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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

090286

GENERAL GOVERNMENT
DIVISION

RELEASED 090286 MAY 29 1974

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The Honorable John E. Moss
House of Representatives

Dear Mr. Moss:

At your request we reviewed the information compiled by your staff relating to the Securities and Exchange Commission's (SEC) waiver of one of its reporting requirements for the four corporate owners of the Arabian American Oil Company (Aramco). SEC requires companies with publicly held securities to file annual reports containing financial and other data. Companies filing these reports, referred to as 10-K filings, for periods after January 1, 1971, were required to provide separate financial statements for significant unconsolidated subsidiaries. The Aramco parent companies requested and SEC granted a waiver of this requirement on the basis that Aramco's financial statements would be misleading to investors. On March 4, 1974, we advised your Office that based on our review of the information furnished by your Office we found nothing improper in SEC's decision to grant a waiver. At that time we agreed to obtain the following additional information.

1. The names of companies requesting similar waivers of the SEC regulation which would have required disclosure of the Aramco statements.
2. The names of companies granted similar waivers.
3. The names of companies which complied with the regulation waived for the Aramco parent companies.

Because SEC did not maintain summary records of waiver requests prior to August 1972, we examined the 10-K filings of all integrated oil companies to determine whether those that had significant unconsolidated subsidiaries provided separate financial statements as required by SEC regulations, or requested waivers of the requirement. Seventeen of the 55 integrated oil companies we reviewed (including the four Aramco parents), had unconsolidated subsidiaries for which SEC regulations required separate financial statements. Eleven of the 17 provided separate financial statements while six did not. The six were:

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Mobil Oil Corporation (Aramco parent)
Standard Oil Company of California (Aramco parent)
Texaco Inc. (Aramco parent)
Exxon Corporation (Aramco parent)
The "Shell" Transport and Trading Company, Limited
Getty Oil Company

Waivers were requested by and granted to the four Aramco parents and the "Shell" Transport and Trading Company, Limited, which operates a subsidiary similar to Aramco in Nigeria.

Getty Oil Company did not request a waiver and did not provide separate financial statements for an unconsolidated subsidiary (Mitsubishi Oil Company, Limited) that appears to qualify for such treatment. SEC officials, prior to our review, were unaware of Getty Oil Company's apparent failure to comply with reporting requirements. The SEC officials explained that more than 10,000 companies file 10-K reports annually and that not all can be reviewed in detail with existing procedures and staff resources. They told us they were considering methods to improve their review coverage of 10-K filings, and that they would investigate the Getty Oil Company filings in the near future.

Because of changing conditions affecting ownership and operations of the unconsolidated subsidiaries, SEC advised the five companies granted waivers that their situation is being reviewed and the waivers reconsidered annually.

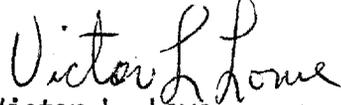
The eleven integrated oil companies that complied with the requirement for separate financial statements of significant unconsolidated subsidiaries were:

1. Calumet Industries, Inc.
2. CIC Industries, Inc.
3. Howell Corporation
4. Husky Oil Company of Delaware
5. Husky Oil Ltd.
6. Midland Cooperatives, Incorporated
7. OKC Corporation
8. Pacific Petroleums Ltd.
9. Phillips Petroleum Company
10. Tesoro Petroleum Corporation
11. The Charter Company

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We trust this information is satisfactory for your needs. We do not plan to distribute this report further unless you agree or publicly announce its contents.

Sincerely yours,


Victor L. Lowe
Director