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BP PRUDHOE BAY ROYALTY TRUST
Form 10-K/A
April 12, 2002

THE FOLLOWING ITEMS WERE THE SUBJECT OF A
FORM 12b-25 AND ARE INCLUDED HEREIN:
ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 1
TO
FORM 10-K

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

For the Fiscal Year ended December 31, 2001

OR

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

Commission File Number 1-10243

BP PRUDHOE BAY ROYALTY TRUST
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of incorporation or organization)

13-6943724
(I.R.S. Employer Identification No.)

THE BANK OF NEW YORK, TRUSTEE
5 PENN PLAZA, 13TH FLOOR
NEW YORK, NEW YORK
(Address of principal executive offices)

10001
(Zip Code)

Registrant's telephone number, including area code: (212) 896-7201

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

Title of Each Class -----	Name of Each Exchange on Which Registered -----
UNITS OF BENEFICIAL INTEREST	NEW YORK STOCK EXCHANGE

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

BP PRUDHOE BAY ROYALTY TRUST (THE "REGISTRANT") HEREBY AMENDS ITS ANNUAL
REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001 AS FOLLOWS:

1. BY INSERTING THE FOLLOWING ITEM 8 IN PART II THEREOF:

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

BP PRUDHOE BAY ROYALTY TRUST
INDEX TO FINANCIAL STATEMENTS

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1

INDEPENDENT AUDITORS' REPORT

Trustee and Holders of Trust Units of
BP Prudhoe Bay Royalty Trust:

We have audited the accompanying statements of assets, liabilities and trust corpus of BP Prudhoe Bay Royalty Trust as of December 31, 2001 and 2000, and the related statements of cash earnings and distributions and changes in trust corpus for each of the years in the three-year period ended December 31, 2001. These financial statements are the responsibility of the Trustee. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 the Trustee, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in note 2, these financial statements have been prepared on a modified basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and trust corpus of BP Prudhoe Bay Royalty Trust as of December 31, 2001 and 2000, and its cash earnings and distributions and its changes in trust corpus for each of the years in the three-year period ended December 31, 2001, on the basis of accounting described in note 2.

/s/KPMG LLP

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New York, New York
March 28, 2002

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BP PRUDHOE BAY ROYALTY TRUST

Statements of Assets, Liabilities and Trust Corpus
Prepared on a modified basis of cash receipts and disbursements

December 31, 2001 and 2000
(In thousands, except unit data)

	2001 -----	2000 -----
ASSETS		
Royalty Interest, net (notes 1,2 and 3)	\$ 18,077	20,085
Cash equivalents (note 2)	1,009	1,048
	-----	-----
Total assets	\$ 19,086	21,133
	=====	=====
LIABILITIES AND TRUST CORPUS		
Accrued expenses	\$ 522	464
Trust Corpus (40,000,000 units of beneficial interest authorized, 21,400,000 units issued and outstanding)	18,564	20,669
	-----	-----
Total liabilities and Trust Corpus	\$ 19,086	21,133
	=====	=====

See accompanying notes to financial statements.

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BP PRUDHOE BAY ROYALTY TRUST

Statements of Cash Earnings and Distributions
Prepared on a modified basis of cash receipts and disbursements

For the Years Ended December 31, 2001, 2000 and 1999

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(In thousands, except unit data)

	2001 -----	2000 -----	1999 -----
Royalty revenues	\$ 59,934	65,026	13,
Interest Income	70	92	
Less: Trust administrative expenses	(724)	(732)	(
Expense reserve	-	(500)	(
	-----	-----	-----
Cash earnings	\$ 59,280 =====	63,886 =====	12, =====
Cash distributions	\$ 59,319 =====	63,838 =====	12, =====
Cash distributions per unit	\$ 2.772 =====	2.983 =====	0. =====
Units outstanding	21,400,000 =====	21,400,000 =====	21,400, =====

See accompanying notes to financial statements.

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BP PRUDHOE BAY ROYALTY TRUST

Statements of Changes in Trust Corpus
Prepared on a modified basis of cash receipts and disbursements

For the Years Ended December 31, 2001, 2000 and 1999
(In thousands)

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	2001 ----	2000 ----	1999 ----
Trust Corpus at beginning of year	\$ 20,669	22,626	25,008
Cash earnings	59,280	63,886	12,205
Increase in cash reserve	-	500	487
Decrease (increase) in accrued expenses	(58)	6	(367)
Cash distributions	(59,319)	(63,838)	(12,205)
Amortization of Royalty Interest	(2,008)	(2,511)	(2,502)
	-----	-----	-----
Trust Corpus at end of year	\$ 18,564 =====	20,669 =====	22,626 =====

See accompanying notes to financial statements.

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BP PRUDHOE BAY ROYALTY TRUST

Notes to Financial Statements

Prepared on a modified basis of cash receipts and disbursements

December 31, 2001, 2000 and 1999

(1) FORMATION OF THE TRUST AND ORGANIZATION

BP Prudhoe Bay Royalty Trust (the "Trust"), a grantor trust, was created as a Delaware business trust pursuant to a Trust Agreement dated February 28, 1989 among The Standard Oil Company ("Standard Oil"), BP Exploration (Alaska) Inc. (the "Company"), The Bank of New York (The "Trustee") and The Bank of New York (Delaware), as co-trustee. Standard Oil and the Company are indirect wholly owned subsidiaries of the British Petroleum Company p.l.c. ("BP").

In 2000, the Company and certain other Prudhoe Bay working interest owners cross-assigned interests in the Prudhoe Bay Field pursuant to the Prudhoe Bay Unit Alignment Agreement. The Company retained all rights, obligations, and liabilities associated with the Trust. This transaction is not expected to have a material effect on the Turst's operation.

On February 28, 1989, Standard Oil conveyed an overriding royalty interest (the "Royalty Interest") to the Trust. The Trust was formed for the sole purpose of owning and administering the Royalty Interest. The Royalty Interest represents the right to receive, effective February 28, 1989, a per barrel royalty (the "Per Barrel Royalty") of 16.4246% on the lesser of (a) the first 90,000 barrels of the average actual daily net production of oil and condensate per quarter or (b) the average actual daily net production of oil and condensate per quarter from the Company's working interest in the Prudhoe Bay Field (the "Field") as of February 28, 1989,

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located on the North Slope of Alaska. Trust Unit holders will remain subject at all times to the risk that production will be interrupted or discontinued or fall, on average, below 90,000 barrels per day in any quarter. BP has guaranteed the performance by the Company of its payment obligations with respect to the Royalty Interest.

The trustees of the Trust are The Bank of New York, a New York corporation authorized to do a banking business, and The Bank of New York (Delaware), a Delaware banking corporation. The Bank of New York (Delaware) serves as co-trustee in order to satisfy certain requirements of the Delaware Trust Act. The Bank of New York alone is able to exercise the rights and powers granted to the Trustee in the Trust Agreement.

The Per Barrel Royalty in effect for any day is equal to the price of West Texas Intermediate crude oil (the "WTI Price") for that day less scheduled Chargeable Costs (adjusted in certain situations for inflation) and Production Taxes (based on statutory rates then in existence). For years subsequent to 2006, Chargeable Costs will be reduced up to a maximum amount of \$1.20 per barrel in each year if additions to the Field's proved reserves do not meet certain specific levels.

The Trust is passive, with the Trustee having only such powers as are necessary for the collection and distribution of revenues, the payment of Trust liabilities and the protection of the Royalty Interest. The Trustee, subject to certain conditions, is obligated to establish cash reserves and borrow funds to pay liabilities of the Trust when they become due. The Trustee may sell Trust properties only (a) as authorized by a vote of the Trust Unit holders, (b) when necessary to provide for the payment of specific liabilities of the Trust then due (subject to certain conditions) or (c) upon termination of the Trust. Each Trust Unit issued and outstanding represents an equal undivided share of beneficial interest in the Trust. Royalty payments are received by the Trust and distributed to Trust Unit holders, net of Trust expenses, in the month succeeding the end

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BP PRUDHOE BAY ROYALTY TRUST

Notes to Financial Statements (Continued)

(1), Continued

of each calendar quarter. The Trust will terminate upon the first to occur of the following events:

- (a) On or prior to December 31, 2010: upon a vote of Trust Unit holders of not less than 70% of the outstanding Trust Units.
- (b) After December 31, 2010: (i) upon a vote of Trust Unit holders of not less than 60% of the outstanding Trust Units, or (ii) at such time the net revenues from the Royalty Interest for two successive years commencing after 2010 are less than \$1,000,000 per year (unless the net revenues during such period are materially and adversely affected by certain events).

In order to ensure the Trust has the ability to pay future expenses, the Trust established a cash reserve account which management believes is sufficient to pay approximately one year's current and expected liabilities and expenses of the Trust.

(2) BASIS OF ACCOUNTING

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The financial statements of the Trust are prepared on a modified cash basis and reflect the Trust's assets, liabilities, Corpus, earnings and distributions as follows:

- (a) Revenues are recorded when received (generally within 15 days of the end of the preceding quarter) and distributions to Trust Unit holders are recorded when paid.
- (b) Trust expenses (which include accounting, engineering, legal, and other professional fees, trustees' fees and out-of-pocket expenses) are recorded on an accrual basis.
- (c) Amortization of the Royalty Interest is calculated based on the units of production attributable to the Trust over the production of estimated proved reserves attributable to the Trust at the beginning of the fiscal year (approximately 94,000,000, 0 and 65,000,000 barrels of estimated proved reserves were used to calculate the amortization of the Royalty Interest for the years ended December 31, 2001, 2000 and 1999 respectively). Such amortization is charged directly to the Trust Corpus, and does not affect cash earnings. The daily rate for amortization per net equivalent barrel of oil for the years ended December 31, 2001, 2000 and 1999 was \$0.37, \$0.47 and \$0.47 respectively. The Trust evaluates impairment of the Royalty Interest by comparing the undiscounted cash flows expected to be realized from the Royalty Interest to the carrying value, pursuant to Statement of Financial Accounting Standards No. 121 ("SFAS 121") "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of". If the expected future undiscounted cash flows are less than the carrying value, the Trust recognizes an impairment loss for the difference between the carrying value and the estimated fair value of the Royalty Interest (see note 3).

While these statements differ from financial statements prepared in accordance with accounting principles generally accepted in the United States of America, the cash basis of reporting revenues and distributions is considered to be the most meaningful because quarterly distributions to the Unit holders are based on net cash receipts.

As of December 31, 2001 and 2000, cash equivalents consist of US treasury bills with an initial term of less than three months. All interest income earned on the treasury bills are reinvested.

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BP PRUDHOE BAY ROYALTY TRUST

Notes to Financial Statements (Continued)

(2), Continued

Estimates and assumptions are required to be made regarding assets, liabilities and changes in Trust Corpus resulting from operations when financial statements are prepared. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ.

(3) ROYALTY INTEREST

The Royalty Interest is comprised of the following at December 31, 2001 and 2000 (in thousands):

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	2001 ----	2000 ----
Royalty Interest	\$ 535,000	535,000
Less: Accumulated amortization	(343,405)	(341,397)
Impairment write-down	(173,518)	(173,518)
	-----	-----
	\$ 18,077	20,085
	=====	=====

(4) INCOME TAXES

The Trust files its federal tax return as a grantor trust subject to the provisions of subpart E of Part I of Subchapter J of the Internal Revenue Code of 1986, as amended, rather than as an association taxable as a corporation. The Unit holders are treated as the owners of Trust income and Corpus, and the entire taxable income of the Trust will be reported by the Unit holders on their respective tax returns.

If the Trust were determined to be an association taxable as a corporation, it would be treated as an entity taxable as a corporation on the taxable income from the Royalty Interest, the Trust Unit holders would be treated as shareholders, and distributions to Trust Unit holders would not be deductible in computing the Trust's tax liability as an association.

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BP PRUDHOE BAY ROYALTY TRUST

Notes to Financial Statements (Continued)

(5) SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

A summary of selected quarterly financial information for the years ended December 31, 2001 and 2000 is as follows (in thousands, except unit data):

	1st Quarter -----	2nd Quarter -----	3rd Quarter -----	4th -----
2001				
Royalty revenues	\$ 19,932	14,418	13,269	
Interest income	19	17	23	
Trust administrative expenses	(158)	(253)	(269)	
	-----	-----	-----	
Cash earnings	19,793	14,182	13,023	
Cash distributions	19,777	14,167	13,096	
Cash distributions per unit	0.924	0.662	0.612	
2000				
Royalty revenues	\$ 12,105	16,841	16,425	
Interest income	-	16	11	
Trust administrative expenses	(164)	(274)	(232)	
Expenses reserve	(250)	(250)	-	
	-----	-----	-----	
Cash earnings	11,691	16,333	16,204	
Cash distributions	11,691	16,333	16,204	

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Cash distributions per unit	0.546	0.763	0.757
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(6) SUPPLEMENTAL RESERVE INFORMATION AND STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOW RELATING TO PROVED RESERVES (UNAUDITED)

Pursuant to Statement of Financial Accounting Standards No. 69 - "Disclosures About Oil and Gas Producing Activities" ("FASB 69"), the Trust is required to include in its financial statements supplementary information regarding estimates of quantities of proved reserves attributable to the Trust and future net cash flows.

Estimates of proved reserves are inherently imprecise and subjective and are revised over time as additional data becomes available. Such revisions may often be substantial. Information regarding estimates of proved reserves attributable to the combined interests of the Company and the Trust were based on Company-prepared reserve estimates. The Company's reserve estimates are believed to be reasonable and consistent with presently known physical data concerning the size and character of the Field.

There is no precise method of allocating estimates of physical quantities of reserve volumes between the Company and the Trust, since the Royalty Interest is not a working interest and the Trust does not own and is not entitled to receive any specific volume of reserves from the Field. Reserve volumes attributable to the Trust were estimated by allocating to the Trust its share of estimated future production from the Field, based on the WTI Price on December 31, 2001 (\$19.78 per barrel), December 31, 2000 (\$26.83 per barrel), and December 31, 1999 (\$25.60 per barrel). Because the reserve volumes attributable to the Trust are estimated using an allocation of reserve volumes based on estimated future production and on the current WTI Price, a change in the timing of estimated production or a change in the WTI price will result in a change in the Trust's estimated reserve volumes. Therefore, the estimated reserve volumes attributable to the Trust will vary if different production estimates and prices are used.

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BP PRUDHOE BAY ROYALTY TRUST

Notes to Financial Statements (Continued)

(6), Continued

In addition to production estimates and prices, reserve volumes attributable to the Trust are affected by the amount of Chargeable Costs that will be deducted in determining the Per Barrel Royalty. The Royalty Interest includes a provision under which, in years subsequent to 2006, if additions to the Field's proved reserves from January 1, 1988 (after certain adjustments) do not meet certain specified levels, Chargeable Costs will be reduced up to a maximum amount of \$1.20 per barrel in each year. Under the provisions of FASB 69, no consideration can be given to reserves not considered proved at the present time. Accordingly, in estimating the reserve volumes attributable to the Trust, Chargeable Costs were reduced by the maximum amount in years subsequent to 1998, after considering the amount of reserves that have been added to the Field's proved reserves from January 1, 1988.

Net proved reserves of oil and condensate attributable to the Trust as of December 31, 2001, 2000 and 1999 based on the Company's latest reserve estimate at such time, the WTI Prices on December 31, 2001, 2000, and 1999

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and a reduction in Chargeable Costs in years subsequent to 1998, were estimated to be 43, 91 and 94 million barrels, respectively (of which 43, 84, and 89 million barrels, respectively, are proved developed).

The standardized measure of discounted future net cash flow relating to proved reserves disclosure required by FASB 69 assigns monetary amounts to proved reserves based on current prices. This discounted future net cash flow should not be construed as the current market value of the Royalty Interest. A market valuation determination would include, among other things, anticipated price increases and the value of additional reserves not considered proved at the present time or reserves that may be produced after the currently anticipated end of field life. At December 31, 2001, 2000, and 1999 the standardized measure of discounted future net cash flow relating to proved reserves attributable to the Trust (estimated in accordance with the provisions of FASB 69), based on the WTI Prices on those dates of \$19.78, \$26.83, and \$25.60, respectively, were as follows (in thousands):

	December 31, 2001 ----	December 31, 2000 ----	December 31, 1999 ----
Future net cash flows	\$ 64,584	520,980	522,231
10% annual discount for estimated timing of cash flows	(17,543)	(214,733)	(217,504)
	-----	-----	-----
Standardized measure of discounted future net cash flow relating to proved reserves (a)	\$ 47,041 =====	306,247 =====	304,727 =====

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BP PRUDHOE BAY ROYALTY TRUST

Notes to Financial Statements (Continued)

(6), Continued

(a) The standardized measure of discounted future net cash flow relating to proved reserves, estimated without reducing Chargeable Costs in years subsequent to 1998, would be \$47,041,000, \$306,247,000, and \$304,727,000 at December 31, 2001, 2000 and 1999, respectively. The following are the principal sources of the change in the standardized measure of discounted future net cash flows (in thousands):

	2001 ----	2000 ----	1999 ----
Revisions of prior estimates:			
Reserve volumes	\$ 47,566	2,913	330,031

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WTI price	(314,380)	80,047	-
Chargeable costs - inflation	(24,397)	(26,302)	-
Production taxes	47,995	(10,571)	-
Other	956	(2,187)	2
	-----	-----	-----
	(242,260)	43,900	330,033
Royalty income received (b)	(44,842)	(72,853)	(25,306)
Accretion of discount	27,896	30,473	-
	-----	-----	-----
Net (decrease) increase during the year	\$ (259,206)	1,520	304,727
	=====	=====	=====

(b) Royalty income received for 2001, 2000 and 1999 includes the following:

Period October 1, 2001 through December 31, 2001	\$4,840
Period October 1, 2000 through December 31, 2000	\$19,932
Period October 1, 1999 through December 31, 1999	\$12,105

The above royalty income was received by the Trust in January 2002, 2001 and 2000, respectively.

The changes in quantities of proved oil and condensate were as follows (thousands of barrels):

Estimated net proved reserves of oil and condensate at December 31, 1999	93,582
Production	(5,410)
Reserve estimate revisions	2,539
Change caused by prices/costs	-

Estimated net proved reserves of oil and condensate at December 31, 2000	90,711
Production	(5,395)
Reserve estimate revisions	1,055
Change caused by prices/costs	(43,178)

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Estimated net proved reserves of oil and condensate at December 31, 2001	43,193
	=====

Proved reserves:

December 31, 1999	93,582
	=====
December 31, 2000	90,711
	=====
December 31, 2001	43,193
	=====

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2. BY AMENDING ITEM 14 IN PART III THEREOF TO READ AS FOLLOWS:

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) FINANCIAL STATEMENTS

The following financial statements of the Trust are included in Part II, Item 8:

Independent Auditors' Report

Statements of Assets, Liabilities and Trust Corpus as of December 31, 2001 and 2000

Statements of Cash Earnings and Distributions for the years ended December 31, 2001, 2000 and 1999

Statements of Changes in Trust Corpus for the years ended December 31, 2001, 2000 and 1999

Notes to Financial Statements

(b) FINANCIAL STATEMENT SCHEDULES

All financial statement schedules have been omitted because they are either not applicable, not required or the information is set forth in the financial statements or notes thereto.

(c) EXHIBITS

4.1 BP Prudhoe Bay Royalty Trust Agreement dated February 28, 1989 among The Standard Oil Company, BP Exploration (Alaska) Inc., The Bank of New York, Trustee, and F. James Hutchinson, Co-Trustee.

4.2 Overriding Royalty Conveyance dated February 27, 1989 between BP Exploration (Alaska) Inc. and The Standard Oil Company.

4.3 Trust Conveyance dated February 28, 1989 between The Standard Oil Company and BP Prudhoe Bay Royalty Trust.

4.4 Support Agreement dated as of February 28, 1989 among The British Petroleum Company p.l.c., BP Exploration (Alaska) Inc., The Standard Oil Company and BP Prudhoe Bay Royalty Trust.

(d) REPORTS ON FORM 8-K

No reports on Form 8-K were filed with the Securities and Exchange Commission by the Trust during the quarter ended December 31, 2001.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the

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Registrant has duly caused this amendment to be signed on its behalf by the undersigned, thereunto duly authorized.

BP PRUDHOE BAY ROYALTY TRUST

By: THE BANK OF NEW YORK, as Trustee

By: /s/Ming Shiang

Ming J. Shiang
Vice President

April 11, 2002

The Registrant is a trust and has no officers, directors, or persons performing similar functions. No additional signatures are available and none have been provided.