

SUNOCO INC  
Form 10-Q  
May 08, 2012  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended March 31, 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 1-6841

**SUNOCO, INC.**

(Exact name of registrant as specified in its charter)

Edgar Filing: SUNOCO INC - Form 10-Q

**Pennsylvania**  
(State or other jurisdiction of

**23-1743282**  
(I.R.S. Employer

incorporation or organization)

Identification No.)

**1818 Market Street, Suite 1500,**

**Philadelphia, PA**  
(Address of principal executive offices)

**19103**  
(Zip Code)

**Registrant's telephone number, including area code: (215) 977-3000**

**(Former name, former address and former fiscal year, if changed since last report): Not Applicable**

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  NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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). 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 the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (do not check if a smaller reporting company)

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  NO

At March 31, 2012, there were 105,896,034 shares of Common Stock, \$1 par value outstanding.

**Table of Contents**

SUNOCO, INC.

INDEX

	Page Number
PART I. FINANCIAL INFORMATION	
Item 1.	Financial Statements (Unaudited)
	<u>Condensed Consolidated Statements of Comprehensive Income (Loss) for the Three Months Ended March 31, 2012 and 2011</u>
	1
	<u>Condensed Consolidated Balance Sheets at March 31, 2012 and December 31, 2011</u>
	2
	<u>Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2012 and 2011</u>
	3
	<u>Notes to Condensed Consolidated Financial Statements</u>
	4
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>
	18
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>
	27
Item 4.	<u>Controls and Procedures</u>
	27
PART II. OTHER INFORMATION	
Item 1.	<u>Legal Proceedings</u>
	28
Item 1A.	<u>Risk Factors</u>
	29
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>
	30
Item 6.	<u>Exhibits</u>
	31
<u>SIGNATURE</u>	32

**Table of Contents**

## PART I. FINANCIAL INFORMATION

**Item 1. Financial Statements (Unaudited)****SUNOCO, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(Millions of Dollars and Shares, Except Per-Share Amounts)

	<b>For the Three Months Ended March 31,</b>	
	<b>2012</b>	<b>2011*</b>
	<b>(UNAUDITED)</b>	
<b>Revenues</b>		
Sales and other operating revenue (including consumer excise taxes)	\$ 12,198	\$ 9,978
Interest income	3	4
Gain on divestment of Toledo refinery (Note 3)	104	15
Other income, net	16	9
	12,321	10,006
<b>Costs and Expenses</b>		
Cost of products sold and operating expenses	10,896	9,228
Consumer excise taxes	579	547
Selling, general and administrative expenses	128	124
Depreciation, depletion and amortization	61	92
Payroll, property and other taxes	32	30
Provision for asset write-downs and other matters (Note 3)	109	6
Interest cost and debt expense	49	43
Interest capitalized	(2)	(2)
	11,852	10,068
Income (loss) from continuing operations before income tax expense	469	(62)
Income tax expense (Note 4)	170	9
Income (loss) from continuing operations	299	(71)
Income (loss) from discontinued operations, net of income taxes (Note 2)	2	(9)
Net income (loss)	301	(80)
Less: Income from continuing operations attributable to noncontrolling interests	52	29
Income (loss) from discontinued operations attributable to noncontrolling interests	1	(8)
Net income (loss) attributable to Sunoco, Inc. shareholders	\$ 248	\$ (101)
<b>Earnings (loss) attributable to Sunoco, Inc. shareholders per share of common stock:</b>		
Basic:		
Income (loss) from continuing operations	\$ 2.32	\$ (0.83)
Income (loss) from discontinued operations	0.01	(0.01)

Edgar Filing: SUNOCO INC - Form 10-Q

Net income (loss)	\$	2.33	\$	(0.84)
Diluted:				
Income (loss) from continuing operations	\$	2.31	\$	(0.83)
Income (loss) from discontinued operations		0.01		(0.01)
Net income (loss)	\$	2.32	\$	(0.84)
Weighted-average number of shares outstanding (Note 5):				
Basic		106.6		120.9
Diluted		107.1		120.9
Cash dividends paid per share of common stock	\$	0.20	\$	0.15
<b>Comprehensive income (loss):</b>				
Comprehensive income (loss)	\$	343	\$	(73)
Less: Comprehensive income attributable to noncontrolling interests		51		21
Comprehensive income (loss) attributable to Sunoco, Inc. shareholders	\$	292	\$	(94)

\* Reclassified to conform to 2012 presentation (Note 2)

(See Accompanying Notes)

**Table of Contents**

**SUNOCO, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(Millions of Dollars)

	At March 31, 2012 (UNAUDITED)	At December 31, 2011
<b>Assets</b>		
Cash and cash equivalents	\$ 1,985	\$ 2,064
Accounts and notes receivable, net	2,849	3,071
Participation payment receivable from divestment of Toledo refinery (Note 3)	104	
Inventories (Note 6)	387	587
Deferred income taxes	257	286
<b>Total current assets</b>	<b>5,582</b>	<b>6,008</b>
Note receivable from sale of Toledo refinery (Note 3)		182
Investments and long-term receivables	118	158
Properties, plants and equipment, cost	5,180	7,010
Less: Accumulated depreciation, depletion and amortization	1,686	2,045
Properties, plants and equipment, net	3,494	4,965
Deferred income taxes	60	68
Deferred charges and other assets	547	601
<b>Total assets</b>	<b>\$ 9,801</b>	<b>\$ 11,982</b>
<b>Liabilities and Equity</b>		
Accounts payable	\$ 3,869	\$ 4,098
Accrued liabilities (Note 7)	546	741
Short-term borrowings		103
Current portion of long-term debt		282
Taxes payable	250	146
<b>Total current liabilities</b>	<b>4,665</b>	<b>5,370</b>
Long-term debt	2,572	3,159
Retirement benefit liabilities (Note 8)	253	542
Deferred income taxes	253	544
Other deferred credits and liabilities (Note 7)	562	567
Commitments and contingent liabilities (Note 7)		
<b>Total liabilities</b>	<b>8,305</b>	<b>10,182</b>
<b>Equity (Note 10)</b>		
Sunoco, Inc. shareholders' equity	720	893
Noncontrolling interests	776	907
<b>Total equity</b>	<b>1,496</b>	<b>1,800</b>
<b>Total liabilities and equity</b>	<b>\$ 9,801</b>	<b>\$ 11,982</b>

Edgar Filing: SUNOCO INC - Form 10-Q

(See Accompanying Notes)

**Table of Contents**

**SUNOCO, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Millions of Dollars)





**Number of Securities  
Underlying Unexercised  
Options at Fiscal  
Year End(#)**

---

567  
567

167  
500

million per year, plus use of an automobile, reimbursement of expenses and other health benefits. The agreement prohibits Mr. DiFeo from seeking or obtaining employment with any competitor of Sunoco Inc.

**REPORT OF THE COMPENSATION AND MANAGEMENT  
DEVELOPMENT COMMITTEE ON EXECUTIVE COMPENSATION**

The Compensation and Management Development Committee receives input from our Chief Executive Officer and President to assure congruity with our long-term performance goals.

requires that certain material terms of a compensation plan, including participant eligibility, the business criteria on which performance goals are based and maximum

**SECURITY OWNERSHIP OF CERTAIN  
BENEFICIAL OWNERS AND MANAGEMENT**

---

**Percent**

---

40.5%

16.6%

15.6%

\*

\*

\*

17.0%

15.6%

\*

\*

\*

41.5%

\*

\*

\*

\*

15.6%

\*

\*

\*

58.5%



**SHARE INVESTMENT PERFORMANCE**

**COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN  
AMONG UNITED AUTO GROUP, INC., THE S & P 500 INDEX  
AND A PEER GROUP**

Cumulative Total Return	
	12/01
	280.93
	95.95
	90.02

**AUDIT COMMITTEE REPORT**

information regarding the scope and results of the audit. These communications and discussions are intended to assist the Audit Committee in overseeing the financial

**INDEPENDENT ACCOUNTANTS**

om performing any service prohibited by applicable law.

tor's independence. Any pre-approval granted pursuant to this delegation of authority will be reviewed with the Audit Committee at its next regularly scheduled meeting.

#### **RELATED PARTY TRANSACTIONS**

corp. as the Penske affiliated companies.

se any stockholder proposals with respect to us. Notwithstanding the prior sentence, the purchase agreement permits (1) any transaction approved by either a majority of the board of directors or the stockholders, (2) any transaction approved by either a majority of the board of directors or the stockholders, or (3) any transaction approved by either a majority of the board of directors or the stockholders.

consent of the parties or when either party no longer owns any of our common stock.



kazu Yoshida was the nominee to the Board of Directors by Mitsui. The parties also agreed to use their reasonable best efforts to have our compensation committee o

H. Kurnick, Jr., our Executive Vice President and General Counsel, is also the President and a director of the Penske Corporation and Paul F. Walters, our Executive

and us warrants to purchase 3,650,000 shares of Series D Preferred Stock of CarsDirect.com at a per share purchase price of \$15.76, which vest and become exercisa

ed on an arm's length basis.

nal President and as of July 2003 Executive Vice President Eastern Operations.

The Investor has also guaranteed 20% of UAG Connecticut I's lease obligation to AGR, our landlord of the facility at which the dealership operates. In exchange for

**OTHER MATTERS**

**Weighted-average  
exercise price of  
outstanding options  
(B)**

---

\$	14.29
\$	10.00

han and Walters, and each filed one late Form 4 with respect to one transaction during 2003.



**Amendments to our Certificate of Incorporation and Bylaws**

**to Eliminate the Classification of our Board of Directors**

**CERTIFICATE OF AMENDMENT OF**

**RESTATED CERTIFICATE OF INCORPORATION  
OF UNITED AUTO GROUP, INC.**

\*\*\*\*\*

---

A-1

---

**CERTIFICATE OF AMENDMENT OF  
BYLAWS OF UNITED AUTO GROUP, INC.**

\*\*\*\*\*

---

A-2

---

**United Auto Group, Inc. Management Incentive Plan**

**UNITED AUTO GROUP, INC.**

**MANAGEMENT INCENTIVE PLAN  
(EFFECTIVE JULY 1, 2003)**

B-1

---

nsation will be paid and a maximum level of performance above which no additional amount of compensation will be paid, and it may provide for the payment of dif

B-2

---



ch compensation under a deferred compensation plan of the Company or a Subsidiary. If a Performance Target for a Performance Period is not achieved, the Commit

determine to be equitably required in order to prevent dilution or enlargement of the rights of Participants.

B-3

---



FOLD AND DETACH HERE

**PROXY SOLICITED ON BEHALF  
OF THE BOARD OF DIRECTORS OF  
UNITED AUTO GROUP, INC.**

postponements or adjournments thereof, on any matter properly coming before the meeting, and specifically the matters described on the

**F. THE PROPOSALS HEREIN ARE PROPOSED BY THE BOARD OF DIRECTORS.**

---



FOR

o

o

Please sign this proxy exactly as name appears hereon. When shares are held by joint tenants, both should sign. When signed by attorney, administrator, trustee or guardian, please give full title as such.

---