

OCCIDENTAL PETROLEUM CORP /DE/
Form 10-Q
November 02, 2012

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549
FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2012

OR
Transition Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission file number 1-9210

OCCIDENTAL PETROLEUM CORPORATION
(Exact name of registrant as specified in its charter)
Delaware

95-4035997

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

10889 Wilshire Boulevard
Los Angeles, California
(Address of principal executive offices)

90024
(Zip Code)

(310) 208-8800

(Registrant's telephone number, including area code)

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. R Yes £ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). R Yes £ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. (See definition of "accelerated filer", "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act):

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). £ Yes R No

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at September 30, 2012
Common stock \$.20 par value	810,183,910 shares

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES

TABLE OF CONTENTS

	PAGE	
Part I	Financial Information	
Item 1.	Financial Statements (unaudited)	
	Consolidated Condensed Balance Sheets — September 30, 2012 and December 31, 2011	2
	Consolidated Condensed Statements of Income — Three and nine months ended September 30, 2012 and 2011	4
	Consolidated Condensed Statements of Comprehensive Income — Three and nine months ended September 30, 2012 and 2011	5
	Consolidated Condensed Statements of Cash Flows — Nine months ended September 30, 2012 and 2011	6
	Notes to Consolidated Condensed Financial Statements	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	18
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	27
Item 4.	Controls and Procedures	27
Part II	Other Information	
Item 1.	Legal Proceedings	28
Item 1A.	Risk Factors	28
Item 2.	Share Repurchase Activities	28
Item 4.	Mine Safety Disclosures	28
Item 6.	Exhibits	29

PART I FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
SEPTEMBER 30, 2012 AND DECEMBER 31, 2011
(Amounts in millions)

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,760	\$ 3,781
Trade receivables, net	5,354	5,395
Marketing and trading assets and other	1,150	916
Inventories	1,297	1,069
Prepaid expenses and other	348	381
Total current assets	11,909	11,542
INVESTMENTS IN UNCONSOLIDATED ENTITIES	1,982	2,072
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation, depletion and amortization of \$26,934 at September 30, 2012 and \$23,687 at December 31, 2011	50,963	45,684
LONG-TERM RECEIVABLES AND OTHER ASSETS, NET	771	746
TOTAL ASSETS	\$ 65,625	\$ 60,044

The accompanying notes are an integral part of these consolidated financial statements.

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
SEPTEMBER 30, 2012 AND DECEMBER 31, 2011
(Amounts in millions)

	2012	2011
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 5,504	\$ 5,304
Accrued liabilities	2,282	2,533
Domestic and foreign income taxes	48	110
Total current liabilities	7,834	7,947
LONG-TERM DEBT, NET	7,622	5,871
DEFERRED CREDITS AND OTHER LIABILITIES		
Deferred and other domestic and foreign income taxes	6,111	4,846
Other	3,584	3,760
	9,695	8,606
STOCKHOLDERS' EQUITY		
Common stock, at par value	178	177
Treasury stock	(4,710)	(4,502)
Additional paid-in capital	7,398	7,286
Retained earnings	38,089	35,142
Accumulated other comprehensive loss	(481)	(483)
Total stockholders' equity	40,474	37,620
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 65,625	\$ 60,044

The accompanying notes are an integral part of these consolidated financial statements.

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011
(Amounts in millions, except per-share amounts)

	Three months ended		Nine months ended	
	September 30		September 30	
	2012	2011	2012	2011
REVENUES AND OTHER INCOME				
Net sales	\$ 5,965	\$ 6,006	\$ 18,001	\$ 17,905
Interest, dividends and other income	26	70	64	136
Gains on disposition of assets, net			1	22
	5,991	6,076	18,066	18,063
COSTS AND OTHER DEDUCTIONS				
Cost of sales	3,176	2,879	9,186	8,125
Selling, general and administrative and other operating expenses	394	242	1,163	1,071
Taxes other than on income	172	152	513	465
Exploration expense	69	39	263	185
Interest and debt expense, net	36	25	94	267
	3,847	3,337	11,219	10,113
Income before income taxes and other items	2,144	2,739	6,847	7,950
Provision for domestic and foreign income taxes	855	1,087	2,869	3,252
Income from equity investments	(90)	(123)	(293)	(301)
Income from continuing operations	1,379	1,775	4,271	4,999
Discontinued operations, net	(4)	(4)	(9)	138
NET INCOME	\$ 1,375	\$ 1,771	\$ 4,262	\$ 5,137
 BASIC EARNINGS PER COMMON SHARE				
Income from continuing operations	\$ 1.70	\$ 2.18	\$ 5.26	\$ 6.14

CUSIP No. 50047H201 Page 18 of 23 Pages

(b) The Fund has the sole power to vote and dispose of the 1,330,000 shares of Common Stock it currently holds. BBS Management, as the investment manager of the Fund, has the shared power to vote and dispose of the 1,330,000 shares of Common Stock held by the Fund. BBS GP, as the general partner of the Fund, has the shared power to vote and dispose of the 1,330,000 shares of Common Stock held by the Fund. BBS Capital, as the general partner of BBS Management and BBS GP, has the shared power to vote and dispose of the 1,330,000 shares of Common Stock held by the Fund. Berke Bakay, as the manager of BBS Capital, has the shared power to vote and dispose of the 1,330,000 shares of Common Stock held by the Fund and the 152,602 shares owned by a trust for the benefit of his children and the sole power to vote the 492,997 shares acquired in the private placement and the 314,982 shares of Common Stock that are issuable upon the exercise of all outstanding options held by Mr. Bakay.

As a result of the pledge of the option shares pursuant to the Pledge Agreement (as defined below), pursuant to Rule 13d-3(a) under the Act, the Zheng Reporting Persons may be deemed to share voting and dispositive power with respect to the option shares. The Zheng Reporting Persons have disclaimed beneficial ownership of such shares pursuant to Rule 13d-4 under the Act, and the BBS Reporting Persons concur in this disclaimer of such beneficial ownership.

Ahwanova has the sole power to vote and dispose of the 2,651,261 shares of Common Stock it holds. Ahwanova is wholly-owned by Wisdom Sail, which in turn is wholly-owned by Audrey & Aaron Holdings. Therefore, pursuant to Section 13(d) of the Act and the rules promulgated thereunder, Audrey & Aaron Holdings and Wisdom Sail may be deemed to have voting and dispositive power with respect to and have beneficial ownership of the 2,651,261 shares of

Common Stock held by Ahwanova. Mr. Zheng, as the sole director of each of Ahwanova, Wisdom Sail and Audrey & Aaron Holdings, may be deemed to have voting and dispositive power with respect to and have beneficial ownership of the 2,651,261 shares of Common Stock held by Ahwanova. Additionally, Mr. Zheng is deemed to own 50,000 shares of Common Stock that are issuable upon the exercise of all outstanding options held by Mr. Zheng. Thus, he is deemed to own 2,701,261 shares of Common Stock, which represents 20.3% of the Issuer's outstanding Common Stock.

Additionally, pursuant to Rule 13d-3(a) under the Act, the Zheng Reporting Persons may be deemed to share voting and dispositive power with respect to the underlying shares of the Options (as defined below) pledged by Berke Bakay to Ahwanova pursuant to the Pledge Agreement (as defined below). The Zheng Reporting Persons expressly disclaim beneficial ownership of such shares pursuant to Rule 13d-4 under the Act.

(c) On January 31, 2019, the Issuer granted Mr. Bakay an option to purchase 75,000 shares of Common Stock at \$1.13 per share as compensation for serving as a member of the Board, of which 25% become exercisable on each of April 30, 2019, July 31, 2019, October 31, 2019 and January 31, 2020.

On January 31, 2019, the Issuer granted Mr. Zheng an option to purchase 50,000 shares of Common Stock at \$1.13 per share as compensation for serving as a member of the Board, of which 25% become exercisable on each of April 30, 2019, July 31, 2019, October 31, 2019 and January 31, 2020.

(d) Not Applicable.

(e) Not Applicable.

CUSIP No. 50047H201 Page 19 of 23 Pages

Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer.

The description of the Second Option and the Third Option and the options granted pursuant to the Employment Agreement in Item 4 is hereby incorporated by reference.

Bakay Subscription Agreement

On May 2, 2018, the Issuer and Mr. Bakay entered into the Bakay Subscription Agreement, pursuant to which Mr. Bakay subscribed for 492,997 newly issued shares of Common Stock issued by the Issuer for an aggregate purchase price of \$880,000. Under the Bakay Subscription Agreement, the subscription price of the Common Stock was \$1.785 per share. This purchase was completed on May 4, 2018.

Wisdom Sail Subscription Agreement

On May 2, 2018, the Issuer and Wisdom Sail entered into a subscription agreement (the “**Wisdom Sail Subscription Agreement**”), pursuant to which Wisdom Sail is entitled to subscribed for 2,651,261 newly issued shares of Common Stock issued by the Issuer for an aggregate purchase price of US\$4,732,500.88. Under the Wisdom Sail Subscription Agreement, the subscription price of the new Common Stock was US\$1.785 per share.

Assignment Agreement

On May 3, 2018, Wisdom Sail and Ahwanova entered into an assignment agreement (the “**Assignment Agreement**”), pursuant to which Wisdom Sail assigned all its rights and obligations under the Wisdom Sail Subscription Agreement to Ahwanova. On May 4, 2018, Ahwanova subscribed for 2,651,261 newly issued shares of Common Stock issued by the Issuer for an aggregate purchase price of US\$4,732,500.88.

Registration Rights Agreement

On May 4, 2018, Mr. Bakay and Ahwanova entered into a registration rights agreement with the Issuer (the “**Registration Rights Agreement**”), pursuant to which Mr. Bakay and Ahwanova have certain rights to require the Issuer to register any Common Stock that is owned by Mr. Bakay or Ahwanova and was acquired from the Issuer pursuant to the Bakay Subscription Agreement and Wisdom Sale Subscription Agreement, as applicable. Pursuant to the Registration Rights Agreement, Mr. Bakay and Ahwanova have certain “piggy-back” registration rights and the right to request the Issuer to file a shelf registration statement. The Issuer will bear all expenses relating to registration, other than underwriting discounts, commissions and fees, and certain other fees, and agrees to indemnify Mr. Bakay and Ahwanova against certain losses in connection with the registration.

CUSIP No. 50047H201 Page 20 of 23 Pages

Loan and Pledge Arrangement

On May 2, 2018, Mr. Bakay and Wisdom Sail entered into the Loan Note Instrument, pursuant to which Mr. Bakay agreed to issue the Loan Note to Wisdom Sail in the principal amount of \$880,000.00 upon the terms and conditions set out in the Loan Note Instrument. This loan has a term of 60 months and bears an interest rate of 5% per annum. On May 4, 2018, Wisdom Sail assigned and transferred its rights and obligations under the Loan Note to Ahwanova by issuing a loan note transfer to Ahwanova. On May 4, 2018, Ahwanova and Mr. Bakay entered into a pledge agreement (the "***Pledge Agreement***"), pursuant to which Mr. Bakay pledged and granted to Ahwanova a lien on and security interest in and to all of the right, title and interest of Mr. Bakay in his 269,982 stock options in the Issuer and future stock options granted to Mr. Bakay, together with certain ancillary rights, entitlements and benefits of such options upon the terms and conditions set out in the Pledge Agreement.

The foregoing description of the Bakay Subscription Agreement, the Wisdom Sail Subscription Agreement, the Assignment Agreement, the Registration Rights Agreement, the Loan Note Instrument, the Loan Note and the Option Pledge Agreement is a description only and is qualified in its entirety by reference to the complete text of such documents, copies of which are incorporated by reference as Exhibits 99.2 through Exhibits 99.8 to this Schedule 13D.

On January 31, 2019, the Issuer granted Mr. Bakay an option to purchase 75,000 shares of Common Stock at \$1.13 per share as compensation for serving as a member of the Board, of which 25% become exercisable on each of April 30, 2019, July 31, 2019, October 31, 2019 and January 31, 2020.

On January 31, 2019, the Issuer granted Mr. Zheng an option to purchase 50,000 shares of Common Stock at \$1.13 per share as compensation for serving as a member of the Board, of which 25% become exercisable on each of April 30, 2019, July 31, 2019, October 31, 2019 and January 31, 2020.

Item 7. Material to be Filed as Exhibits.

Exhibit 10.1 2005 Stock Award Plan Stock Option Agreement, dated October 29, 2009, between the Issuer and Mr. Bakay, the form of which is incorporated by reference to Exhibit 10.15 to the Issuer's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006, as filed with the SEC on May 8, 2006.

Exhibit 10.2 2005 Stock Award Plan Stock Option Agreement, dated January 28, 2010, between the Issuer and Mr. Bakay, the form of which is incorporated by reference to Exhibit 10.15 to the Issuer's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006, as filed with the SEC on May 8, 2006.

Exhibit 10.3 2005 Stock Award Plan Stock Option Agreement, dated February 25, 2011, between the Issuer and Mr. Bakay, the form of which is incorporated by reference to Exhibit 10.15 to the Issuer's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006, as filed with the SEC on May 8, 2006.

Exhibit 10.4 Employment Agreement, dated January 30, 2012, between the Issuer and Mr. Bakay, which is incorporated by reference to Exhibit 10.30 to the Issuer's Current Report on Form 8-K as filed with the SEC on January 30, 2012.

Exhibit 10.5 Amended and Restated Employment Agreement, effective September 4, 2018, between the Issuer and Mr. Bakay (incorporated by reference to Exhibit 10.1 to the Issuer's Current Report on Form 8-K filed with the SEC on September 7, 2018).

Exhibit 10.6 2012 Stock Award Plan Stock Option Agreement, dated January 31, 2019, between the Issuer and Mr. Bakay, the form of which

is incorporated by reference to Exhibit 10.36 to the Issuer's Annual Report on Form 10-K for the year ended December 31, 2012, as filed with the SEC on March 15, 2013.

CUSIP No. 50047H201 Page 21 of 23 Pages

- 2012 Stock Award Plan Stock Option Agreement, dated January 31, 2019, between the Issuer and Mr. Zheng, the form of which is incorporated by reference to Exhibit 10.36 to the Issuer's Annual Report on Form 10-K for the year ended December 31, 2012, as filed with the SEC on March 15, 2013.
- Exhibit 10.7
- Joint Filing Agreement, dated March 28, 2019, among the BBS-Zheng Reporting Persons (filed herewith).
- Exhibit 99.1
- Subscription Agreement dated May 2, 2018, by and between the Issuer and Berke Bakay (incorporated by reference to Exhibit 10.2 to the Issuer's Current Report on Form 8-K filed with the SEC on May 7, 2018).
- Exhibit 99.2
- Subscription Agreement dated May 2, 2018, by and between the Issuer and Wisdom Sail Limited (incorporated by reference to Exhibit 10.1 to the Issuer's Current Report on Form 8-K filed with the SEC on May 7, 2018).
- Exhibit 99.3
- Assignment Agreement dated May 3, 2018, by and among Wisdom Sail and Ahwanova (incorporated by reference to Exhibit 99.3 to the Schedule 13D filed by the Zheng Reporting Persons on May 11, 2018).
- Exhibit 99.4
- Registration Rights Agreement dated May 4, 2018, by and among the Issuer, Ahwanova and Berke Bakay (incorporated by reference to Exhibit 10.3 to the Issuer's Current Report on Form 8-K filed with the SEC on May 7, 2018).
- Exhibit 99.5
- Loan Note Instrument dated May 2, 2018, by and among Wisdom Sail and Berke Bakay (incorporated by reference to Exhibit 99.5 to the Schedule 13D filed by the Zheng Reporting Persons on May 11, 2018).
- Exhibit 99.6
- Loan Note Transfer dated May 4, 2018, issued by Wisdom Sail to Ahwanova (incorporated by reference to Exhibit 99.6 to the Schedule 13D filed by the Zheng Reporting Persons on May 11, 2018).
- Exhibit 99.7
- Pledge Agreement dated May 4, 2018, by and among Ahwanova and Berke Bakay (incorporated by reference to Exhibit 99.7 to
- Exhibit 99.8

the Schedule 13D filed by the Zheng
Reporting Persons on May 11, 2018).

CUSIP No. 50047H201 Page 22 of 23 Pages

Signature

After reasonable inquiry and to the best of my knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

Date: March 28, 2019

By: /s/ Berke Bakay
Name: Berke Bakay

BBS Capital Management, LP

By: BBS Capital, LLC, its general partner

By: /s/ Berke Bakay
Name: Berke Bakay
Title: Manager

BBS Capital GP, LP

By: BBS Capital, LLC, its general partner

By: /s/ Berke Bakay
Name: Berke Bakay
Title: Manager

BBS Capital, LLC

By: /s/ Berke Bakay
Name: Berke Bakay
Title: Manager

BBS Capital Fund, LP

By: BBS Capital GP, LP, its general partner

By: BBS Capital, LLC, its general partner

By: /s/ Berke Bakay

Name: Berke Bakay

Title: Manager

Bakay Family Trust

By: /s/ Berke Bakay

Name: Berke Bakay

Title: Trustee

CUSIP No. 50047H201 Page 23 of 23 Pages

Date: March 28, 2019

By: /s/ Zheng, Nanyan
Name: Zheng, Nanyan

Ahwanova Limited

By: /s/ Zheng, Nanyan
Name: Zheng, Nanyan
Title: Director

Wisdom Sail Limited

By: /s/ Zheng, Nanyan
Name: Zheng, Nanyan
Title: Director

**Audrey & Aaron
Holdings Limited**

By: /s/ Zheng, Nanyan
Name: Zheng, Nanyan
Title: Director