on a pay-as-you-go basis. Pursuant to Section 401(h) of the Internal Revenue Code of 1986, excess pension assets totalling \$21 million were transferred from the pension plans to health care benefit accounts within the pension plans for reimbursement of 1992 retiree health care benefits.

The following table sets forth the plans' combined postretirement benefit liability as of December 31, 1993 and 1992:

<TABLE> <CAPTION> Millions of dollars	Health Care	Life Insurance	Total
<S>	<C>	<C>	<C>
1993			
Accumulated postretirement benefit obligation:			
Retirees	\$ 461	\$158	\$ 619
Employees fully eligible	35	12	47
Other active participants	211	47	258
	-----	-----	-----
Total	707	217	924
Unrecognized loss	(125)	(18)	(143)
	-----	-----	-----
Accrued postretirement benefit cost recognized in the balance sheet	\$ 582	\$199	\$ 781
	=====		
1992			
Accumulated postretirement benefit obligation:			
Retirees	\$ 416	\$155	\$ 571
Employees fully eligible	27	8	35
Other active participants	133	32	165
	-----	-----	-----
Total	576	195	771
Unrecognized loss	(14)	(4)	(18)
	-----	-----	-----
Accrued postretirement benefit cost recognized in the balance sheet	\$ 562	\$191	\$ 753
	=====		

</TABLE>

<PAGE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ARCO charges postretirement benefit costs as accrued, based on actuarial calculations for each plan. Net annual postretirement benefit costs as of December 31, 1993 and 1992 included the following components:

<TABLE>
<CAPTION>

Millions of dollars	Health Care	Life Insurance	Total
	<C>	<C>	<C>
1993			
Service cost-benefits earned during the period	\$15	\$ 3	\$18
Interest cost on accumulated postretirement benefit obligation	47	15	62
Net postretirement benefit cost	\$62	\$18	\$80
1992			
Service cost-benefits earned during the period	\$12	\$ 3	\$15
Interest cost on accumulated postretirement benefit obligation	46	15	61
Net postretirement benefit cost	\$58	\$18	\$76

</TABLE>

In addition to the cost above, ARCO recorded \$9 million as additional postretirement benefit expense in connection with the workforce reduction in 1993.

For the year ended December 31, 1991, ARCO recognized postretirement costs as incurred. Accordingly, the amount recognized as expense in prior years is not comparable.

The significant assumptions used in determining postretirement benefit cost and the accumulated postretirement benefit obligation were as follows:

<TABLE>
<CAPTION>

Percent	December 31 1993	December 31 1992	January 1 1992
<S>	<C>	<C>	<C>
Discount rate	7.25	8.5	8.75
Rate of salary progression	5.0	5.0	5.0

</TABLE>

The weighted average annual assumed rate of increase in the per capita cost of covered benefits (i.e., health care trend rate) for the health plans is 10 percent for 1993 to 1996, 8 percent for 1997 to 2001, and 6 percent thereafter. The effect of a one-percentage-point increase in the assumed health care cost trend rate would increase the accumulated postretirement benefit obligation as of December 31, 1993, by approximately 10.5 percent, and the aggregate of the service and interest cost components of net annual postretirement benefit cost by approximately 11 percent.

NOTE 15 Stockholders' Equity

Detail of ARCO's capital stock as of December 31, 1993 and 1992 was as follows:

<TABLE>
<CAPTION>

	1993	1992
<S>	<C>	<C>
\$3.00 Cumulative convertible preference stock, par \$1:		
Shares authorized	94,316	94,316
Shares issued and outstanding	81,309	90,377
Aggregate value in liquidation -- (thousands)	\$ 6,505	\$ 7,230
\$2.80 Cumulative convertible preference stock, par \$1:		
Shares authorized	942,016	942,016
Shares issued and outstanding	854,053	916,653
Aggregate value in liquidation -- (thousands)	\$ 59,784	\$ 64,166
Common stock, par \$2.50:		
Shares authorized	600,000,000	600,000,000
Shares issued	160,746,125	160,745,937
Shares outstanding	159,953,980	158,922,188
Shares held in treasury	792,145	1,823,749

</TABLE>

The changes in preference stocks outstanding were due solely to conversions. The \$3.00 cumulative convertible preference stock is convertible into 6.8 shares of common stock. The \$2.80 cumulative convertible preference stock is convertible into 2.4 shares of common stock. The common stock is subordinate to the preference stocks for dividends and assets. The \$3.00 and \$2.80 preference stocks may be redeemed at the option of ARCO for \$82 and \$70 per share, respectively.

ARCO has authorized 75,000,000 shares of preferred stock, \$.01 par, of which none were issued or outstanding at December 31, 1993.

By stockholder approval, all of the Series B, 3.75 percent cumulative preferred stock, \$100 par, of which none were issued and outstanding, was cancelled effective May 3, 1993.

By Board authorization, effective December 31, 1991, ARCO canceled 7 million shares of common stock held in treasury. As a result of this cancellation, common stock decreased by \$17 million, capital in excess of par value of stock decreased by \$30 million, and retained earnings decreased by \$684 million in 1991.

The balance in ARCO's common stock at December 31, 1993, 1992 and 1991 was \$402 million.

Detail of changes in treasury stock in 1993, 1992 and 1991 was as follows:

<S>	<C>
Millions of dollars	
Balance, January 1, 1991	\$ 890
Treasury stock purchases	202
Conversions	(36)
Cancellation of treasury stock	(731)

Balance, December 31, 1991	325
Treasury stock contributed to benefit plans	(110)
Conversions	(24)

Balance, December 31, 1992	191
Treasury stock contributed to benefit plans	(81)
Conversions	(27)

Balance, December 31, 1993	\$ 83
	=====

</TABLE>

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The net decrease in capital in excess of par value of stock in 1993, 1992 and 1991 of \$15 million, \$12 million and \$52 million, respectively, was due primarily to the conversion of preference stock to common stock and the cancellation of treasury stock in 1991.

ARCO's Certificate of Incorporation contains a provision restricting dividend payments; however, at December 31, 1993, retained earnings were free from such restriction. At December 31, 1993, shares of ARCO's authorized and unissued common stock were reserved as follows:

<S>	<C>
Conversions:	
\$3.00 Preference stock	552,901
\$2.80 Preference stock	2,049,727
Stock option plans	5,148,852
Employee benefit plans	9,974,482

Total	17,725,962
	=====

</TABLE>

Under ARCO's incentive compensation plans, awards of ARCO's common stock may be made to officers, outside directors and key employees.

NOTE 16 Earned per Share

Earned per share is based on the average number of common shares outstanding

during each period including common stock equivalents that consist of certain outstanding options and all outstanding convertible securities. The average shares used in the calculation of earned per share for the years ended December 31, 1993, 1992 and 1991 were 162.4 million, 161.5 million and 161.7 million, respectively.

NOTE 17 Stock Options

Options to purchase shares of ARCO's common stock have been granted to executives, outside directors and key employees. These options become exercisable in varying installments and expire ten years after the date of grant. Transactions during 1993, 1992 and 1991 were as follows:

<TABLE>
<CAPTION>

<S>	<C>
Balance, January 1, 1991	1,681,133
Granted	528,686
Canceled or expired	(1,740)
Exercised (average option price per share: \$77.67)	(199,988)

Balance, December 31, 1991	2,008,091
Granted	679,457
Exercised (average option price per share: \$77.09)	(51,385)

Balance, December 31, 1992	2,636,163
Granted	574,726
Exercised (average option price per share: \$81.74)	(48,707)

Balance, December 31, 1993	3,162,182
	=====
At December 31, 1993:	
Shares exercisable	2,249,912
Shares available for option (1,290,018 at December 31, 1992)	1,986,670
Average option price per share:	
Shares under option	\$104.21
Shares exercisable	\$101.04
	=====

</TABLE>

NOTE 18 Supplemental Cash Flow Information

The following is supplemental cash flow information for the years ended December 31, 1993, 1992 and 1991:

<TABLE>
<CAPTION>

Millions of dollars	1993	1992	1991
<S>	<C>	<C>	<C>
Short-term investments:			
Gross maturities	\$ 5,428	\$ 4,796	\$ 7,480
Gross purchases	(6,217)	(4,976)	(6,872)
	-----	-----	-----
Net cash provided (used)	\$ (789)	\$ (180)	\$ 608
	=====	=====	=====
Notes payable:			
Gross proceeds	\$ 8,568	\$ 7,380	\$ 7,877
Gross repayments	(8,538)	(7,579)	(7,004)
	-----	-----	-----
Net cash provided (used)	\$ 30	\$ (199)	\$ 873
	=====	=====	=====
Gross noncash provisions charged to income	\$ 1,148	\$ 553	\$ 1,003
Cash payments of previously accrued items	(635)	(760)	(563)
	-----	-----	-----
Noncash provisions greater (less) than cash payments	\$ 513	\$ (207)	\$ 440
	=====	=====	=====

</TABLE>

NOTE 19 Lease Commitments

Commitments under capital financial leases are capitalized with the obligation recorded at the present value of future rental payments. The related assets are amortized on a straight-line basis.

At December 31, 1993, future minimum rental payments due under leases were as

follows:

<TABLE>
<CAPTION>

Millions of dollars	Capital Leases	Operating Leases
<S>	<C>	<C>
1994	\$ 3	\$157
1995	3	135
1996	3	115
1997	3	98
1998	3	85
Later years	76	338
Total minimum lease payments	91	\$928
		=====
Imputed interest (rates ranging from 9.75% to 12.0%)	65	
Present value of minimum lease payments included in long-term debt	\$26	
		=====

</TABLE>

Minimum future rental income under noncancelable subleases at December 31, 1993 amounted to \$98 million.

Operating lease net rental expense for the years ended December 31, 1993, 1992 and 1991 was as follows:

<TABLE>
<CAPTION>

Millions of dollars	1993	1992	1991
<S>	<C>	<C>	<C>
Minimum rentals	\$ 220	\$ 206	\$ 197
Contingent rentals	1	1	1
Sublease rental income	(15)	(18)	(16)
Net rental expense	\$ 206	\$ 189	\$ 182
			=====

</TABLE>

No restrictions on dividends or on additional debt or lease financing exist under ARCO's lease commitments. Under certain conditions, options and obligations exist to purchase certain leased properties.

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NOTE 20 Lyondell Petrochemical Company

Lyondell Petrochemical Company (Lyondell) is engaged in the manufacture, refining and marketing of basic commodity chemicals, including ethylene, propylene, methanol and aromatics, and petroleum products.

At December 31, 1993, ARCO owned 49.9 percent of Lyondell common stock outstanding; ARCO accounts for this investment on the equity method. The market value of ARCO's shares of Lyondell common stock, based on the closing quoted market price at December 31, 1993, was \$848 million.

Summarized financial information for Lyondell was as follows:

<TABLE>
<CAPTION>

Millions of dollars	1993	1992	1991
<S>	<C>	<C>	<C>
Year ended December 31:			
Revenues(a)	\$3,850	\$4,809	\$5,735
Operating income	\$ 93	\$ 104	\$ 399
Income before income taxes and cumulative effect of accounting changes	\$ 16	\$ 35	\$ 339
Cumulative effect of changes in accounting principles	\$ 22	\$ (10)	--
Net income	\$ 26	\$ 16	\$ 222
			=====

ARCO's equity in net income of Lyondell	\$ 13	\$ 8	\$ 111
	=====	=====	=====
Cash dividends received from Lyondell	\$ 54	\$ 72	\$ 70
	=====	=====	=====
At December 31:			
Current assets	\$ 523	\$ 568	
Noncurrent assets	\$ 708	\$ 647	
Current liabilities	\$ 299	\$ 345	
Long-term debt	\$ 717	\$ 725	
Other liabilities	\$ 179	\$ 151	
Minority interest	\$ 124	\$ --	
Stockholders' deficit(b)	\$ (88)	\$ (6)	

</TABLE>

(a) Includes \$278, \$329 and \$526 of sales to ARCO in 1993, 1992 and 1991, respectively, which approximated 4%, 5% and 8% of ARCO's purchases in those years.

(b) ARCO's investment in Lyondell comprises 49.9% of Lyondell's stockholders' deficit plus \$72 of dividends received in excess of basis of investment.

NOTE 21 Financial Instruments; Fair Value and Off-Balance-Sheet Risk

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

The carrying amount of cash equivalents, short-term investments and notes payable approximates fair value because of the short maturity of those instruments.

The fair value of other investments and long-term receivables was estimated primarily based on quoted market prices for those or similar investments. At December 31, 1993 and 1992, the fair value of other investments and long-term receivables approximated carrying value.

The fair value of ARCO's long-term debt was estimated based on the quoted market prices for the same or similar issues or on the current rates offered to ARCO for debt of the same remaining maturities. At December 31, 1993 and 1992, the fair value of long-term debt, including long-term debt due within one year, was \$8,307 million and \$7,570 million, respectively.

The fair value of foreign currency forward contracts and derivatives was estimated by obtaining quotes from brokers. Fair value of these instruments at December 31, 1993 and 1992, approximated carrying value.

At December 31, 1993 and 1992, ARCO had foreign currency forward contracts and foreign cross-currency contracts outstanding, which mature at various dates, to reduce exposure to foreign currency exchange risk. The aggregate contract value of instruments used to buy U.S. dollars in exchange for Australian dollars was approximately \$483 million and \$367 million at December 31, 1993 and 1992, respectively. The aggregate contract value of instruments used to sell European currencies and Japanese yen in exchange for Deutsche marks, U.S. dollars and functional currencies of ARCO's European operations was approximately \$24 million and \$65 million at December 31, 1993 and 1992, respectively. Additionally, ARCO had outstanding foreign currency swaps which mature at various dates through 1994, to sell approximately 187 million French francs for \$35 million at both December 31, 1993 and 1992.

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At December 31, 1993 and 1992, approximately \$355 million and \$405 million, respectively, of the long-term debt was denominated in foreign currencies. To reduce the exposure to foreign currency fluctuations, ARCO entered into a swap agreement on an 18 billion yen debt issue due in 1996 which fixes the principal balance at \$102 million with an effective rate of 8.14 percent. At December 31, 1993, ARCO had outstanding interest rate swaps on two loans totalling 300 million Dutch guilders due in 1997 (one loan for 150 million Dutch guilders in 1992). This effectively changed both loans' floating interest rates to fixed rates of 5.70 percent and 6.71 percent (9.69 percent in 1992).

The counterparties to these transactions are major international financial institutions; ARCO does not anticipate nonperformance by the counterparties.

NOTE 22 Unaudited Quarterly Results

<TABLE>
<CAPTION>

Millions of dollars except per share amounts	1993	1992
	-----	-----
<S>	<C>	<C>

Sales and other operating revenues (including excise taxes)			
Quarter ended:			
March 31	\$ 4,507	\$ 4,334	
June 30	4,670	4,528	
September 30	4,553	4,828	
December 31	4,757	4,978	

Total	\$18,487	\$18,668	
	=====		
Income (loss) before income taxes, minority interest and cumulative effect of changes in accounting principles			
Quarter ended:			
March 31	\$ 442	\$ 338	
June 30	461	549	(a)
September 30	233	587	
December 31	(502)(a)	433	(a)

Total	\$ 634	\$ 1,907	
	=====		
Net income (loss)			
Quarter ended:			
March 31	\$ 260	\$ (212)	(b)
June 30	271	309	(a)
September 30	68	332	
December 31	(330)(a)	372	(a, c)

Total	\$ 269	\$ 801	
	=====		
Earned per share			
Quarter ended:			
March 31	\$ 1.60	\$ (1.31)	(b)
June 30	\$ 1.67	\$ 1.91	
September 30	\$ 0.42	\$ 2.06	
December 31	\$ (2.06)	\$ 2.30	
	=====		

</TABLE>

(a) See Note 2.

(b) The impact of cumulative effect of changes in accounting principles resulted in a net after-tax charge of (\$392) million, or (\$2.43) per share.

(c) Includes \$100 million benefit from reduced taxes resulting from adjustments for capital transactions and revisions of previously accrued taxes.

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SUPPLEMENTAL INFORMATION (UNAUDITED)

Oil and Gas Producing Activities

The Securities and Exchange Commission (SEC) defines proved oil and gas reserves as those estimated quantities of crude oil, natural gas, and natural gas liquids that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.

ARCO reports reserve estimates to various federal government agencies and commissions. These estimates may cover various regions of crude oil and natural gas classifications within the United States and may be subject to mandated definitions. There have been no reports of total ARCO reserve estimates furnished to federal government agencies or commissions which vary from those reported to the SEC since the beginning of the last fiscal year.

Estimated quantities of ARCO's proved oil and gas reserves were as follows:

<TABLE>
<CAPTION>

	Petroleum Liquids (million barrels)		Natural Gas (billion cubic feet)	
	Domestic	Foreign	Domestic	Foreign
<S>	<C>	<C>	<C>	<C>
January 1, 1991:				
Proved reserves	2,720	210	6,256	1,796
Proved developed reserves	2,152	134	5,343	475
December 31, 1991:				
Proved reserves	2,642	189	5,798	2,405
Proved developed reserves	2,094	131	5,069	534

December 31, 1992:				
Proved reserves	2,517	211	5,185	3,117
Proved developed reserves	1,915	122	4,552	690
December 31, 1993:				
Proved reserves	2,259	206	4,725	3,280
Proved developed reserves	1,804	127	4,190	1,120
	=====			

</TABLE>

The changes in proved reserves for the years ended December 31, 1991, 1992 and 1993 were as follows:

<TABLE>
<CAPTION>

	Petroleum Liquids (million barrels)		Natural Gas (billion cubic feet)	
	Domestic	Foreign	Domestic	Foreign
<S>	<C>	<C>	<C>	<C>
Reserves at January 1, 1991	2,720	210	6,256	1,796
Revisions of estimates	(8)	3	42	69
Improved recovery	89	--	3	--
Purchases of minerals-in-place	137	2	27	247
Extensions and discoveries	35	2	213	392
Production	(244)	(28)	(511)	(95)
Consumed in production	--	--	(78)	(4)
Sales of minerals-in-place	(87)	--	(154)	--

Reserves at December 31, 1991	2,642	189	5,798	2,405
Revisions of estimates	40	22	22	44
Improved recovery	39	--	48	--
Purchases of minerals-in-place	35	--	37	--
Extensions and discoveries	100	29	145	761
Production	(242)	(28)	(440)	(88)
Consumed in production	--	--	(72)	(5)
Sales of minerals-in-place	(97)	(1)	(353)	--

Reserves at December 31, 1992	2,517	211	5,185	3,117
Revisions of estimates	(20)	15	(12)	(54)
Improved recovery	17	--	28	--
Purchases of minerals-in-place	3	--	30	--
Extensions and discoveries	10	11	186	350
Production	(221)	(29)	(332)	(117)
Consumed in production	--	--	(75)	(9)
Sales of minerals-in-place	(47)	(2)	(285)	(7)

Reserves at December 31, 1993	2,259	206	4,725	3,280
	=====			

</TABLE>

Significant changes to proved oil and gas reserves during 1993 were due to the addition of reserves from the Sirasun gas discovery in Indonesia, the Mustang Island gas discovery offshore Gulf of Mexico and the sale of Lower 48 oil and gas properties.

Estimates of petroleum reserves have been made by ARCO engineers. These estimates include reserves in which ARCO holds an economic interest under production-sharing and other types of operating agreements with foreign governments. These estimates do not include probable or possible reserves. Natural gas liquids comprise 12 percent of petroleum liquid proved reserves.

The sale of natural gas from the North Slope of Alaska, which is not used in providing fuel in North Slope operations or sold to others on the North Slope, is dependent upon construction of a natural gas transportation system or another marketing alternative. Such gas is not

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included in ARCO's reserves. There are currently several projects under consideration, including the Alaska Natural Gas Transportation System and the Trans Alaska Gas System. However, there are a number of regulatory, financial, legal and marketing questions regarding the projects that remain unresolved.

ARCO has studied various options for marketing North Slope gas over the past few years. However, ARCO Alaska believes that market conditions are not likely to permit implementation of any large gas sales project within the foreseeable future.

The aggregate amounts of capitalized costs relating to oil and gas producing

activities and the related accumulated depreciation, depletion and amortization as of December 31, 1993, 1992 and 1991 were as follows:

<TABLE>
<CAPTION>

Millions of dollars	Proved Properties		Unproved Properties	
	Domestic	Foreign	Domestic	Foreign
<S>	<C>	<C>	<C>	<C>
1993				
Gross	\$14,521	\$3,694	\$593	\$235
Accumulated depreciation, depletion and amortization	8,772	1,925	315	4
Net	\$ 5,749	\$1,769	\$278	\$231
1992				
Gross	\$15,212	\$3,369	\$677	\$196
Accumulated depreciation, depletion and amortization	8,821	1,718	77	1
Net	\$ 6,391	\$1,651	\$600	\$195
1991				
Gross	\$16,700	\$3,234	\$747	\$300
Accumulated depreciation, depletion and amortization	9,232	1,603	112	10
Net	\$ 7,468	\$1,631	\$635	\$290

</TABLE>

Costs, both capitalized and expensed, incurred in oil and gas producing activities during the three years ended December 31, 1993, 1992 and 1991 were as follows:

<TABLE>
<CAPTION>

Millions of dollars	Domestic	Foreign	Total
	<C>	<C>	<C>
<S>			
1993			
Property acquisition costs:			
Proved properties	\$ --	\$ 3	\$ 3
Unproved properties	\$ 59	\$ 2	\$ 61
Exploration costs	\$351	\$274	\$625
Development costs	\$435	\$441	\$876
1992			
Property acquisition costs:			
Proved properties	\$ 13	\$ 5	\$ 18
Unproved properties	\$ 41	\$ 2	\$ 43
Exploration costs	\$362	\$220	\$582
Development costs	\$393	\$388	\$781
1991			
Property acquisition costs:			
Proved properties	\$508	\$ 55	\$563
Unproved properties	\$ 50	\$ 9	\$ 59
Exploration costs	\$374	\$217	\$591
Development costs	\$619	\$258	\$877

</TABLE>

Results of operations from oil and gas producing activities (including operating overhead) for the three years ended December 31, 1993, 1992 and 1991 were as follows:

<TABLE>
<CAPTION>

Millions of dollars	Domestic	Foreign	Total
	<C>	<C>	<C>
<S>			
1993			
Revenues:			
Sales	\$1,639	\$807	\$2,446
Transfers	1,616	--	1,616

Other	48	31	79
	-----	-----	-----
Production costs	3,303	838	4,141
Exploration expenses	1,352	195	1,547
Depreciation, depletion and amortization	457	210	667
Other operating expenses	719	260	979
	-----	-----	-----
	170	147	317
	-----	-----	-----
Income tax expense	605	26	631
	(252)	(49)	(301)
	-----	-----	-----
Results of operations from production activities	\$ 353	\$(23)	\$ 330
	=====	=====	=====
1992			
Revenues:			
Sales	\$2,157	\$800	\$2,957
Transfers	1,842	--	1,842
Other	77	41	118
	-----	-----	-----
Production costs	4,076	841	4,917
Exploration expenses	1,523	233	1,756
Depreciation, depletion and amortization	382	185	567
Other operating expenses	914	235	1,149
	-----	-----	-----
	197	133	330
	-----	-----	-----
Income tax expense	1,060	55	1,115
	(395)	(32)	(427)
	-----	-----	-----
Results of operations from production activities	\$ 665	\$ 23	\$ 688
	=====	=====	=====
1991			
Revenues:			
Sales	\$2,503	\$872	\$3,375
Transfers	1,819	--	1,819
Other	77	41	118
	-----	-----	-----
Production costs	4,399	913	5,312
Exploration expenses	1,645	229	1,874
Depreciation, depletion and amortization	415	178	593
Other operating expenses	941	236	1,177
	-----	-----	-----
	260	138	398
	-----	-----	-----
Income tax expense	1,138	132	1,270
	(424)	(52)	(476)
	-----	-----	-----
Results of operations from production activities	\$ 714	\$ 80	\$ 794
	=====	=====	=====

</TABLE>

The difference between the above results of operations for 1993, 1992 and 1991 and the amounts reported for after-tax oil and gas segment earnings in Note 4 of Notes to Consolidated Financial Statements is primarily marketing-related activities and the exclusion of gains

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on property sales and unusual items related to the Lower 48 reorganization.

Information for 1992 and 1991 has been restated to conform to 1993 formats, primarily the reclassification of allocated overhead from production and exploration costs to other operating expenses and the removal of certain unusual items previously included.

The standardized measure of discounted estimated future net cash flows related to proved oil and gas reserves at December 31, 1993, 1992 and 1991 was as follows:

<TABLE>
<CAPTION>

Billions of dollars	Domestic	Foreign	Total
	-----	-----	-----
<S>	<C>	<C>	<C>

1993			
Future cash inflows	\$24.4	\$10.2	\$34.6
Future development and production costs	16.5	3.6	20.1
Future income tax expense	2.2	2.2	4.4
	-----	-----	-----
Future net cash flows	5.7	4.4	10.1
10% annual discount	2.4	2.1	4.5
	-----	-----	-----
Standardized measure of discounted future net cash flows	\$ 3.3	\$ 2.3	\$ 5.6
	=====	=====	=====
1992			
Future cash inflows	\$37.3	\$10.9	\$48.2
Future development and production costs	20.9	4.4	25.3
Future income tax expense	5.2	2.2	7.4
	-----	-----	-----
Future net cash flows	11.2	4.3	15.5
10% annual discount	4.9	2.2	7.1
	-----	-----	-----
Standardized measure of discounted future net cash flows	\$ 6.3	\$ 2.1	\$ 8.4
	=====	=====	=====
1991			
Future cash inflows	\$35.7	\$ 9.2	\$44.9
Future development and production costs	23.1	4.2	27.3
Future income tax expense	3.6	1.7	5.3
	-----	-----	-----
Future net cash flows	9.0	3.3	12.3
10% annual discount	3.8	1.5	5.3
	-----	-----	-----
Standardized measure of discounted future net cash flows	\$ 5.2	\$ 1.8	\$ 7.0
	=====	=====	=====

</TABLE>

Primary changes in the standardized measure of discounted estimated future net cash flows for the years ended December 31, 1993, 1992 and 1991 were as follows:

<TABLE>
<CAPTION>

Billions of dollars	1993	1992	1991
<S>	<C>	<C>	<C>
Sales and transfers of oil and gas, net of production costs	\$(2.5)	\$(2.9)	\$(2.8)
Extensions, discoveries and improved recovery, less related costs	.4	1.0	.4
Revisions of estimates of reserves proved in prior years:			
Quantity estimates	--	.3	--
Net changes in price and production costs	(4.2)	2.1	(11.5)
Purchases/Sales	(.3)	(.4)	.4
Other	.1	.5	(1.6)
Accretion of discount	1.2	1.0	2.1
Development costs incurred during the period	.9	.8	1.1
Net change in income taxes	1.6	(1.0)	4.7
	-----	-----	-----
Net change	\$(2.8)	\$ 1.4	\$(7.2)
	=====	=====	=====

</TABLE>

Estimated future cash inflows are computed by applying year-end prices of oil and gas to year-end quantities of proved reserves. Future price changes are considered only to the extent provided by contractual arrangements. Estimated future development and production costs are determined by estimating the expenditures to be incurred in developing and producing the proved oil and gas reserves at the end of the year, based on year-end costs and assuming continuation of existing economic conditions. Estimated future income tax expense is calculated by applying year-end statutory tax rates (adjusted for permanent differences and tax credits) to estimated future pretax net cash flows related to proved oil and gas reserves, less the tax basis of the properties involved.

These estimates are furnished and calculated in accordance with requirements of the Financial Accounting Standards Board and the SEC. Because of unpredictable variances in expenses and capital forecasts, crude oil and natural gas price changes, largely influenced and controlled by U.S. and foreign governmental actions, and the fact that the bases for such estimates vary significantly,

management believes the usefulness of these projections is limited. Estimates of future net cash flows presented do not represent management's assessment of future profitability or future cash flow to ARCO. Management's investment and operating decisions are based on reserve estimates that include proved reserves prescribed by the SEC as well as probable reserves, and on different price and cost assumptions from those used here.

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It should be recognized that applying current costs and prices and a 10 percent standard discount rate does not convey absolute value. The discounted amounts arrived at are only one measure of the value of proved reserves.

Regarding the information on estimated reserve quantities and discounted future net cash flows, ARCO has no long-term supply contracts to purchase from foreign governments or any interest in equity affiliates involved in oil and gas producing activities.

Coal Operations

Supplemental operating statistics for the coal operations of ARCO for the three years ended December 31, 1993, 1992 and 1991 were as follows:

<TABLE>

<CAPTION>

<S>	1993 <C>	1992 <C>	1991 <C>
Coal shipments -- thousand tons:			
Domestic	37,499	30,634	32,598
Foreign	10,246	9,158	8,961
Total	47,745	39,792	41,559
	=====	=====	=====
Coal reserves -- million tons recoverable:			
Domestic	1,296	1,236	876
Foreign	214	232	242
Total	1,510	1,468	1,118
	=====	=====	=====
Average market price per ton of coal:			
Domestic	\$ 9.12	\$ 9.79	\$ 9.20
Foreign	\$29.69	\$30.84	\$32.70
Composite price	\$13.53	\$14.64	\$14.27
	=====	=====	=====

</TABLE>

The significant change to reserves in 1992 was due to the acquisition of the West Black Thunder lease acreage.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

ITEM 11. EXECUTIVE COMPENSATION

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information regarding executive officers of the Company is included in Part I. For the other information called for by Items 10, 11, 12 and 13, reference is made to the Registrant's definitive proxy statement for its Annual Meeting of Stockholders, to be held on May 2, 1994, which will be filed with the Securities and Exchange Commission within 120 days after December 31, 1993, and which is incorporated herein by reference, except for the material included under the captions "Report of Compensation Committee" and "Performance Graph."

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) THE FOLLOWING DOCUMENTS ARE FILED AS PART OF THIS REPORT:

- 1 AND 2. Financial Statements and Financial Statement Schedules: These documents are listed in the Index to Consolidated Financial Statements and Financial Statement Schedules.
3. Exhibits:
 - 3.1 Certificate of Incorporation of Atlantic Richfield Company as amended through May 3, 1993 filed herewith; proposed amendment to Certificate of Incorporation is included in Appendix A of Registrant's Proxy Statement dated March 14, 1994 (the "1994 Proxy Statement") filed with the Securities and Exchange Commission (the "Commission") under File No. 1-1196 and incorporated herein by reference.
 - 3.2 By-Laws of Atlantic Richfield Company as amended through January 23, 1989 filed herewith.
 - 4.1 Rights Agreement dated as of May 27, 1986 between the Company and Morgan Guaranty Trust Company of New York, as Rights Agent, filed as Exhibit 2.1 to the Company's Form 8-A filed with the Commission under File No. 1-1196 on June 3, 1986, and incorporated herein by reference.
 - 4.2 Indenture dated as of May 15, 1985 between the Company and The Chase Manhattan Bank, N.A., filed as Exhibit 4.4 to the Company's Quarterly Report on Form 10-Q for the six months ended June 30, 1985, File No. 1-1196, and incorporated herein by reference.

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- 4.3 Indenture, dated as of January 1, 1992, between the Company and The Bank of New York, filed as an exhibit, bearing the same number, to the Company's Registration Statement on Form S-3 (No. 33-44925), filed with the Commission on January 6, 1992, and incorporated herein by reference.
- 4.4 Instruments defining the rights of holders of long-term debt which is not registered under the Securities Exchange Act of 1934 are not filed because the total amount of securities authorized under any such instrument does not exceed 10 percent of the consolidated total assets of the Company. The Company agrees to furnish a copy of any such instrument to the Commission upon request.
- 10.1(a) Atlantic Richfield Company Supplementary Executive Retirement Plan, as adopted by the Board of Directors of the Company on March 26, 1990, and effective on October 1, 1990, filed as Exhibit 10.2 to the Company's Form 10-K Report for the year 1990, File No. 1-1196, and incorporated herein by reference.
- 10.1(b) Amendment No. 1 to Atlantic Richfield Company Supplementary Executive Retirement Plan effective March 22, 1993, filed as Exhibit 10 to the Company's Form 10-Q Report for the quarterly period ended June 30, 1993, File No. 1-1196, and incorporated herein by reference.
- 10.2(a) Atlantic Richfield Company Executive Deferral Plan, as adopted by the Board of Directors of the Company on March 26, 1990 and effective on October 1, 1990, filed as Exhibit 10.3 to the Company's Form 10-K Report for the year 1990, File No. 1-1196, and incorporated herein by reference.
- 10.2(b) Amendment No. 1 to Atlantic Richfield Company Executive Deferral Plan effective July 27, 1992, filed as an exhibit, bearing the same number, to the Company's Form 10-K Report for the year 1992, File No. 1-1196, and incorporated herein by reference.
- 10.3 Atlantic Richfield Executive Medical Insurance Plan-Summary Plan Description, as in effect January 1, 1994, filed herewith.
- 10.4(a) Atlantic Richfield Company Executive Supplementary Savings Plan II, as amended, restated and effective on July 1, 1988,

filed as Exhibit 10.6 to the Company's Form 10-K Report for the year 1988, File No. 1-1196, and incorporated herein by reference.

- 10.4(b) Amendment No. 1 to Atlantic Richfield Company Executive Supplementary Savings Plan II as amended and effective on January 1, 1989, filed as Exhibit 10.6(b) to the Company's Form 10-K Report for the year 1989, File No. 1-1196, and incorporated herein by reference.
- 10.5 Atlantic Richfield Company Policy on Financial Counseling and Individual Income Tax Service, as revised effective January 1, 1991, filed as Exhibit 10.6 to the Company's Form 10-K Report for the year 1990, File No. 1-1196, and incorporated herein by reference.
- 10.6 Annual Incentive Plan, as adopted by the Board of Directors of the Company on November 26, 1984, and effective on that date, as amended through January 1, 1991, filed as Exhibit 10.7 to the Company's Form 10-K Report for the year 1990, File No. 1-1196, and incorporated herein by reference; proposed amendment to the Annual Incentive Plan is included in Appendix B of Registrant's 1994 Proxy Statement filed with the Commission under File No. 1-1196 and incorporated herein by reference.

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- 10.7 Atlantic Richfield Company's 1985 Executive Long-Term Incentive Plan, as adopted by the Board of Directors of the Company on May 28, 1985, and effective on that date, as amended through February 24, 1992, filed as Exhibit 10.8 to the Company's Form 10-K Report for the year 1991, File No. 1-1196, and incorporated herein by reference, and as amended on February 22, 1993 and effective on that date, filed as an exhibit bearing the same number, to the Company's 10-K Report for the year 1992, File No. 1-1196, and incorporated herein by reference.
- 10.8 Atlantic Richfield Company Executive Life Insurance Plan--Summary Plan Description, as in effect January 1, 1994, filed herewith.
- 10.9 Atlantic Richfield Company Executive Long-Term Disability Plan--Summary Plan Description, as in effect January 1, 1994, filed herewith.
- 10.10 Form of Indemnity Agreement adopted by the Board of Directors on January 26, 1987 and executed in February 1987 by the Company and each of its directors and officers, included in Exhibit A to the 1987 Proxy Statement (filed with the Commission under File No. 1-1196) and incorporated herein by reference.
- 10.11 Exchange Agreement between Tosco Corporation and Atlantic Richfield Company dated October 2, 1986, as amended by letter dated November 5, 1986, filed as Exhibit 10.14, to the Company's Form 10-K Report for the year 1986, File No. 1-1196, and incorporated herein by reference.
- 10.12 Retirement Plan for Outside Directors effective October 1, 1990, as amended March 31, 1993, filed as Exhibit 10 to the Company's Form 10-Q Report for the quarterly period ended March 31, 1993, File No. 1-1196, and incorporated herein by reference.
- 10.13(a) Stock Option Plan for Outside Directors effective December 17, 1990, filed as Exhibit 10.14 to the Company's Form 10-K Report for the year 1990, File No. 1-1196, and incorporated herein by reference.
- 10.13(b) Amendment No. 1 to Stock Option Plan for Outside Directors effective June 22, 1992, filed as an exhibit, bearing the same number, to the Company's Form 10-K Report for the year 1992, File No. 1-1196, and incorporated herein by reference.
- 10.14 Special Incentive Plan, as adopted by the Board of Directors of the Company on February 28, 1994, and effective on that date, is included in Appendix C of Registrant's Proxy Statement filed with the Commission under File No. 1-1196 and incorporated herein by reference.

22 Subsidiaries of the Registrant.

23 Consent of Coopers & Lybrand.

Copies of exhibits will be furnished upon prepayment of 25 cents per page. Requests should be addressed to the Corporate Secretary.

(b) REPORTS ON FORM 8-K:

No Current Reports on Form 8-K were filed during the quarter ended December 31, 1993, and thereafter through March 1, 1994.

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CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the following registration statements of Atlantic Richfield Company, Registration Statement on Form S-8 (No. 33-43830), Registration Statement on Form S-8 (No. 33-21558), Post-Effective Amendment No. 4 to Registration Statement on Form S-8 (No. 33-21160), Post-Effective Amendment No. 4 to Registration Statement on Form S-8 (No. 33-23639), Post-Effective Amendment No. 4 to Registration Statement on Form S-8 (No. 33-21162), Post-Effective Amendment No. 4 to Registration Statement on Form S-8 (No. 33-21553), Post-Effective Amendment No. 4 to Registration Statement on Form S-8 (No. 33-23640), and Post-Effective Amendment No. 4 to Registration Statement on Form S-8 (No. 33-21552) of our report dated February 11, 1994, on our audits of the consolidated financial statements and financial statement schedules of Atlantic Richfield Company as of December 31, 1993 and 1992 and for each of the three years in the period ended December 31, 1993, which report is included in this Annual Report on Form 10-K.

COOPERS & LYBRAND

Los Angeles, California
March 1, 1994

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SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OF THE SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED.

ATLANTIC RICHFIELD COMPANY

/s/ Lodwick M. Cook

By Lodwick M. Cook Chairman of the Board and Chief Executive Officer

FEBRUARY 28, 1994

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES AND ON THE DATES INDICATED.

SIGNATURE	TITLE	DATE
/s/ Lodwick M. Cook ----- Lodwick M. Cook Principal executive officer	Chairman of the Board, Chief Executive Officer and Director	February 28, 1994
/s/ Mike R. Bowlin ----- Mike R. Bowlin	President, Chief Operating Officer and Director	February 28, 1994
/s/ Ronald J. Arnault ----- Ronald J. Arnault Principal financial officer	Executive Vice President, Chief Financial Officer and Director	February 28, 1994
/s/ James A. Middleton ----- James A. Middleton	Executive Vice President and Director	February 28, 1994

/s/ William E. Wade, Jr.	Executive Vice	February 28, 1994
-----	President and	
William E. Wade, Jr.	Director	
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SIGNATURE	TITLE	DATE
/s/ Frank D. Boren	Director	February 28, 1994

Frank D. Boren		
/s/ Richard H. Deihl	Director	February 28, 1994

Richard H. Deihl		
/s/ John Gavin	Director	February 28, 1994

John Gavin		
/s/ Hanna H. Gray	Director	February 28, 1994

Hanna H. Gray		
/s/ Philip M. Hawley	Director	February 28, 1994

Philip M. Hawley		
/s/ William F. Kieschnick	Director	February 28, 1994

William F. Kieschnick		
/s/ Kent Kresa	Director	February 28, 1994

Kent Kresa		
/s/ David T. McLaughlin	Director	February 28, 1994

David T. McLaughlin		
/s/ John B. Slaughter	Director	February 28, 1994

John B. Slaughter		
/s/ Hicks B. Waldron	Director	February 28, 1994

Hicks B. Waldron		
/s/ Henry Wendt	Director	February 28, 1994

Henry Wendt		
/s/ Allan L. Comstock	Vice President and	February 28, 1994
-----	Controller	
Allan L. Comstock	Principal	
accounting officer		

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SCHEDULE V

ATLANTIC RICHFIELD COMPANY AND CONSOLIDATED SUBSIDIARIES

SCHEDULE V--PROPERTY, PLANT AND EQUIPMENT

(IN MILLIONS OF DOLLARS)

<TABLE>
<CAPTION>

(COLUMN A)	(COLUMN B)	(COLUMN C)	(COLUMN D)	(COLUMN E)	(COLUMN F)
	BALANCE AT			OTHER	BALANCE AT
	BEGINNING	ADDITIONS	RETIREMENTS	CHANGES	CLOSE OF
				ADD	

CLASSIFICATION	OF PERIOD	AT COST	OR SALES	(DEDUCT)	PERIOD
<S>	<C>	<C>	<C>	<C>	<C>
YEAR 1993					
Resources:					
Oil and gas					
Alaska.....	\$ 7,158	\$ 416	\$ 27	\$(162)(b)	\$ 7,385
Other.....	12,385	967	1,354(a)	(283)(b)	11,715
Coal.....	1,324	94	73	(49)	1,296
Products:					
Refining and marketing.	3,600	345	294	(4)	3,647
Transportation					
TAPS.....	2,131	9	2	(2)	2,136
Other.....	1,415	50	13	--	1,452
Intermediate chemicals and specialty products.....	3,165	181	20	(69)	3,257
Other.....	620	8	15	(7)	606
Total.....	\$31,798	\$2,070	\$1,798	\$(576)	\$31,494
	=====	=====	=====	=====	=====
YEAR 1992					
Resources:					
Oil and gas					
Alaska.....	\$ 7,083	\$ 294	\$ 164	\$ (55)	\$ 7,158
Other.....	13,622	955	1,633(a)	(559)(c)	12,385
Coal.....	1,129	308	33	(80)	1,324
Products:					
Refining and marketing.	3,320	315	41	6	3,600
Transportation					
TAPS.....	2,119	16	--	(4)	2,131
Other.....	1,360	78	25	2	1,415
Intermediate chemicals and specialty products.....	2,968	295	32	(66)	3,165
Other.....	672	17	66	(3)	620
Total.....	\$32,273	\$2,278	\$1,994	\$(759)	\$31,798
	=====	=====	=====	=====	=====

</TABLE>

(See footnotes on following page.)

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<PAGE>

SCHEDULE V (CONTINUED)

ATLANTIC RICHFIELD COMPANY AND CONSOLIDATED SUBSIDIARIES

SCHEDULE V--PROPERTY, PLANT AND EQUIPMENT

(IN MILLIONS OF DOLLARS)

CLASSIFICATION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS AT COST	RETIREMENTS OR SALES	OTHER CHANGES ADD (DEDUCT)	BALANCE AT CLOSE OF PERIOD
<S>	<C>	<C>	<C>	<C>	<C>
<CAPTION>					
(COLUMN A)	(COLUMN B)	(COLUMN C)	(COLUMN D)	(COLUMN E)	(COLUMN F)

YEAR 1991					
Resources:					
Oil and gas					
Alaska.....	\$ 6,801	\$ 343	\$ 36	\$ (25)	\$ 7,083
Other.....	13,376	1,547	700(a)	(601)(d)	13,622
Coal.....	876	305	24	(28)	1,129
Products:					
Refining and marketing.	2,915	448	48	5	3,320
Transportation					
TAPS.....	2,100	33	11	(3)	2,119
Other.....	1,298	91	28	(1)	1,360
Intermediate chemicals and specialty products.....	2,467	435	42	108(e)	2,968
Other.....	331	37	20	324(f)	672

Total.....	\$30,164	\$3,239	\$909	\$(221)	\$32,273
	=====	=====	=====	=====	=====

</TABLE>

- (a) Primarily the sale of various oil and gas properties.
- (b) Primarily dry hole costs charged to income.
- (c) Primarily an equity translation adjustment at December 31, 1992 and dry hole costs charged to income.
- (d) Primarily the reclassification of assets associated with the ARCO exploration and production technology division and dry hole costs charged to income.
- (e) Primarily the Union Carbide Chemicals and Plastics Company, Inc. assets transferred from deferred charges upon finalization of purchase.
- (f) Primarily the reclassification of assets associated with the ARCO exploration and production technology division.

The methods used in computing the annual provision for depreciation, depletion and amortization of property, plant and equipment are presented in Note 1 of Notes to Consolidated Financial Statements herein.

<PAGE>

SCHEDULE VI

ATLANTIC RICHFIELD COMPANY AND CONSOLIDATED SUBSIDIARIES

SCHEDULE VI--ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

(IN MILLIONS OF DOLLARS)

<TABLE>
<CAPTION>

(COLUMN A)	(COLUMN B)	(COLUMN C)	(COLUMN D)	(COLUMN E)	(COLUMN F)
CLASSIFICATION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO PROFIT AND LOSS OR INCOME	RETIREMENTS, RENEWALS AND REPLACEMENTS	OTHER CHANGES ADD (DEDUCT)	BALANCE AT CLOSE OF PERIOD
<S>	<C>	<C>	<C>	<C>	<C>
YEAR 1993					
Resources:					
Oil and gas					
Alaska.....	\$ 3,725	\$ 344	\$ 26	\$ --	\$ 4,043
Other.....	6,899	724	1,078(a)	436(b)	6,981
Coal.....	290	54	62	15	297
Products:					
Refining and marketing.	1,256	200	144	(1)	1,311
Transportation					
TAPS.....	958	64	2	1	1,021
Other.....	554	37	10	(1)	580
Intermediate chemicals and specialty products.....	935	188	17	(22)	1,084
Other.....	265	41	13	18	311
Total.....	\$14,882	\$1,652	\$1,352	\$ 446	\$15,628
	=====	=====	=====	=====	=====
YEAR 1992					
Resources:					
Oil and gas					
Alaska.....	\$ 3,511	\$ 359	\$ 145	\$ --	\$ 3,725
Other.....	7,283	848	1,165(a)	(67)	6,899
Coal.....	288	47	21	(24)	290
Products:					
Refining and marketing.	1,116	177	37	--	1,256
Transportation					
TAPS.....	898	60	--	--	958
Other.....	538	34	18	--	554

Intermediate chemicals and specialty products.....	802	164	11	(20)	935
Other.....	285	47	66	(1)	265
Total.....	\$14,721	\$1,736	\$1,463	\$(112)	\$14,882
	=====	=====	=====	=====	=====

</TABLE>

(See footnotes on following page.)

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<PAGE>

SCHEDULE VI (CONTINUED)

ATLANTIC RICHFIELD COMPANY AND CONSOLIDATED SUBSIDIARIES

SCHEDULE VI--ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

(IN MILLIONS OF DOLLARS)

<TABLE>
<CAPTION>

(COLUMN A)	(COLUMN B)	(COLUMN C)	(COLUMN D)	(COLUMN E)	(COLUMN F)
CLASSIFICATION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO PROFIT AND LOSS OR INCOME	RETIREMENTS, RENEWALS AND REPLACEMENTS	OTHER CHANGES ADD (DEDUCT)	BALANCE AT CLOSE OF PERIOD
<S>	<C>	<C>	<C>	<C>	<C>
YEAR 1991					
Resources:					
Oil and gas					
Alaska.....	\$ 3,199	\$ 346	\$ 34	\$ --	\$ 3,511
Other.....	7,156	906	610(a)	(169)(c)	7,283
Coal.....	221	37	8	38	288
Products:					
Refining and marketing.	997	160	46	5	1,116
Transportation					
TAPS.....	849	61	12	--	898
Other.....	527	33	23	1	538
Intermediate chemicals and specialty products.....	699	134	31	--	802
Other.....	116	24	21	166(c)	285
Total.....	\$13,764	\$1,701	\$785	\$ 41	\$14,721
	=====	=====	=====	=====	=====

</TABLE>

(a) Primarily the sale of various oil and gas properties.

(b) Primarily the writedown of various oil and gas properties and the Company's office building and parking structure in Dallas, Texas.

(c) Primarily the reclassification of assets associated with the ARCO exploration and production technology division.

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SCHEDULE VIII

ATLANTIC RICHFIELD COMPANY AND CONSOLIDATED SUBSIDIARIES

SCHEDULE VIII--VALUATION AND QUALIFYING ACCOUNTS

(IN MILLIONS OF DOLLARS)

<TABLE>
<CAPTION>

(COLUMN A)	(COLUMN B)	(COLUMN C)	(COLUMN D)	(COLUMN E)
------------	------------	------------	------------	------------

DESCRIPTION	ADDITIONS				
	BALANCE AT BEGINNING OF PERIOD	CHARGED TO INCOME	CHARGED TO OTHER ACCOUNTS	DEDUCTIONS FROM RESERVES	BALANCE AT CLOSE OF PERIOD
<S> YEAR 1993	<C>	<C>	<C>	<C>	<C>
Amounts deducted from applicable assets:					
Accounts receivable.....	\$ 15	\$ 2	\$--	\$ 3(a)	\$ 14
Affiliated companies accounted for on the equity method.....	\$ 8	\$ --	\$--	\$ --	\$ 8
Other investments and long-term receivables....	\$ 43	\$ 7	\$--	\$ --	\$ 50
Reserves included in other deferred liabilities and credits and other current liabilities:					
Dismantlement, restoration and reclamation.....	\$716	\$136	\$--	\$ 64	\$788
Reduction in force.....	\$ 97	\$ 57	\$--	\$ 63	\$ 91
Insurance	\$196	\$ 35	\$--	\$ 46	\$185
Environmental remediation.	\$682	\$172	\$--	\$206	\$648
Other.....	\$308	\$109	\$--	\$ 91	\$326
YEAR 1992					
Amounts deducted from applicable assets:					
Accounts receivable.....	\$ 17	\$ --	\$--	\$ 2(a)	\$ 15
Affiliated companies accounted for on the equity method.....	\$ 8	\$ --	\$--	\$ --	\$ 8
Other investments and long-term receivables....	\$ 51	\$ --	\$--	\$ 8	\$ 43
Reserves included in other deferred liabilities and credits and other current liabilities:					
Dismantlement, restoration and reclamation.....	\$692	\$ 98	\$--	\$ 74	\$716
Reduction in force.....	\$150	\$ 26	\$--	\$ 79	\$ 97
Insurance	\$219	\$ 20	\$--	\$ 43	\$196
Environmental remediation.	\$729	\$160	\$--	\$207	\$682
Other.....	\$261	\$104	\$19	\$ 76	\$308

</TABLE>

(See footnotes on following page.)

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SCHEDULE VIII (CONTINUED)

ATLANTIC RICHFIELD COMPANY AND CONSOLIDATED SUBSIDIARIES

SCHEDULE VIII--VALUATION AND QUALIFYING ACCOUNTS

(IN MILLIONS OF DOLLARS)

<TABLE>

<CAPTION> (COLUMN A)	(COLUMN B)	(COLUMN C)	(COLUMN D)	(COLUMN E)	
----- ADDITIONS -----					
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO INCOME	CHARGED TO OTHER ACCOUNTS	DEDUCTIONS FROM RESERVES	BALANCE AT CLOSE OF PERIOD
<S>	<C>	<C>	<C>	<C>	<C>
YEAR 1991					
Amounts deducted from applicable assets:					
Accounts receivable.....	\$ 12	\$ 6	\$--	\$ 1(a)	\$ 17
Affiliated companies accounted for on the equity method.....	\$ 8	\$ --	\$--	\$ --	\$ 8
Other investments and long-term receivables....	\$ 47	\$ --	\$ 4	\$ --	\$ 51
Reserves included in other deferred liabilities and credits and other current liabilities:					
Dismantlement, restoration and reclamation.....	\$650	\$ 86	\$--	\$ 44	\$692
Reduction in force.....	\$ --	\$288	\$--	\$138(b)	\$150
Insurance	\$208	\$ 56	\$--	\$ 45	\$219
Environmental remediation.	\$737	\$153	\$--	\$161	\$729
Other.....	\$230	\$ 45	\$17	\$ 31	\$261

</TABLE>

(a) Write-off for uncollectible accounts, net of recoveries.

(b) Primarily a reclassification of pension liability.

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SCHEDULE IX

ATLANTIC RICHFIELD COMPANY AND CONSOLIDATED SUBSIDIARIES

SCHEDULE IX--SHORT-TERM BORROWINGS

(DOLLARS IN MILLIONS)

<CAPTION> (COLUMN A)	(COLUMN B)	(COLUMN C)	(COLUMN D)	(COLUMN E)	(COLUMN F)
CATEGORY OF AGGREGATE SHORT-TERM BORROWINGS	BALANCE AT END OF PERIOD	WEIGHTED AVERAGE INTEREST RATE	MAXIMUM AMOUNT OUTSTANDING DURING THE PERIOD	AVERAGE AMOUNT OUTSTANDING DURING THE PERIOD (a)	WEIGHTED AVERAGE INTEREST RATE DURING THE PERIOD (b)
<S>	<C>	<C>	<C>	<C>	<C>
YEAR 1993					
Notes payable, including commercial paper.....	\$1,510	4.3	\$1,779	\$1,659	4.1
YEAR 1992					
Notes payable, including commercial paper.....	\$1,494	5.0	\$1,837	\$1,451	5.4
YEAR 1991					
Notes payable, including commercial paper.....	\$1,807	6.5	\$1,807	\$1,399	7.3

</TABLE>

(a) The average amount outstanding equals the sum of the amounts outstanding

at each month-end divided by twelve.

- (b) The weighted average interest rate equals the sum of each outstanding amount times its rate for each day in the period, divided by the total number of days in the period times the average amount outstanding during the period.

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CERTIFICATE OF INCORPORATION
ATLANTIC RICHFIELD COMPANY

AS AMENDED MAY 3, 1993

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CERTIFICATE OF INCORPORATION
OF ATLANTIC RICHFIELD COMPANY
(A DELAWARE CORPORATION)

ARTICLE I
NAME AND TERM OF EXISTENCE

- A. The name of the Company is Atlantic Richfield Company.
B. The term of existence of the Company is perpetual.

ARTICLE II
ADDRESS AND REGISTERED AGENT

The location and post office address of the Company's registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle 19801. The name of the registered agent at such address is The Corporation Trust Company.

ARTICLE III
DESCRIPTION OF BUSINESS

The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

ARTICLE IV
CAPITAL STOCK

A. AUTHORIZED SHARES

The aggregate number of shares of Capital Stock which the Company shall have authority to issue is six hundred seventy-six million, thirty-six thousand, three hundred thirty-two (676,036,332) shares ("Capital Stock"), to be divided into four classes consisting of:

1. Seventy-five million (75,000,000) shares of Preferred Stock of the par value of One Cent (\$.01) each (hereinafter sometimes called "Preferred Stock"),
2. Ninety-four thousand, three hundred sixteen (94,316) shares of \$3.00 Preference Stock of the par value of One Dollar (\$1.00) each (hereinafter sometimes called "\$3.00 Preference Stock"),
3. Nine hundred forty-two thousand, sixteen (942,016) shares of \$2.80 Cumulative Convertible Preference Stock of the par value of One Dollar (\$1.00) each (hereinafter sometimes called "\$2.80 Preference Stock"), and
4. Six hundred million (600,000,000) shares of Common Stock of the par value of Two Dollars Fifty Cents (\$2.50) each (hereinafter sometimes called "Common Stock").

The following is a description of each class of capital stock and a

statement of the preferences, qualifications, privileges, limitations, restrictions, and other special or relative rights granted to or imposed upon the shares of each class:

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B. PREFERRED STOCK

The Board of Directors is authorized, subject to any limitations prescribed by law, to provide for the issuance of the shares of Preferred Stock in series, and by filing a certificate pursuant to the applicable law of the State of Delaware, to establish from time to time the number of shares to be included in each such series, and to fix a designation, powers, preferences, and rights of the shares of each such series and any qualifications, limitations or restrictions thereof; provided, however, that the Preferred Stock shall be subordinate as to dividends and rights upon liquidation, dissolution and winding up to the \$3.00 Preference Stock and the \$2.80 Preference Stock. The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof than outstanding) by the affirmative vote of the holders of stock of the Company entitled to vote thereon having a majority of the votes entitled to be cast, without a vote of the holders of the Preferred Stock, or of any series thereof, unless a vote of any such holders is required pursuant to the certificate or certificates establishing the series of Preferred Stock.

C. PREFERENCE STOCK

1. ISSUANCE OF PREFERENCE STOCK.

The Company is authorized to issue the following two classes of Preference Stock:

\$3.00 Preference Stock

\$2.80 Preference Stock

A. The shares of \$3.00 Preference Stock may be divided into and issued in series. Each series shall be so designated as to distinguish the shares thereof from the shares of all other series. All shares of \$3.00 Preference Stock shall be identical except as to the relative rights and preferences, set forth in this Certificate. There may be variations between different series, namely, the amount payable upon shares in the event of liquidation of the Company and the price or prices at which shares may be redeemed.

The Board of Directors is hereby expressly vested with authority, by resolution, to divide the \$3.00 Preference Stock into series and, within the limitations prescribed by law and by this Certificate, to fix and determine at the time of the establishment of any series the relative rights and preferences of any series so established.

The series of the authorized shares of \$3.00 Preference Stock of the Company designated \$3.00 Cumulative Convertible Preference Stock shall consist of ninety-four thousand, three hundred sixteen (94,316) shares; and the shares of said series shall have, in addition to the rights and preferences granted by law and by the other provisions of this Certificate, the following relative rights and preferences:

(i) The amount which, in the event of voluntary or involuntary liquidation of the Company, shall be payable for shares of said series prior to any payment to the holders of Common Stock or of any other class of stock of the Company ranking as to assets subordinate to the \$3.00 Preference Stock shall be Eighty Dollars (\$80.00) for each share of said series (in addition to accrued and unpaid dividends).

(ii) The price for each share at which shares may be redeemed at the option of the Company is Eighty-Two Dollars (\$82.00).

B. The authorized shares of \$2.80 Preference Stock shall have, in addition to the rights and preferences granted by law and by the other provisions of this Certificate, the following rights and preferences:

(i) The amount which, in the event of voluntary or involuntary liquidation of the Company, shall be payable for said shares prior to any payment to the holders of Common Stock or any other class of stock of the Company ranking as to assets subordinate to the \$2.80 Preference Stock shall be Seventy Dollars (\$70.00) for each share (in addition to accrued and unpaid dividends).

(ii) The price for each share at which shares may be redeemed at the option of the Company is Seventy Dollars (\$70.00).

<PAGE>

2. DIVIDENDS.

The holders of shares of Preference Stock shall be entitled to receive, when and as declared by the Board of Directors, dividends at the rate of Three Dollars (\$3.00) per share per year for \$3.00 Preference Stock and at the rate of Two Dollars and Eighty Cents (\$2.80) per share per year for \$2.80 Preference Stock, and no more, payable quarterly on the twentieth day of each March, June, September and December. Such dividends shall be cumulative from the quarterly dividend payment date next preceding the date of issue of each share, unless the date of issue is a quarterly dividend payment date or a date between the record date for the determination of holders of Preference Stock entitled to receive a quarterly dividend and the date of payment of such quarterly dividend, in either of which events such dividends shall be cumulative from such quarterly dividend payment date. In case dividends for any quarterly dividend period are not paid in full, all shares of Preference Stock and all shares of any class or classes of stock of the Company ranking as to dividends on a parity with the Preference Stock shall participate ratably in the payment of dividends for such period in proportion to the full amounts of dividends for such period to which they are respectively entitled. No dividends shall be paid or set apart for payment or declared on the Common Stock or on any other class of stock of the Company ranking as to dividends subordinate to the Preference Stock (other than dividends payable in Common Stock or in any other class of stock of the Company ranking as to dividends and assets subordinate to the Preference Stock or dividends paid or set apart for payment or declared in order to comply with law or with a governmental or court order or decree), and no payment shall be made to any sinking fund for any class of stock of the Company ranking as to dividends or assets on a parity with or subordinate to the Preference Stock, until dividends payable for all past quarterly dividend periods on all outstanding shares of Preference Stock have been paid, or declared and set apart for payment, in full.

3. LIQUIDATION OF THE COMPANY.

In the event of voluntary or involuntary liquidation of the Company, the holders of shares of Preference Stock shall be entitled to receive from the assets of the Company (whether capital or surplus), prior to any payment to the holders of Common Stock or of any other class of stock of the Company ranking as to assets subordinate to the Preference Stock, the amount per share which shall have been fixed and determined with respect to such Preference Stock plus an amount equal to the accrued and unpaid dividends thereon computed to the date on which payment thereof is made available, whether or not earned or declared. After such payments to the holders of shares of Preference Stock, any balance then remaining shall be paid to the holders of the Common Stock or of any other class of stock of the Company ranking as to assets subordinate to the Preference Stock, as they may be entitled. If, upon liquidation of the Company, its assets are not sufficient to pay in full the amounts so payable to the holders of shares of Preference Stock, all shares of Preference Stock shall participate ratably in the distribution of assets in proportion to the full amounts to which they are respectively entitled.

4. RANK.

The Preferred Stock shall be subordinate with respect to dividends and rights upon liquidation, dissolution or winding up to the Preference Stock.

5. CONVERSION PROVISIONS.

(a) Shares of Preference Stock, may, at the option of the holder, be converted into Common Stock of the Company (as such shares may be constituted on the conversion date) at the rate of six and eight-tenths (6.8) shares of Common Stock for each share of \$3.00 Preference Stock, and at the rate of two and four-tenths (2.4) shares of Common Stock for each share of \$2.80 Preference Stock, subject to adjustment as provided herein, provided that, as to any shares of Preference Stock which shall have been called for redemption, the conversion right shall terminate at the close of business on the fifth full business day prior to the date fixed for redemption or at such later time as may be fixed by the Board of Directors of the Company.

<PAGE>

(b) The holder of a share or shares of Preference Stock may exercise the conversion right as to any share or shares thereof by delivering to the Company during regular business hours, at the office of any transfer agent of the Company for the Preference Stock or at such other place as may be designated by the Company, the certificate or certificates for the shares to be converted, duly endorsed or assigned in blank or to the Company (if required by it),

accompanied by written notice stating that the holder elects to convert such shares and stating the name or names (with address or addresses) in which the certificate or certificates for Common Stock are to be issued. Conversion shall be deemed to have been effected on the date when such delivery is made and such date is referred to herein as the "conversion date." As promptly as practicable thereafter the Company shall issue and deliver to or upon the written order of such holder, at such office or other place designated by the Company, a certificate or certificates for the number of full shares of Common Stock to which the stockholder is entitled and a check, cash, scrip certificate or other adjustment in respect of any fraction of a share as provided in subparagraph 5(d) below. The person in whose name the certificate or certificates for Common Stock are to be issued shall be deemed to have become a stockholder of record on the conversion date unless the transfer books of the Company are closed on that date, in which event the stockholder shall be deemed to have become a stockholder of record on the next succeeding date on which the transfer books are open, but the conversion rate shall be that in effect on the conversion date.

(c) No payment or adjustment shall be made for dividends accrued on any shares of Preference Stock converted or for dividends on any shares of Common Stock issuable on conversion, but until all dividends accrued and unpaid on such Preference Stock up to the quarterly dividend payment date next preceding the conversion date shall have been paid to the holder of the shares of Preference Stock converted or to his assigns, or declared and set apart for such payment, in full, no dividends shall be paid or set apart for payment or declared on the Common Stock or on any other class of stock of the Company ranking as to dividends subordinate to the Preference Stock (other than dividends payable in Common Stock or in any other class of stock of the Company ranking as to dividends and assets subordinate to the Preference Stock or dividends paid or set apart for payment or declared in order to comply with law or with a governmental or court order or decree) and no payment shall be made to any sinking fund for any class of stock of the Company ranking as to dividends or assets on a parity with or subordinate to the Preference Stock.

(d) The Company shall not be required to issue any fraction of a share upon conversion of any share or shares of Preference Stock. If more than one share of Preference Stock shall be surrendered for conversion at one time by the same holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the total number of shares of Preference Stock so surrendered. If any fractional interest in a share of Common Stock would be deliverable upon conversion, the Company shall make an adjustment therefor in cash unless its Board of Directors shall have determined to adjust fractional interests by issuance of scrip certificates or in some other manner. Adjustment in cash shall be made on the basis of the current market value of one share of Common Stock, which shall be taken to be the last reported sale price of the Company's Common Stock on the New York Stock Exchange on the last business day before the conversion date or, if there was no reported sale on that day, the average of the closing bid and asked quotations on that Exchange on that day or, if the Common Stock was not then listed on that Exchange, the average of the lowest bid and the highest asked quotations in the over-the-counter market on that day.

(e) The issuance of Common Stock on conversion of Preference Stock shall be without charge to the converting holder of Preference Stock for any tax in respect of the issuance thereof, but the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of shares in any name other than that of the holder of record on the books of the Company of the shares of Preference Stock converted, and the Company shall not be required to issue or deliver any certificate for shares of Common Stock unless and until the person requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

(f) The conversion rates provided in subparagraph 5(a) shall be subject to the following adjustments, which shall be made to the nearest one-hundredth of a share of Common Stock or, if none to the next lower one-hundredth:

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(i) If the Company shall pay to the holders of its Common Stock a dividend in shares of Common Stock or in securities convertible into Common Stock, the conversion rate in effect immediately prior to the record date fixed for the determination of the holders of Common Stock entitled to such dividend shall be proportionately increased, effective at the opening of business on the next following full business day.

(ii) If the Company shall split the outstanding shares of its Common Stock into a greater number of shares or combine the outstanding shares into a smaller number, the conversion rate in effect immediately prior to such action

shall be proportionately increased in the case of a split or decreased in the case of a combination, effective at the opening of business on the full business day next following the day such action becomes effective.

(iii) If the Company shall issue to the holders of its Common Stock rights or warrants to subscribe for or purchase shares of its Common Stock at a price less than the Current Market Price (as defined below in this subparagraph) of the Company's Common Stock at the record date fixed for the determination of the holders of Common Stock entitled to such rights or warrants, the conversion rate in effect immediately prior to said record date shall be increased, effective at the opening of business on the next following full business day, to an amount determined by multiplying such conversion rate by a fraction the numerator of which is the number of shares of Common Stock of the Company outstanding immediately prior to said record date plus the number of additional shares of its Common Stock offered for subscription or purchase and the denominator of which is said number of shares outstanding immediately prior to said record date plus the number of shares of Common Stock of the Company which the aggregate subscription or purchase price of the total number of shares so offered would purchase at the Current Market Price of the Company's Common Stock at said record date. Notwithstanding the preceding sentence, if the Established Market Price (as defined below in this subparagraph) of the rights or warrants in the case of a particular issue thereof is less than Thirty-seven and One-half Cents (\$0.375) per right or warrant in the case of \$3.00 Preference Stock or is less than One Dollar (\$1.00) per right or warrant in the case of \$2.80 Preference Stock, the increase in the conversion rate shall be postponed and the amount of such Established Market Price shall be carried forward and applied as provided in subparagraph 5(f)(v). As used in this subparagraph 5(f)(iii) the term "Current Market Price" at said record date shall mean the average of the daily last reported sale prices per share of the Company's Common Stock on the New York Stock Exchange during the twenty (20) consecutive full business days commencing with the thirtieth (30th) full business day before said record date, provided that if there was no reported sale on any such day or days there shall be substituted the average of the closing bid and asked quotations on that Exchange on that day, and provided further that if the Common Stock was not listed on that Exchange on any such day or days there shall be substituted the average of the lowest bid and the highest asked quotations in the over-the-counter market on that day. As used in this subparagraph 5(f)(iii) the term "Established Market Price" of the rights or warrants shall mean the average of the means between the reported high and low sale prices per right or warrant on the New York Stock Exchange during the first three business days on which the rights or warrants are traded on that Exchange, provided that if an over-the-counter market for the rights or warrants is established on any day before they are traded on that Exchange there shall be substituted the mean between the lowest bid and the highest asked quotations in the over-the-counter market on that day.

(iv) If the Company shall distribute to the holders of its Common Stock any evidences of its indebtedness, or any rights or warrants to subscribe for any security other than its Common Stock, or any other assets (excluding dividends and distributions in cash to the extent permitted by law), the conversion rate in effect immediately prior to the record date fixed for the determination of the holders of Common Stock entitled to such distribution shall be increased, effective at the opening of business on the next following full business day, to an amount determined by multiplying such conversion rate by a fraction the numerator of which is the Current Market Price (as defined in subparagraph 5(f)(iii), of the Company's Common Stock at said record date and the denominator of which is such Current Market Price less the fair market value (as determined by the Board of Directors, whose determination, in the absence of fraud, shall be conclusive) of the amount of evidences of indebtedness, rights, warrants or other assets (excluding cash dividends and

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distributions as aforesaid) so distributed which is applicable to one share of Common Stock. Notwithstanding the preceding sentence, if such fair market value in the case of a particular distribution is less than Thirty-seven and One-half Cents (\$0.375) in the case of \$3.00 Preference Stock or One Dollar (\$1.00) in the case of \$2.80 Preference Stock, the increase in the conversion rate shall be postponed and the amount of such fair market value shall be carried forward and applied as provided in subparagraph 5(f)(v).

(v) Whenever the amounts of Established Market Price and the amounts of fair market value being carried forward as provided in subparagraphs 5(f)(iii) and (iv) plus any similar amount determined in connection with a particular issue of rights or warrants or a particular distribution aggregate Thirty-seven and One-half Cents (\$0.375) or more in the case of \$3.00 Preference Stock or One Dollar (\$1.00) in the case of \$2.80 Preference Stock, the conversion rate in effect immediately prior to the record date fixed for the

determination of the holders of Common Stock entitled to such particular issue or distribution shall be increased, effective at the opening of business on the next following full business day, by the aggregate of the increases in the conversion rate which were postponed as provided in subparagraphs 5(f)(iii) and (iv) plus the increase resulting from such particular issue or distribution.

(vi) If the Company shall pay to the holders of its Common Stock a dividend in shares of Common Stock or if it shall split or combine the outstanding shares of its Common Stock, the amount of Thirty-seven and One-half Cents (\$0.375) in the case of \$3.00 Preference Stock and One Dollar (\$1.00) in the case of \$2.80 Preference Stock referred to in subparagraphs 5(f)(iii), (iv) and (v) (as theretofore decreased or increased) and also all amounts of Established Market Price and all amounts of fair market value then being carried forward as provided in subparagraphs 5(f)(iii) and (iv) (as theretofore decreased or increased) shall forthwith be proportionately decreased in the case of a stock dividend or split or increased in the case of a combination, so as to appropriately reflect the same, and all increases in the conversion rate then being postponed as provided in subparagraphs 5(f)(iii) and (iv) (as theretofore increased or decreased) shall forthwith be proportionately increased in the case of a stock dividend or split or decreased in the case of a combination, so as to appropriately reflect the same.

No adjustment of the conversion rate provided in subparagraph 5(a) shall be made by reason of the issuance of Common Stock for cash except as provided in subparagraph 5(f)(iii), or by reason of the issuance of Common Stock for property or services. Whenever the conversion rate is adjusted pursuant to this subparagraph 5(f) the Company shall (i) promptly place on file at the office of each of its transfer agents for Preference Stock a statement signed by the Chairman of the Board, the President or a Vice President of the Company and by its Treasurer or an Assistant Treasurer or Secretary showing in detail the facts requiring such adjustment and the conversion rate after such adjustment, and shall make such statement available for inspection by shareholders of the Company and (ii) cause a notice to be published at least once in a newspaper printed in the English language and of general circulation in the Borough of Manhattan, the City of New York, New York, stating that such adjustment has been made and the adjusted conversion rate.

(g) In case of any reclassification or change of the outstanding shares of Common Stock of the Company (except a split or combination of shares) or in case of any consolidation or merger to which the Company is a party (except a merger in which the Company is the surviving corporation and which does not result in any reclassification of or change in the outstanding Common Stock of the Company except a split or combination of shares) or in case of any sale or conveyance to another corporation of all or substantially all of the property of the Company, effective provision shall be made by the Company or by the successor or purchasing corporation

(i) that the holder of each share of Preference Stock then outstanding shall thereafter have the right to convert such share into the kind and amount of stock and other securities and property receivable upon such reclassification, change, consolidation, merger, sale or conveyance by a holder of the number of shares of Common Stock of the Company into which such share of Preference Stock might have been converted immediately prior thereto, and

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(ii) that there shall be subsequent adjustments of the conversion rate which shall be equivalent, as nearly as practicable, to the adjustments provided for in subparagraph 5(f) above.

The provisions of this subparagraph 5(g) shall similarly apply to successive reclassifications, changes, consolidations, mergers, sales or conveyances.

(h) Shares of Common Stock issued on conversion of shares of Preference Stock shall be issued as fully paid shares and shall be non-assessable by the Company. The Company shall at all times reserve and keep available, free from preemptive rights, for the purpose of effecting the conversion of Preference Stock, such number of its duly authorized shares of Common Stock as shall be sufficient to effect the conversion of all outstanding shares of Preference Stock.

(i) Shares of Preference Stock converted as provided herein shall not be reissued.

6. REDEMPTION AND ACQUISITION.

The Company, at its option to be exercised by its Board of Directors, may redeem the whole or any part of the Preference Stock or of any class thereof or of any series thereof at any time at the applicable price for each share which shall have been fixed and determined with respect thereto, plus an amount equal to the accrued and unpaid dividends thereon computed to the date fixed for redemption, whether or not earned or declared (hereinafter collectively called the "redemption price"). If at any time less than all of the \$3.00 Preference Stock then outstanding is to be called for redemption, the Board may select one or more series of \$3.00 Preference Stock to be redeemed and if less than all of the outstanding \$3.00 Preference Stock of any series is to be called for redemption, the shares to be redeemed may be selected by lot or by such other equitable method as the Board in its discretion may determine. If at any time less than all of the \$2.80 Preference Stock then outstanding is to be called for redemption, the shares to be redeemed may be selected by lot or by such other equitable method as the Board in its discretion may determine. The Board may determine that all shares of Preference Stock or all shares of either class of Preference Stock or all shares of any series of \$3.00 Preference Stock shall be redeemed pro rata. Notice of every redemption, stating the redemption date, the redemption price, and the place of payment thereof, and, if less than all of either class of the Preference Stock then outstanding is called for redemption, identifying the shares of such class of Preference Stock to be redeemed, shall be published at least twice in a newspaper printed in the English language and of general circulation in the Borough of Manhattan, the City of New York, New York, the first publication to be not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption. Successive publications may be made in the same or in a different newspaper or newspapers meeting the foregoing requirements. Copies of such notice shall be mailed at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption to the holders of record of the shares of Preference Stock to be redeemed at their addresses as the same shall appear on the books of the Company, but failure to give such additional notice by mail or any defect therein or failure of any addressee to receive it shall not affect the validity of the proceedings for redemption. The Company, upon publication of the first notice of redemption as aforesaid or upon irrevocably authorizing the bank or trust company hereinafter mentioned to publish or to complete publication of such notice as aforesaid, may deposit or cause to be deposited in trust with a bank or trust company in the City of New York, New York, an amount equal to the redemption price of the shares to be redeemed, which amount shall be payable to the holders of the shares to be redeemed upon surrender of certificates therefor on or after the date fixed for redemption or prior thereto if so directed by the Board of Directors of the Company. Upon such deposit, or if no such deposit is made then from and after the date fixed for redemption unless the Company shall default in making payment of the redemption price upon surrender of certificates as aforesaid, the shares called for redemption or a pro rata part of each share in cases of redemption pro rata shall cease to be outstanding and the holders thereof shall cease to be stockholders with respect to such shares or pro rata parts and shall have no interest in or claim against the Company with respect to such shares or pro rata parts other than the right to receive the redemption price from such bank or trust company or from the Company, as the case may be, without interest thereon, upon surrender of certificates as aforesaid; provided that conversion rights of shares called for redemption shall terminate at the close of business on the fifth full business day prior to the date fixed for redemption or at such later time as may be fixed by the Board of Directors of the Company. Any funds so deposited which shall not be required for such redemption because of the exercise of conversion rights

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subsequent to the date of such deposit shall be returned to the Company. In case any holder of shares of Preference Stock which have been called for redemption shall not, within six (6) years after the date of such deposit, have claimed the amount deposited with respect to the redemption thereof, such bank or trust company, upon demand, shall pay over to the Company such unclaimed amount and shall thereupon be relieved of all responsibility in respect thereof to such holder, and thereafter such holder shall look only to the Company for payment thereof. Any interest which may accrue on funds so deposited shall be paid to the Company from time to time.

The Company shall, subject to applicable law, have the right to acquire Preference Stock from time to time at such price or prices as the Company may determine, provided that unless dividends payable for all past quarterly dividend periods on all outstanding shares of Preference Stock have been paid, or declared and set apart for payment, in full, the Company shall not acquire for value any shares of Preference Stock except in accordance with an offer (which may vary as to terms offered with respect to shares of different series but not with respect to shares of the same series) made in writing or by publication (as determined by the Board of Directors) to all holders of record of shares of Preference Stock.

Preference Stock redeemed by the Company shall not be reissued and the appropriate officers of the Company shall take appropriate action from time to time to certify reductions in the number of shares of Preference Stock which the Company is authorized to issue. Preference Stock acquired otherwise than upon redemption or conversion shall not be cancelled or retired except by action of the Board of Directors and shall have the status of treasury stock which may be reissued by the Board until cancelled and retired by action of the Board.

7. ACTION BY COMPANY REQUIRING APPROVAL OF PREFERENCE STOCK.

The Company shall not, without the affirmative vote at a meeting of the holders of at least two-thirds of the then outstanding \$3.00 Preference Stock or of at least two-thirds of the then outstanding \$2.80 Preference Stock:

(a) change the preferences, qualifications, privileges, limitations, restrictions, or other special or relative rights granted to or imposed upon the shares of such class of Preference Stock in any material respect adverse to the holders thereof, provided that if any such change will affect any particular class or series of a class materially and adversely as contrasted with the effect thereof upon any other class or series of a class, no such change may be made without, in addition, such vote of the holders of at least two-thirds of the then outstanding shares of the particular class or series of a class which would be so affected; or

(b) create or increase the authorized number of shares of any class of stock ranking as to dividends or assets prior to the class of Preference Stock;

and the Company shall not, without the affirmative vote at a meeting of the holders of at least a majority of the then outstanding \$3.00 Preference Stock of all series and of at least a majority of the then outstanding \$2.80 Preference Stock;

(c) create any class of stock ranking as to dividends or assets on a parity with the Preference Stock or increase the authorized number of shares of the Preference Stock or of any class of stock ranking as to dividends or assets on a parity with it; or

(d) sell, lease or convey (which terms shall not include a mortgage) all or substantially all of the property or business of the Company; or

(e) become a party to a merger or consolidation unless the surviving or resulting corporation will have immediately after such merger or consolidation no stock either authorized or outstanding (except such stock of the Company as may have been authorized or outstanding immediately before such merger or consolidation or such stock of the surviving or resulting corporation as may be issued upon conversion thereof or in exchange therefor) ranking as to dividends or assets prior to or on a parity with the Preference Stock or the stock of the surviving or resulting corporation issued upon conversion thereof or in exchange therefor.

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8. VOTING RIGHTS.

(a) Each holder of record of \$3.00 Preference Stock shall have the right to eight votes for each share of \$3.00 Preference Stock standing in his name on the books of the Company. Each holder of record of \$2.80 Preference Stock shall have the right to two votes for each share of \$2.80 Preference Stock standing in his name on the books of the Company. In each election of directors in which holders of Preference Stock are entitled to vote, every holder of Preference Stock entitled to vote shall have the right to multiply the number of votes to which he may be entitled by the total number of directors to be elected in the same election by the holders of the class or classes or series of Preference Stock of which his shares are a part, and he may cast the whole number of such votes for one candidate or he may distribute them among any two or more candidates. If the Company shall make a distribution to the holders of its Common Stock in the form of a dividend in shares of Common Stock, or split the Common Stock, the vote to which each holder of record of Preference Stock shall be entitled immediately prior to the record date fixed for the determination of the holders of Common Stock entitled to additional shares resulting from such dividend or split shall be proportionately increased effective at the opening of business on the next following full business day. Except as required by law or as otherwise specifically provided in this Article IV of this Certificate the holders of \$3.00 Preference Stock, the holders of \$2.80 Preference Stock and the holders of Common Stock shall vote together as one class.

(b) If the Company shall have failed to pay, or declare and set apart for payment, dividends on all outstanding shares of \$3.00 Preference Stock in an amount equal to six quarterly dividends at the rates payable upon such shares,

the number of directors of the Company shall be increased by two at the first annual meeting of the stockholders of the Company held thereafter, and at such meeting and at each subsequent annual meeting until dividends payable for all past quarterly dividend periods on all outstanding shares of each series of \$3.00 Preference Stock shall have been paid, or declared and set apart for payment, in full, the holders of shares of \$3.00 Preference Stock shall have the right, voting as a class, to elect such two additional members of the Board of Directors to hold office for a term of one year. Upon such payment, or such declaration and setting apart for payment, in full, the terms of the two additional directors so elected shall forthwith terminate, and the number of directors of the Company shall be reduced by two, and such voting right of the holders of shares of \$3.00 Preference Stock shall cease, subject to increase in the number of directors as aforesaid and to reversion of such voting right in the event of each and every additional failure in the payment of dividends in an amount equal to six quarterly dividends as aforesaid.

(c) If the Company shall have failed to pay, or declare and set apart for payment, dividends on all outstanding shares of \$2.80 Preference Stock in an amount equal to six quarterly dividends at the rate payable upon such shares, the number of directors of the Company shall be increased by two at the first annual meeting of the stockholders of the Company held thereafter, and at such meeting and at each subsequent annual meeting until dividends payable for all past quarterly dividend periods on all outstanding shares of \$2.80 Preference Stock shall have been paid, or declared and set apart for payment, in full, the holders of shares of \$2.80 Preference Stock shall have the right, voting as a class, to elect such two additional members of the Board of Directors to hold office for a term of one year. Upon such payment, or such declaration and setting apart for payment, in full, the terms of the two additional directors so elected shall forthwith terminate, and the number of directors of the Company shall be reduced by two, and such voting right of the holders of shares of \$2.80 Preference Stock shall cease, subject to increase in the number of directors as aforesaid and to reversion of such voting right in the event of each and every additional failure in the payment of dividends in an amount equal to six quarterly dividends as aforesaid.

D. COMMON STOCK

1. Each holder of record of Common Stock shall have the right to one vote for each share of Common Stock standing in his name on the books of the Company. Except as required by law or as otherwise specifically provided in this Article IV, the holders of \$3.00 Preference Stock, the holders of \$2.80 Preference Stock and the holders of Common Stock shall vote together as one class.

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E. PREEMPTIVE RIGHTS

1. Neither the holders of Preferred Stock, nor the holders of \$3.00 Preference Stock, nor the holders of \$2.80 Preference Stock, nor the holders of Common Stock shall have preemptive rights, and the Company shall have the right to issue and to sell to any person or persons any shares of its capital stock or any option rights or any securities having conversion or option rights without first offering such shares, rights or securities to any holders of the Preferred Stock, the \$3.00 Preference Stock, the \$2.80 Preference Stock or the Common Stock.

ARTICLE V

ANNUAL AND SPECIAL MEETINGS OF STOCKHOLDERS

A. Any action required or permitted to be taken by the holders of the Capital Stock of the Company must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by such holders. Except as otherwise required by law and subject to the rights of the holders of any class or series of stock having a preference over the Common Stock, special meetings of stockholders of the Company may be called only by the Board of Directors pursuant to a resolution approved by a majority of the entire Board of Directors or by the Chairman of the Board or by the President.

B. Notwithstanding anything contained in this Certificate to the contrary, the affirmative vote of at least 66 2/3% of all votes entitled to be cast by the holders of Capital Stock entitled to vote generally in the election of directors voting together as a single class shall be required to amend or repeal this Article V or to adopt any provision inconsistent herewith.

ARTICLE VI

DIRECTORS

A. Except as otherwise fixed by or pursuant to the provisions of Article IV relating to the rights of the holders of any class or series of stock having a preference over the Common Stock, the number of the directors of the Company shall be fixed from time to time by or pursuant to the By-Laws of the Company. The directors, other than those who may be elected by the holders of any class or series of stock having a preference over the Common Stock, shall be classified, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as reasonably possible, with the directors in each class to hold office until their successors are elected and qualified. Each member of the Board of Directors in the first class of directors shall hold office until the Annual Meeting of Stockholders in 1986, each member of the Board of Directors in the second class of directors shall hold office until the Annual Meeting of Stockholders in 1987 and each member of the Board of Directors in the third class of directors shall hold office until the Annual Meeting of Stockholders in 1988. At each annual meeting of the stockholders of the Company, the successors to the class of directors whose terms expire at that meeting shall be elected to hold office for terms expiring at the later of the annual meeting of stockholders held in the third year following the year of their election or the election and qualification of the successors to such class of directors.

B. Subject to the rights of holders of any class or series of stock having a preference over the Common Stock, nominations for the election of directors may be made by the Board of Directors or by any record owner of Capital Stock of the Company entitled to vote in the election of directors generally. However, any such stockholder may nominate one or more persons for election as director at a meeting only if written notice of such stockholder's intent to make such nomination or nominations has been given, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the

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Company not later than (i) with respect to an election to be held at an annual meeting of stockholders, one hundred twenty (120) days in advance of such meeting, and (ii) with respect to an election to be held at a special meeting of stockholders for the election of directors, the close of business on the seventh day following the earlier of (x) the date on which notice of such meeting is first given to stockholders and (y) the date on which a public announcement of such meeting is first made. Each such notice shall include: (a) the name and address of each stockholder of record who intends to appear in person or by proxy to make the nomination and of the person or persons to be nominated; (b) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (c) such other information regarding each nominee proposed by such stockholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had the nominee been nominated, or intended to be nominated, by the Board of Directors; and (d) the consent of each nominee to serve as a director of the Company if so elected. The chairman of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

C. Except as otherwise provided for, or fixed by, or pursuant to the provisions of Article IV relating to the rights of the holders of any class or series of stock having a preference over the Common Stock, newly created directorships resulting from any increase in the number of directors or any vacancy on the Board of Directors resulting from death, resignation, disqualification, removal or other cause shall be filled solely by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors, or by a sole remaining director. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred and until such director's successor shall have been elected and qualified. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

D. Subject to the rights of holders of any class or series of stock having a preference over the Common Stock, any one or more directors may be removed only for cause by the stockholders as provided herein. At any annual meeting of stockholders of the Company or at any special meeting of stockholders of the Company, the notice of which shall state that the removal of a director or directors is among the purposes of the meeting, the holders of Capital Stock entitled to vote thereon, present in person or by proxy, by the affirmative vote of at least 66 2/3% of all votes entitled to be cast by the holders of Capital Stock of the Company entitled to vote generally in an election of directors voting together as a single class, may remove such director or directors for cause.

E. The Board of Directors shall have the power to adopt, amend and

repeal By-Laws of the Company. Notwithstanding anything in this Certificate or the By-Laws of the Company to the contrary (and notwithstanding that a lesser percentage may be specified by law or in the By-Laws), the By-Laws shall not be amended or repealed by vote of the stockholders of the Company and no provision inconsistent therewith shall be adopted by vote of the stockholders of the Company without the affirmative vote of at least 66 2/3% of all votes entitled to be cast by the holders of Capital Stock of the Company entitled to vote generally in the election of directors voting together as a single class.

F. Notwithstanding anything contained in this Certificate to the contrary, the affirmative vote of at least 66 2/3% of all votes entitled to be cast by the holders of Capital Stock entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend or repeal this Article VI or to adopt any provision inconsistent herewith.

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ARTICLE VII

PROHIBITION OF "GREENMAIL"

A. Any purchase or other acquisition, directly or indirectly, in one or more transactions, by the Company or any Subsidiary (as hereinafter defined) of the Company of any share of Voting Stock (as hereinafter defined) or any Voting Stock Right (as hereinafter defined) known by the Company to be beneficially owned by any Interested Stockholder (as hereinafter defined) who has beneficially owned such security or right for less than two years prior to the date of such purchase shall, except as hereinafter expressly provided, require the affirmative vote of at least 66 2/3% of all votes entitled to be cast by the holders of the Voting Stock voting together as a single class. Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law or any agreement with any national securities exchange, or otherwise, but no such affirmative vote shall be required with respect to any purchase or other acquisition by the Company or any of its Subsidiaries of Voting Stock or Voting Stock Rights purchased at or below Fair Market Value (as hereinafter defined) or made as part of a tender or exchange offer made on the same terms to all holders of such securities and complying with the applicable requirements of the Securities Exchange Act of 1934 (the "Exchange Act") and the rules and regulations thereunder or in a Public Transaction (as hereinafter defined).

B. For the purposes of this Article VII:

1. An "Affiliate" of, or a person "Affiliated" with, a specified person, is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified.

2. The term "Associate" used to indicate a relationship with any person, means (1) any corporation or organization (other than the Company or a Subsidiary of the Company) of which such person is an officer or partner or is, directly or indirectly, the beneficial owner of 5% or more of any class of equity securities, (2) any trust or other estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar fiduciary capacity, and (3) any relative or spouse of such person, or any relative of such spouse, who has the same home as such person.

3. A Person shall be a "beneficial owner" of any Voting Stock or Voting Stock Right:

(a) which such person or any of its Affiliates or Associates (as hereinafter defined) beneficially owns, directly or indirectly; or

(b) which such person or any of its Affiliates or Associates has (i) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (ii) any right to vote pursuant to any agreement, arrangement or understanding; or

(c) which is beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any security of any class of the Company or any of its Subsidiaries.

(d) For the purposes of determining whether a person is an Interested Stockholder, the relevant class of securities outstanding shall be deemed to include all such securities of which such person is deemed to be the "beneficial owner" through application of this subparagraph 3, but shall

not include any other securities of such class which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise, but are not yet issued.

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4. "Fair Market Value" means, for any share of Voting Stock or any Voting Stock Right, the average of the closing sale prices during the 90-day period immediately preceding the repurchase of such Voting Stock or Voting Stock Right, as the case may be, on the Composite Tape for New York Stock Exchange-Listed Stocks, or, if such Voting Stock or Voting Stock Right, as the case may be, is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such Voting Stock or Voting Stock Right, as the case may be, is not listed on such Exchange, on the principal United States securities exchange registered under the Exchange Act on which such Voting Stock or Voting Stock Right, as the case may be, is listed, or if such Voting Stock or Voting Stock Right, as the case may be, is not listed on any such exchange, the average of the closing bid quotations with respect to a share of such Voting Stock or Voting Stock Right, as the case may be, during the 90-day period immediately preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or if no such quotations are available, the Fair Market Value on the date in question of a share of such Voting Stock or Voting Stock Right, as the case may be, as determined by the Board of Directors in good faith.

5. "Interested Stockholder" shall mean any person (other than (i) the Company, (ii) any of its Subsidiaries, (iii) any benefit plan or trust of or for the benefit of the Company or any of its Subsidiaries, or (iv) any trustee, agent or other representative of any of the foregoing) who or which:

(a) is the beneficial owner, directly or indirectly, of more than 3% of any class of Voting Stock (or Voting Stock Rights with respect to more than 3% of any such class); or

(b) is an Affiliate of the Company and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of more than 3% of any class of Voting Stock (or Voting Stock Rights with respect to more than 3% of any such class); or

(c) is an assignee of or has otherwise succeeded to any shares of any class of Voting Stock (or Voting Stock Rights with respect to more than 3% of any such class) which were at any time within the two-year period immediately prior to the date in question beneficially owned by an Interested Stockholder, unless such assignment or succession shall have occurred pursuant to any Public Transaction or a series of transactions including a Public Transaction.

6. A "person" shall mean any individual, firm, corporation or other entity (including a "group" within the meaning of Section 13(d) of the Exchange Act).

7. A "Public Transaction" shall mean any (i) purchase of shares offered pursuant to an effective registration statement under the Securities Act of 1933 or (ii) open market purchases of shares if, in either such case, the price and other terms of sale are not negotiated by the purchaser and seller of the beneficial interest in the shares.

8. The term "Subsidiary" shall mean any corporation at least a majority of the outstanding securities of which having ordinary voting power to elect a majority of the board of directors of such corporation (whether or not any other class of securities has or might have voting power by reason of the happening of a contingency) is at the time owned or controlled directly or indirectly by the Company or one or more Subsidiaries or by the Company and one or more Subsidiaries.

9. The term "Voting Stock" shall mean stock of all classes and series of the Company entitled to vote generally in the election of directors.

10. The term "Voting Stock Right" shall mean any security convertible into, and any warrant, option or other right of any kind to acquire beneficial ownership of, any Voting Stock, other than securities issued pursuant to any of the Company's employee benefit plans.

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C. A majority of the Board of Directors shall have the power and duty to determine for the purposes of this Article VII, on the basis of information known to it after reasonable inquiry, all facts necessary to determine

compliance with this Article VII, including without limitation,

1. whether:

- (a) a person is an Interested Stockholder;
- (b) any Voting Stock and Voting Stock Right is beneficially owned by any person;
- (c) a person is an Affiliate or Associate of another;
- (d) a transaction is a Public Transaction; and

2. the Fair Market Value of any Voting Stock or Voting Stock Right.

D. Notwithstanding anything contained in this Certificate to the contrary, the affirmative vote of at least 66 2/3% of all votes entitled to be cast by the holders of Capital Stock entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend or repeal this Article VII or to adopt any provision inconsistent herewith.

ARTICLE VIII

INCORPORATOR

The name and mailing address of the incorporator is:

L. M. Custis
Corporation Trust Center
1209 Orange Street
Wilmington, Delaware 19801

ARTICLE IX

DIRECTOR'S LIABILITY

To the fullest extent permitted by the General Corporation Law of Delaware as the same exists or may hereafter be amended, a director of the Company shall not be liable to the Company or its Stockholders for monetary damages for breach of fiduciary duty as a director. If the General Corporation Law of Delaware is amended after approval by the Stockholders of this provision to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Company shall be eliminated or limited to the fullest extent permitted by the General Corporation Law of Delaware, as so amended. Any repeal or modification of this Article IX by the Stockholders of the Company shall not adversely affect any right or protection of a director of the Company existing at the time of such repeal or modification or with respect to events occurring prior to such time.

I, _____ Secretary of Atlantic Richfield Company, hereby certify that the foregoing is a true and correct copy of the Certificate of Incorporation of said Company now in force.

WITNESS my hand and the seal of said Company this _____ day of _____.

Secretary

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BY-LAWS OF ATLANTIC RICHFIELD COMPANY (A DELAWARE CORPORATION)

MEETING OF STOCKHOLDERS AND RECORD DATES

1. Annual meeting. An annual meeting of stockholders for the election of directors and the transaction of such other business as may properly come before the meeting shall be held on the first Tuesday in May of each year, at 10:00 a.m. Pacific Standard Time, or at such other hour as the Board of Directors may designate, or on such other day and at such hour as the Board of Directors may designate. If the day fixed for the meeting is a legal holiday, the meeting shall be held at the same hour on the next succeeding full business day which is not a legal holiday.

2. Special meetings. Special meetings of stockholders may be called at any time in the manner provided in Article V of the Certificate of Incorporation.

3. Place. Each annual or special meeting of stockholders shall be

held at the principal office of the Company or at such other place in Delaware or elsewhere as the Board of Directors may designate.

4. Notice. Written notice stating the place, day and hour of each meeting of stockholders and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be mailed by the Secretary at least ten days and not more than sixty days before the meeting to each stockholder of record entitled to vote at the meeting to his address appearing on the books of the Company.

5. Quorum. The presence, in person or by proxy, of stockholders entitled to cast at least a majority of the votes which all stockholders are entitled to cast on a particular matter shall constitute a quorum for the purpose of considering such matter at a meeting of stockholders. If a quorum is not present in person or by proxy, those present may adjourn from time to time to reconvene at such time and place as they may determine.

6. Record dates. The Board of Directors may fix a time not less than ten and not more than sixty days prior to the date of any meeting of stockholders and not more than sixty days prior to the date fixed for the payment of any dividend or distribution, or the date for the allotment of rights, or the date when any change or conversion or exchange of shares will be made or take effect, as a record date for the determination of the stockholders entitled to notice of or to vote at any such meeting, or to receive payment of any such dividend or distribution, or to receive any such allotment of rights, or to exercise the rights in respect to any such change, conversion or exchange of shares or for the purpose of any other lawful action. In such case, only such stockholders as shall be stockholders of record at the close of business on the date so fixed shall be entitled to notice of or to vote at such meeting, or to receive payment of such dividend or distribution, or to receive such allotment of rights, or to exercise such rights in respect to any change, conversion or exchange of shares, as the case may be, notwithstanding any transfer of any shares on the books of the Company after the record date fixed as aforesaid.

DIRECTORS

7. Number. The number of directors constituting the entire Board shall be such number as shall be fixed from time to time by resolution of the Board of Directors.

8. Age qualification. Except as the Board may otherwise determine, upon recommendation of the Nominating Committee of the Board, the retirement age for directors is age 72.

9. Annual meeting. An annual meeting of the Board of Directors shall be held each year in

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conjunction with the annual meeting of stockholders, at the place where such meeting of stockholders was held or at such other place as the Board may determine, for the purposes of organization, election or appointment of officers and the transaction of such other business as shall come before the meeting. No notice of the meeting need be given.

10. Regular meetings. Regular meetings of the Board of Directors may be held without notice at such times and at such places in Delaware or elsewhere as the Board may determine.

11. Special meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board, the President or a majority of the directors in office, to be held at such time (as will permit the giving of notice as provided in the section) and at such place (in Delaware or elsewhere) as may be designated by the person or persons calling the meeting. Notice of the place, day and hour of each special meeting shall be given to each director by the Secretary by written notice mailed on or before the third full business day before the meeting or by notice received personally or by other means at least twenty-four hours before the meeting. The notice need not refer to the business to be transacted at the meeting.

12. Quorum. A majority of the directors in office shall constitute a quorum for the transaction of business but less than a quorum may adjourn from time to time to reconvene at such time and place as they may determine.

13. Meeting by telephone. One or more directors may participate in a meeting of the Board of Directors or of a committee of the Board of Directors by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other.

14. Compensation. Directors shall receive such compensation for their

services as shall be determined by the Board of Directors.

15. Committees. The Board of Directors may by resolution adopted by a majority of the directors then in office, appoint an Executive Committee of three or more directors. To the extent provided in such resolution, the Executive Committee shall have and may, subject to applicable law, exercise the authority of the Board in the management of the business of the Company. The Board may appoint such other committees as it may deem advisable, and each such committee shall have such authority and perform such duties as the Board may determine. At each meeting of the Board all action taken by each committee since the preceding meeting of the Board shall be reported to it.

16. Consent action. Any action which may be taken at a meeting of the directors or a meeting of the Executive Committee may be taken without a meeting, if a consent or consents in writing, setting forth the action so taken, shall be signed by all of the directors or all of the members of the Executive Committee, as the case may be, and shall be filed with the minutes of proceedings of the Board of Directors or the Executive Committee.

OFFICERS AND AGENTS

17. Officers. The Board of Directors at any time may elect a Chairman of the Board, a President, one or more Vice Presidents, a Treasurer and a Secretary, may designate any one or more Vice Presidents as Executive Vice Presidents, Senior Vice Presidents, Financial Vice Presidents or otherwise, and may elect or appoint such additional officers and agents as the Board may deem advisable. Any two or more offices may be held by the same person except the offices of the Chairman of the Board and Secretary and the offices of President and Secretary.

18. Term. Each officer and each agent shall hold office until the next annual meeting of the Board of

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Directors or until his successor is elected or appointed and qualified, whichever occurs first, or until his death, resignation or removal by the Board of Directors.

19. Authority, duties and compensation. All elected or appointed officers and agents shall have such authority and perform such duties as may be provided in the By-Laws or as may be determined by the Board of Directors or the Chairman of the Board. They shall receive such compensation for their services as may be determined by the Board of Directors or in a manner approved by it. Notwithstanding any other provisions of these By-Laws, the Board shall have the power from time to time by resolution to prescribe by what officers or agents particular documents or instruments or particular classes of documents or instruments shall be signed, countersigned, endorsed or executed, provided, however, that any person, firm or corporation shall be entitled to accept and to act upon any document or instrument signed, countersigned, endorsed or executed by officers or agents of the Company pursuant to the provisions of these by-laws unless prior to receipt of such document or instrument such person, firm or corporation has been furnished with a certified copy of a resolution of the Board prescribing a different signature, countersignature, endorsement or execution.

20. Chairman of the Board. The Chairman of the Board shall preside at all meetings of stockholders and of the Board of Directors. The Board at its discretion may designate the Chairman of the Board as chief executive officer of the Company, in which event the Chairman of the Board shall be charged with and shall have the discretion and supervision of all its business and operations. The Chairman of the Board shall sign all certificates of stock of the Company or shall cause them to be signed in facsimile or otherwise as permitted by law.

21. President. In the absence or disability of the Chairman of the Board, the President shall preside at all meetings of stockholders and of the Board of Directors. The Board at its discretion may designate the President as chief executive officer of the Company, in which event the President shall be charged with and shall have the direction and supervision of its business and operations. If the office of Chairman of the Board is vacant, the President shall have the authority and shall perform the duties of the Chairman of the Board.

22. Treasurer. The Treasurer shall keep and account for all moneys, funds, and property of the Company which shall come into the Treasurer's hands, and shall render such accounts and present such statements to the Board of Directors as may be required of the Treasurer. Unless the Board shall prescribe otherwise, the Treasurer shall deposit all funds of the Company which may come into the Treasurer's hands in such bank or banks as the Board may designate and in accounts in the name of the Company, shall endorse for collection bills,

notes, checks and other negotiable instruments received by the Company, shall sign all bills, notes, checks and other negotiable instruments of the Company or cause them to be signed in facsimile or otherwise as the Board may determine, shall countersign all certificates of stock of the Company or cause them to be countersigned in facsimile or otherwise as permitted by law, and shall pay out money as the business of the Company may require, taking proper vouchers therefor. In the absence or disability of the Treasurer, an Assistant Treasurer shall have the authority and shall perform the duties of the Treasurer.

23. Secretary. The Secretary shall give or cause to be given all required notices of meetings of stockholders and of the Board of Directors, shall attend such meetings when practicable, shall record and keep the minutes and all other proceedings thereof, shall attest to such records after every meeting by signature, shall safely keep all documents and papers which shall come into the Secretary's possession, shall truly keep the books and accounts of the Company appertaining to the Secretary's office, and shall present statements thereof when required by the Board. In the absence or disability of the Secretary, an Assistant Secretary shall have the authority and shall perform the duties of the Secretary.

24. Corporate seal. A corporate seal shall be prepared and shall be kept in the custody of the

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Secretary of the Company. The seal or a facsimile thereof may be impressed, affixed or reproduced, and attested to by the Secretary or an Assistant Secretary, for the authentication of documents or instruments requiring the seal and bearing the signature of a duly authorized officer or agent.

INDEMNIFICATION

25. (a) Right to Indemnification. Each person who was or is a party or is threatened to be made a party to or is involved or is threatened to be involved (as a witness or otherwise) in or otherwise requires representation by counsel in connection with any threatened, pending or completed action, suit or proceeding, or any inquiry that such person in good faith believes might lead to the institution of any such action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was a director or officer of the Company or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, and the basis of such proceeding is alleged action or inaction in an official capacity or in any other capacity while serving as such a director, officer, employee or agent, shall be indemnified and held harmless by the Company to the fullest extent authorized by the General Corporation Law of Delaware, as the same exists or may hereafter be amended (but, in the case of any such amendment with reference to events occurring prior to the effective date thereof, only to the extent that such amendment permits the Company to provide broader indemnification rights than such law permitted the Company to provide prior to such amendment), against all costs, charges, expenses, liabilities and losses (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director or officer (or to serve another entity at the request of the Company) and shall inure to the benefit of such person's heirs, personal representatives and estate: provided, however, that, except as provided in paragraph (b) hereof, the Company shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person against the Company only if such proceeding (or part thereof) was authorized prior to its initiation by a majority of the disinterested members of the Board of Directors of the Company. The rights to indemnification conferred in this Section shall include the right to be paid by the Company any expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if the General Corporation Law of Delaware requires, payment shall be made to or on behalf of such person only upon delivery to the Company of an undertaking, by or on behalf of such person, to repay all amounts so advanced if it shall ultimately be determined that such person is not entitled to be indemnified under this Section or otherwise. The rights to indemnification conferred in this Section shall be deemed to be a contract between the Company and each person who serves in the capacities described above at any time while this Section is in effect. Any repeal or modification of this Section shall not in any way diminish any rights to indemnification of such person or the obligations of the Company arising hereunder.

(b) Right of claimant to bring suit. If a claim under paragraph (a) of this Section is not paid in full by the Company within sixty days after a written claim has been received by the Company, the claimant may at any time thereafter bring suit against the Company to recover the unpaid amount of the

claim. If successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting or defending such claim. In any action brought by the claimant to enforce a right to indemnification hereunder or by the Company to recover payments by the Company of expenses incurred by a claimant in a proceeding in advance of its final disposition, the burden of proving that the claimant is not entitled to be indemnified under this Section or otherwise shall be on the Company. Neither the failure of the Company (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because the claimant has met the applicable standard of conduct set forth in the General Corporation Law of Delaware, nor an actual determination by the Company (including its Board of Directors, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct,

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shall create a presumption that the claimant has not met the applicable standard of conduct or, in the case of such an action brought by the claimant, be a defense to the action.

(c) Non-exclusivity of rights. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Section shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, the Company's Certificate of Incorporation, any By-Law, any agreement, a vote of Company stockholders or of disinterested Company directors, or otherwise, both as to action in that person's official capacity and as to action in any other capacity by holding such office, and shall continue after the person ceases to serve the Company as a director or officer or to serve another entity at the request of the Company.

(d) Insurance. The Company may maintain insurance, at its expense, to protect itself and any director or officer of the Company or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Company would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law of Delaware.

(e) Indemnity agreements. The Company may from time to time enter into indemnity agreements with the persons who are members of its Board of Directors and with such officers or other persons as the Board may designate, such indemnity agreements to provide in substance that the Company will indemnify such persons to the fullest extent of the provisions of this Section 25.

(f) Indemnification of employees and agents of the Company. The Company may, under procedures authorized from time to time by the Board of Directors, grant rights to indemnification, and to be paid by the Company the expenses incurred in defending any proceeding in advance of its final disposition, to any employee or agent of the Company to the fullest extent of the provisions of this Section 25.

FISCAL YEAR AND ANNUAL REPORT

26. Fiscal year. The fiscal year of the Company shall be the calendar year.

27. Annual report. The Board of Directors shall cause an annual report to be prepared and mailed to the stockholders in accordance with the rules and regulations of the Securities and Exchange Commission and the New York Stock Exchange.

SHARE TRANSFERS AND RECORDS

28. Share transfers and records. The Board of Directors may appoint a transfer agent or transfer agents and a registrar or registrars to make and record all transfers of shares of stock of the Company or any class.

EMERGENCY BY-LAWS

29. When operative. The emergency By-Laws provided by the following sections shall be operative during any emergency resulting from an attack on the United States, any nuclear disaster, earthquake or during the existence of any catastrophe, as a result of which a quorum of the Board of Directors or the Executive Committee thereof cannot be readily convened for action notwithstanding any different provision in the preceding sections of the By-Laws or in the Certificate of Incorporation of the Company or in the General Corporation Law of the State of Delaware. To the extent not inconsistent with the emergency By-Laws, the By-Laws provided in the preceding sections shall remain in effect during such emergency and upon the termination of such

emergency, the emergency

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By-Laws shall cease to be operative unless and until another such emergency shall occur.

30. Meetings. During any such emergency:

(a) Any meeting of the Board of Directors may be called by any director. Whenever any officer of the Company who is not a director has reason to believe that no director is available to participate in a meeting, such officer may call a meeting to be held under the provisions of this section.

(b) Notice of each meeting called under the provisions of this section shall be given by the person calling the meeting or at his request by any officer of the Company. The notice shall specify the time and the place of the meeting, which shall be the head office of the Company at the time if feasible and otherwise any other place specified in the notice. Notice need be given only to such of the directors as it may be feasible to reach at the time and may be given by such means as may be feasible at the time, including publication or radio.

If given by mail, messenger, telephone or telegram, the notice shall be addressed to the director at his residence or business address or such other place as the person giving the notice shall deem suitable. In the case of meetings called by an officer who is not a director, notice shall also be given similarly, to the extent feasible, to the persons named on the list referred to in part (c) of this section. Notice shall be given at least two days before the meeting if feasible in the judgment of the person giving the notice and otherwise the meeting may be held on any shorter notice that he shall deem to be suitable.

(c) At any meeting called under the provisions of this section, the director or directors present shall constitute a quorum for the transaction of business. If no director attends a meeting called by an officer who is not a director and if there are present at least three of the persons named on a numbered list of personnel approved by the Board of Directors before the emergency, those present (but not more than nine appearing highest in priority on such list) shall be deemed directors for such meeting and shall constitute a quorum for the transaction of business.

31. Lines of succession. The Board of Directors, during as well as before any such emergency, may provide, and from time to time modify, lines of succession in the event that during such an emergency any or all officers or agents of the Company shall for any reason be rendered incapable of discharging their duties.

32. Offices. The Board of Directors, during as well as before any such emergency, may, effective during the emergency, change the head office or designate several alternative head offices or regional offices, or authorize the officers so to do.

33. Liability. No officer, director or employee acting in accordance with these emergency By-Laws shall be liable except for willful misconduct.

34. Repeal or change. The emergency By-Laws shall be subject to repeal or change by action of the Board of Directors or by the affirmative vote of at least 66 2/3% of all votes entitled to be cast by the holders of Capital Stock of the Company entitled to vote generally in the election of directors voting together as a single class, except that no such repeal or change shall modify the provisions of the next preceding section with regard to action or inaction prior to the time of such repeal or change.

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I
hereby certify that the foregoing is a true and correct copy of the By-laws
of the Company now in force.

Secretary of Atlantic Richfield Company,

WITNESS my hand and the seal of said Company the _____ day of

Secretary

January 23, 1989

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Summary
Plan
Description

Atlantic Richfield
Executive Medical Insurance Plan
As in Effect on January 1, 1994

1994
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YOUR MEDICAL BENEFITS -- AN OVERVIEW

The following information gives you an overview of the Atlantic Richfield Executive Medical Insurance Plan. It's called a summary plan description (SPD). The full terms of the plan are contained in the plan document available by request from Executive Relations.

The information presented in this summary plan description doesn't replace the official documents that legally govern the plan's operation. In the event of any conflict between this summary and the official documents, the official documents will govern.

For other information, as well as information on your ERISA rights, refer to the ERISA booklet at the end of the summary plan description binder.

ARCO reserves the right to change or terminate this plan at any time.

If you have any questions about your medical benefits, contact Executive Relations.

WHO'S ELIGIBLE

You

You're eligible to participate in the plan if you're an active executive of ARCO or one of its participating subsidiaries and are headquartered in the United States or paid on a U.S. dollar payroll.

If you're employed by an ARCO subsidiary and wish to know whether it participates in this plan, you may request that information from Executive Relations.

Your Dependents

If you join the plan, you may also enroll your eligible dependents.

Eligible dependents include:

- .your spouse; and
- .your children (see Children's Eligibility on the next page).

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Children's Eligibility

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Natural or Adopted Child Other Child	Stepchild	Grandchild
<p><S> <C> Eligible if: Eligible if child:</p> <ul style="list-style-type: none"> .unmarried; and .meets the rules that apply to Natural or under age 19; or Adopted Child; .ages 19 through 22 and <ul style="list-style-type: none"> - regularly attends school; and .you provide at least <ul style="list-style-type: none"> - you provide at least 50% of the child's support; and .you have, or are age 23 or over obtaining, legal <ul style="list-style-type: none"> - the child has a guardianship; and - the disability .legal guardianship is occurred while the expected to last for at least 1 year; and - the plan and before reaching age 23; and .the child has lived with <ul style="list-style-type: none"> - you provide proof of you for at least the preceding three months. - carrier prior to the child reaching plan limiting age; and - you provide at least 50% of the child's support. 	<p><C> Eligible if child:</p> <ul style="list-style-type: none"> .meets the rules that apply to Natural or Adopted Child; and .you provide at least 50% of the child's support; and either .the child lives with you, or .your spouse has joint custody. 	<p><C> Eligible if child:</p> <ul style="list-style-type: none"> .meets the rules that apply to Natural or Adopted Child; and .you provide at least 50% support for both your grandchild and your child (grandchild's parent); and .your grandchild lives with you. <p>If you do not provide at least 50% of your child's support, your grandchild is not eligible for coverage unless you have, or are obtaining, legal guardianship.</p>

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Divorced children are considered to be unmarried.

A child is considered to be living with you if the child lives in the same residence with you on a day-to-day basis unless away at school and not living with another parent.

Children ages 19 through 22 may work full or part-time, as long as the child is attending school on a regular basis and is dependent upon you for at least 50% of support. Eligible students through age 22 will be covered for up to six months after graduation while waiting to begin post-graduate studies. Also, if a medical condition prevents the child from attending school, the child is still eligible as long as the intention is to return to school.

The plan will cover your children to the extent required by a state Qualified Medical Child Support Order (QMCSO). The plan secretary will notify you if the plan receives a QMCSO. The plan secretary's office has prepared guidelines which are available through Executive Relations or the plan secretary's office. It is recommended that proposed QMCSOs be reviewed by the plan secretary's office for compliance with plan provisions and federal law.

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How to Enroll

You

To join the plan, you must return a completed enrollment form to Executive Relations within 31 days after your first day of work. If you submit the enrollment form within 31 days of becoming eligible, coverage is effective the later of:

- .the date Executive Relations receives the form;
- .your date of hire; or
- .the first day you're actively at work following your date of hire.

If you apply after the initial 31-day deadline, or if you withdraw from the plan and later reapply during open enrollment, coverage begins on the date Executive Relations receives the enrollment form.

If you're disabled and away from work when coverage would otherwise begin, your coverage begins as soon as you return to work.

If you transfer to an executive position from an employee group that isn't eligible for coverage under this plan, your Executive plan coverage automatically begins on the date of your transfer, and any coverage you had under any other Company-provided medical plan ends on that same date.

Once you're enrolled in the plan, Executive Relations will issue you an ID card. Listed on the card are important telephone numbers you may need to call.

Your Dependents

You may obtain coverage for your dependents by electing family coverage when you join the plan. You may be required to provide proof of dependent status.

If you apply for family coverage more than 31 days after your first day of work, coverage begins on the date Executive Relations receives the enrollment form.

If you're disabled and away from work when coverage would otherwise begin, your dependents' coverage begins as soon as you return to work.

If your dependent (other than a newborn) is confined to a hospital, medical facility or the home due to illness or injury when coverage would otherwise begin, coverage begins 31 days after the confinement ends.

How to Change Coverage

When you start work at the Company, you choose the type of coverage -- single or family -- you wish to have.

Once your coverage begins, you need to inform Executive Relations if you wish to change from single to family coverage. Information about changes in coverage is necessary so that we can adjust your coverage level and ensure prompt coverage when you add dependents.

When you report a change in coverage, your coverage will be adjusted as of the date of the change or the date Executive Relations receives written notice of the change, whichever happens later.

You may discontinue your own or your dependents' coverage at any time.

What Coverage Costs

The Company pays the full cost of the medical premiums for you and your eligible dependents.

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HOW THE PLAN WORKS

There are a number of terms you need to know in order to understand how the plan works. The first time each of these terms is used, it will appear in boldface type and will be followed by its definition or a page reference indicating where that definition is located. We've also included a glossary at the end of this SPD, which lists each term and shows you on which page its definition appears.

Medically Necessary/Reasonable and Customary

The plan pays 100% of covered expenses once Aetna Health Plans, the claims administrator, determines that the medical service or supply is medically necessary and the fees are reasonable and customary for benefit purposes.

Aetna considers charges for a treatment or service medically necessary if the treatment or service is required for the diagnosis and care of the medical problem, and commonly and customarily recognized as appropriate throughout the medical profession. The only exceptions are wellness services (see page 5), which may be covered whether or not they're associated with an illness or injury.

If you have any questions regarding Aetna's definition of "medically necessary", you should call the Customer Service number on your ID card before obtaining the service or supply.

Fees that are reasonable and customary are within the range of fees usually charged by most doctors in their area for similar treatments or services.

Not only does the plan pay 100% for covered expenses, but you have no deductible to meet. In other words, the plan pays all of your medical care... provided the care is medically necessary and reasonable and customary.

Plan Maximums

There's no lifetime maximum benefit for most covered expenses. However, for those medical services and supplies listed in the chart below, there's a maximum lifetime benefit of \$2,000,000 for each covered person.

===== \$2,000,000 Lifetime Maximum =====	
Wellness benefits	
Inpatient hospital expenses -- incurred after the first 365 days for each period of a continuous disability	
Outpatient hospital or doctor expenses for treatment of non-surgical illness that isn't related to an accident or medical emergency	
Surgery expenses, including post-operative care received and surgeon expenses incurred more than 14 days after surgery	
Emergency medical care -- received more than 96 hours after an accident or the start of a medical emergency	
Inpatient doctor's care and treatment -- after the first 365 days of a hospital stay and after the first 30 days of a convalescent facility stay	
Prescription drugs	
Diagnostic x-ray and laboratory services -- performed on an outpatient basis	
Radiation, radium and radioactive isotope therapy -- performed on an outpatient basis	
Dental expenses and oral surgery resulting from an accident, including the prompt repair of natural teeth or dental tissue damaged in an accident	
Non-surgical cosmetic expenses -- resulting from an accident	

Physical, occupational and speech therapy

Chart cont'd on next page

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=====
\$2,000,000 Lifetime Maximum
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Prosthetic devices

Rental or purchase of special durable medical supplies and equipment

Private duty nursing

Convalescent care expenses -- incurred after the first 30 days of a
convalescent facility stay

Home health care

Hospice care

Outpatient treatment of psychiatric conditions, alcoholism and drug
addiction
=====

Covered Expenses

The plan covers most hospital and convalescent facility expenses, doctors' fees, and charges for other medical services and supplies, as follows.

"Wellness" services -- Performed by a doctor even though the service isn't related to a particular injury or illness, or considered medically necessary. The plan covers up to \$250 of wellness expenses each year for each covered person and up to \$750 for a family of three or more. A partial list of covered wellness services includes:

- .routine physical exams;
- .eye exams;
- .hearing exams;
- .well baby care;
- .immunizations;
- .cholesterol screenings;
- .routine mammograms;
- .routine pap smears (including the office visit); and
- .routine prostate exams.

Some services and supplies, such as chiropractic care, hearing aids, eyeglasses and prescription drugs, aren't covered under the wellness benefit.

To find out if a particular service or supply is covered under the wellness benefit, call the Customer Service number that appears on your ID card.

The following expenses are covered at 100% if they're medically necessary and reasonable and customary:

Inpatient hospital expenses -- Including:

- .room and board at a private room rate;
- .general nursing services provided by the staff;
- .well baby nursery charges for newborns during the mother's hospitalization;
- .miscellaneous hospital expenses for each period of continuous disability provided the patient is confined to his or her bed. Covered expenses include charges for:
 - the use of the operating, labor, delivery, recovery and treatment rooms and the intensive care unit;

- drugs and dressings provided by the hospital;
- diagnostic X-ray and laboratory services;
- radiation, radium and radioactive isotope therapy;
- administration of anesthesia by an anesthesiologist;
- administration of blood and blood plasma by a member of the hospital staff;
- physiotherapy and hydrotherapy; and

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- professional ambulance service, when medically necessary, whether charged by the hospital or an outside ambulance service, from the place of the illness/site of the accident to the nearest hospital;
- .consultation fees for services provided by a legally qualified doctor called in by the attending doctor while the patient is in the hospital. This coverage doesn't include:
 - consultations involving hospital staff members; or
 - consultations that result in surgery performed by the consulting doctor. In this case, such fees are included in the charge for the operation.

All hospital stays will be considered as having occurred during a single period of continuous disability unless you can provide acceptable evidence that:

- .you returned to active work for at least one full day between periods of disability;
- .you or your dependent hasn't been hospitalized for at least 90 days;
- .the latest hospital stay isn't related to earlier hospital stays; or
- .although there were earlier hospital stays, you or your dependent has completely recovered from the illness or injury which caused the earlier hospital stay.

Outpatient hospital expenses -- Including:

- .treatment of illness or injury sustained in an accident or resulting from a medical emergency -- that is, a sudden and unexpected change in a person's physical condition requiring immediate care or treatment. Without this medical attention, the person's life could be in jeopardy or his/her ability to function could be significantly impaired;
- .treatment of any non-surgical illness that isn't related to an accident or a medical emergency;
- .hospital or freestanding ambulatory surgical facility charges in connection with a surgical procedure which are incurred on the same day the procedure is performed;
- .freestanding birthing center services in connection with normal vaginal deliveries only;
- .home intravenous therapy that follows a hospital stay. The therapy must be recommended by a hospital, pharmacist or attending doctor to be considered a covered expense. Hospital charges for the necessary training of the patient, family members or other persons responsible for administering the intravenous medication are covered, but nutritional supplements aren't; and
- .diagnostic X-rays and laboratory services performed on an outpatient basis within 14 days before or after admission to the hospital for the condition that caused the hospitalization.

Surgery -- Services of qualified surgeons and assistant surgeons for procedures performed in a hospital, a doctor's office or at your home. A legally qualified dentist will be considered a "surgeon" when performing some of the oral surgery procedures listed below. Also covered are charges for the related pre-operative and post-operative care given during the period of confinement in which the surgery is performed. If more than one surgical procedure is being performed at one time, call Aetna in advance of the surgery to determine how the reimbursement may be affected by these multiple procedures.

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If you or a covered dependent requires non-emergency surgery, you may request that your doctor provide Aetna with an estimate of surgical expenses. This estimate allows Aetna to determine in advance whether or not the proposed charges meet the reasonable and customary guidelines.

For details, call the Customer Service number that appears on your ID card.

The plan covers most surgical procedures. Listed below are some procedures about which questions are most frequently asked:

- .circumcision;
- .cosmetic surgery necessary for the prompt repair of an injury resulting from an accident;
- .obstetrical care. You should file a claim for prenatal care, delivery and post-natal care at the time of delivery. If this isn't possible, you need to call the Customer Service number that appears on your ID card;
- .oral surgery for the following procedures only:
 - the excision of partially or completely unerupted, impacted teeth;
 - apicoectomy, which is the excision of a tooth root without the extraction of the entire tooth. However, root canal therapy isn't covered.
 - the closed or open reduction of fractures or dislocations of the jaw;
 - the prompt repair of natural teeth or dental tissue damaged in an accident;
 - other incision or excision procedures on the gums and tissues of the mouth when not performed in connection with tooth repair or extraction. Keep in mind that dental cleaning, root scaling, planing or other scraping procedures aren't covered; and
 - alteration of the jaw, jaw joints or bite relationships by a cutting procedure when appliance therapy alone cannot result in functional improvement;
- .vasectomies and tubal ligations (lawfully performed voluntary sterilization operations). Hospital expenses won't be covered for routine vasectomies, since these usually can be performed in the doctor's office.

Voluntary secondary opinions -- A voluntary second opinion is a voluntary consultation with a physician other than the first physician who recommended and proposed to perform a surgery.

Emergency care and treatment -- Provided by a doctor in the doctor's office, a hospital outpatient department or emergency room, or at home following an accident or a medical emergency.

Inpatient doctor's care and treatment -- Provided by a doctor or psychiatrist in a hospital or convalescent facility if the patient is ill or injured and confined as a bed patient.

Outpatient doctor's care and treatment -- Provided in the doctor's office or at home for any illness.

Prescription drugs -- Drugs and medications which can be obtained only with a doctor's prescription. Certain other drugs and medications which normally don't require a prescription may be covered if ordered by your doctor on his/her prescription forms.

The plan offers you three alternatives for paying for prescription drugs.

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ARCO Executive Medical Plan

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Prescription Drug Service Comparison Chart

Express Pharmacy Services (mail order)	APM Pharmacy (network pharmacy)	Standard Program (any pharmacy)
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You Pay: discounted price	Nothing	Nothing	Full un-
Claims to file for full price reimbursement:	No	No	Yes - for the
Recommended when: is not	Long-term or maintenance supply is needed	Network pharmacy is available and short-term supply is needed	Network pharmacy is available

</TABLE>

Standard Drug Coverage

You may have your prescriptions filled at any pharmacy you choose. Simply pay the full cost of the prescription and then file a claim with Aetna for reimbursement. Your covered prescriptions will be reimbursed at 100%.

Aetna Pharmacy Management

The Aetna Pharmacy Management (APM) program involves a network of pharmacies that have agreed to provide discounted prices to plan members for short-term prescription drug supplies (30 days or less). Major pharmacy chains, as well as numerous independents, participate in the APM program nationwide. Your Aetna claim office can provide you with a list.

APM is also a partnership -- one from which plan members, ARCO and participating pharmacies can all benefit. By offering discount rates, network pharmacies attract more customers and increase their business volume. ARCO saves money by taking advantage of the participating pharmacies' lower, preferred rates, which in turn controls the Company's overall expenditure for medical insurance.

APM network pharmacies automatically fill your prescriptions with approved generic drugs, unless you or your doctor specifies otherwise on your prescription. Generic drugs have the same ingredients as brand-name drugs but are less expensive.

The APM program is easy to use. Take your prescription to a participating pharmacy and present your Aetna ID card. The full discounted cost of the prescription will be reimbursed directly to the pharmacy by the plan. You pay nothing and there are no claims to file.

If you're interested in finding out more about the APM program, contact Executive Relations or your claim office.

Express Pharmacy Services

If you or one of your covered dependents relies on prescription drugs for the treatment of long-term or chronic conditions, such as diabetes, arthritis or heart disease, ARCO can offer you another alternative: the mail order prescription drug program, which is administered by Express Pharmacy Services of the Thrift Drug Company (a division of J.C. Penney). As under the APM program, your prescriptions will automatically be filled with approved generic drugs, unless you or your doctor specifies otherwise on your prescription.

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When you order prescription drugs through Express Pharmacy Services, the plan pays 100% of the cost of each prescription. The program saves you the time of waiting at a drug store, since prescriptions are delivered to your home within 14 days of your order. In addition, you pay nothing and there are no claim forms to file.

Prescription drugs not covered by the plan, such as oral contraceptives and minoxidil, may be ordered through the mail order program. Though you will pay the entire cost of the prescription, you will be able to take advantage of the mail order discounted prices. Selected non-prescription vitamins are also available.

If you're interested in finding out more about Express Pharmacy Services, contact Executive Relations.

The chart on page 8 shows you how your prescription drug services work together. With a little thought and planning, you can use these programs to your advantage.

Diagnostic X-ray and laboratory services -- Relating to an illness or injury and performed while the patient isn't confined in a hospital. If these tests are performed while the patient is hospitalized, the charges are considered miscellaneous hospital expenses. Fees for the doctor interpreting the findings are also covered.

Radiation, radium and radioactive isotope therapy -- Relating to an illness or injury and performed while the patient isn't confined in a hospital.

Non-surgical cosmetic expenses -- Incurred in connection with cosmetic surgery required for the prompt repair of an injury resulting from an accident.

Spinal manipulation and modalities -- And other related services, including cervical manipulation and modalities. The services include office visits, X-rays, examinations, consultations, and spinal and cervical manipulations directly related to the treatment of an injury. Services may be performed by doctors, chiropractors, osteopaths and other providers, but doesn't apply to services provided if you're hospitalized. Maintenance therapy isn't covered under the plan.

Physical, occupational and speech therapy prescribed by a doctor -- For treatment of an illness or injury while not confined in a hospital, if determined to be medically necessary by Aetna.

Prosthetic devices -- Including:

- .artificial limbs;
- .the first external breast prosthesis, the first brassiere designed exclusively for use with the prosthesis or the cost of an internal breast prosthesis made necessary by a mastectomy;
- .the first set of contact lenses and/or eyeglasses made necessary by cataract surgery, if purchased within one year after the surgery; and
- .the first hearing aid purchased after inner-ear surgery or to correct an impairment directly caused by an accident. To be a covered expense, the device must be purchased within one year after the accident or surgery. Because eyeglass-type hearing aids are elective, covered expenses for such items are limited to the cost of hearing aids that have a standard design.

The plan covers the repair of prosthetic devices when it's less expensive than the cost of replacement. However, the plan will cover the replacement of prosthetic devices when:

- .the existing device cannot be repaired; or
- .the replacement is recommended by your doctor because of a change in your physical condition.

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Rental or purchase of special durable medical supplies and equipment -- Such as hospital beds, wheelchairs and crutches.

To find out if a particular supply or piece of equipment is covered under the plan, you should request prior authorization from Aetna.

Private duty nursing -- If medically necessary and ordered by your doctor and performed by a registered nurse who isn't a member of your family or your spouse's family.

To find out if a benefit will be paid, you should request prior authorization from Aetna before engaging a private duty nurse.

Convalescent Care -- At a facility that provides skilled nursing care. Coverage includes room and board at a private room rate and miscellaneous charges for medical supplies and services, such as medication, dressings and physiotherapy provided by the facility. The patient must be under the continuous care of a doctor.

To be covered, the confinement:

- .must be medically necessary as determined by Aetna;
- .must begin within 14 days of a hospital stay that lasts at least three consecutive days; and
- .must be for care in connection with the same illness or injury which caused

the hospital stay.

The plan does not cover:

- .custodial care;
- .convalescent care for chronic psychiatric conditions or drug addiction; or
- .care that can't reasonably be expected to lessen the degree of the patient's disability and enable the patient to live outside an institution.

Home health care -- Skilled nursing services determined by Aetna to be medically necessary and provided at home. The plan covers:

- .part-time or intermittent nursing care by a registered nurse or licensed practical nurse. A care provider cannot be a member of your family or your spouse's family;
- .part-time or intermittent home health aide services supervised by a registered nurse, consisting primarily of caring for the patient;
- .medical supplies and laboratory services, but only if they would have been covered had the patient remained in a hospital or an extended care facility;
- .medicines and drugs prescribed by a doctor; and
- .physical, occupational and speech therapy.

Your doctor must submit a written home health care plan to Aetna certifying that without home health care, the patient would have to be hospitalized or confined in a convalescent facility. Benefits are payable only if Aetna pre-approves the home health care plan.

Coverage is limited to 120 home health care visits, up to four hours for each visit, per covered person per year.

The plan does not cover:

- .the services of a member of the patient's family or a person who normally lives with the patient;
- .any period when the patient isn't under the continuing care of a doctor;

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- .care or treatment not specified in the home health care plan submitted by your doctor and approved by Aetna;
- .transportation services; or
- .custodial care.

Hospice care -- Through an accredited facility or agency offering care designed to meet the physical, psychological and social needs of terminally ill patients and their families.

Covered expenses for inpatient hospice care include room and board at a private room rate, fees for hospice care and doctors' services, and miscellaneous charges for services and supplies provided by the hospice.

Outpatient hospice care must be provided by an accredited hospice care agency that offers around-the-clock skilled nursing services, medical social services and psychological counseling.

Your doctor and the appropriate hospice personnel must provide Aetna with a written care plan that assesses the patient's medical and social needs and describes the care required to meet those needs. The plan must be reviewed periodically by your doctor and the appropriate hospice personnel for plan coverage to continue.

The plan does not cover:

- .charges for services provided by a homemaker or caretaker;
- .bereavement, pastoral, financial or legal counseling; or
- .funeral arrangements.

Treatment of psychiatric conditions

.Inpatient hospital The plan covers:

- hospital services and supplies (see page 5);
- doctors' charges for as long as medically necessary, but only if a comprehensive treatment program, including after-care, is prescribed and supervised by a legally qualified doctor; and
- charges for family consultations (that is, conjoint therapy) when necessary while the person requiring treatment is hospitalized.

.Outpatient care (non-hospital) If treatment is received on an outpatient

basis, the plan covers charges for care provided by a legally qualified doctor plus drugs prescribed for the treatment of the condition. Care provided for non-medical conditions, such as marriage counseling, isn't covered.

Treatment by a licensed psychologist or licensed clinical social worker (LCSW) is covered on the same basis as psychiatric care by a doctor if it's required for the diagnosis or treatment of a psychiatric condition under the plan. If a licensed marriage, family and child counselor (MFCC) provides the necessary care, those charges will be considered if the counselor has been referred by a psychiatrist, licensed psychologist or medical doctor.

In states where an LCSW or MFCC license isn't available, Aetna will consider charges from a therapist holding an equivalent license on the same basis as described above if the therapist has an accredited master's degree or higher, is in clinical practice, has had at least two years of supervised experience, and is under the direct supervision of a psychiatrist, licensed psychologist or physician.

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Treatment of alcoholism and drug addiction

. Inpatient hospital The plan covers:

- hospital services and supplies (see page 5);
- doctors' charges for as long as medically necessary, but only if a comprehensive treatment program, including after-care, is prescribed and supervised by a legally qualified doctor; and
- charges for family consultations (that is, conjoint therapy) when necessary while the person requiring treatment is hospitalized.

.Non-Hospital Treatment Center The plan pays a benefit only if treatment is

received at a facility that's approved by Aetna, such as The Betty Ford Center or Hazelden. To find out if a facility is Aetna-approved, call the Customer Service number that appears on your ID card.

Once the facility and plan of treatment are approved, the plan covers:

- facility services and supplies for 30 days;
- doctors' charges directly related to the treatment program; and
- charges for conjoint therapy during the confinement.

Confinement in an Aetna-approved non-hospital treatment center is limited to 30 days per confinement, up to a maximum lifetime benefit of 90 days.

.Outpatient care (non-hospital) If treatment is received on an outpatient

basis, the plan covers charges for care provided by a legally qualified doctor or licensed psychologist, plus drugs prescribed for the treatment of the condition.

Expenses Not Covered

The plan won't pay for medical services and supplies which:

- .are not considered medically necessary (see page 4). This applies even if the diagnosis, care or treatment is prescribed, recommended or approved by your doctor or dentist;
- .exceed reasonable and customary charges (see page 4);
- .exceed the plan's maximum benefits (see page 4);
- .exceed the wellness benefit of \$250 per person and \$750 per family;
- .you're not legally required to pay;

- .are for services provided by an immediate family member; or
- .wouldn't have been charged to you had you not been covered under the plan.

The plan also doesn't cover medical expenses resulting from or associated with:

- .any illness or accidental injury for which benefits are payable under workers' compensation or similar law;
- .illness or injury suffered during service in the military;
- .services or supplies provided under any law of a government;
- .treatment, services or supplies not prescribed, recommended or approved by your doctor;

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- .procedures, services, drugs or other supplies considered experimental in terms of generally accepted medical standards or still under clinical investigation by medical professionals. This exclusion does not apply to care, treatment, services or supplies (other than drugs) received in connection with a disease if Aetna determines that:
 - in the absence of effective treatment, the disease can be expected to cause death within one year; and
 - scientific data indicate that the care or treatment is effective for that disease or shows promise of being effective for that disease. In making this determination, Aetna will take into account the results of a review by a panel of independent medical professionals, selected by Aetna, including professionals who treat the type of disease involved;
 - .the following types of treatment for psychiatric conditions:
 - primal therapy
 - rolfing
 - psychodrama
 - megavitamin therapy
 - bioenergetic therapy
 - vision perception training
 - carbon monoxide therapy;
 - .the purchase and fitting of eyeglasses and contact lenses, except if needed after cataract surgery and purchased within one year after the surgery;
 - .any eye surgery performed mainly to correct refractive errors (radial keratotomy);
 - .dental care, except if needed to correct damage caused by injury, impaction or surgery not connected with the extraction or repair of teeth;
 - .the purchase and fitting of hearing aids, except to correct an impairment directly caused by an accident or if needed after inner-ear surgery and purchased within one year after the surgery;
 - .cosmetic surgery, unless prompt repair is needed to correct damage caused by an accident;
 - .treatment of obesity or for diet or weight control, unless approved by Aetna;
 - .acupuncture therapy. This exclusion does not apply to acupuncture performed by a covered health care provider as a form of anesthesia in connection with surgery that's covered under the plan;
 - .services or supplies related to organ or tissue transplants. This exclusion does not apply to charges made to a covered person who either receives or donates an organ or tissue transplant listed below:
 - heart
 - lung
 - kidney
 - cornea
 - bone marrow*
 - liver*
 - pancreas*
- * Call your Aetna claim office to determine if your medical condition is covered under the plan;

.treatment of infertility, including in vitro fertilization, artificial insemination or embryo transfer procedures;

.the pregnancy of a surrogate mother;

.reversal of any sterilization procedures;

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.sex change surgery or any treatment related to gender identity;

.therapy, supplies or counseling services for sexual dysfunctions or inadequacies;

.custodial care; and

.missed medical appointments.

The plan also won't pay charges for services or supplies which any school system is legally required to provide, including:

.education, special education or job training; or

.services of a doctor, physical therapist, occupational therapist, speech therapist or audiologist provided to covered children who are physically or mentally impaired or learning disabled.

The preceding list of the plan's exclusions and limitations may not be complete. If you have questions about coverage for a specific medical expense, call the Customer Service number that appears on your ID card.

Coordination of Benefits

Coordinating with Other Plans

The plan has been designed to help you meet the cost of illness or injury. It's not intended that your reimbursement ever exceed your actual medical expenses. As a result, the plan coordinates the benefits it pays by taking into account any coverage you or your covered dependents may have under any other group plans or government programs or coverage provided by law. (A group plan provides benefits or services for medical or dental care or treatment.)

Here's how coordination of benefits works. When you receive medical care that's also covered under another plan, one of the plans is the primary plan, and the other plan is the secondary plan. If the Executive plan is primary, it pays its benefits first. If the Executive plan is secondary, it adjusts its benefits so that the total amount of benefits you receive isn't more than 100% of your allowable expenses. These expenses are defined as reasonable and customary charges payable under the plan.

A plan with no provision for coordination with other benefit plans becomes the primary plan and pays its benefits first.

See page 15 for a look at how a benefit is paid if all plans coordinate payments.

In addition, if you're covered as an active employee under one plan and as a retiree under another plan, the plan covering you as an active employee pays first, and the plan covering you as a retiree (or as an inactive employee) pays second. If none of the rules above apply, the plan under which you've been covered for the longest period of time pays first.

Coordinating with Medicare

You should contact your local Social Security office for details about Medicare enrollment as soon as you or your dependent begins to receive Social Security disability payments or at least three months before you or your spouse reaches age 65.

Totally Disabled and Not Retired

If you're totally disabled, you may be eligible for Medicare. If you choose to be covered under both the Executive plan and Medicare, the Executive plan is the primary plan, and Medicare is the secondary plan.

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Coordination of Benefits Chart

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When you're an ARCO employee, covered under both the Executive plan and your spouse's employer's plan, and...		
The medical expenses are for... Which plan pays third?	Which plan pays first?	Which plan pays second?
<S> <C> You	<C> Executive plan	<C> Spouse's plan
Your spouse	Spouse's plan	Executive plan
Your dependent children if:		
.You're married	.Plan of parent whose birthday falls earlier in the year	.Plan of parent with later birthday
.You're divorced or separated and have custody	.Executive plan	.Plan of natural parent without custody
.You're divorced or separated and don't have custody	.Plan of natural parent with custody	.Executive plan
.You're remarried with .Plan of natural parent custody without custody	.Executive plan	.Custodial stepparent's plan
.You're divorced .Executive plan without custody; and the natural parent with custody has remarried	.Plan of natural parent with custody	.Custodial stepparent's plan

</TABLE>

From the time you become eligible for Medicare, you may choose to have your medical coverage provided through:

- .the Executive plan only;
- .the Executive plan supplemented by Medicare; or
- .Medicare only.

If you choose primary coverage under Medicare, Medicare pays its usual benefit, the Executive plan doesn't pay benefits -- and you're responsible for any additional costs. You'll need to contact Executive Relations if you choose to be covered under Medicare.

Age 65 and Still Working

Government regulations require that ARCO offer you a choice of medical plans if you continue working past age 65.

From age 65 on, you may choose to have your medical coverage provided through:

- .the Executive plan only;
- .the Executive plan supplemented by Medicare; or
- .Medicare only.

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If you chose to be covered under both the Executive plan and Medicare, the Executive plan is the primary plan -- since you're an active employee -- and Medicare is the secondary plan.

If you chose coverage under Medicare only, Medicare pays its usual benefit, the Executive plan doesn't pay benefits -- and you're responsible for any additional costs. You'll need to contact Executive Relations if you choose to be covered under Medicare.

At Age 65 (or Totally Disabled) and Retired

Once you or your covered dependent is eligible for Medicare, you need to notify ARCO's Benefit Plans Administration-Insurance Unit at 74 N. Pasadena Avenue, Pasadena, California 91103, so that your medical coverage election can be adjusted. You'll need to provide proof of Medicare eligibility.

After you become Medicare-eligible, Medicare becomes the primary plan and the Executive plan becomes the secondary plan for purposes of coordinating benefits.

If you're covered under the Executive plan and don't apply for Medicare even though you're eligible to do so, the Executive plan coordinates benefits as if you were covered under Medicare.

How To File a Claim

The plan is designed to help process your claim as quickly as possible. You or the provider of services should send claims directly to the Aetna claim office indicated on your ID card. Claim forms and instructions for their completion are available from your Aetna claim office or Executive Relations.

A fully completed claim form must be returned to Aetna for each covered family that incurs medical expenses.

All family members may be listed on the same claim form. This form should be sent:

- .once every 12 months; or
- .when a family member experiences one of the changes listed on the bottom portion of the claim form which requires claim office notification.

For prompt payment of your claim, you must include the following information with your claim form:

- .the provider's name;
- .the date of treatment; and
- .itemized bills for services performed by the provider. If you have standard drug coverage, a bill from the pharmacist must always identify the prescription dispense diagnosis, the purchase date, the person to whom the prescription is issued and the doctor who issued it.

You don't need to attach a claim form with each additional claim you file. Just be sure that the patient's name and your Social Security Number appear on the bill.

Additional claims may be filed as expenses are incurred, and claims for more than one covered person may be sent at the same time.

You must file your claim within two years after the expense was incurred. Otherwise, covered expenses won't be paid. If you participate in the Health Care Account and wish to file claim for eligible medical expense, you must do so by March 31 of the year following the year that the expenses was incurred, subject to the Health Care Account claim filing instructions included in your Health Care Account summary plan description.

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Doctor's Services

After receiving the claim, Aetna will screen it for completeness, verify eligibility and determine if the expense is covered under the plan. If Aetna needs more information to make a benefit determination, you or your doctor will be asked to provide Aetna with that information.

Payments will be made directly to you unless you've:

- .signed the section of the claim form authorizing Aetna to pay the doctor directly; or
- .executed an assignment of benefits to the provider, which is kept on file in the doctor's office.

Hospitalization

Generally, to receive benefits under the plan, you need only present your ID card to the provider, who in turn will submit all necessary claim information to Aetna. Providers include hospitals, convalescent facilities or other health care institutions that have been recognized and approved by Aetna. When services are provided in hospitals in foreign countries, you may be required to send benefit claims directly to Aetna.

After receiving the claim, Aetna will screen it for completeness, verify eligibility and determine if the expense is covered under the plan. If Aetna needs more information to make a benefit determination, you or the hospital will be asked to provide Aetna with that information.

Aetna will pay the provider directly. However, if you've paid the hospital and the hospital has marked the bill "paid in full," payment will be made to you.

How to File an Appeal

Claim Denial

If you file a benefit claim that is partially or wholly denied, you'll receive written notice of the denial within 90 days after Aetna receives the claim. This time limit may be extended for an additional 90 days in special cases, but you'll be notified of the reasons for the delay. In no event will this extension exceed 90 days.

The denial notice will explain the reasons for the denial, state the plan provisions on which the denial is based, describe any additional information or material required and discuss the procedures you must follow if you want a further review of your claim.

Claim Review

If your benefit claim is partially or wholly denied, you may contact your Aetna claim office within 60 days after receiving the denial notice and request a claim review. When you do, you need to provide:

- .the name(s) and address(es) of both patient and employee;
- .the employee's Social Security Number;
- .the date service or treatment was received;
- .the provider's name (doctor, hospital, etc.); and
- .the reason you think the claim should be reviewed.

In addition, you or a designated authorized representative may review pertinent documents and submit additional issues in writing.

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Within 60 days (or 120 days in some cases) after you file your request, Aetna will notify you in writing of its final decision, including the specific reasons for its determination.

If Aetna finally denies the claim because of the patient's ineligibility to participate in the plan or other issues unrelated to the payment of claims, you may request that ARCO's Welfare Plans Administrative Committee review the claim. Contact Executive Relations for information on how to file this type of appeal.

When Coverage Ends

You

Except as discussed under COBRA (see page 19), your coverage under the plan ends on whichever of the following happens first:

- .the last day of the month in which you're no longer an active executive;
- .the last day of the month in which you're granted a formal unpaid leave of absence which doesn't allow for continuation of medical coverage; or
- .the date the plan is terminated.

Your Dependents

Coverage for your eligible dependents terminates the last day of the month in whichever of the following happens first:

- .your coverage ends for any reason (including your death); or
- .your dependents become ineligible.

If you die while covered under the plan, coverage for your eligible dependents will continue until the end of the month in which you die. Their coverage will then be transferred to the Atlantic Richfield Comprehensive Medical Plan, and the Company will continue to pay the full premiums.

This option is available only if your spouse or dependents waive COBRA continuation coverage (see page 19). For more information, contact Executive Relations.

How To Continue Coverage

On a Leave of Absence

If you're granted a leave of absence, your right to continue medical coverage during the leave depends on the provisions of the leave you've taken.

For more details on medical coverage during leaves of absence, contact Executive Relations.

For Disabling Conditions Only

If you or one of your covered dependents is totally disabled, as determined by Aetna, when your medical coverage ends, any medical expenses related to the illness or injury that caused the disability are covered until whichever of the following happens first:

- .one year after coverage for you or your dependent would otherwise end;
- .the person with the disability is covered by another group plan that offers similar benefits; or
- .the person is no longer totally disabled.

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You're considered totally disabled under this plan if, as the result of illness or injury:

- .you can't perform the regular duties of a job for which you're reasonably qualified because of your education, training or experience; and
- .you're not performing any work of any kind for pay or profit.

Your dependents are considered totally disabled if illness or injury prevents them from engaging in the normal activities of a healthy person of similar age.

All extended benefits are subject to this plan's provisions and are limited to the treatment of the disabling condition only.

At Retirement

As a retiree, you may be able to continue your medical coverage if, at the time of your retirement, the Company offers retiree coverage and you don't elect COBRA continuation coverage.

To be eligible for retiree coverage, you must be enrolled in this plan when you retire and, while you're a plan member, you:

- .leave the Company once you reach age 62;

.leave the Company at any time that you're eligible for an immediate retirement allowance from a qualified retirement plan; or

.leave the Company and are eligible for retiree coverage under the Company's special termination policy

Understanding COBRA Coverage

As required by the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), you and your covered dependents have the option to continue your medical coverage for a specified time when such coverage would otherwise end.

To continue coverage due to divorce or loss of dependent status, you or a family member must inform Executive Relations within 60 days of the occurrence of either of these events.

Who Qualifies

You

You may continue your coverage in this plan or the Atlantic Richfield Comprehensive Medical Plan for up to 18 months if you would otherwise lose coverage because:

.your hours of work are reduced;

.you're laid off; or

.you leave the Company for reasons other than gross misconduct.

If you elect COBRA coverage under the Atlantic Richfield Comprehensive Medical Plan, you cannot change your coverage to the Atlantic Richfield Executive Medical Plan during a subsequent open enrollment.

If you leave the Company under a special termination policy that offers Company-provided medical coverage under the Executive plan, you may choose to be covered under either the terms of the special termination policy or COBRA coverage as described here.

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The cost of COBRA coverage equals 102% of the plan's premiums. You'll be informed of the cost of COBRA coverage when you apply.

Your Spouse

If your spouse is covered under the plan, he/she may continue coverage for himself/herself for up to 18 months under the circumstances described under "Who Qualifies -- You" (see page 19).

Your spouse may continue coverage for up to 36 months if coverage would otherwise end because:

.you die; or

.you and your spouse divorce.

If your spouse elects COBRA coverage under the Atlantic Richfield Comprehensive Medical Plan, he/she cannot change coverage to the Executive Medical Plan during a subsequent open enrollment.

At your death, your spouse may choose either COBRA coverage or survivor coverage under the terms of the ARCO Comprehensive Medical Plan covering your spouse at that time.

The cost of spouse COBRA coverage equals 102% of the plan's premiums. Your spouse will be informed of the cost of COBRA coverage when he/she applies.

Your Dependent Children

If your dependent children are covered under the plan, they may continue coverage for up to 18 months under the circumstances described under "Who Qualifies -- You" (see page 19).

Your covered children may continue coverage for up to 36 months if their coverage would otherwise end because:

- .you die;
- .you and your spouse divorce; or
- .your covered children lose their dependent status under the plan.

If your dependent children elect COBRA coverage under the Atlantic Richfield Comprehensive Medical Plan, they cannot change coverage to the Executive Medical Plan during a subsequent open enrollment.

The cost of COBRA coverage for dependent children equals 102% of the plan's premiums. Your covered children will be informed of the cost of COBRA coverage when they apply.

When COBRA Coverage is Extended

Disability Continuation Coverage

An 18-month COBRA continuation period may be extended to a total of 29 months if:

- .you or your dependent is considered totally disabled under Social Security rules when coverage first begins; and
- .the disability continues throughout the COBRA coverage period.

However, this coverage applies only to the person with the disability and not to any other dependents.

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To qualify for the additional 11 months of COBRA coverage, you or your dependent must notify Executive Relations:

- .within 60 days of being classified as totally disabled under Social Security; and
- .during the original 18-month COBRA continuation period.

You may be asked to provide proof of the disabling condition.

Likewise, if Social Security determines that you or your dependent is no longer totally disabled, you must notify Executive Relations within 31 days.

The cost for the additional 11 months of disability continuation coverage equals 150% of the cost of the plan's premiums. You or your dependent will be notified of the exact cost when you or your dependent applies.

Additional Events

If one of the events listed on pages 19 & 20 occurs while you, your spouse or your dependents are covered during the 18-month COBRA continuation period, coverage will be considered to have begun on the date of the first event and may be extended for up to 36 months after that date.

When COBRA Coverage Ends

COBRA coverage ends if:

- .you or your covered dependent fails to pay the required premiums;
- .you or your covered dependent becomes covered under another group plan that includes coverage for preexisting conditions for which coverage is provided under the Executive plan;
- .you or your covered dependent becomes eligible for Medicare; or
- .all ARCO medical plans are terminated.

New laws and regulations may change any of the COBRA information presented above. Also, you and your dependents may have to satisfy certain notice requirements in order to receive COBRA coverage. For more details on how you can obtain COBRA coverage under the plan, contact Executive Relations.

When the Plan Ends

The Company expects and intends to continue the plan indefinitely, but reserves the right to amend or terminate it at any time.

If the plan is terminated, your coverage will end on the plan's termination date. However, if you or one of your dependents is totally disabled at the time, benefits will continue to be available as described on page 18. All extended benefits are subject to the plan's provisions and limitations.

How To Convert Your Coverage

You or your covered dependents may apply for an individual insurance policy from Aetna if coverage ends. If you're interested in this coverage, contact Executive Relations.

Since an individual policy isn't a continuation of coverage under the plan, the benefits that will be provided and the cost of the policy won't be the same as provided under this plan, but will be determined by Aetna.

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Glossary

Here's a list of terms you need to know in order to understand how the plan works. Page references indicate where these terms are defined.

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<SEQUENCE>4
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Summary

Plan

Description

ATLANTIC RICHFIELD
EXECUTIVE LIFE INSURANCE PLAN

As in Effect on January 1, 1994

1994

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YOUR LIFE INSURANCE BENEFITS--AN OVERVIEW

ARCO's life insurance plan and accidental death and dismemberment (AD&D) coverage offer important financial security for you and your family in the event of injury or death.

The Executive Life Insurance Plan includes three components:

- . basic life coverage, which pays the first \$50,000 of your life insurance benefit, as well as an additional benefit if your death or dismemberment

is caused by an accident. This coverage also provides some insurance on the lives of your spouse and each of your children;

- . executive life coverage, which provides insurance on your life only and pays a benefit equal to three times your annual base pay, less the \$50,000 benefit provided by basic life coverage. Executive life coverage also lets you choose the form of survivor payments which best meet your beneficiaries' needs; and
- . optional life coverage, which gives you the opportunity to purchase additional life insurance for yourself of up to twice your annual base pay. You and the Company share the cost of this coverage.

The Executive Life Insurance Plan is just part of ARCO's "Business of Benefits" effort to address your benefit needs with the same care with which we build our business relationships.

This booklet gives you an overview of the Atlantic Richfield Company Executive Life Insurance Plan, including a summary plan description (SPD) of ARCO's Basic Life Plan. The full terms of the Executive Life Insurance Plan are contained in the plan document on file with the Company.

The information presented in this booklet doesn't replace the official documents that legally govern the plan's operation. In the event of any conflict between this booklet and the official documents, the official documents will govern.

ARCO reserves the right to change or terminate this plan at any time.

There are a number of terms you need to know in order to understand how the plan works. The first time each of these terms is used, it will appear in **BOLDFACE TYPE** and will be followed by its definition or a page reference indicating where that definition is located. We've also included a glossary at the end of this booklet, which lists each term and shows you on which page its definition appears.

If you have any questions about your life insurance benefits, contact Executive Relations.

WHO'S ELIGIBLE

YOU

As an executive, you're eligible for basic life coverage, executive life coverage and optional life coverage.

YOUR DEPENDENTS

Basic life coverage is provided for your eligible dependents as explained on page 4.

Eligible dependents include:

- . your legal spouse; and
- . your unmarried children:
 - to the end of the month in which their 19th birthday occurs;

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-from their 19th birthday to the end of the month in which their 25th birthday occurs, if they're full-time students at an accredited high school or college and are **PRIMARILY DEPENDENT** on you for support;

-from their 19th birthday to the end of the month in which their 25th birthday occurs, if they're primarily dependent on you for support; and

-age 19 or over for whom you can provide proof acceptable to Aetna Life Insurance Company, the insurance carrier, of your child's physical or mental incapacity for self-support.

"Primarily dependent" means that your child depends on you for more than half of his/her financial support and qualifies for dependency tax status, as defined by the Internal Revenue Code, on the date the claim was incurred.

If your child can't be declared as a dependent for federal income tax purposes, he/she no longer qualifies as a covered dependent for that year. If he/she qualifies for dependency tax status in any subsequent year and meets all other eligibility requirements, he/she may again be covered as a dependent under this plan.

Children include your:

- . natural children;
- . adopted children; and
- . any other children who:
 - live with you in a parent-child relationship; or
 - can be claimed as dependents for income tax purposes.

WHEN COVERAGE BEGINS

BASIC LIFE COVERAGE

YOU

You automatically receive basic life coverage on:

- . your hire date; or
- . the date you're first eligible for coverage;

whichever occurs first.

If you're disabled and away from work when coverage would otherwise begin, you're covered once you return to work.

YOUR DEPENDENTS

Your eligible dependents are automatically covered on the date your coverage begins.

EXECUTIVE LIFE COVERAGE

You must enroll for executive life coverage within 30 days of the later of:

- . the date of your eligibility for executive life coverage; or
- . the date you're notified of your eligibility.

If you enroll within the 30-day deadline and the insurance carrier denies you coverage, the Company will self-insure you, as long as you've complied with the insurance carrier's underwriting requirements. This includes completion of a confidential health questionnaire, on which you're required to disclose all known health problems and pre-existing conditions to the insurance carrier. You may also be required to provide evidence of your good health.

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If you want to enroll after the 30-day deadline, you must wait until the next open enrollment period.

OPTIONAL LIFE COVERAGE

You may enroll for optional life coverage when you enroll for executive life coverage. If you want to enroll after the 30-day enrollment deadline or make a change to your optional life coverage, you must wait until the next open enrollment period to do so.

Coverage begins when the insurance carrier approves your application. There's no Company self-insurance for this coverage.

HOW THE PLAN WORKS

Basic life coverage is provided through group term life insurance. Executive life coverage is funded by Corporate Owned Life Insurance (COLI) under a split-dollar agreement. This means that the Company owns the life insurance policy and guarantees you a share in its value through endorsement. That way, both you and the Company receive part of the dollar value of the policy if you die.

Under certain circumstances--for example, if the insurance carrier denies you executive life coverage--the Company may self-insure you.

Optional life coverage is provided by employee-owned insurance policies in which the Company is assigned a collateral interest in the policies equal to its CUMULATIVE PREMIUM OUTLAY--that is, its contributions. You and the Company share the cost of this coverage--and both of you receive part of the dollar value of the policies if you die.

WHAT COVERAGE COSTS

BASIC LIFE COVERAGE

ARCO pays the full cost of this coverage for both you and your dependents.

EXECUTIVE LIFE COVERAGE

ARCO pays the full cost of your executive life coverage.

As an active employee, if you elect the LUMP-SUM OPTION form of payment (see page 7), once each year you pay a contribution equal to the amount of your imputed income on the premiums the Company has paid. See the following table for details. The Company then pays you a bonus equal to your contribution on a before-tax basis. The net cost to you is any incremental income tax you may have to pay on the bonus.

<TABLE>
<CAPTION>
IF YOU ELECT THE LUMP-SUM OPTION AND...

YOU'RE AGE	THE INCOME REPORTABLE TO YOU FOR EACH \$100,000 OF COVERAGE ABOVE \$50,000 IS
<S>	<C>
30	\$ 56
35	\$ 58
40	\$ 60
45	\$ 80
50	\$113
55	\$158
60	\$237
65	\$460

</TABLE>

If you're an inactive employee--that is, retired, on an approved leave of absence or terminated--and you elect the lump-sum option, you're taxed on the value of your executive life coverage.

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There's no net cost to you if you elect the SURVIVOR INCOME OPTION (see page 7) form of payment, to be paid to your BENEFICIARIES (see page 6).

OPTIONAL LIFE COVERAGE

You and ARCO share the cost of this employee-owned life insurance policy. Your monthly contribution is determined by your age and coverage amount, as follows:

<TABLE>
<CAPTION>
IF YOUR AGE IS.. YOUR MONTHLY CONTRIBUTION PER
\$1,000 OF COVERAGE IS.....

IF YOUR AGE IS..	YOUR MONTHLY CONTRIBUTION PER \$1,000 OF COVERAGE IS.....
<S>	<C>
Not more than 40	\$.05
41 - 45	\$.07
46 - 50	\$.10
51 - 55	\$.14
56 - 60	\$.24
61 - 65	\$.39
66 - 70	\$.64
71 - 75	\$1.04
76 - 80	\$1.61

</TABLE>

HOW TO CALCULATE PLAN BENEFITS

BASIC LIFE COVERAGE

Basic life coverage consists of both life insurance and AD&D coverage.

LIFE INSURANCE

The plan pays the following life insurance benefit if you, your spouse or one of your children dies:

<TABLE>
<CAPTION>
IF LIFE INSURANCE IS FOR... THE BENEFIT PAID IS...

IF LIFE INSURANCE IS FOR...	THE BENEFIT PAID IS...
<S>	<C>

You	\$50,000
Your spouse	\$ 2,000
Each child	\$ 1,000

AD&D COVERAGE

The plan pays additional benefits according to the schedule below if you experience the loss:

- . as the result of an accident that occurs while you're insured; and
- . within one year after the accident.

The maximum AD&D benefit that will be paid for all losses resulting from one accident equals 1 x ANNUAL BASE PAY (see this page).

FOR LOSS OF...	THE BENEFIT PAID IS...
Life	1 x annual base pay
Both hands	
Both feet	1 x annual base pay
Sight in both eyes	
One hand and one foot	
One hand and one eye	
One foot and one eye	
One hand	50% x annual base pay
One foot	
Sight in one eye	

"Loss of hand or foot" means that those limbs are completely severed at or above the wrist or ankle.
 "Loss of sight" means the entire and irrecoverable loss of sight.

If the accident results in death, an AD&D benefit is paid in addition to the plan's life insurance benefit.

The AD&D benefit is calculated using your annual base pay--that is, the regular wages you were paid by the Company during the year, including all your pre-tax contributions or deferrals of income to plans such as the

Atlantic Richfield Executive Deferral Plan. It also includes benefit-bearing cost-of-living allowances, such as:

- . Foreign Service Premium for expatriates; and
- . Alaska Benefits Base for Alaska-based employees

If your AD&D benefit isn't an even multiple of \$1,000, it will be rounded to the next higher multiple of \$ 1,000. For example: \$166,191.12 is rounded up to \$167,000.

An AD&D benefit won't be paid for any loss caused by:

- . suicide or attempted suicide; or
- . sickness or infection, unless the infection results from an accident covered by the plan.

EXECUTIVE LIFE COVERAGE

The plan pays an executive life benefit equal to:

$$3 \times \text{ANNUAL BASE PAY} \\ \text{MINUS} \\ \text{THE BASIC LIFE BENEFIT OF } \$50,000.$$

The plan automatically adjusts your executive life coverage if you receive an increase in your base pay. However, if your base pay increase causes your executive life coverage to increase at least 10%, you may have to comply with any insurance carrier underwriting requirements. Coverage increases take effect as of the date your base pay increases. The Company will self-insure you if coverage is pending with the insurance carrier.

If you relocate to the lower 48 states from Alaska or overseas, your executive

life benefit will be:

- . maintained at the level of coverage in effect before your transfer; or
- . based on your current base pay;

whichever is greater.

OPTIONAL LIFE COVERAGE

Optional life coverage for yourself pays a benefit equal to:

- 1 X ANNUAL BASE PAY
- OR
- 2 X ANNUAL BASE PAY.

The actual amount of your coverage is subject to the insurance carrier's approval, and you may be required to comply with additional underwriting requirements.

If you receive an increase in your base pay, additional optional life coverage is subject to the insurance carrier's underwriting requirements.

WHO RECEIVES A BENEFIT

BASIC LIFE COVERAGE

YOU

The plan pays a benefit to you if:

- . you're dismembered;
- . your spouse dies; or
- . an eligible child dies.

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YOUR BENEFICIARY

When you die, the plan pays a benefit to your beneficiary--that is, the person(s) you designate to receive a benefit in the event of your death. To name a beneficiary, you need to obtain a beneficiary designation form from Executive Relations and return the completed form as soon as possible. You may designate anyone you wish as your beneficiary, and you may change this designation at any time. If you die and you've named more than one beneficiary, each receives the same benefit amount, unless you've left written instructions otherwise with the plan.

If you're married at the time of your death, your surviving spouse may be entitled under applicable state law (e.g., community property laws) to a portion of the benefit, whether or not your spouse is your designated beneficiary. In that event, the benefits payable to any of your other designated beneficiaries may be reduced.

If your beneficiary doesn't survive you and you haven't named any contingent beneficiaries, a benefit is paid to the following survivors in the order listed:

- . your spouse;
- . your child(ren);
- . your parent(s);
- . your brothers(s) and sisters(s).

If you're survived by two or more persons in the applicable group of beneficiaries to whom a benefit is to be paid, the payment will be divided equally among them. If there are no survivors in any of the groups listed above, payment will be made to your estate.

EXECUTIVE LIFE COVERAGE

Your beneficiary will receive a benefit from this plan if you die. If your beneficiary doesn't survive you and you haven't named any contingent beneficiaries, an executive life benefit will be paid to your estate.

To name a beneficiary, you'll need to complete a beneficiary designation form and return it to Executive Relations. You may change this designation at any

time. See "Basic Life Coverage" on this page for additional information on beneficiary designations.

OPTIONAL LIFE COVERAGE

Optional life coverage operates just like executive life coverage in how it handles beneficiaries. See "Executive Life Coverage" above for details.

HOW BENEFITS ARE PAID

BASIC LIFE COVERAGE

The \$50,000 basic life benefit and the AD&D benefit are tax-free. A benefit of \$10,000 or more will be automatically deposited by Aetna into an interest-bearing checking account in your beneficiary's name. The beneficiary may withdraw the account balance at any time. There are no fees or charges for this service other than those usually charged for stop payments, check copies and returned checks. However, the account is not insured by the Federal Deposit Insurance Corporation (FDIC).

EXECUTIVE LIFE COVERAGE

You may choose either the lump-sum option or the survivor income option as the form of payment to your beneficiary. This election may be changed once each year during open enrollment. Your new election will take effect the following January 1.

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LUMP-SUM OPTION

If you've chosen the lump-sum option, upon your death the insurance carrier will pay your beneficiary a tax-free lump-sum benefit equal to your full coverage amount.

SURVIVOR INCOME OPTION

If you've chosen the survivor income option, upon your death the insurance carrier will pay the Company a tax-free lump-sum payment. In turn, ARCO will make monthly survivor income payments to your beneficiary for 10 years. These payments are taxable as ordinary income. Since the Company receives a tax-free payment from the insurance carrier, the Company will increase the monthly survivor payments by its corporate tax rate to offset some or all of the tax on the benefits paid to your survivor.

OPTIONAL LIFE COVERAGE

After you die, the insurance carrier will pay your beneficiary a tax-free lump-sum benefit.

HOW TO FILE A CLAIM

To file a claim for AD&D benefits, you or your beneficiary needs to obtain a claim form from Executive Relations. After the form is completed, it should be returned to Executive Relations. In the event of death, a copy of proof of the accident that caused the death must accompany the claim form. A decision on the claim will be made within 90 days after it was filed, and you or your beneficiary will receive written notice of that decision.

To file a basic life, executive life or optional life claim for death benefits, your beneficiary should obtain a claim form from Executive Relations and return the completed form, together with a certified copy of the death certificate, to Executive Relations. The claim will be processed as soon as administratively possible.

HOW TO FILE AN APPEAL

CLAIM DENIAL

If the claim is partially or wholly denied, you or your beneficiary will receive written notice of the denial within 90 days after the Company receives the claim. This time limit may be extended for an additional 90 days in special cases, but you or your beneficiary will be notified of the reasons for the delay. In no event will this extension exceed 90 days.

The denial notice will explain the reasons for the denial, state the plan provisions on which the denial is based, describe any additional information or material required and discuss the procedures that must be followed if you or your beneficiary wants a further review of the claim.

CLAIM REVIEW

If you or your beneficiary receives a claim denial notice, you or your beneficiary may wish to file a formal request for a claim review with the insurance carrier. This must be done in writing within 60 days of receiving the claim denial notice, and a copy of the claim review request must be forwarded to Executive Relations. In addition, you, your beneficiary or an authorized representative may review pertinent documents and submit additional issues in writing. If a claim review request isn't filed within this 60-day period, the right to do so is waived.

Within 60 days (or 120 days in some cases) after the request is filed, the insurance carrier will notify you or your beneficiary in writing of its final decision, including the specific reasons for its determination.

If the insurance carrier finally denies the claim because of ineligibility to participate in the plan or other issues unrelated to the payment of claims, you or your beneficiary may request that ARCO's Welfare Plans Administrative Committee review the claim.

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Executive Relations should be contacted for information on how to file this type of appeal.

WHEN COVERAGE ENDS

BASIC LIFE COVERAGE

Your life insurance coverage terminates if your employment ends before you reach age 62. However, if you:

- . retire with an immediate retirement allowance before age 62; or
- . leave the Company after age 62, with or without an immediate retirement allowance and are eligible for a deferred retirement allowance;

coverage terminates at the end of the month in which you turn 65.

You may be able to convert your terminated life insurance coverage to an individual policy. See page 12 for details.

Your AD&D coverage ends at the end of the month in which you:

- . retire or otherwise terminate employment;
- . are granted a leave of absence; or
- . are determined by the Company to be TOTALLY DISABLED (see page 9).

Your dependents' life insurance coverage terminates at the end of the month in which:

- . you're no longer eligible for life insurance coverage under this plan;
- . your dependents are no longer eligible for coverage;
- . you're determined by the Company to be totally disabled (see page 9);
- . as an active employee age 65 or older, you retire;
- . as a retiree, you reach age 65;
- . you die; or
- . the plan no longer offers this coverage.

However, if your child:

- . is incapable of earning his/her living because of a mental or physical disability;
- . is primarily dependent on you for support; and
- . is covered under the plan when coverage would otherwise end because he/she has reached age 19, or age 25 if he/she is a full-time student or primarily dependent on you for support;

coverage may be continued throughout the child's incapacity as long as you're

covered under the plan. To qualify your child, you're required to provide proof of your child's condition to the claims administrator within 31 days after the end of the month in which he/she would no longer be eligible.

This provision doesn't apply to any child who has been issued an individual policy under the conversion privilege (see page 12).

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EXECUTIVE LIFE COVERAGE

Your executive life coverage ends if you leave the Company and aren't eligible for an immediate retirement allowance. However, you may be able to convert your coverage to an individual policy. See page 12 for details.

If you move to a grade position that isn't eligible for your current level of executive life coverage, your executive life benefit will be:

- . maintained at the level of coverage in effect before your grade change; or
- . based on your current base pay;

whichever is greater.

OPTIONAL LIFE COVERAGE

Your optional life coverage ends if you leave the Company. However, you may be able to convert your coverage to an individual policy. See page 12 for details.

If you move to a grade position that isn't eligible for optional life coverage, the same provisions apply as under executive life coverage (see above).

HOW TO CONTINUE COVERAGE

BASIC LIFE COVERAGE

In general, basic life coverage may be continued as described below. However, unless you're an active employee and not totally disabled, your AD&D coverage and dependent coverage:

- . will be discontinued during a disability; or
- . will end on the last day of the calendar month in which you take a leave of absence or terminate employment.

ON A LEAVE OF ABSENCE

If you're granted a leave of absence, your right to continue coverage during the leave depends on the provisions of the leave of absence you've taken.

For more details on basic life coverage during leaves of absence, contact Executive Relations.

IF YOU'RE TOTALLY DISABLED

If you're totally disabled, as defined by ARCO's Executive Long-Term Disability Plan, your basic life coverage will continue until you reach age 65.

If you remain totally disabled after your 65th birthday, or if you continue to be an active employee after age 65 and then become totally disabled, your basic life insurance will end.

BEFORE RETIREMENT BUT AFTER AGE 65

You may continue your basic life coverage under the plan on the same terms as before age 65 if you remain an active employee and you're not totally disabled.

AT RETIREMENT

At Age 65 or Earlier. You may continue your current level of life insurance and -----
that of your dependents until the end of the month in which you become age 65 if:

- . you retire with an immediate retirement allowance before age 62; or
- . after reaching age 62, you leave the Company with or without an immediate retirement allowance and you're eligible for a deferred retirement allowance.

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The Company continues to pay the full cost of your basic life coverage after your retirement.

After Age 65. If you retire after age 65, your basic life coverage ends at the end of the month in which you retire.

EXECUTIVE LIFE COVERAGE

ON A LEAVE OF ABSENCE

Your executive life coverage continues if you're on an approved paid or unpaid leave of absence.

IF YOU'RE TOTALLY DISABLED

If you become totally disabled--as defined by ARCO's Executive Long-Term Disability Plan--while you're an active Company employee, your coverage will be the same as if you retired with an immediate retirement allowance at the age you became disabled (see this page).

BEFORE RETIREMENT BUT AFTER AGE 65

You may continue your executive life coverage on the same terms as before age 65 if you remain an active employee.

AT RETIREMENT

You may continue your current level of executive life coverage until the end of the month in which you become age 65 if you leave the Company and are eligible for an immediate retirement allowance. At the end of the month in which you reach age 65, your executive life coverage will be reduced to:

1 X FINAL ANNUAL BASE PAY.

Unreduced Benefit. Before your coverage is reduced, you'll be offered the opportunity to keep your pre-age 65 executive life coverage. If you do, you'll be required to make contributions toward its cost.

Retirement Income Offer (RIO). Before you retire, the Company, at its sole discretion and subject to the terms and conditions it believes are appropriate, may offer you the opportunity to irrevocably convert your post-age 65 executive life coverage--I x final annual base pay--to additional retirement income.

This income is paid monthly for 15 years beginning one month after your retirement date. Payments are taxable as ordinary income, but the Company will increase the amount of these payments by its corporate tax rate to offset some or all of the tax on the benefits you receive.

If you die after retirement and before age 65, your survivor will receive any unpaid RIO payments plus a RIO-adjusted executive life benefit equal to:

2 X YOUR FINAL ANNUAL BASE PAY
MINUS
THE BASIC LIFE BENEFIT OF \$50,000.

This total benefit is paid in equal monthly installments over ten years. Payments are taxable as ordinary income, but the Company will increase the amount of these payments by its corporate tax rate to offset some or all of the tax on the benefits your survivor receives.

If you die after retirement and at age 65 or later, your survivor receives only your remaining RIO payments.

Policy Roll-Out. At its discretion, the Company may decide to roll-out the insurance policy that's funding your final post-retirement benefit. At the time of the roll-out, the policy's death benefit will be 100% of your final base pay.

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The Company will withdraw the cash value that's equal to all premiums paid by the Company during the policy's premium period. The remaining cash value will be transferred to you when ownership of the policy is changed from the Company to

you. Any portion of the policy's transferred equity which exceeds your cost while you're an active employee may be taxed.

Once the policy has been rolled-out to you, the Company will have no other obligation to provide you with a post-retirement death benefit under this plan. You'll have full ownership rights to the policy. This means you can withdraw or borrow against the policy's cash value to maintain the same or reduced level of coverage.

In general, roll-out will occur once:

- . the policy's premium period has ended (currently, 10 years); and
- . you've reached age 65 or you've retired, whichever is later.

The policy won't be rolled-out if:

- . you've accepted the RIO; or
- . the Company has elected to pay your premiums on a pay-for-life basis.

OPTIONAL LIFE COVERAGE

ON A LEAVE OF ABSENCE

Your optional life coverage continues if you're on an approved paid leave of absence. If you're on an approved unpaid leave, your optional life coverage continues if you continue to make your contributions.

IF YOU'RE TOTALLY DISABLED

If you become disabled while you're actively employed by the Company, your optional life coverage continues as long as you continue to make your contributions.

BEFORE RETIREMENT BUT AFTER AGE 65

You may continue your optional life coverage on the same terms as before age 65 if you remain an active employee.

AT RETIREMENT

At your retirement, the Company will withdraw its cumulative premium outlay for the policy. If your policy is paid up when you retire, your optional life coverage will remain at its pre-retirement coverage level throughout your retirement. If your policy isn't paid up when you retire and the Company's outlay can't be covered by the cash value, you'll be required to pay the Company the difference to keep your coverage. You may then:

- . continue making contributions to maintain your pre-retirement coverage level; or
- . discontinue making contributions and accept any residual coverage based on actual policy cash values, if any.

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WHEN THE PLAN ENDS

The Company expects and intends to continue the plan indefinitely, but reserves the right to amend or terminate it at any time.

If the plan is terminated, your coverage will end on the plan's termination date. However, if you're totally disabled at that time, benefits will continue to be available as described on pages 9, 10 and 11. All extended benefits are subject to the plan's provisions and limitations.

At its discretion, the Company may offer you the opportunity to purchase the life insurance policy according to the conversion procedures described below.

HOW TO CONVERT YOUR POLICY

BASIC LIFE COVERAGE

You may convert basic life coverage to an individual insurance policy. You may convert your dependents' coverage to an individual policy only if your coverage under this plan ends. If you're interested in converting to an individual policy, contact Executive Relations.

Since an individual policy isn't a continuation of coverage under this plan, the

benefits that will be provided and the cost of the policy won't be the same as provided under this plan.

EXECUTIVE LIFE COVERAGE

If you're not eligible for an immediate retirement allowance when you leave the Company and you have at least five years of service with the Company, you may purchase the Company's interest in the life insurance policy and convert your executive life coverage to an individual insurance policy provided by the insurance carrier without having to meet additional insurance carrier underwriting requirements.

The policy's purchase price will equal the Company's total cumulative cost for the policy or the cash value, whichever is greater. Payment must be made in a single lump sum. You may withdraw or borrow from the policy to help pay its purchase price. In addition, any portion of the insurance policy's equity which exceeds your cost may be taxed.

OPTIONAL LIFE COVERAGE

When you leave the Company, you may convert your optional life coverage to an individual insurance policy at your own expense. But first, the Company will withdraw its cumulative premium outlay or the cash value, whichever is greater. If the Company's cumulative premium outlay can't be covered by the cash value, you'll be required to pay the Company the difference.

If the policy isn't fully paid up when you leave the Company and you wish to convert your optional life coverage to an individual insurance policy, you may:

- . continue making contributions to maintain your coverage level; or
- . discontinue making contributions and accept any residual coverage based on actual policy cash values, if any.

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GLOSSARY

Here's a list of terms you need to know in order to understand how the plan works. Page references indicate where these terms are defined.

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Summary

Plan

Description

ATLANTIC RICHFIELD
EXECUTIVE LONG-TERM DISABILITY PLAN

As in Effect on January 1, 1994

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YOUR EXECUTIVE LONG-TERM DISABILITY BENEFITS--AN OVERVIEW

There may come a time when you're ill or injured and unable to work for an extended period. Executive Long Term Disability (ELTD) benefits from ARCO provide you and your family with a financial safety net during this time. The monthly ELTD benefit is 60% of your pre-disability earnings, which include your average Annual Incentive Plan (AIP) awards. The maximum monthly benefit is \$25,000 and is paid through:

- . two individual policies, which together provide up to \$12,000 of monthly coverage;
- . a group insurance policy, which provides up to \$13,000 of monthly coverage; and
- . Company self-insurance, as needed.

In addition, the Cost-of-Living Allowance (COLA) adjustment feature provides you with protection against inflation while you're disabled, subject to benefit limits.

The Executive Long-Term Disability Plan is just part of ARCO's "Business of Benefits" effort to address your benefit needs with the same care with which we build our business relationships.

This booklet gives you an overview of the Atlantic Richfield Company Executive Long-Term Disability Plan. It's called a summary plan description (SPD). The full terms of the plan are contained in the plan document on file with the Company.

The information presented in this booklet doesn't replace the official documents that legally govern the plan's operation. In the event of any conflict between this booklet and the official documents, the official documents will govern.

ARCO reserves the right to change or terminate this plan at any time.

There are a number of terms you need to know in order to understand how the plan works. The first time each of these terms is used, it will appear in BOLDFACE TYPE and will be followed by its definition or a page reference indicating where that definition is located. We've also included a glossary at the end of this SPD, which lists each term and shows you on which page its definition appears.

If you have any questions about your ELTD benefits, contact Executive Relations.

WHO'S ELIGIBLE

As an executive, senior manager (that is, grade 9, 10 or the equivalent), or an employee with an ANNUAL BASE PAY (see page 2) of at least \$175,000, you're eligible for coverage under this plan. Your plan participation is in lieu of coverage under the Long-Term Disability Plan of Atlantic Richfield Company and Its Participating Subsidiaries, which covers other Company employees.

HOW TO ENROLL

You're temporarily covered under the plan on:

- . your hire date; or
- . the date you're first eligible for coverage.

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To continue coverage, you must enroll within 31 days of the date:

- . you're first eligible for coverage; or
- . you receive notice of your eligibility;

whichever is later.

In addition, you must complete a confidential health questionnaire, on which you're required to disclose all known health problems and pre-existing conditions to the insurance carrier. You also may be required to provide evidence of your good health.

WHAT COVERAGE COSTS

The Company pays the full cost of your ELTD coverage. However, all or a portion of the insurance premiums paid by the Company will be reported as imputed (taxable) income to you (see page 5).

WHEN ELTD BENEFIT PAYMENTS BEGIN

Your ELTD benefit payments begin after you've been disabled for 180 days. These 180 days make up the ELIMINATION PERIOD. No ELTD benefits are payable during this time.

Disabilities lasting less than 180 days are considered short-term disabilities. During the elimination period, you may receive regular pay, any sick pay you've accrued, any federal and state disability benefits for which you may be eligible, and/or retirement benefits from a Company retirement plan if you choose to retire.

Any disability that recurs within 12 months will be considered the same disability, and you won't be subject to an additional elimination period. Instead, the time you're disabled will be combined and treated as one period of total disability.

HOW TO CALCULATE PLAN BENEFITS

DEFINING "EARNINGS"

The ELTD benefit you receive depends on your predisability EARNINGS.

This first component of your earnings is calculated using your annual base pay on the date you first became disabled. Annual base pay is the regular wages you were paid by the Company during the year, including all your pre-tax contributions or deferrals of income to plans such as the Atlantic Richfield Executive Deferral Plan (EDP). It also includes benefit-bearing cost-of-living allowances. such as:

- . Foreign Service Premium for expatriates; and
- . Alaska Benefits Base for Alaska-based employees.

Another component of your earnings is the average of the AIP awards you received for the three years before your disability began. However:

- . if you were recently promoted and haven't yet received an AIP award, a percentage of your annual base pay, based on a guideline for your grade, is used to estimate your AIP average;
- . if you were eligible for fewer than three AIP awards, the average of the awards you did receive is used to determine your earnings; or
- . if you were eligible for an AIP award but didn't receive one, "0" will be used for that year to calculate the average of your awards.

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The sum of these two components equals your earnings for purposes of calculating your ELTD benefit.

The plan provides for automatic coverage increases resulting from increases in your earnings, effective immediately on the date of your increase.

DEFINING "DISABILITY"

After the elimination period, the following three categories of disabilities qualify for ELTD benefits:

- . You're considered to have a TOTAL DISABILITY if:
 - as the result of illness or injury, you can't perform the substantial and material duties of your occupation; and
 - you're receiving medical care that's appropriate for the condition causing the disability.
- . Although your disability may not fit the definition of "total disability," you'll qualify for ELTD benefits if you're considered to have a PRESUMPTIVE DISABILITY--that is, if illness or injury causes the entire and permanent loss of:
 - speech;
 - hearing in both ears;
 - sight in both eyes; or
 - the use of both hands, both feet, or of one hand and one foot.
- . You're considered to have a RESIDUAL DISABILITY--that is, partial disability--if:
 - during the elimination period and as the result of illness or injury, you:
 - can't perform one or more of the substantial and material daily business duties of your occupation;
 - lost at least 20% of your pre-disability earnings; and
 - are receiving the medical care that's appropriate for the condition causing the disability; and
 - after the elimination period and whether or not you can perform some or all of your occupation duties, you continue to:
 - lose at least 20% of your pre-disability earnings; and
 - receive appropriate medical care.

AMOUNT OF MONTHLY BENEFIT

TOTAL DISABILITY/PRESUMPTIVE DISABILITY

After the elimination period, the plan pays an ELTD benefit if you have a total disability or a presumptive disability. This amount is equal to:

60% OF YOUR PRE-DISABILITY EARNINGS,
UP TO \$25,000 A MONTH

RESIDUAL DISABILITY

A partial benefit is paid if you have a residual disability once the elimination period is over. This amount is equal to:

60% OF YOUR LOST EARNINGS

For example: Let's assume that you have a residual disability. Your pre-disability monthly earnings were \$10,000, and you're now earning \$8,000 a month. Your monthly ELTD benefit is calculated this way:

[\$10,000--\$8,000] X 60%=\$1,200.

COST-OF-LIVING ADJUSTMENT

After you've been disabled for 12 months--including the elimination period--your benefits will be adjusted once each year, up to age 65, according to the All Urban Consumer Price Index. COLA adjustments are subject to maximum ELTD benefit limits.

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PAYMENTS FROM OTHER SOURCES

Your ELTD benefit won't be reduced if you receive payments from any other sources such as:

- . Social Security disability and retirement benefits;
- . any benefits available under federal, state or local disability laws, workers' compensation and occupational disease laws, or similar legislation;
- . any occupational or non-occupational disability payments you receive from a Company-provided sick pay plan;
- . any retirement allowance you receive from the Atlantic Richfield Retirement Plan II or any other basic or supplemental retirement plan sponsored by the Company or any subsidiary; or
- . any work-related earnings, including income from self-employment, except if you're participating in a rehabilitation program as described below.

REHABILITATION BENEFITS

Under certain circumstances, if you're totally or presumptively disabled and wish to participate in a rehabilitation program, you may continue to receive an ELTD benefit if you:

- . actively participate in the rehabilitation program; and
- . are unable to perform the substantial and material duties of your occupation.

A rehabilitation program may include training and part-time work in your old job.

Before you enroll in a rehabilitation program, you must obtain the approval of the Company and the insurance companies. Then, if your attending physician and/or independent medical examiner certifies that you can participate and if you're offered a suitable position, you must accept the position before ELTD payments can begin.

If you participate in a rehabilitation program, you'll continue to receive monthly ELTD payments. However, they may be reduced by your earnings from the rehabilitation program so that when they're added to the sum of these earnings, they don't exceed your pre-disability earnings.

WHAT IS EXCLUDED

The plan won't pay an ELTD benefit for any illness or injury which:

- . is intentionally self-inflicted;
- . results when you commit or attempt to commit a felony; or
- . results from war or any act of war.

ELTD group policy and Company self-insured benefits may be limited if your disability results from psychiatric conditions, alcoholism or drug addiction. In these cases, an ELTD benefit will be paid during the first two years you're totally disabled. After that two-year period, benefit payments will be made only if you're confined in a hospital and for the three-month period immediately after your discharge.

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WHEN ELTD BENEFIT PAYMENTS END

The maximum benefit period varies among the individual, group and Company self-insured policies. In general, an ELTD benefit is paid as indicated in the table below.

IF A CONTINUING COVERED
DISABILITY BEGINS...

AN ELTD BENEFIT IS PAYABLE...

On or before age 60
After age 60 and up to age 68
After age 68 but before age 75
On or after age 75

Up to age 65
Up to age 70 or for up to 60 months,
whichever happens first
For 24 months
For 12 months

WHAT TAX ISSUES YOU SHOULD CONSIDER

The tax status of ELTD benefits varies among the individual, group and Company self-insured policies, and for the individual policies, depends on the imputed income option you've elected. The amount of imputed income depends on such factors as your age, the amount of your coverage and your effective rate of income tax.

INDIVIDUAL POLICIES

Under the individual policies and while you're a Company employee, you may choose:

- . to report any imputed income for the Company's premium costs. In that case, any ELTD benefits you receive from the individual policies are tax-free; or
- . not to report any imputed income for the Company's premium costs that are in excess of the COLA premiums. However, any ELTD benefits you receive from the individual policies will be taxed as ordinary income when paid.

You may change your imputed income option once each year during the annual open enrollment period. Your change will become effective on the following January 1.

Keep in mind that the Company's premium costs attributable to COLA adjustments are reported as imputed income, but benefits derived from COLA are tax-free when paid.

The following table outlines the additional reportable income to you, depending on the imputed income option you elect and the benefit amount you receive.

<TABLE>
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AGE	IMPUTED INCOME PER \$5,000 MONTHLY ELTD BENEFIT (\$2,500 EACH CARRIER)			IMPUTED INCOME PER \$10,000 MONTHLY ELTD BENEFIT (\$5,000 EACH CARRIER)		
	COLA	BASE	TOTAL	COLA	BASE	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>
30	\$357	\$1,145	\$1,503	\$ 715	\$2,121	\$2,835
35	\$435	\$1,355	\$1,790	\$ 870	\$2,540	\$3,410
40	\$538	\$1,679	\$2,217	\$1,075	\$3,188	\$4,263
45	\$604	\$2,063	\$2,667	\$1,208	\$3,955	\$5,163
50	\$630	\$2,554	\$3,184	\$1,261	\$4,937	\$6,198
55	\$552	\$3,102	\$3,654	\$1,103	\$6,034	\$7,138
60	\$334	\$3,310	\$3,644	\$ 667	\$6,451	\$7,118

</TABLE>

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GROUP POLICY

You must report the Company's premium costs for the group policy as imputed income. However, any ELTD benefits you receive from the group policy are tax-free.

COMPANY SELF-INSURED COVERAGE

Premiums for the Company's self-insured coverage can't be reported as imputed income, since no reportable income is associated with these benefits. As a result, you must pay tax on any self-insured benefits you receive.

HOW DEATH BENEFITS ARE PAID

SURVIVOR BENEFITS

If you die while receiving ELTD benefit payments, a benefit may be paid to your BENEFICIARY (see this page).

Payment is made if you die before age 65. In this case, one of the two individual policies pays a lump-sum benefit to your beneficiary equal to three times the monthly ELTD benefit you were receiving at the time of your death, as long as you'd been disabled for at least six months.

The group policy also pays your beneficiary a lump-sum benefit equal to three times the monthly ELTD benefit you were receiving at the time of your death. However, this benefit is paid only if your death occurs after you'd been receiving ELTD benefit payments for at least six months.

Neither the other individual policy nor Company self-insurance coverage pays a survivor benefit.

BENEFICIARY DESIGNATION

Your beneficiary is the person(s) you designate to receive a benefit under the plan in the event of your death. If you die and you've named more than one beneficiary, each receives the same benefit amount, unless you've left written instructions otherwise with the plan.

To name a beneficiary, you'll need to complete a beneficiary designation form and return it to Executive Relations. You may change this designation at any time.

If you're married at the time of your death, your surviving spouse may be entitled under applicable state law (e.g., community property laws) to a portion of the benefit, whether or not your spouse is your designated beneficiary. In that event, the benefits payable to any other of your designated beneficiaries may be reduced.

For survivor benefits associated with the individual policy, payment will be made to your estate if your beneficiary doesn't survive you and you haven't named any contingent beneficiaries. For the group policy survivor benefit, if your beneficiary doesn't survive you and you haven't named any contingent beneficiaries, benefits will be paid in equal amounts to your children under age 25. If there are no eligible survivors in this case, payment will be made to your estate.

HOW TO FILE A CLAIM

To file a claim for ELTD benefits, you should contact Executive Relations once you become disabled to obtain claim forms. After you and your doctor have filled out the claim forms, you or, if you lack the legal or mental capacity, your spouse or legal representative must sign the forms.

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YOU SHOULD FILE YOUR CLAIMS WITH EXECUTIVE RELATIONS WITHIN 60 DAYS BEFORE THE SIX-MONTH ELIMINATION PERIOD ENDS.

HOW TO FILE AN APPEAL

CLAIM DENIAL

If your claim is partially or wholly denied, you'll receive written notice of the denial within 90 days after the claims administrator receives the claim, as long as you've fulfilled the insurance carrier's requirements. This time limit may be extended for an additional 90 days in special cases.

The denial notice will explain the reasons for the denial, state the plan provisions on which the denial is based, describe any additional information or material required and discuss the procedures you must follow if you want a further review of your claim.

CLAIM REVIEW

If you receive a claim denial notice, you may wish to file a formal request for a review of your claim with the claims administrator. You must do so in writing within 90 days of receiving the claim denial notice and forward a copy of your request to Executive Relations. If you fail to file a request within this 90-day period, you waive your right to do so.

Within 60 days (or 120 days in some cases) after you file your request, the claims administrator will notify you in writing of its final decision, including the specific reasons for its determination.

WHEN COVERAGE ENDS

Your coverage under the plan ends on whichever of the following happens first:

- . the day you begin a formal, approved unpaid leave of absence;
- . the day in which you leave the Company, including retirement;
- . the last day of the month in which you transfer to a position with the Company which isn't eligible for plan benefits;
- . the date you die; or
- . the date the plan is terminated.

If you're disabled and receiving an ELTD benefit at the time one of these events occurs, benefit payments will continue to be paid according to the benefit schedule on page 5.

HOW TO CONTINUE COVERAGE

Whether you:

- . take an unpaid leave of absence;
- . leave the Company before age 65; or
- . become ineligible for ELTD benefits because of a change in your position;

you may continue coverage under the individual policies only by paying the required premiums. You must also pay the required premiums to continue your coverage if you've been disabled for less than 180 days.

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However, group insurance and Company self-insured coverage may not be continued.

Should you continue coverage under the individual policies and receive any ELTD benefits, those benefits are non-taxable when paid.

In addition, if you become ineligible for an ELTD benefit because of a change in your position, you may participate in the long-term disability plan offered to members of your new classification.

WHEN THE PLAN ENDS

The Company expects and intends to continue the plan indefinitely, but reserves the right to amend or terminate it at any time.

If you're under age 65, or over age 65 and actively at work, the Company may offer you, at its discretion, the opportunity to convert your policy.

HOW TO CONVERT YOUR POLICY

You may convert your ELTD coverage under the individual policies to an individual insurance policy only by paying the required premiums. However, neither the group insurance policy nor Company self-insured coverage may be converted.

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GLOSSARY

Here's a list of terms you need to know in order to understand how the plan works. Page references indicate where these terms are defined.

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EXHIBIT 22

SUBSIDIARIES OF THE REGISTRANT

Percentage of Voting Securities Owned by Organized of	Name of Company Parent ----- -----	Immediate Parent ----- -----	Under Laws ----- -----
	Atlantic Richfield Company (Registrant)		Delaware
	Significant subsidiaries of Registrant in consolidated financial statements, as of December 31, 1993:		
100.0	ARCO Alaska, Inc.		Delaware
83.3	ARCO Chemical Company		Delaware
100.0	ARCO Transportation Alaska, Inc.		Delaware
100.0	Vastar Resources, Inc.		Delaware

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The subsidiaries whose names are not listed above, if considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

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 <SEQUENCE>7
 <DESCRIPTION>CONSENT OF ACCOUNTANTS
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EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the following registration statements of Atlantic Richfield Company, Registration Statement on Form S-8 (No. 33-43830), Registration Statement on Form S-8 (No. 33-21558), Post-Effective Amendment No. 4 to Registration Statement on Form S-8 (No. 33-21160), Post-Effective Amendment No. 4 to Registration Statement on Form S-8 (No. 33-23639), Post-Effective Amendment No. 4 to Registration Statement on Form S-8 (No. 33-21162), Post-Effective Amendment No. 4 to Registration Statement on Form S-8 (No. 33-21553), Post-Effective Amendment No. 4 to Registration Statement on Form S-8 (No. 33-23640), and Post-Effective Amendment No. 4 to Registration Statement on Form S-8 (No. 33-21552) of our report dated February 11, 1994, on our audits of the consolidated financial statements and financial statement schedules of Atlantic Richfield Company as of December 31, 1993 and 1992 and for each of the three years in the period ended December 31, 1993, which report is included in this Annual Report on Form 10-K.

COOPERS & LYBRAND

Los Angeles, California

March 1, 1994

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-----END PRIVACY-ENHANCED MESSAGE-----