

**PLAINTIFF'S
EXHIBIT**

CEL-487

CONTRACT

Between

**FIRST CITY NATIONAL BANK OF HOUSTON,
as Trustee of the Gulf Oil Foundation**

And

CELANESE CORPORATION

**Effective
June 1, 1967**

CONTRACT

THIS AGREEMENT made and entered into as of the beginning of business on June 1, 1967, by and between FIRST CITY NATIONAL BANK OF HOUSTON as Trustee of the Gulf Oil Foundation, a charitable trust, (herein referred to as "Seller"), and CELANESE CORPORATION, a Delaware corporation, (herein referred to as "Buyer");

WITNESSETH:

Subject of Sale

1.01 Seller agrees to sell and Buyer agrees to purchase two hundred (200) shares, consisting of one hundred forty (140) shares of Class A and sixty (60) shares of Class B, of the common stock (sometimes hereinafter referred to as the "Stock") of Pontiac Refining Corp., a Texas corporation, (herein referred to as "Pontiac"), said shares constituting all of the issued and outstanding shares of said corporation, for the price and upon the terms and conditions herein contained.

Purchase Price

2.01 Buyer agrees to pay for said shares of stock a total price of Twenty-two Million Dollars (\$22,000,000.00), Five Million Dollars (\$5,000,000.00) of which shall be paid at the closing described below and the balance of which shall be evidenced by and payable according to the terms of a five and three-eighths percent (5-3/8%) subordinated debenture (hereinafter referred to as the "Debenture") to be executed and delivered by Buyer to Seller in the form attached hereto, marked Exhibit A, and by reference made a part hereof.

Seller's Warranties,
Representations and Covenants

3.01 In consideration of the purchase by Buyer of the Stock, Seller warrants, guarantees and represents to, and covenants with Buyer that:

(1) Pontiac Refining Corp. is a corporation duly incorporated, organized, and existing under and by virtue of the laws of the State of Texas. All license and franchise taxes which have heretofore become due and payable have been duly paid and said corporation is in

good standing in the State of Texas.

(2) There are issued and outstanding two hundred (200) shares, consisting of one hundred forty (140) shares of Class A and sixty (60) shares of Class B, of common stock of Pontiac, and no more, all of which are owned by Seller; said two hundred (200) shares are fully paid and nonassessable; there are no other classes of Pontiac stock outstanding; and there are no warrants, options, or other rights outstanding which would entitle any person or other entity to purchase or otherwise acquire any common stock of Pontiac.

(3) The Stock was acquired by Seller under the terms of the Agreement dated April 27, 1960, between Gulf Oil Corporation, a Pennsylvania corporation (therein called the "Grantor"), and First City National Bank of Houston, a national banking association having its principal office in Houston, Texas (therein called the "Trustee"). Under the terms of that Agreement Seller is directed not to dispose of the Stock without the prior consent of the Board of Directors of the Grantor, evidenced by a certified copy of a resolution

of said Board, but is, subject to such consent, otherwise fully authorized and empowered to sell the Stock under and pursuant to the terms of this Contract.

(4) The financial condition of Pontiac as of the close of business on May 31, 1967, is truly and accurately reflected by the Certified Balance Sheet of said corporation attached hereto, marked Exhibit B, and by reference made a part hereof; Pontiac owns and has good and valid title to the assets listed and reflected upon said Balance Sheet except such imperfections of title, easements, and encumbrances, if any, as are not substantial in character, amount or extent and do not materially detract from the value or interfere with the present use of the properties subject thereto or affected thereby or otherwise materially impair business operations; there are no liabilities, contingent or otherwise, not reflected upon said Balance Sheet or described in the Balance Sheet notes annexed thereto, and the reserves as therein provided are adequate and sufficient for the purposes stated; there have been shown as liabilities on said Balance Sheet adequate and suf-

ficient accruals for income taxes under presently existing tax statutes which will be due on that portion of the business of Pontiac transacted prior to June 1, 1967, and adequate and sufficient accruals for five-twelfths (5/12) of the 1967 ad valorem taxes, based upon 1966 assessments, upon the real and personal properties of Pontiac; said Balance Sheet has been truly and accurately prepared in accordance with accepted accounting procedures.

In the event Pontiac should suffer or incur any loss on account of the failure of title to any of the assets listed and reflected on said Balance Sheet, and if such is substantial in character, amount or extent and will materially detract from the value or interfere with the present use of the properties subject thereto or affected thereby or otherwise materially impair business operations, then it is agreed that the purchase price for said Stock will be reduced as of the date such loss, if any, is sustained by Pontiac Refining Corp. to the extent of such loss, if any.

On August 1, 1968, Buyer will submit to the

Seller a report, certified by a firm of independent Certified Public Accountants, acceptable to both parties, indicating the status of all liabilities, including reserves, appearing on the Balance Sheet of Pontiac Refining Corp. as at May 31, 1967.

In the event such report discloses that Pontiac suffered or incurred any loss on account of any income tax arising out of any transaction occurring prior to June 1, 1967, in excess of the reserve for such income tax liability, or incurred any loss on account of any liability other than income taxes if asserted prior to June 1, 1968, whether vested or contingent, known or unknown, not disclosed and reflected upon the Balance Sheet of Pontiac Refining Corp. as at May 31, 1967, or described in the notes annexed thereto, or in excess of the reserves for such liability as shown thereon, then it is agreed that the purchase price for said Stock will be reduced, as of the date such loss is sustained by Pontiac by the amount of any such loss.

In the event such report discloses that the

on or before May 31, 1977.

Notwithstanding anything to the contrary contained in this Paragraph (4), in the event Pontiac should suffer any loss on account of the assertion of any income tax after June 1, 1968, applicable to any period up to June 1, 1967, not closed by any applicable statute of limitations, Buyer and Seller agree that the purchase price of the Stock shall be reduced by the amount of any such loss.

. If any loss is sustained by Pontiac which, under the terms of this Paragraph (4), reduces the purchase price of the Stock, the reduction in the purchase price shall be made by crediting the amount of the loss against the unpaid principal balance of the Debenture to be applied against installments owing thereon in the inverse order of maturity, but in the event the Debenture has been transferred by Seller at the time any such loss is sustained by Pontiac and the then holder of the Debenture will not concur in the crediting thereon of any such loss as herein provided, Seller, in its capacity as Trustee of the Gulf Oil Foundation, shall

then reimburse Buyer for the amount of such loss.

(5) There has been issued to Seller, as owner of the corporate stock of Pontiac, by the Oil Import Administration of the Department of Interior of the United States of America for the calendar year 1967 an allocation of imports of crude oil and unfinished oils and to Pontiac, at the request of Seller, licenses based thereon in the aggregate amount of two million three thousand one hundred twenty (2,003,120) barrels.

(6) There are no lawsuits pending against Pontiac except those listed and described in the Schedule of Litigation attached hereto, marked Exhibit C, and by reference made a part hereof, and there are no claims against Pontiac to the knowledge of Pontiac's officers not included in the Balance Sheet attached hereto as Exhibit B.

(7) There are no outstanding contracts heretofore entered into by Pontiac which impose obligations on Pontiac exceeding twenty-five thousand dollars (\$25,000.00) extending beyond December 31, 1967, or not cancellable by Pontiac on or prior to December 31,

1967, except those listed on the Schedule of Long Term Contracts attached hereto, marked Exhibit D, and by reference made a part hereof.

(8) Seller is acquiring the Debenture for investment and without any present intention of making any public offering or effectuating any distribution of said Debenture.

(9) Between the date as of which this Contract is executed and the closing date hereinafter provided for, Seller, as the sole stockholder of Pontiac, will cause Pontiac to maintain its corporate existence without change or modification in its articles of incorporation, bylaws, capital structure, or business operations. During such period of time Pontiac will not sell or dispose of any of its assets and will not incur any liabilities, except such dispositions of assets or incurrences of liabilities as may occur in the ordinary and usual course of business operations conducted in general by Pontiac as they have heretofore been conducted; Pontiac will continue in force and effect insurance policies providing insurance coverage in at

least an amount and covering the risks presently carried by it; Pontiac will not pay or declare any dividends or issue any additional stock or warrants, options, or other rights to acquire Pontiac stock or make any distributions, without the written consent of Buyer, of money or property of any kind to stockholders, officers, or directors, except payment of normal salaries, expenses, directors' and legal fees; and Pontiac will not enter into any contractual obligations extending beyond December 31, 1967, without the written consent of Buyer.

(10) In the event that, prior to the closing date hereinafter provided for, Pontiac should suffer at the refinery owned by it and located at 3400 Lawrence Drive, Corpus Christi, Texas, any fire, explosion, or other catastrophe loss of such severity as, in the reasonable judgment of Buyer, would result in damage not adequately covered by insurance policies of Pontiac then in effect or serious interruptions in the operation of the normal business of the refinery, then Buyer at its option may, at any time prior to said closing date, term-

inate this Contract by written notice to the Seller, and both parties shall be released of any liability hereunder.

(11) Seller agrees that the amount of any and all loss or damage which Buyer or Pontiac may sustain as a result of the breach or failure of the warranties, representations, and covenants herein made by Seller to Buyer, including but not limited to failure of title in whole or in part to the assets listed on Exhibit B hereto, or to the existence of any liabilities on the part of Pontiac whether known or unknown, disclosed or undisclosed, not reflected on Exhibit B or C hereto but hereafter asserted as a result of transactions or operations occurring prior to June 1, 1967, shall be credited, as of the date such loss is sustained if claim therefor is asserted prior to June 1, 1968 (except as to income taxes), as a prepayment against the unpaid principal balance of the Debenture, to be applied against installments owing thereon in the inverse order of maturity, but in the event the Debenture has been transferred by Seller as of the date such loss is sus-

tained and the then holder of the Debenture will not concur in the crediting thereon of any such loss as herein provided, Seller, in its capacity as Trustee of the Gulf Oil Foundation, shall then reimburse Buyer for the amount of such loss. In the event of any disagreement between Buyer and Seller as to whether or when, such a loss has been sustained or as to the amount of any such loss, those questions shall be determined only by a final judgment of a court of competent jurisdiction. Buyer agrees to give Seller prompt written notice of the assertion of any claim of which it receives knowledge and which is covered by this warranty and to afford Seller an opportunity to be represented by counsel of its own choosing and at its own expense to participate in the defense, negotiation, settlement, or other handling of any such asserted liability or obligation.

(12) The representations, warranties, agreements, and covenants herein contained shall be deemed to be effective and to speak, except where the context otherwise clearly requires, both as of the effective date of this Contract and as of the closing date herein provid-

ed for, and shall survive the closing of the sale which is the subject matter of this Contract.

Buyer's Warranties,
Representations and Covenants

4.01 In consideration of the sale by Seller of the Stock, Buyer warrants, guarantees and represents to, and covenants with Seller that so long as there remains any unpaid principal or interest under the terms of the Debenture, that:

(1) Neither Pontiac nor Buyer will create or suffer to exist any mortgage, pledge, security interest, lien, charge or other encumbrance of any kind, arising voluntarily or involuntarily, in favor of any party other than the holder of the Debenture, upon the Stock or upon any of the property or assets, whether now owned or hereafter acquired, of Pontiac without the prior written consent of Seller, except such encumbrances, if any, as are not substantial in character, amount or extent and do not materially detract from the value or interfere with the present use of the properties subject thereto or affected thereby or otherwise material-

ly impair business operations.

(2) All of the existing properties and assets of Pontiac and any additions thereto or replacements thereof will be maintained in good operating condition with such standard of care and maintenance as is customary from time to time in the petroleum refining industry.

(3) In the event that Pontiac should suffer any fire, explosion, or other catastrophe loss to its properties and assets, Buyer will cause Pontiac promptly to restore such properties to substantially the same condition as they were prior to such damage or destruction.

4.02 Any breach of the warranties, representations, or covenants contained in Paragraph 4.01 hereof shall constitute a default under the Debenture. In the event of such default Seller shall serve written notice thereof upon Buyer who shall have a period of thirty (30) days from the receipt of such notice within which to take all action necessary to eliminate the existence of such default. If at the end of such thirty (30) day period the default still exists, then Seller may declare the full unpaid balance under the terms of the Debenture to be immediately due and payable.

Closing Procedure

5.01 Immediately following the execution of this Contract by the parties hereto Seller will undertake to obtain approval hereof on behalf of the general public, which is the beneficiary of Gulf Oil Foundation, a charitable trust, either by the written consent of the Attorney General of the State of Texas or by the institution of a judicial proceeding against the Attorney General of the State of Texas in a Texas District Court of competent jurisdiction to be selected by Seller and the rendition of a final unappealable judgment therein approving Seller's execution and performance of this Contract. The closing of the sale as herein provided is conditioned upon the obtaining of such written consent by the Attorney General of the State of Texas or such final judgment against him. If such consent or final judgment is not obtained by September 15, 1967, either party hereto may terminate this Contract by written notice to the other.

5.02 On September 15, 1967, or on any other mutually acceptable date if selected and agreed to in writing by the parties hereto prior to September 15, 1967, duly author-

ized representatives of Seller and Buyer will meet in the office of Seller in Houston, Texas, to close the sale which is the subject matter of this Contract.

5.03 The closing of such sale shall for all purposes be made effective as of the beginning of business on June 1, 1967.

5.04 At the closing Seller will deliver to Buyer the following items:

(1) A properly executed certificate transferring the Stock, effective June 1, 1967, from Seller to Buyer, together with evidence that all state transfer taxes which may become due and payable with respect to the transfer and sale of the Stock have been properly paid by Seller.

(2) A certified copy of a resolution of the Board of Directors of Gulf Oil Corporation granting consent to the sale of the Stock pursuant to the terms of this Contract.

(3) The written consent of the Attorney General of the State of Texas or a certified copy of a final judgment rendered against him as required by Paragraph

5.01 hereof.

5.05 At the closing Buyer will deliver to Seller the following items:

(1) Buyer's check payable to Seller in the amount of five million dollars (\$5,000,000.00).

(2) The five and three-eighths percent (5-3/8%) subordinated Debenture in the form of Exhibit A dated June 1, 1967, and properly executed by Buyer.

(3) A certified copy of a resolution of the Board of Directors of Buyer authorizing its purchase of the Stock and its execution of the Debenture pursuant to the terms of this Contract.

(4) The written opinion of Cantey, Hanger, Gooch, Cravens & Scarborough, Attorneys at Law, of Fort Worth, Texas, that Celanese Corporation is a corporation duly incorporated, organized, and existing under and by virtue of the laws of the State of Delaware and in good standing therein, and duly licensed to do business and in good standing in the State of Texas, and that this Contract and the Debenture have been executed on behalf of Celanese Corporation by proper and duly authorized

officers thereof and that said Debenture constitutes a valid and subsisting indebtedness of Celanese Corporation in accordance with its terms subordinate as of the date of its issue only to such Superior Indebtedness, as defined in the Debenture, as shall be identified in said written opinion.

General Provisions

6.01 All notices or other communications given pursuant to the terms of or in connection with this Contract shall be in writing and shall be sent by certified mail or otherwise delivered to either of the parties hereto, as the case may be, addressed as follows:

Notices to Seller:

First City National Bank of Houston
1101 Main
Houston, Texas 77002
Attention George F. Neff

With carbon copy to

David T. Searls
Vinson, Elkins, Weems & Searls
21st Floor First City National Bank Building
Houston, Texas 77002

Notices to Buyer:

Celanese Corporation
522 Fifth Avenue
New York, New York 10036
Attention James Scott Hill

With carbon copy to

Cecil E. Munn
Cantey, Hanger, Gooch, Cravens & Scarborough
1800 First National Building
Fort Worth, Texas 76102

or at such other address as either party shall from time to time designate for the purpose in writing to the other party.

6.02 Neither this Contract nor any provisions hereof may be changed, waived, discharged, or terminated orally but only by an instrument in writing signed by the party against which enforcement of the change, waiver, discharge, or termination is sought.

6.03 Upon the written request of Seller Buyer will execute and deliver to Seller several debentures identical in form and content with and in substitution for the Debenture attached hereto as Exhibit A except in such lesser amounts as Seller may specify but aggregating the then unpaid balance of the original Debenture and Seller shall simultaneously return to Buyer the original Debenture in ex-

change therefor, which such request will in no event be made by Seller earlier than one year from the date hereof.

6.04 This contract shall be construed in accordance with and governed by the laws of the State of Texas.

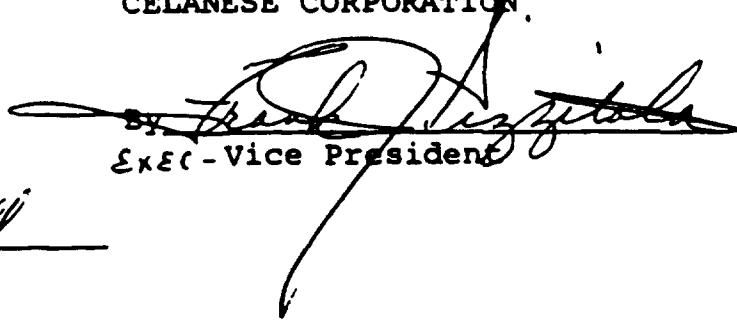
6.05 This Contract embodies the entire agreement and understanding between the parties and supersedes all prior agreements and understandings relating to the subject matter of this Contract between Seller and Buyer or any subsidiary corporation of Buyer.

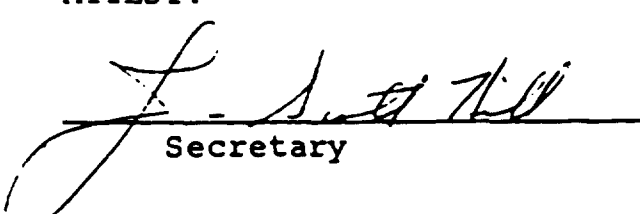
6.06 The provisions hereof shall be binding upon and inure to the benefit of the parties hereto, their successors and assigns.

IN WITNESS WHEREOF Seller and Buyer have caused this Contract to be duly executed in FOUR counterparts, by their proper officers on the 31st day of July, 1967, and to be effective as of the day and time first above stated.

CELANESE CORPORATION

ATTEST:

By 
Exec - Vice President


Secretary

FIRST CITY NATIONAL BANK OF HOUSTON
Trustee of the Gulf Oil Foundation

ATTEST:

By J. Melvin
~~President~~ Chairman

Jack Patterson
Vice President and Cashier

\$ 17,000,000.00

CELANESE CORPORATION

5-3/8% Subordinated Debenture

In installments as hereinafter set forth, CELANESE CORPORATION, a Delaware corporation (herein referred to as the "Company"), for value received, hereby promises to pay to the order of FIRST CITY NATIONAL BANK OF HOUSTON, as Trustee of the GULF OIL FOUNDATION (hereinafter referred to as the "Bank") the principal sum of SEVENTEEN MILLION AND NO/100 DOLLARS (\$17,000,000.00) at the office of the Bank in Houston, Texas, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debt, and to pay interest on the unpaid balance thereof at the rate of 5-3/8% per annum at that office from the date of this Debenture in like coin or currency on the last day of each of the months of May and November of each year until payment of said principal sum has been made, with the first such interest payment being due on November 30, 1967.

any future date, the Bank shall deem it advisable to do so and same does not violate any applicable securities laws or regulations.

As used in this Debenture the term "Superior Indebtedness" shall mean:

- (a) 5-3/4% promissory notes due April 1, 1980, of the Company originally issued in 1960 in aggregate principal amounts not exceeding \$50,000,000 as such notes may heretofore have been, or hereafter be, amended or supplemented;
- (b) 3-1/2% debentures due October 1, 1976, of the Company originally issued in 1951 in aggregate principal amounts not exceeding \$50,000,000 as such debentures and the indenture entered into in connection therewith may heretofore have been, or hereafter be, amended or supplemented;
- (c) 4-3/4% promissory notes due April 1, 1990, of the Company originally issued in 1966 in aggregate principal amounts not exceeding \$75,000,000 as such promissory notes may heretofore have been, or hereafter be, amended or supplemented;
- (d) all indebtedness previously incurred by the Company outstanding at the date hereof for borrowed money which is, in the discretion of the Company, specifically designated by the Company as Superior Indebtedness for the purposes hereof at the date hereof;
- (e) all indebtedness incurred by the Company after the date hereof for borrowed money which is, in the discretion of the Company, specifically designated by the Company as Superior Indebtedness for the purposes hereof in the instruments evidencing said indebtedness at the time of issuance thereof; and

(f) any deferrals, renewals or extensions of any such Superior Indebtedness, or debentures, notes or other evidences of indebtedness issued in exchange for such Superior Indebtedness.

The Company covenants and agrees, and any holder of this Debenture by its acceptance of this Debenture likewise covenants and agrees, that this Debenture shall, for all purposes and in all respects without limitation be subordinate and subject in right of payment to the prior payment in full in money or money's worth of all Superior Indebtedness; provided, however, that principal and interest may be paid from time to time upon this Debenture subject to specific limitations contained herein. No payment on account of principal or interest on this Debenture shall be made unless full payments of amounts then due for principal, premium, if any, sinking funds and interest on all Superior Indebtedness has been made or duly provided for in money or money's worth. No payment on account of principal or interest on this Debenture shall be made if, at the time of such payment or immediately after giving effect thereto, there shall exist under any Superior Indebtedness or any agreement pursuant to which any Superior Indebtedness is issued, any default or condition, event or act, which with notice or

lapse of time, or both, would constitute a default. 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, premium, if any, any interest due or to become due upon all Superior Indebtedness shall first be paid in full, or payment thereof provided for in money or money's worth, before the holder of this Debenture shall be entitled to retain any assets, paid or distributed in respect of this Debenture (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, to which the holder of this Debenture would be entitled except for the provisions hereof, 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 of this Debenture if received by it, directly to the holders of

Superior Indebtedness (pro rata to each such holder on the basis of the respective amount of Superior Indebtedness held by such holder) or their representatives, to the extent necessary to pay all Superior Indebtedness in full, in money or money's worth, after giving effect to any concurrent payment or distribution to or for the holders of Superior Indebtedness, before any payment or distribution is made to the holder of this Debenture. The holder of this Debenture will take such action as may be necessary or appropriate to effectuate subordination as provided for in this Debenture.

The Company covenants and agrees that in no event will the Company agree to subordinate this Debenture in favor of any indebtedness incurred by the Company after the date hereof for borrowed money (a) which is not specifically designated by the Company as Superior Indebtedness for the purposes hereof in the instruments evidencing such indebtedness at the time of issuance thereof or (b) which is subordinated by its terms to Superior Indebtedness.

Notwithstanding anything else herein contained, if any installment or installments of either principal or interest on this Debenture shall not be paid when due, and any

such default is not cured within thirty (30) days after notice thereof is forwarded to Company by telegram or registered or certified mail, addressed to Celanese Corporation, office of the President, 522 Fifth Avenue, New York, New York 10036, or such other address as the Company shall designate from time to time to the holder hereof, then, or any time thereafter during the continuance of such default, the entire principal of this Debenture remaining at that time unmatured, together with the then accrued interest thereon, shall, at the election of the legal holder hereof, and without further notice of such election and without further demand or presentment, become immediately due and payable at the place of payment aforesaid, and the legal owner and holder hereof may take all such action as such holder may deem necessary or appropriate to effect the collection of all sums then due and owing on this Debenture. Any such overdue installments of principal or interest shall bear interest at the rate of 6-3/8% per annum from the due date thereof until the date of payment.

The validity, performance, construction and effect of this Debenture shall be governed by the laws of the State

of New York.

Dated: Houston, Texas
June 1, 1967

CELANESE CORPORATION

By _____
Vice President

ATTEST:

Secretary

--oOo--
BALANCE SHEET
OF
PONTIAC REFINING CORP.
MAY 31, 1967

--oOo--

M. R. WEISER & Co.
Certified Public Accountants
30 EAST 40th ST. NEW YORK 18, N.Y.

EXHIBIT "B"

M.R. WEISER & Co.

Certified Public Accountants

30 EAST 40TH ST. NEW YORK 16, N.Y.

MURRAY HILL 9-8888

To the Board of Directors
Pontiac Refining Corp.

We have examined the balance sheet of Pontiac Refining Corp. as at May 31, 1967. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet presents fairly the financial position of Pontiac Refining Corp. at May 31, 1967 (subject to the effect of the final determination of amounts due for sales price adjustment and other liabilities (not included elsewhere in the balance sheet), net of federal income taxes, referred to in note 1.), in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.


CERTIFIED PUBLIC ACCOUNTANTS

New York, N. Y.
July 10, 1967

PORTIAC REFINING CORP.

BALANCE SHEET

AS AT MAY 31, 1967

A S S E T S

Current assets:

Cash

Accounts receivable - trade

\$ 6,253,103

5,146,552

Inventories - at contract or market selling price:

Refined oils and blending stocks

Crude oils

Tetraethyl of lead and other additives

\$ 1,764,826

2,777,981

109,006

Materials and supplies (including reserve stock of platinum) - at cost

4,651,813

Prepaid insurance and other expenses

775,489

281,578

Total current assets

15,108,535

Fixed assets:

Refinery property, plant and equipment - at cost:

Land and rights of way

Plant, lines and dock facilities (including platinum value of catalyst in refinery units)

Transportation equipment

Furniture and fixtures

715,909

26,070,090

119,500

159,428

Less - accumulated depreciation and amortization

Total fixed assets - at cost - less

accumulated depreciation and amortization

6,249,866

TOTAL ASSETS

\$21,357,401

LIABILITIES AND CAPITAL

Current liabilities:

Accounts payable:

Crude oils and blending stocks

Materials, supplies, expenses, etc

\$ 3,546,375

491,212

\$ 4,037,587

Accrued liabilities:

Estimated provision for sales price adjustment and other liabilities (not included elsewhere in the balance sheet) net of federal income taxes (note 1)

5,500,000

227,903

271,159

75,164

6,074,126

Total current liabilities

10,112,013

Deferred federal income taxes (note 3)

136,342

Capital:

Common stock

2,000

1,375,823

9,751,223

Total capital

11,129,046

TOTAL LIABILITIES AND CAPITAL

\$21,357,401

(The accompanying notes are an integral part of this balance sheet)

PONTIAC REFINING CORP.

NOTES TO THE BALANCE SHEET

AS AT MAY 31, 1967

1. The balance sheet at May 31, 1967 includes an estimated provision for sales price adjustment and other liabilities (not included elsewhere in the balance sheet) net of federal income taxes, in the amount of \$5,500,000. In the event the final determination of sales price adjustment and other liabilities (not included elsewhere in the balance sheet) net of federal income taxes, are either more or less than the \$5,500,000 provided in the balance sheet, the resultant difference would effect a change in working capital with a change in the net worth of the Company at May 31, 1967.
2. Based on actuarial determinations at May 31, 1967, there remains unfunded \$601,245 of the Company's past service costs of the Basic Retirement Plan and \$272,274 of the Company's unfunded past service costs of the Supplementary Retirement Plan. The Company has been funding the past service costs of both plans over a period of fifteen years from January 1, 1965.
3. The Company, for federal income tax purposes, elected to use accelerated methods of depreciation on certain capital assets while using straight line depreciation on such capital assets for book and financial statement purposes. As a result, depreciation charges for income tax purposes exceeded depreciation charges for book and financial statement purposes. This has permitted the deferral, as at May 31, 1967, of \$136,342 of federal income taxes which will be payable in subsequent years when depreciation for income tax purposes is less than that recorded in the books and financial statements.
4. Federal income tax returns of the Company have been examined by the Internal Revenue Service throughout the fiscal year ended August 31, 1962 and all required additional taxes have been paid.
5. Two law suits have been brought against the Company in the United States District Court for the Southern District of Texas, Houston Division, one by Esso Research and Engineering Company on April 13, 1967 and the other by Mobil Oil Corporation on June 7, 1967. Each suit seeks an accounting for damages and to enjoin the Company from the use of the catalyst supplied to it by the Davison Chemical Division of W. R. Grace & Company, which is also named as a party defendant in each suit. Counsel for the Company advises that W. R. Grace & Company has assumed the defense of both suits under the indemnity provisions in the Company's purchase order to Grace, which, in the opinion of Counsel, adequately protects the Company against liability from these law suits.

EXHIBIT C.

1. A civil action has been commenced against the Corporation in the United States District Court for the Southern District of Texas, Houston, Division, by Esso Research and Engineering Company entitled Esso Research and Engineering Company vs. Pontiac Refining Corp. and W. R. Grace & Company. The summons and complaint were served on the Corporation on April 13, 1967. The plaintiff seeks an accounting for damages and plaintiff's costs and disbursements for an alleged patent infringement by the Corporation in the use of a catalyst supplied to it by the Davison Chemical Division of W. R. Grace & Company. W. R. Grace & Company has assumed the defense of this action under an indemnity agreement. The attorneys for W. R. Grace have appeared in the action on behalf of the Corporation.

2. Civil action has been commenced against the Corporation in the United States District Court for the Southern District of Texas, Houston Division, by Mobil Oil Corporation entitled Mobil Oil Corporation vs. W. R. Grace & Company and Pontiac Refining Corp. The summons and complaint were served on the Corporation on June 7, 1967. The plaintiff seeks an accounting for damages and plaintiff's costs and disbursements for an alleged patent infringement by the Corporation in the use of a catalyst supplied to it by the Davison Chemical Division of W. R. Grace & Company. W. R. Grace & Company has assumed the defense of this action under an indemnity agreement. The attorneys for W. R. Grace have appeared in the action on behalf of the Corporation.

3. A civil action has been commenced in the 36th Judicial District Court of San Patricio County, Texas, Cause No. 13,436, styled Walter C. Atchely vs. The Superior Oil Company et al. This is a suit to have declared a 14,000 acre vacancy. Since Pontiac Refining Corporation was purchasing oil from Superior Oil Company, it is made a defendant in the case. Pontiac's liability would be for the value of the oil purchased, but Superior Oil Company has guaranteed and warranted title to such oil.

EXHIBIT D

PURCHASE CONTRACTS

1. Purchase Orders as per schedule delivered to Buyer or
 Purchase Orders by number entered into through May 11, 1967. Purchase
 Orders subsequent to such date have been entered into only in
 the ordinary course of business and are available to Buyer upon
 request.

2. Other Purchase Contracts

1. Cardinal Corporation dated 1/9/67 for approximately
 4,500 bpd field condensates and/or distillates to 1/31/67 and month
 to month thereafter, cancelable by either party on 30 days notice.

2. Cardinal Corporation dated 1/13/67 for approximately
 3,000 bpd field condensates and/or distillates to 12/31/67 and
 month to month thereafter, cancelable by either party on 90 days
 notice.

3. Champlin Petroleum Company dated 4/26/65, as amended
 2/7/67 and 3/15/67 for Champlin's entire daily production of plant
 condensate produced at its Gulf Plains Plant, cancelable by either
 party on any December 31st on 6 months notice.

4. Clymore Petroleum Corporation dated 12/3/63, as amended
 1/6/67 and 1/19/67 for 1,000 bpd of field condensates and/or dis-
 tillates and crude oil mixtures, cancelable by either party at end
 of any month on 30 days notice.

and Section 2 Fields in San Patricio County, Texas, Maximum 9,000 bpd cancelable by either party on any April 1st on 3 months notice.

13. Sinclair Oil & Gas Company and Nueces Industrial Gas Company (guaranteed by Coastal States Gas Producing Company) dated 12/12/61 for the first ten million cubic feet per day of fuel gas requirements through 12/31/71.

14. Humble Oil & Refining Company - Oil Purchase/Sale Contract dated 2/2/67 for 5,000 bpd of common stream Refugio Light Texas Crude Oil from 1/1/67 to 1/1/68.

15. U.O.P. Process Division of Universal Oil Products Company - Platforming Catalyst Supply Contract dated 10/1/66, cancelable by either party on 6 month's notice after the unsatisfied minimum purchase obligations have been fulfilled.

16. U.O.P. Process Division of Universal Oil Products Company - Hydrar Catalyst Supply Contract dated 12/1/66, cancelable by either party on 6 months' notice after the unsatisfied minimum purchase obligations have been fulfilled.

EXHIBIT D.

II.

SALES CONTRACTS

1. Celanese Corporation of America - Propane Agreement dated 8/1/57, as amended 1/4/66 and 10/1/66 for all Pontiac's propane production subject to reduction to 70% by Celanese, cancelable by either party on any July 31st on 3 months' notice.

2. Gulf Oil Corporation - Products Purchase Contract dated 4/27/60, as amended, for term of 15 years and year to year thereafter unless terminated by Gulf at end of 10th year or any subsequent year on 2 years' notice, and unless terminated by Pontiac at end of 15th year or subsequent year on 2 years' notice.

3. Messrs. Johann Haltermann, Hamburg, Germany dated 7/1/59 (formerly with Great Southern Chemical Corporation assigned to Pontiac on 12/31/62) for Toluene, Xylene and Solvent Naptha, cancelable by either party on any June 30th on 3 months' notice.

4. Hess Oil & Chemical Corporation dated 6/1/65 for approximately 274 bpd of slurry oil, expired 6/1/66, amended 12/7/66 to include mutually agreeable quantities to be delivered from 11/1/66 to 7/1/67 and amended 6/9/67 to extend to 1/1/68.

5. Monsanto Company proposed contract for 5,500,000 pounds annually of Ortho-Xylene 95%, from 6/9/67 to 6/8/70 - signed by Pontiac and transmitted to Monsanto for signature 6/9/67.

6. Gulf Oil Corporation dated 6/1/64 as amended for Pontiac's production of Cyclohexane up to maximum of 12,000,000 gallons per year from 1/1/65 to 1/1/70 and year to year thereafter, cancelable by either party at end of term or any year thereafter on 6 months' notice.

7. Gulf Oil Corporation dated 4/27/60 Annual Adjustment Agreement, as amended.

UOP PROCESS AND SERVICE CONTRACTS

1. U.O.P. Hydrotreating Process License Agreement dated 11/15/58, as amended, expires 11/15/75. Pontiac may terminate on 60 days notice after 11/15/68.

2. U.O.P. Platforming License Agreement dated 6/1/56, as amended, expires 8/31/62. Pontiac may terminate on 60 days notice.

3. U.O.P. HF Alkylation Process License Agreement dated 8/1/62, expires 8/10/80. Pontiac may terminate after 8/10/75 on 60 days notice.

4. U.O.P. Hydrar Process License Agreement dated 4/27/64, expires 3/5/80.

5. U.O.P. Udex Process License Agreement dated 3/1/58 (originally with Great Southern Chemical Corporation), expires 10/23/68. Pontiac may terminate on 60 days notice.

6. U.O.P. and Union Oil Company of California - Unifining Process Agreement dated 2/3/56, as amended 12/5/63, from 12/27/57 to 12/27/67 plus renewal of 5 years, such renewal cancelable prior to and during such 5 year period by either party on 60 days notice.

7. U.O.P. Catalytic Condensation Process License Agreement dated 3/3/50, as amended. Pontiac may terminate on 60 days notice after 12/1/60.

EXHIBIT D:

IV

MAINTENANCE, SERVICE & MISCELLANEOUS CONTRACTS

1. Braselton Construction Co. - maintenance and construction services agreement dated 6/1/61, as amended 4/19/62, 1/1/64, 10/6/66 and 4/1/67. Cancelable by either party on 30 days notice.
2. Mercury Construction Co. - maintenance and construction services agreement dated 6/1/61, as amended 1/5/62, 1/4/63, 12/31/62 and 4/11/67. Cancelable by either party on 30 days notice.
3. Nueces Painting & Sand Blasting Co. - maintenance and construction services agreement dated 6/1/61. Cancelable by either party on 30 days notice.
4. Sisemore, H. S. & Sons - maintenance and construction services agreement dated 7/31/61, as amended 11/1/65. Cancelable by either party on 30 days notice.
5. Central Power & Light Co. - electric service contracts Nos. 5807 and 5894 dated 8/1/65 and continuing until 8/1/70 and month to month thereafter.

EXHIBIT D.

V.

INSURANCE & LABOR CONTRACTS
PENSION & PROFIT SHARING PLANS

A. Insurance Contracts.

1. Commercial insurance contracts as per schedule annexed hereto and made a part hereof.
2. Massachusetts Mutual Life Insurance Company group policy No. GI 14,796, one-year term commencing March 1, 1967. This policy provides life and accidental death and dismemberment coverage for an estimated annual premium payable by Pontiac of \$43,164.00 and family monthly comprehensive major medical coverage for an estimated annual premium payable by Pontiac of \$33,696.00.
3. Life Insurance Company of North America, Policy No. LK 1954, one-year term commencing March 1, 1967. This policy provides long-term disability income protection for an estimated annual premium payable by Pontiac of \$11,688.00.

B. Labor Contract.

1. Labor contract with Pontiac Employees Federation dated 7/1/64, as amended expires 7/1/67. This contract has now been renewed for a two-year period expiring 7/1/69.

C. Pension & Profit Sharing Plans.

1. Retirement plan for employees effective 7/1/60. A non-contributory plan in which all permanent, regular employees of the company are automatically members.
2. Supplementary retirement plan for employees effective 1/1/65. A contributory plan which is mandatory for all persons hired after 1/1/65 and all permanent, regular employees are eligible as soon as their wages or salaries exceed \$6,000.
3. Thrift plan for employees effective 1/1/60. A voluntary profit sharing plan for all regular employees with at least three months service with the company.

SCHEDULE OF INSURANCE FOR PONTIAC REFINING CORP. - AS OF JUNE 1, 1967

<u>Coverage and Location</u>	<u>Amount of Limits</u>	<u>Term</u>	<u>Company</u>	<u>Policy No.</u>	<u>Premium</u>
Fire, Extended Coverage Vandalism & Malicious Mischief Covering - Item I - All property except Item II Item II - Crude Petroleum Prod., etc.	\$33,200,000 7,186,736 Provisional Provisional Amount Reduced to \$6,028,478	2/15/66-69	Aetna	184100	\$ 189,817. <u>5,444.</u> \$ 184,373.
Fire, Extended Coverage, Vandalism & Malicious Mischief - On Business Interruption. Gross Earnings Form - 80% Coins - 120 Hour Waiting Period	\$ 7,300,000	3/1/67-70	Aetna	184107	82,690.*
Boiler and Machinery - Direct Damage) Business Interruption) Non-ownership Explosion)	\$ 5,100,000 combined	9/6/66-69	Commercial Union of New York	1312A113370	\$ 32,418.
Comprehensive General Liability Personal Injury only	\$100/300,000	11/1/66-67	Pacific Ind.	ELAC 2 05 50	\$ 2,466.
Excess Comprehensive General Liability Personal Injury only	\$2,900,000 excess of \$100,000 \$3,700,000 excess of \$300,000	12/1/64-67	Lloyd's & Cos.	564/526914-5	\$ 6,750.
Comprehensive General Liability - (Foreign) Bodily Injury	\$100/300,000	7/6/66-67	Commercial of Newark	84-13400	\$ 50.

*Premium quoted at \$71,978 and now under discussion.

EXHIBIT D.

This Exhibit excludes various instruments such as easements, licenses, franchises and sidetrack agreements continuing beyond December 31, 1967, which were entered into in the ordinary course of business and which either are unsubstantial in character and do not materially affect the operations of Pontiac or do not impose upon Pontiac an obligation to make liquidated payments of \$25,000 or more.