

GREEN DOT CORP  
Form 4  
July 07, 2015

**FORM 4**

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

OMB APPROVAL

OMB Number: 3235-0287  
Expires: January 31, 2015  
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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
Shifke Mark L

(Last) (First) (Middle)  
3465 EAST FOOTHILL  
BOULEVARD  
(Street)

PASADENA, CA 91107

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol  
GREEN DOT CORP [GDOT]

3. Date of Earliest Transaction  
(Month/Day/Year)  
07/05/2015

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

\_\_\_ Director \_\_\_ 10% Owner  
 Officer (give title below) \_\_\_ Other (specify below)  
Acting Chief Financial Officer

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
\_\_\_ Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
			Code	V	Amount (A) or (D) Price		
Class A Common Stock	07/05/2015		F		4,122 (1) \$ 0	D	
Class A Common Stock					121,903	I	By daughter

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**  
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Owned Following Reporting Transaction (Instr. 6)
--------------------------------------------	--------------------------------------------------------	--------------------------------------	----------------------------------------------------	--------------------------------	-----------------------------------------------------------------------------------------	----------------------------------------------------------	---------------------------------------------------------------	--------------------------------------------	-------------------------------------------------------------------------------------

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Shifke Mark L 3465 EAST FOOTHILL BOULEVARD PASADENA, CA 91107			Acting Chief Financial Officer	

## Signatures

/s/ Lina Davidian as attorney-in-fact for Mark L. Shifke  
Date: 07/07/2015

\_\_Signature of Reporting Person

Date

## Explanation of Responses:

\* If the form is filed by more than one reporting person, see Instruction 4(b)(v).

\*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Represents shares of Class A Common Stock that have been withheld by the issuer to satisfy its income tax withholding and remittance obligations in connection with the net settlement of the RSUs, based on a price of \$18.98 per share, which represented the closing price of the issuer's Class A Common Stock on July 2, 2015, and does not represent a sale by the reporting person.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. bsp;

See notes to consolidated financial statements.

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**HAMM CO.**  
**Consolidated Statement of Income**  
**Nine Months Ended September 30, 2004**

<b>REVENUE</b>	
Service revenue	\$ 42,919,515
Oil and gas	259,835
Management fees	344,086
	43,523,436
<b>OPERATING EXPENSES</b>	
Salaries and benefits	16,194,201
Depreciation and amortization	3,119,198
Insurance	3,533,095
General and administrative	3,893,141
Repairs and maintenance	1,441,134
Disposal fee	2,392,600
Fuel and oil	2,739,152
Parts and supplies	3,582,245
Other	496,218
	37,390,984
<b>OPERATING INCOME</b>	<b>6,132,452</b>
<b>OTHER INCOME</b>	<b>532,739</b>
<b>INTEREST EXPENSE</b>	<b>308,988</b>
<b>NET INCOME</b>	<b>\$ 6,356,203</b>
<b>BASIC EARNINGS PER SHARE</b>	<b>\$ 3.25</b>
<b>DILUTED EARNINGS PER SHARE</b>	<b>\$ 3.21</b>

See notes to consolidated financial statements.

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**HAMM CO.**  
**Consolidated Statement of Stockholders Equity**  
**Nine Months Ended September 30, 2004**

	<b>Number of Shares</b>	<b>Common Stock</b>	<b>Additional Paid-In Capital</b>	<b>Treasury Stock</b>	<b>Retained Earnings</b>	<b>Total</b>
Balance, beginning of period	1,956,300	\$ 1,956	\$ 127,385	\$ (582,209)	\$ 21,805,800	\$ 21,352,932
Net income					6,356,203	6,356,203
Distribution to stockholder					(4,309,906)	(4,309,906)
Balance, end of period	1,956,300	\$ 1,956	\$ 127,385	\$ (582,209)	\$ 23,852,097	\$ 23,399,229

See notes to consolidated financial statements.

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**HAMM CO.**  
**Consolidated Statement of Cash Flows**  
**Nine Months Ended September 30, 2004**

<b>Operating Activities</b>	
Net income	\$ 6,356,203
Items not requiring (providing) cash	
Depreciation and amortization	3,119,198
Gain on sale of assets	(494,368)
Undistributed earnings of affiliate	(15,052)
Changes in	
Accounts receivable	138,689
Inventory	120,126
Accounts payable and accrued expenses	1,075,237
Other	125,716
Net cash provided by operating activities	10,425,749
<b>Investing Activities</b>	
Proceeds from sale of equipment	1,638,575
Purchase of property and equipment and deposit on equipment	(7,430,797)
Net cash used in investing activities	(5,792,222)
<b>Financing Activities</b>	
Net borrowings on line-of-credit agreement	171,241
Principal payments of long-term debt and note payable	(3,118,051)
Net advances to affiliates	(210,675)
Distributions to stockholders	(2,213,573)
Net cash used in financing activities	(5,371,058)
Decrease in cash	(737,531)
Cash, beginning of period	2,644,628
Cash, end of period	\$ 1,907,097
<b>Supplemental Cash Flows Information</b>	
Interest paid	\$ 308,988

Hamm Co. sold equipment to the principal stockholder for cash, forgiveness of a payable owed to the stockholder and an amount of a declared cash distribution to the stockholder which was applied to the purchase price. The noncash components of the transaction were as follows:

Cost of equipment held for sale	\$ 3,523,642
Distribution to stockholder applied to equipment purchase price	\$ 2,096,333
Account payable to stockholder	\$ 353,439

See notes to consolidated financial statements.



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**HAMM CO.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2004**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies***Nature of Operations*

Hamm Co. is an Oklahoma-based fluid-handling and well-servicing company that earns revenue predominately from providing trucking, saltwater disposal and well servicing services for oil and gas producers in Oklahoma, Texas, Montana, North Dakota and Wyoming. Hamm Co. extends unsecured credit to its customers for a limited period of time.

*Principles of Consolidation*

The consolidated financial statements include the accounts of Hamm Co. and its wholly owned subsidiaries, Hamm & Phillips Service Co.; Stride Well Service, Inc.; Rigmovers, Inc.; and Guard, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Accounts Receivable*

Accounts receivable are stated at the amount billed to customers plus any accrued and unpaid interest. Hamm Co. provides an allowance for doubtful accounts, if necessary, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

*Inventories*

Substantially all inventories, consisting of materials and supplies and mud, are valued at weighted average cost, which includes freight-in.

*Property and Equipment*

Property and equipment are carried at cost less accumulated depreciation. Depreciation is recorded over the estimated useful life of each asset using the straight-line method. Useful lives by significant asset category were as follows at September 30, 2004:

<b>Asset Description</b>	<b>Useful Life (in years)</b>
Trucks, tanks and other	4-10
Buildings	10-40
Equipment	4-14
Leasehold improvements	10-40

Hamm Co. s property and equipment was pledged as collateral against its outstanding bank facility borrowings at September 30, 2004. See discussion at Note 3, Note Payable.

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**HAMM CO.**  
**Notes to Consolidated Financial Statements (Continued)**  
**September 30, 2004**

*Income Taxes*

Hamm Co.'s stockholders have elected to have Hamm Co. income taxed as an S Corporation under provisions of the Internal Revenue Code and a similar section of the Oklahoma income tax law; therefore, taxable income or loss is reported to the individual stockholders for inclusion in their respective tax returns. No provision for federal and state income taxes is included in these statements.

*Revenue Recognition*

Hamm Co. earns revenue from the sale of services and equipment rentals to customers in the oil and gas industry at agreed-upon or contractual rates. Revenues are recognized when earned during the month that the services are performed. Services are performed within a relatively short period of time, and therefore, Hamm Co. does not record revenue transactions under long-term contract arrangements, and did not participate in multiple-element revenue transactions during the nine months ended September 30, 2004.

*Stock Option Plan*

During 2003, Hamm Co. implemented two stock-based employee compensation plans, which are described more fully in Note 6. Hamm Co. accounts for these plans under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations. No stock-based employee compensation cost is reflected in net income. The following table illustrates the effect on net income if Hamm Co. had applied the fair value provisions of FASB Statement No. 123, *Accounting for Stock-Based Compensation*, to stock-based employee compensation. Fair value has been estimated using the minimum value method.

Net income, as reported	\$ 6,506,203
Less: Total stock-based employee compensation cost determined under the fair value based method	41,974
Pro forma net income	\$ 6,464,229

The stock options were redeemed subsequent to year end.

*Self-Insurance*

Hamm Co. and other affiliated companies have elected to jointly self-insure costs related to employee health and accident benefit programs. Costs resulting from noninsured losses are charged to income when incurred. Hamm Co. has purchased insurance that limits its exposure for individual claims.

*Fair Value of Financial Instruments*

The fair value of financial assets and liabilities approximated their carrying values at September 30, 2004.

**Note 2: Line of Credit**

Hamm Co. has a line of credit agreement in the amount of \$3,500,000 payable to a bank. The line of credit agreement is due in May 2005 with monthly interest payments at 4%. Accounts receivable, general intangibles and the principal stockholder's guarantee secure the note. At September 30, 2004, \$2,625,177 was drawn on the line of credit agreement. The line of credit was paid in full in October 2004.

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**HAMM CO.**  
**Notes to Consolidated Financial Statements (Continued)**  
**September 30, 2004**

**Note 3: Note Payable**

The note payable is to a bank and totaled \$3,458,978 at September 30, 2004. The note was to be due in May 2005 and had terms requiring that whereby 1/60th of the outstanding principal balance plus interest at 4.5% be paid monthly. The note was secured by equipment and the principal stockholder's guarantee at September 30, 2004. The note was paid in full in October 2004.

**Note 4: Related Party Transactions**

During 2001, Hamm Co. borrowed \$600,000 from a rental company owned solely by one of its stockholders. The loan was payable in monthly installments and was due on demand. The note was not secured. During 2004, the note was paid in full.

During 2004, Hamm Co. provided oil field services and other services to affiliated companies totaling approximately \$8,077,000. In addition, Hamm Co. purchased various services including saltwater disposal fees and general and administrative services totaling approximately \$4,433,000. At September 30, 2004, Hamm Co. had a receivable totaling \$2,284,657 from this related party and a payable of \$376,201 as a result of these transactions. These amounts are included in the captions Accounts Receivable and Accounts Payable, respectively, in the accompanying balance sheet.

During 2004, Hamm Co. sold equipment to its stockholder for \$3,966,447. The sales price was satisfied through the receipt of cash of \$1,516,675, a distribution in kind to the stockholder of \$2,096,333 and a reduction of accounts payable to the stockholder of \$353,439. A gain of \$442,805 was recognized as a result of the sale based on the purchase price of the equipment.

**Note 5: Profit Sharing Plan**

Hamm Co. has a 401(k) profit sharing plan covering substantially all employees. Hamm Co. makes discretionary contributions to the plan based on a percentage of eligible employees' compensation. During 2004, contributions to the plan were 5% of eligible employees' compensation. Contributions to the plan for the nine months ended September 30, 2004, were approximately \$315,000.

**Note 6: Stock Option Plans***Incentive Stock Option Plan (ISOP)*

Hamm Co. has an incentive stock option plan under which it may grant options that vest in five years to its employees for up to 23,750 shares of common stock. The exercise price of each option is intended to equal the fair value of Hamm Co.'s stock on the date of grant. An option's maximum term is ten years.

A summary of the status of the plan at September 30, 2004, and changes during the nine months then ended is presented below:

	Shares	Weighted-Average Exercise Price
Outstanding, beginning of period	21,850	\$ 13.20
Granted	1,900	13.20
Outstanding, end of period	23,750	\$ 13.20
Options exercisable, end of period	4,750	



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**HAMM CO.**  
**Notes to Consolidated Financial Statements (Continued)**  
**September 30, 2004**

The fair value of options granted is estimated on the date of the grant using the minimum value method with the following weighted-average assumptions:

Dividend per share	\$
Risk-free interest rate	3%
Expected life of options	10 years

The following table summarizes information about stock options under the plan outstanding at September 30, 2004:

Exercise Price	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
\$ 13.20	23,750	9 years	\$ 13.20	4,750	\$ 13.20

*Nonqualified Stock Option Plan (NSOP)*

Hamm Co. has a nonqualified stock option plan under which it may grant options that vest in three years to its employees for up to 23,750 shares of common stock. Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, requires compensation cost to be recognized over the period in which an employee performs services if the exercise price is less than the fair value of Hamm Co.'s stock on the date of the grant. The exercise price of each option is less than the fair value of the company's stock on the date of grant, however, management believes the annual compensation is not material to the operations of Hamm Co. and no cost has been recognized. An option's maximum term is ten years.

A summary of the status of the plan at September 30, 2004, and changes during the nine months ended is presented below:

	Shares	Weighted-Average Exercise Price
Outstanding, beginning of period	21,850	\$ 6.60
Granted	1,900	6.60
Outstanding, end of period	23,750	\$ 6.60
Options exercisable, end of period	7,917	

The fair value of options granted is estimated on the date of the grant using the minimum value method with the following weighted-average assumptions:

Dividend per share	\$
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Risk-free interest rate	3.0%
Expected life of options	10 years

The following table summarizes information about stock options under the plan outstanding at September 30, 2004:

Exercise Price	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
\$ 6.60	23,750	9 years	\$ 6.60	7,917	\$ 6.60

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**HAMM CO.**  
**Notes to Consolidated Financial Statements (Continued)**  
**September 30, 2004**

**Note 7: Significant Estimates and Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

*Cash*

Hamm Co. s cash exceeded FDIC insured limits by approximately \$1,226,000 at September 30, 2004.

*Customers*

Hamm Co. earned approximately 20% of its revenues from one customer, an affiliated company, during 2004.

*Self-Insurance*

Hamm Co. and other affiliated companies participate jointly in a self-insurance pool covering health and workers compensation claims made by employees up to the first \$50,000 (health) and \$500,000 (workers compensation), respectively, per claim. Any amounts paid above these are reinsured through third-party providers. Premiums charged to Hamm Co. are based on estimated costs per employee of the pool. Estimates of the liability recorded could differ materially from the ultimate loss.

**Note 8: Litigation and Commitments**

Hamm Co. is a defendant in a lawsuit that asserts property damage from leakage of a wastewater disposal tank to which Hamm Co. transported wastewater. The lawsuit seeks damages of an unspecified amount against many transporters of oilfield drilling fluids, including Hamm Co. The court sustained a motion for summary judgment on behalf of the transporters. The appeal has been fully briefed by the parties and has been assigned to the Court of Appeals for decision. A decision on that appeal has not been rendered. The amount of loss, if any, which may result from the ultimate outcome of this action is not currently reasonably estimable. No liability has been recorded for the potential loss as of September 30, 2004. Events could occur in the near term that would materially change the amount of recognized liability.

Hamm Co. had no significant future obligations under operating lease arrangements at September 30, 2004. For the nine months ended September 30, 2004, rental expense under operating leases totaled \$77,238.

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**HAMM CO.**  
**Notes to Consolidated Financial Statements (Continued)**  
**September 30, 2004**

**Note 9: Earnings Per Share**

Earnings per share were computed as follows:

	<b>Income</b>	<b>Weighted- Average Shares</b>	<b>Per Share Amount</b>
<b>Basic earnings per share:</b>			
Net income	\$ 6,356,203	1,956,175	\$ 3.25
<b>Effect of dilutive securities:</b>			
Stock options		23,750	
<b>Diluted earnings per share:</b>			
Net income	\$ 6,356,203	1,979,925	\$ 3.21

**Note 10: Subsequent Event**

Subsequent to September 30, 2004, the Hamm Co. companies were restructured and 100% of the stock of the restructured entity was sold to Complete Energy Services, Inc., a majority-owned company of SCF-IV, L.P. Hamm Co. s common stock was sold for cash and capital stock of Complete Energy Services, Inc., pursuant to the purchase agreement.

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**Independent Accountants Report**

Board of Directors

Hamm Co.

Enid, Oklahoma

We have audited the accompanying consolidated balance sheet of HAMM CO., as of December 31, 2003, and the related consolidated statements of income, stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of HAMM CO., as of December 31, 2003, and the results of its operations and its cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

/s/ BKD LLP

Enid, Oklahoma

February 27, 2004

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**HAMM CO.**  
**Consolidated Balance Sheet**  
**December 31, 2003**

<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 2,644,628
Accounts receivable, net of allowance, \$47,917	11,381,870
Inventory	432,761
Prepaid expenses	505,352
<b>Total current assets</b>	<b>14,964,611</b>
<b>PROPERTY AND EQUIPMENT, at cost</b>	
Trucks, tanks and other	24,327,480
Land and buildings	3,948,231
Equipment	12,729,810
Leasehold	69,253
	41,074,774
Accumulated depreciation and amortization	(23,492,800)
	17,581,974
<b>OTHER ASSETS</b>	
Asset held for sale	2,860,250
Other	141,937
	3,002,187
<b>Total assets</b>	<b>\$ 35,548,772</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>	
<b>CURRENT LIABILITIES</b>	
Current maturities of long-term debt	\$ 5,558,801
Line of credit	2,453,936
Accounts payable	3,789,506
Accounts payable-related party	353,439
Accrued expenses and other payables	1,021,930
<b>Total current liabilities</b>	<b>13,177,612</b>
<b>LONG-TERM DEBT</b>	<b>1,018,228</b>
<b>STOCKHOLDERS EQUITY</b>	
Common stock, \$.001 par value; authorized 10,000,000 shares; issued 1,956,300 shares and outstanding 1,956,175 shares	1,956
Additional paid-in capital	127,385



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Retained earnings	21,805,800
Treasury stock, at cost, 125 shares	(582,209)
Total stockholders' equity	21,352,932
Total liabilities and stockholders' equity	\$ 35,548,772

See notes to consolidated financial statements.

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**HAMM CO.**  
**Consolidated Statement of Income**  
**Year Ended December 31, 2003**

<b>REVENUE</b>	
Service revenue	\$ 48,093,996
Oil and gas	495,884
Management fees	313,904
	48,903,784
<b>OPERATING EXPENSES</b>	
Salaries and benefits	19,570,318
Depreciation and amortization	3,795,280
Insurance	3,323,714
General and administrative	3,672,551
Repairs and maintenance	1,373,587
Disposal fee	2,550,948
Fuel and oil	2,607,571
Parts and supplies	4,901,500
Other	703,180
	42,498,649
<b>OPERATING INCOME</b>	<b>6,405,135</b>
<b>OTHER INCOME</b>	<b>51,608</b>
<b>INTEREST EXPENSE</b>	<b>348,969</b>
<b>NET INCOME</b>	<b>\$ 6,107,774</b>
<b>BASIC EARNINGS PER SHARE</b>	<b>\$ 3.12</b>
<b>DILUTED EARNINGS PER SHARE</b>	<b>\$ 3.10</b>

See notes to consolidated financial statements.

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**HAMM CO.**  
**Consolidated Statement of Stockholders Equity**  
**Year Ended December 31, 2003**

	<b>Number of Shares</b>	<b>Common Stock</b>	<b>Additional Paid-In Capital</b>	<b>Treasury Stock</b>	<b>Retained Earnings</b>	<b>Total</b>
Balance, beginning of period	10,000	\$ 10,000	\$ 119,341	\$ (582,209)	\$ 15,698,026	\$ 15,245,158
Effect of change in par value	1,946,300	(8,044)	8,044			
Net income					6,107,774	6,107,774
Balance, end of period	1,956,300	\$ 1,956	\$ 127,385	\$ (582,209)	\$ 21,805,800	\$ 21,352,932

See notes to consolidated financial statements.

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**HAMM CO.**  
**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2003**

<b>OPERATING ACTIVITIES</b>	
Net income	\$ 6,107,774
Items not requiring (providing) cash	
Depreciation and amortization	3,795,280
Gain on sale of assets	(42,228)
Changes in	
Accounts receivable	(4,308,913)
Inventory	14,076
Accounts payable and accrued expenses	944,524
Other	(242,585)
Net cash provided by operating activities	6,267,928
<b>INVESTING ACTIVITIES</b>	
Proceeds from sale of equipment	121,305
Purchase of property and equipment	(5,192,168)
Net cash used in investing activities	(5,070,863)
<b>FINANCING ACTIVITIES</b>	
Net principal payments on line-of-credit agreement	(706,866)
Principal payments of long-term debt	(2,510,376)
Purchase of treasury stock	(582,209)
Proceeds from issuance of long-term debt	4,756,900
Net cash provided by financing activities	957,449
INCREASE IN CASH	2,154,514
CASH, BEGINNING OF YEAR	490,114
CASH, END OF YEAR	\$ 2,644,628
<b>SUPPLEMENTAL CASH FLOWS INFORMATION</b>	
Interest paid	\$ 348,969

See notes to consolidated financial statements.

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**HAMM CO.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2003**

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*Inventories*

Substantially all inventories, consisting of materials and supplies and mud, are valued at weighted average cost, which includes freight-in.

*Property and Equipment*

Property and equipment are carried at cost less accumulated depreciation. Depreciation is recorded over the estimated useful life of each asset using the straight-line method. Useful lives by significant asset category were as follows at December 31, 2003.

<b>Asset Description</b>	<b>Useful Life (in years)</b>
Trucks, tanks and other	4-10
Buildings	10-40
Equipment	4-14
Leasehold improvements	10-40

Hamm Co. s property and equipment was pledged as collateral against outstanding bank facility borrowings at December 31, 2003. See discussion at Note 3, Long-Term Debt.

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**HAMM CO.**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 31, 2003**

*Income Taxes*

Hamm Co.'s stockholders have elected to have the company's income taxed as an S Corporation under provisions of the Internal Revenue Code and a similar section of the Oklahoma income tax law; therefore, taxable income or loss is reported to the individual stockholders for inclusion in their respective tax returns. No provision for federal and state income taxes is included in these statements.

*Revenue Recognition*

Hamm Co. earns revenue from the sale of services and equipment rentals to customers in the oil and gas industry at agreed-upon or contractual rates. Revenues are recognized when earned during the month that the services are performed. Services are performed within a relatively short period of time, and therefore, Hamm Co. does not record revenue transactions under long-term contract arrangements, and did not participate in multiple-element revenue transactions during the year ended December 31, 2003.

*Stock Option Plan*

During 2003, Hamm Co. implemented two stock-based employee compensation plans, which are described more fully in Note 6. Hamm Co. accounts for these plans under the recognition and measurement principles of APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations. No stock-based employee compensation cost is reflected in net income. The following table illustrates the effect on net income if Hamm Co. had applied the fair value provisions of FASB Statement No. 123, *Accounting for Stock-Based Compensation*, to stock-based employee compensation. Fair value has been estimated using the minimum value method.

Net income, as reported	\$ 6,107,774
Less: Total stock-based employee compensation cost determined under the fair value based method	50,100
Pro forma net income	\$ 6,057,674

*Self-Insurance*

Hamm Co. and other affiliated companies have elected to jointly self-insure costs related to employee health and accident benefit programs. Costs resulting from noninsured losses are charged to income when incurred. Hamm Co. has purchased insurance that limits its exposure for individual claims.

*Fair Value of Financial Instruments*

The fair value of financial assets and liabilities approximated their carrying values at December 31, 2003.

**Note 2: Line of Credit**

Hamm Co. has a line of credit agreement in the amount of \$3,500,000 payable to a bank. The line of credit agreement is due July 2004 with monthly interest payments at the Chase Manhattan prime rate less .5% with a floor of 4%. At December 31, 2003, \$2,453,986 was drawn on the line of credit agreement. These borrowings bore interest at a rate of 4% and were secured by accounts receivable, general intangibles and a stockholder's guarantee.

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**HAMM CO.**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 31, 2003**

**Note 3: Long-Term Debt**

Note payable, bank(A)	\$ 103,112
Note payable, bank(B)	104,964
Note payable, bank(C)	2,000,000
Note payable, bank(D)	3,956,779
Notes payable, related party(E)	366,450
Notes payable, finance company(F)	45,724
	6,577,029
Less current maturities	5,558,801
	\$ 1,018,228

Aggregate annual maturities of long-term debt at December 31, 2003, were:

2004	\$ 5,558,801
2005	1,018,228
	\$ 6,577,029

- (A) Due June 2004; payable \$18,192 monthly including interest at National prime; secured by inventory, machinery and equipment.
- (B) Due March 2005; payable \$8,646 monthly including interest at National prime; remaining principal due at maturity; secured by inventory, machinery and equipment.
- (C) Due March 2004; payable \$83,333 monthly plus interest at 5%, secured by equipment.
- (D) Due September 2004; payable monthly at 1/60<sup>th</sup> of the outstanding balance plus interest at 4.75%, secured by equipment.
- (E) Unsecured notes payable to a related party; payable on demand, at interest rates of 6.00% and 8.50%.
- (F) Various notes payable due December 2004; payable monthly; secured by automobiles.

**Note 4: Related Party Transactions**

During 2001, Hamm Co. borrowed \$600,000 from a rental company owned solely by one of its shareholders. These loans are payable in monthly installments and are due on demand. The notes are not secured. At December 31, 2003, Hamm Co. owed the rental company \$366,450. During 2003, Hamm Co. paid \$1,796 in interest expense related to the loan.

During 2003, Hamm Co. provided oilfield services and other services to affiliated companies totaling approximately \$13,720,000. In addition, Hamm Co. purchased various services including salt water disposal fees and

general and administrative services totaling approximately \$13,830,000. At December 31, 2003, Hamm Co. had a receivable totaling \$4,144,561 from the affiliated companies, and a payable of \$343,777 as a result of those transactions. These amounts are included in the captions Accounts Receivable and Accounts Payable, respectively, in the accompanying balance sheet. Hamm Co. recorded an accounts payable-related party totaling \$353,439 to reimburse the owner of the Hamm Co. companies for expenses paid on behalf of Hamm Co. related to the construction of an asset. This amount was repaid in 2004.

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**HAMM CO.**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 31, 2003**

**Note 5: Profit Sharing Plan**

Hamm Co. has a 401(k) profit sharing plan covering substantially all employees. Hamm Co. makes discretionary contributions to the plan based on a percentage of eligible employees' compensation. During 2003, contributions to the plan were 5% of eligible employees' compensation. Contributions to the plan for the year ended December 31, 2003, were approximately \$426,000.

**Note 6: Stock Option Plans***Incentive Stock Option Plan (ISOP)*

Hamm Co. has an incentive stock option plan under which Hamm Co. may grant options that vest in five years to its employees for up to 21,850 shares of common stock. The exercise price of each option is intended to equal the fair value of Hamm Co.'s stock on the date of grant. An option's maximum term is ten years.

A summary of the status of the plan at December 31, 2003, and changes during the year then ended is presented below:

	Shares	Weighted-Average Exercise Price
Outstanding, beginning of year		\$
Granted	21,850	13.20
Outstanding, end of year	21,850	\$ 13.20
Options exercisable, end of year	0	

The fair value of options granted is estimated on the date of the grant using the minimum value method with the following weighted-average assumptions:

Dividend per share	\$
Risk-free interest rate	3.00%
Expected life of options	10 years
Weighted-average fair value of options granted during the year	\$ 74,000

The following table summarizes information about stock options under the plan outstanding at December 31, 2003:

Exercise Price	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
\$ 13.20	21,850	10 years	\$ 13.20		\$

*Nonqualified Stock Option Plan (NSOP)*

Hamm Co. has a nonqualified stock option plan under which it may grant options that vest in three years to its employees for up to 21,850 shares of common stock. Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, requires compensation cost to be recognized over the period in which an employee performs services if the exercise price is less than the fair value of the Hamm Co. s stock on the date of the grant. The exercise price of each option is less than the fair value of the Hamm Co. s stock on the date of grant, however, management believes the annual compensation is not

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**HAMM CO.**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 31, 2003**

material to the operations of Hamm Co. and no cost has been recognized. An option's maximum term is ten years.

A summary of the status of the plan at December 31, 2003, and changes during the year ended is presented below:

	Shares	Weighted-Average Exercise Price
Outstanding, beginning of year		\$
Granted	21,850	6.60
Outstanding, end of year	21,850	\$ 6.60
Options exercisable, end of year	0	

The fair value of options granted is estimated on the date of the grant using the minimum value method with the following weighted-average assumptions:

Dividend per share	\$
Risk-free interest rate	3.00%
Expected life of options	10 years
Weighted-average fair value of options granted during the year	\$ 181,000

The following table summarizes information about stock options under the plan outstanding at December 31, 2003:

Exercise Price	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
\$ 6.60	21,850	10 years	\$ 6.60		\$

**Note 7: Significant Estimates and Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

*Customers*

Hamm Co. earned approximately 31% of its revenues from one customer during 2003.

*Self-Insurance*

Hamm Co. and other affiliated companies participate jointly in a self-insurance pool covering health and workers compensation claims made by employees up to the first \$50,000 (health) and \$500,000 (workers' compensation), respectively, per claim. Any amounts paid above these are reinsured through third-party providers. Premiums charged to Hamm Co. are based on estimated costs per employee of the pool. Estimates of the liability recorded could differ materially from the ultimate loss.



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**HAMM CO.**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 31, 2003**

**Note 8: Litigation and Commitments**

Hamm Co. is a defendant in a lawsuit that asserts property damage from leakage of a wastewater disposal tank to which Hamm Co. transported wastewater. The lawsuit seeks damages of an unspecified amount against many transporters of oilfield drilling fluids, including Hamm Co. The court sustained a motion for summary judgement on behalf of the transporters. The appeal has been fully briefed by the parties and has been assigned to the Court of Appeals for decision. A decision on that appeal has not been rendered. The amount of loss, if any, which may result from the ultimate outcome of this action is not currently reasonably estimable. No liability has been recorded for the potential loss as of December 31, 2003. Events could occur in the near term that would materially change the amount of recognized liability.

Hamm Co. had no significant future obligations under operating lease arrangements at December 31, 2003. For the year ended December 31, 2003, rental expense under operating leases totaled \$72,712.

**Note 9: Combination of Commonly Controlled Interest**

On March 31, 2003, the Hamm Co. (Hamm) liquidated a wholly owned subsidiary Trinity Oil-Field Services, Inc. (Trinity) and contributed the net assets to Stride Well Services, Inc. (Stride). Because majority ownership of Trinity and Stride are substantially the same, this combination was accounted for in a manner similar to a pooling of interests, using Trinity's historical book values.

**Note 10: Common Stock**

During 2003, Hamm Co. amended and restated its certificate of incorporation. The amendment increased the number of authorized shares from 500,000 shares to 10,000,000 shares and decreased the par value from \$1 per share to \$.001 per share. The number of shares issued and outstanding increased from 10,000 shares to 1,956,300 shares. There was no consideration given as a result of the amendment. Common stock was decreased by \$8,044 and additional paid-in capital was increased by \$8,044.

**Note 11: Earnings Per Share**

Earnings per share were computed as follows:

	Income	Weighted-Average Shares	Per Share Amount
Basic earnings per share:			
Net income	\$ 6,107,774	1,956,175	\$ 3.12
Effect of dilutive securities:			
Stock options		14,859	
Diluted earnings per share:			
Net income	\$ 6,107,774	1,971,034	\$ 3.10

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**Independent Accountants Report**

Board of Directors  
Oil Tool Rentals, Inc.  
Enid, Oklahoma

We have audited the accompanying balance sheets of OIL TOOL RENTALS, INC. (the Company) as of September 30, 2004, and December 31, 2003 and 2002, and the related statements of income, stockholders' equity and cash flows for the nine months ended September 30, 2004, and the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Company's management. 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 management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OIL TOOL RENTALS, INC., as of September 30, 2004, and December 31, 2003 and 2002, and the results of its operations and its cash flows for the nine months ended September 30, 2004, and the years ended December 31, 2003 and 2002, in conformity with accounting principles generally accepted in the United States of America.

/s/ BKD LLP

Tulsa, Oklahoma  
December 9, 2004

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**OIL TOOL RENTALS, INC.**  
**Balance Sheets**  
**September 30, 2004, and December 31, 2003 and 2002**

	2004	2003	2002
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 354,340	\$ 302,341	\$ 196,609
Accounts receivable	1,219,203	834,540	548,621
Other current assets	8,183	17,013	30,722
Total current assets	1,581,726	1,153,894	775,952
<b>INVESTMENTS AND LONG-TERM RECEIVABLES</b>			
Held-to-maturity securities	1,887,747	1,865,770	
Receivable from related party		366,450	604,505
	1,887,747	2,232,220	604,505
<b>PROPERTY AND EQUIPMENT, at cost</b>			
Land and buildings	163,591	157,224	157,224
Trucks, trailers and other	620,059	627,379	639,863
Rental equipment	5,599,149	3,324,686	3,372,196
Shop equipment	151,198	150,092	160,566
Furniture and fixtures	85,704	78,304	149,260
	6,619,701	4,337,685	4,479,109
Less accumulated depreciation	3,364,286	3,133,075	3,025,635
	3,255,415	1,204,610	1,453,474
Total assets	\$ 6,724,888	\$ 4,590,724	\$ 2,833,931
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Current maturities of long-term debt	\$ 290,413	\$ 589,095	\$ 118,964
Accounts payable	1,423,392	28,933	64,288
Accrued expenses and other	169,368	79,823	76,773
Payable to related party	231,000		
Total current liabilities	2,114,173	697,851	260,025
<b>LONG-TERM DEBT</b>	597,502	542,841	
<b>STOCKHOLDERS EQUITY</b>			
	500	500	500

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Common stock, \$1 par value, authorized 10,000 shares, issued and outstanding 500 shares			
Additional paid-in capital	9,500	9,500	9,500
Retained earnings	4,003,213	3,340,032	2,563,906
Total stockholders equity	4,013,213	3,350,032	2,573,906
Total liabilities and stockholders equity	\$ 6,724,888	\$ 4,590,724	\$ 2,833,931

See notes to financial statements.

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**OIL TOOL RENTALS, INC.**  
**Statements of Income**  
**Nine Months Ended September 30, 2004, and**  
**Years Ended December 31, 2003 and 2002**

	2004	2003	2002
RENTAL INCOME	\$ 2,928,981	\$ 3,474,707	\$ 2,899,141
<b>OPERATING EXPENSES</b>			
Rental expense	504,150	504,915	368,120
Salaries and benefits	908,750	1,068,029	1,000,071
Depreciation	238,338	331,564	495,679
Insurance	129,383	147,110	159,878
General and administrative	219,717	227,882	212,669
Repairs and maintenance	13,504	7,471	5,327
Fuel and oil	17,664	6,144	7,252
License and permits	1,277	8,833	4,525
Parts and supplies	134,102	121,648	116,706
Gain on sale of assets	(1,500)	(23,500)	
	2,165,385	2,400,096	2,370,227
OPERATING INCOME	763,596	1,074,611	528,914
OTHER INCOME	276,036	262,128	29,887
INTEREST EXPENSE	32,451	57,613	25,123
NET INCOME	\$ 1,007,181	\$ 1,279,126	\$ 533,678
<b>EARNINGS PER SHARE (500 shares outstanding)</b>			
BASIC AND DILUTED	\$ 2,014.36	\$ 2,558.25	\$ 1,067.36

See notes to financial statements.

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**OIL TOOL RENTALS, INC.**  
**Statements of Stockholders Equity**  
**Nine Months Ended September 30, 2004, and**  
**Years Ended December 31, 2003 and 2002**

	Number of Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Total
Balance, January 1, 2002	500	\$ 500	\$ 9,500	\$ 2,242,663	\$ 2,252,663
Net income				533,678	533,678
Distribution to stockholders				(212,435)	(212,435)
Balance, December 31, 2002	500	500	9,500	2,563,906	2,573,906
Net income				1,279,126	1,279,126
Distribution to stockholders				(503,000)	(503,000)
Balance, December 31, 2003	500	500	9,500	3,340,032	3,350,032
Net income				1,007,181	1,007,181
Distribution to stockholders				(344,000)	(344,000)
Balance, September 30, 2004	500	\$ 500	\$ 9,500	\$ 4,003,213	\$ 4,013,213

See notes to financial statements.

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**OIL TOOL RENTALS, INC.**  
**Statements of Cash Flows**  
**Nine Months Ended September 30, 2004, and**  
**Years Ended December 31, 2003 and 2002**

	2004	2003	2002
<b>OPERATING ACTIVITIES</b>			
Net income	\$ 1,007,181	\$ 1,279,126	\$ 533,678
Items not requiring (providing) cash			
Depreciation	238,338	331,564	495,679
Amortization of discount on held-to-maturity investment	(21,977)	(25,770)	
Gain on sale of assets	(1,500)	(23,500)	
Changes in			
Accounts receivable	(384,663)	(285,919)	(15,012)
Accounts payable and accrued expenses	298,780	(32,305)	48,356
Other current assets and liabilities	10,723	13,709	(23,959)
Net cash provided by operating activities	1,146,882	1,256,905	1,038,742
<b>INVESTING ACTIVITIES</b>			
Proceeds from sale of property and equipment	1,500	23,500	
Purchase of property and equipment	(1,105,812)	(82,700)	(1,051,299)
Purchase held-to-maturity investments		(1,840,000)	
Net receipts on related party note receivable	366,450	238,055	46,703
Net cash used in investing activities	(737,862)	(1,661,145)	(1,004,596)
<b>FINANCING ACTIVITIES</b>			
Net borrowings on related party note payable	231,000		
Principal payments on long-term debt	(1,184,166)	(737,028)	(831,036)
Proceeds from issuance of long-term debt	940,145	1,750,000	950,000
Distributions to stockholders	(344,000)	(503,000)	(212,435)
Net cash provided by (used in) financing activities	(357,021)	509,972	(93,471)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	302,341	196,609	255,934
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 354,340	\$ 302,341	\$ 196,609
<b>SUPPLEMENTAL CASH FLOWS INFORMATION</b>			
Interest paid	\$ 33,293	\$ 53,727	\$ 24,555
Property and equipment purchases in accounts payable	\$ 1,185,224	\$	\$

See notes to financial statements.



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**OIL TOOL RENTALS, INC.**  
**Notes to Financial Statements**  
**Nine Months Ended September 30, 2004, and**  
**Years Ended December 31, 2003 and 2002**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies***Nature of Operations*

Oil Tool Rentals, Inc. ( Oil Tools ) is an Oklahoma-based equipment rental company that earns revenue predominately from providing rental equipment and services for oil and gas producers in Oklahoma, Texas, North Dakota and Wyoming. Oil Tools extends unsecured credit to its customers for a limited period of time.

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Cash Equivalents*

Oil Tools considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2004, and December 31, 2003 and 2002, cash equivalents consisted primarily of money market accounts with brokers.

*Accounts Receivable*

Accounts receivable are stated at the amount billed to customers plus any accrued and unpaid interest. Oil Tools provides an allowance for doubtful accounts, if necessary, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

*Property and Equipment*

Property and equipment are carried at cost less accumulated depreciation. Depreciation is recorded over the estimated useful life of each asset using the straight-line method. Useful lives by significant asset category were as follows as of September 30, 2004:

<b>Asset Description</b>	<b>Useful Life</b>
	<b>(in years)</b>
Trucks, trailers and other	4-10
Buildings	10-40
Equipment	4-14
Furniture and fixtures	5-7

Oil Tools' property and equipment was pledged as collateral against outstanding bank facility borrowings at September 30, 2004. See discussion at Note 3, Long-Term Debt.

*Income Taxes*

Oil Tools' stockholder has elected to have the company's income taxed as an S Corporation under provisions of the Internal Revenue Code and a similar section of the Oklahoma income tax law; therefore,

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**OIL TOOL RENTALS, INC.**  
**Notes to Financial Statements (Continued)**  
**Nine Months Ended September 30, 2004, and**  
**Years Ended December 31, 2003 and 2002**

taxable income or loss is reported to the individual stockholder for inclusion in their respective tax returns. No provision for federal and state income taxes is included in these statements.

*Revenue Recognition*

Oil Tools earns revenue from the rental of equipment to customers in the oil and gas industry and for supervisory services performed at agreed-upon or contractual rates. Revenues are recognized when earned during the month that the rental is provided or the supervisory service is performed. Rental or service agreement terms are for relatively short periods of time, and therefore, Oil Tools does not record revenue transactions under long-term contract arrangements, and did not participate in multiple-element revenue transactions during the years ended December 31, 2003 and 2002, and the nine months ended September 30, 2004.

*Securities*

Debt securities for which Oil Tools has the positive intent and ability to hold until maturity are classified as held to maturity and valued at historical cost, adjusted for amortization of premiums and accretion of discounts computed by the level-yield method.

Realized gains and losses, based on the specifically identified cost of the security, are included in net income.

*Self-Insurance*

Oil Tools and other affiliated companies have elected to jointly self-insure costs related to employee health and accident benefit programs. Costs resulting from noninsured losses are charged to income when incurred. Oil Tools has purchased insurance that limits its exposure for individual claims.

*Fair Value of Financial Instruments*

The fair value of financial assets and liabilities, other than held-to-maturity securities which are disclosed in Note 2, approximate their carrying values at September 30, 2004 and December 31, 2003 and 2002.

**Note 2: Investments***Held-to-maturity Securities*

The amortized cost and approximate fair values of held-to-maturity securities are as follows:

	2004	2003	2002
Debt securities			
Amortized cost	\$ 1,887,747	\$ 1,865,770	\$
Unrealized gains	182,253	144,230	
Fair Value	\$ 2,070,000	\$ 2,010,000	\$

Maturities of held-to-maturity debt investments at September 30, 2004:

	Amortized Cost	Approximate Fair Value
After one through five years	\$ 1,887,747	\$ 2,070,000

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**OIL TOOL RENTALS, INC.**  
**Notes to Financial Statements (Continued)**  
**Nine Months Ended September 30, 2004, and**  
**Years Ended December 31, 2003 and 2002**

**Note 3: Long-Term Debt**

	2004	2003	2002
Note payable, bank(A)	\$	\$	\$ 118,964
Note payable, bank(B)		1,131,936	
Note payable, bank(C)	887,915		
	887,915	1,131,936	118,964
Less current maturities	290,413	589,095	118,964
	\$ 597,502	\$ 542,841	\$ 0

Aggregate annual maturities of long-term debt at September 30, 2004, were:

2005	\$ 290,413
2006	315,370
2007	282,132
	\$ 887,915

- (A) Originally due March 2005; payable \$28,366 monthly including interest at 4.75%; secured by inventory, machinery and equipment. The note was also personally guaranteed by Oil Tools majority stockholder. The note was paid in 2003.
- (B) Originally due February 2006; payable \$52,101 monthly including interest at 4.50%; secured by inventory, machinery and equipment. The note was also personally guaranteed by Oil Tools majority stockholder. The note was paid in May 2004.
- (C) Due July 2007; payable \$29,427 monthly including interest at LIBOR; secured by inventory, machinery and equipment. The note is personally guaranteed by Oil Tools majority stockholder.

**Note 4: Related Party Transactions**

During 2001, Oil Tools loaned \$600,000 to a service company owned solely by one of its stockholders. This loan was payable in monthly installments and was due on demand. The note is not secured. At September 30, 2004, December 31, 2003 and December 31, 2002, Oil Tools was owed \$0, \$366,450 and \$604,505, respectively, on this note.

At September 30, 2004, Oil Tools owed \$231,000 to a service company owned solely by one of its stockholders. This payable has no stated terms. Imputed interest on this note arrangement was deemed to be insignificant.

Oil Tools provides oil field services to affiliated companies and also purchases various oil field and administrative services from affiliated companies. The following summarizes the activity for the nine months ended September 30, 2004, and the years ended December 31, 2003 and 2002:

	<b>2004</b>	<b>2003</b>	<b>2002</b>
Rental income	\$ 1,072,220	\$ 1,299,322	\$ 990,840
Operating expenses	147,964	164,241	661,447
Accounts receivable	415,744	389,075	277,574
Accounts payable	2,003	4,926	14,195

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**OIL TOOL RENTALS, INC.**  
**Notes to Financial Statements (Continued)**  
**Nine Months Ended September 30, 2004, and**  
**Years Ended December 31, 2003 and 2002**

Held-to-maturity securities are corporate bonds of a company owned solely by one of its stockholders. These bonds are publicly traded on a national exchange.

**Note 5: Profit Sharing Plan**

Oil Tools has a 401(k) profit sharing plan covering substantially all employees. Oil Tools makes discretionary contributions to the plan based on a percentage of eligible employees' compensation. During 2004, 2003 and 2002 contributions to the plan were 5% of eligible employees' compensation. Contributions to the plan for the nine months ended September 30, 2004, and years ended December 31, 2003 and 2002, were approximately \$26,000, \$37,000 and \$30,000, respectively.

**Note 6: Significant Estimates and Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

*Customers*

Oil Tools earned approximately 37%, 37% and 34% of its revenues from one related party customer during the nine months ended 2004 and the years ended 2003 and 2002, respectively.

*Self-Insurance*

Oil Tools and other affiliated companies participate jointly in a self-insurance pool covering health and workers compensation claims made by employees up to the first \$50,000 (health) and \$500,000 (workers' compensation), respectively, per claim. Any amounts paid above these are reinsured through third-party providers. Premiums charged to Oil Tools are based on estimated costs per employee of the pool. Estimates of the liability recorded could differ materially from the ultimate loss.

*Cash Balances*

At September 30, 2004, Oil Tools' cash accounts exceeded federally insured limits by approximately \$340,000.

**Note 7: Subsequent Event**

Subsequent to September 30, 2004, Oil Tools was restructured and 100% of the stock of the restructured entity was sold to Complete Energy Services, Inc., a majority-owned company of SCF-IV, L.P. Oil Tools' common stock was sold for cash and for capital stock of Complete Energy Services, Inc., pursuant to the purchase agreement.

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Board of Directors

Big Mac Tank Trucks, Inc. and Affiliates

We have audited the consolidated balance sheets of Big Mac Tank Trucks, Inc., Big Mac Transports, Inc. and Fugo Services, Inc. (collectively, the Company ) as of October 31, 2005 and December 31, 2004, and the related consolidated statements of operations, shareholder s equity, and cash flows for the period from January 1, 2005 through October 31, 2005 and for the year ended December 31, 2004. These financial statements are the responsibility of the Company s management. 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 as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of October 31, 2005 and December 31, 2004, and the results of their operations and their cash flows for the period from January 1, 2005 through October 31, 2005 and for the year ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

/s/ Grant Thornton LLP

Houston, Texas  
January 31, 2006

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**BIG MAC TANK TRUCKS, INC. AND AFFILIATES**  
**Consolidated Balance Sheets**  
**As of October 31, 2005 and December 31, 2004**

	<b>October 31, 2005</b>	<b>December 31, 2004</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 743,556	\$ 493,511
Accounts receivable trade, net	5,186,600	3,507,666
Prepaid expenses and other current assets	100,196	258,135
Total current assets	6,030,352	4,259,312
Property, plant and equipment, net	4,109,816	2,666,348
Total assets	\$ 10,140,168	\$ 6,925,660
<b>LIABILITIES AND SHAREHOLDER S EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 274,324	\$ 150,774
Accrued liabilities	452,334	145,389
Total current liabilities	726,658	296,163
Shareholder s equity:		
Common stock, \$1 par value; authorized 125,000 shares; issued and outstanding 4,500 shares	4,500	4,500
Additional paid-in capital	426,046	426,046
Retained earnings	8,982,964	6,198,951
Total shareholder s equity	9,413,510	6,629,497
Total liabilities and shareholder s equity	\$ 10,140,168	\$ 6,925,660

The accompanying notes are an integral part of these statements.

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**BIG MAC TANK TRUCKS, INC. AND AFFILIATES**  
**Consolidated Statements of Operations**  
**For the Ten Months Ended October 31, 2005 and the Year Ended December 31, 2004**

	2005	2004
Revenues	\$ 21,070,793	\$ 19,493,625
Cost of services	9,280,423	8,534,590
	11,790,370	10,959,035
Selling, general and administrative expenses		
Salaries and wages	926,377	974,510
Other general and administrative expenses	664,780	708,356
	1,591,157	1,682,866
Net income	\$ 10,199,213	\$ 9,276,169

The accompanying notes are an integral part of these statements.

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**BIG MAC TANK TRUCKS, INC. AND AFFILIATES**  
**Consolidated Statements of Shareholder s Equity**  
**For the Ten Months Ended October 31, 2005 and the Year Ended December 31, 2004**

	<b>Common Stock</b>	<b>Additional Paid-In Capital</b>	<b>Retained Earnings</b>	<b>Total Shareholder s Equity</b>
Balance at January 1, 2004	\$ 4,500	\$ 426,046	\$ 4,880,782	\$ 5,311,328
Shareholder distributions			(7,958,000)	(7,958,000)
Net income			9,276,169	9,276,169
Balance at December 31, 2004	4,500	426,046	6,198,951	6,629,497
Shareholder distributions			(7,415,200)	(7,415,200)
Net income			10,199,213	10,199,213
Balance at October 31, 2005	\$ 4,500	\$ 426,046	\$ 8,982,964	\$ 9,413,510

The accompanying notes are an integral part of these statements.

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**BIG MAC TANK TRUCKS, INC. AND AFFILIATES**  
**Consolidated Statements of Cash Flows**  
**For the Ten Months Ended October 31, 2005 and the Year Ended December 31, 2004**

	2005	2004
<b>Cash flows from operating activities:</b>		
Net income	\$ 10,199,213	\$ 9,276,169
Depreciation	870,473	795,578
<b>Changes in assets and liabilities:</b>		
Increase in accounts receivable	(1,678,934)	(555,866)
(Increase) decrease in prepaids and other	157,939	(191,172)
Increase (decrease) in accounts payable	123,550	(4,253)
Increase in accrued payables	306,945	45,576
Net cash provided by operating activities	9,979,186	9,366,032
<b>Investing activities:</b>		
Purchase of property and equipment	(2,313,941)	(1,207,910)
Net cash used in investing activities	(2,313,941)	(1,207,910)
<b>Financing activities:</b>		
Distributions to shareholder	(7,415,200)	(7,958,000)
Net cash used in financing activities	(7,415,200)	(7,958,000)
Increase in cash	250,045	200,122
Cash and cash equivalents beginning of period	493,511	293,389
Cash and cash equivalents end of period	\$ 743,556	\$ 493,511

The accompanying notes are an integral part of these statements.

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**BIG MAC TANK TRUCKS, INC. AND AFFILIATES**

**Notes to Consolidated Financial Statements**

**Ten Months Ended October 31, 2005 and Year Ended December 31, 2004**

**NOTE A NATURE OF OPERATIONS**

*1. Nature of Operations*

Big Mac Tank Trucks, Inc., Big Mac Transports, Inc. and Fugo Services, Inc. (collectively, Big Mac ), provides trucking services and saltwater disposal for oil and gas producers in Oklahoma and Arkansas.

Big Mac s business depends, to a large degree, on the level of spending by oil and gas companies for exploration, development and production activities. Therefore, a sustained increase or decrease in the price of natural gas or oil, which could have a material impact on exploration, development and production activities, also could materially affect our financial position, results of operations and cash flows.

**NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*1. Basis of Consolidation*

The consolidated financial statements include the accounts of Big Mac Tank Trucks, Inc. Big Mac Transports, Inc. and Fugo Services, Inc. (see Note F). All intercompany accounts among entities in Big Mac are eliminated in consolidation.

*2. Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*3. Cash and Cash Equivalents*

Big Mac considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

*4. Accounts Receivable*

Accounts receivable are stated at the amount billed to customers. Big Mac provides an allowance for doubtful accounts, if necessary, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Delinquent receivables are written off based on an individual credit evaluation and specific circumstances of the customer. The allowance for doubtful accounts was \$80,695 and \$0 at October 31, 2005 and December 31, 2004, respectively.

*5. Property and Equipment*

Property, plant and equipment, which includes renewals and betterments, are stated at cost less accumulated depreciation. Repair and maintenance costs are expensed as period costs. Depreciation on our buildings, trucks and equipment is computed using the straight-line method over the estimated useful life of the asset after provision for salvage value (buildings 39 years; trucks and equipment 5 years). Upon retirement or other disposal of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any gains or losses are included in our results of operations.

Big Mac reviews its assets for impairment when events or changes in circumstances indicate that the net book value of property, plant and equipment may not be recovered over its remaining service life. Provisions for asset impairment are charged to income when the sum of estimated future cash flows, on an

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**BIG MAC TANK TRUCKS, INC. AND AFFILIATES**  
**Notes to Consolidated Financial Statements (Continued)**  
**Ten Months Ended October 31, 2005 and Year Ended December 31, 2004**

undiscounted basis, is less than the asset's net book value. Actual impairment charges are recorded using an estimate of discounted future cash flows. There was no impairment recorded in 2005 or 2004.

**6. Revenue Recognition**

Revenues are considered earned and directly related costs are recorded when an understanding has been agreed to between Big Mac and a financially capable customer encompassing a determinable price, and the services have been rendered by delivering the product to its final destination or completing other services, and collectibility of Big Mac's fee is reasonably assured. Typically there are no other motor carriers involved in Big Mac's transportation services and all deliveries are made directly to customers.

**7. Income Taxes**

Big Mac's shareholder has elected to have Big Mac's income taxed as an S Corporation under the provisions of the Internal Revenue Code and a similar section of the Oklahoma income tax law; therefore, taxable income or loss is reported to the individual shareholder for inclusion in his respective tax returns. No provision for federal and state income taxes is included in these statements.

**8. Advertising Costs**

Advertising costs of \$7,524 and \$11,846 in 2005 and 2004, respectively, were charged to operations when incurred.

**NOTE C PROPERTY, PLANT AND EQUIPMENT**

The major components of our property, plant and equipment as of October 31, 2005 and December 31, 2004 were as follows:

	2005	2004
Automobiles, trucks and equipment	\$ 6,957,166	\$ 5,705,574
Frac tanks	4,520,679	3,458,330
Buildings	148,907	148,907
Land	36,000	36,000
Office equipment and other	650,162	650,162
Total property, plant and equipment	12,312,914	9,998,973
Accumulated depreciation	(8,203,098)	(7,332,625)
Net property, plant and equipment	\$ 4,109,816	\$ 2,666,348

**NOTE D RELATED PARTY TRANSACTIONS**

An individual stockholder owns 100% of the outstanding stock in Big Mac Tank Trucks, Inc., Big Mac Transports, Inc., and Fugo Services, Inc. Big Mac Tank Trucks, Inc. leases transportation equipment from Big Mac Transports, Inc. under short term leases. Big Mac Tank Trucks, Inc. also compensates Fugo Services, Inc. to dispose of saltwater transported from wells that Big Mac Tank Trucks, Inc. services. Big Mac Tank Trucks, Inc. is the only customer of Big Mac Transports, Inc. and Fugo Services, Inc. and pays all the expenses of the other two companies. All transactions among companies and related receivables and payables have been eliminated in the consolidated financial statements.



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**BIG MAC TANK TRUCKS, INC. AND AFFILIATES**  
**Notes to Consolidated Financial Statements (Continued)**  
**Ten Months Ended October 31, 2005 and Year Ended December 31, 2004**

The shareholder also participates in various other business activities outside of the management and ownership of the three consolidated companies. These activities are listed below:

*Wilburton State Bank* The shareholder has an 82% ownership interest in this bank and is a member of the Bank's Board. This was the only bank used by Big Mac Tank Trucks, Inc., Big Mac Transports, Inc. and Fugo Services, Inc. until October 31, 2005.

*First National Bank of McAlester* The shareholder is a member of the Board for this bank. This bank was the primary bank that was being utilized by the three companies subsequent to October 31, 2005.

*Brower Oil & Gas* This is an exploration and production company. The shareholder has interests in wells operated by this company. Brower Oil & Gas uses the services of Big Mac Tank Trucks, Inc. at their well sites. At October 31, 2005 and December 31, 2004, Big Mac Tank Trucks, Inc. had receivables of \$24,796 and \$23,459, respectively, due from Brower Oil & Gas. For the periods ended October 31, 2005 and December 31, 2004, the amount of revenue related to those services was \$133,325 and \$188,752, respectively.

*Meade Energy Corporation* This is an exploration and production company. The shareholder has interests in wells operated by this company. Meade Energy Corporation uses the services of Big Mac Tank Trucks, Inc. at their well sites. At October 31, 2005 and December 31, 2004, Big Mac Tank Trucks, Inc. had a receivable of \$50,414 and \$9,527, respectively, due from Meade Energy Corporation. For the periods ended October 31, 2005 and December 31, 2004, the amount of revenue related to those services was \$81,484 and \$75,409, respectively.

*Chesapeake Operating Inc (Chesapeake Energy)* This is an exploration and production company. The shareholder has interests in wells operated by this company. Chesapeake Inc. uses the services of Big Mac Tank Trucks, Inc. at their well sites and is one of Big Mac's largest customers; revenues from Chesapeake were \$1,628,910 or 7.7% of Big Mac's total sales in 2005 and \$2,111,366 or 10.9% in 2004. At October 31, 2005 and December 31, 2004, Big Mac Tank Trucks, Inc. had receivables of \$429,243 and \$362,076, respectively, due from Chesapeake Operating Inc.

**NOTE E SIGNIFICANT ESTIMATES AND CONCENTRATIONS**

Accounting principles generally accepted in the United States of America require a disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

*1. Cash*

Big Mac's cash in banks exceeded the FDIC insured limits by approximately \$5,791,000 at October 31, 2005 and by approximately \$548,000 at December 31, 2004.

*2. Concentration of Credit Risk*

Big Mac earned approximately 15% of its revenues from one unrelated customer during the period ending October 31, 2005 and approximately 20% of its revenues from the same unrelated customer during 2004.

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**BIG MAC TANK TRUCKS, INC. AND AFFILIATES**  
**Notes to Consolidated Financial Statements (Continued)**  
**Ten Months Ended October 31, 2005 and Year Ended December 31, 2004**

**NOTE ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT FIN 46(R) VARIABLE INTEREST ENTITIES**

FASB Interpretation (FIN) 46(R), Consolidation of Variable Interest Entities-An Interpretation of ARB No. 51 was applicable to Big Mac by the beginning of the first annual period beginning after December 15, 2004 which was January 1, 2005. Big Mac adopted FIN 46(R) on January 1, 2005 and has elected to reflect its application as of the beginning of 2004 for these comparative financial statements as permitted under FIN 46(R). There was no cumulative effect adjustment needed as of January 1, 2004.

Big Mac Tank Trucks, Inc. rents truck transports from Big Mac Transports, Inc. and uses various disposal wells owned by Fugo Services, Inc. both of whom are variable interest entities (VIEs) whose sole purpose and activity is to provide services to Big Mac Tank Trucks, Inc. Big Mac Tank Trucks, Inc. consolidates these VIEs because it is the VIEs primary beneficiary. The consolidated financial statements include the following amounts as of October 31, 2005 and December 31, 2004 as a result of the VIEs consolidation:

	<b>2005 Amounts</b>	<b>2004 Amounts</b>
	<b>(In thousands)</b>	<b>(In thousands)</b>
Assets	\$ 275	\$ 95
Liabilities and debt		
Minority interest		

Big Mac Tank Trucks, Inc., Big Mac Transports, Inc. and Fugo Services, Inc. are commonly owned by one individual and therefore there is no minority interest present.

**NOTE G FAIR VALUE INSTRUMENTS**

The fair value of our cash equivalents, trade receivables and trade payables approximate their carrying values due to the short-term nature of these instruments.

**NOTE H COMMITMENTS AND CONTINGENCIES**

Big Mac is subject to various legal proceedings and claims that arise in the ordinary course of business. In the opinion of management and based on the present knowledge of the facts, management believes the amount of any potential liability with respect to these actions will not have a material adverse effect on the consolidated financial position, results of operations or liquidity of Big Mac.

**NOTE I SUBSEQUENT EVENT**

Subsequent to October 31, 2005, the companies were restructured and 100% of the membership interests in the restructured entities were sold to Complete Production Services, Inc. for cash.

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**Report of Independent Certified Public Accountants**

The Board of Directors and Shareholders  
Hyland Enterprises, Inc.

We have audited the balance sheets of Hyland Enterprises, Inc. (the Company) as of August 31, 2004 and February 29, 2004, and the related statements of earnings, shareholders' equity and cash flows for the six months ended August 31, 2004 and the year ended February 29, 2004. These financial statements are the responsibility of the Company's management. 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 as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hyland Enterprises, Inc. as of August 31, 2004 and February 29, 2004, and the results of its operations and its cash flows for the six months and the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Grant Thornton LLP

Houston, Texas

March 7, 2006

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**HYLAND ENTERPRISES, INC.**  
**Balance Sheets**  
**August 31, 2004 and February 29, 2004**

	<b>August 31, 2004</b>	<b>February 29, 2004</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 94,901	\$ 312,264
Restricted certificates of deposits	92,831	30,333
Accounts receivable, net of allowance for doubtful accounts of \$118,498 and \$97,892	6,900,127	7,282,059
Notes receivable	1,126,352	552,526
Asset held for sale	41,140	
Inventory	1,150,282	1,033,488
Prepaid expenses and other assets	796,699	578,021
Total current assets	10,202,332	9,788,691
<b>PROPERTY, PLANT AND EQUIPMENT, net</b>	<b>14,376,196</b>	<b>11,975,127</b>
<b>TOTAL ASSETS</b>	<b>\$ 24,578,528</b>	<b>\$ 21,763,818</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 2,703,830	\$ 2,568,190
Accrued liabilities	2,597,594	1,944,265
Transfers of receivables with recourse	3,236,115	3,170,903
Current maturities of long-term debt	3,221,489	2,531,819
Total current liabilities	11,759,028	10,215,177
<b>DEFERRED TAX LIABILITY</b>	<b>1,906,695</b>	<b>1,931,860</b>
<b>LONG-TERM DEBT</b>	<b>6,841,721</b>	<b>5,791,955</b>
Total liabilities	20,507,444	17,938,992
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>SHAREHOLDERS EQUITY</b>		
Common stock, no par value, 50,000 shares authorized, 12,340 shares issued and outstanding	1,000	1,000
Retained earnings	4,070,084	3,823,826
Total shareholders equity	4,071,084	3,824,826
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>\$ 24,578,528</b>	<b>\$ 21,763,818</b>

The accompanying notes are an integral part of these statements.



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**HYLAND ENTERPRISES, INC.**  
**Statements of Earnings**  
**August 31, 2004 and February 29, 2004**

	<b>Six months ended August 31, 2004</b>	<b>Twelve months ended February 29, 2004</b>
REVENUES	\$ 20,179,258	\$ 31,634,296
OPERATING EXPENSES		
Costs of goods and services	9,305,121	14,926,264
General and administrative expenses	1,483,086	1,896,581
Taxes and insurance	1,141,042	1,650,904
Depreciation	1,688,280	2,181,325
Salaries and employee benefits	3,303,777	3,033,502
Shop expenses	2,561,996	4,796,404
Total operating expenses	19,483,302	28,484,980
EARNINGS FROM OPERATIONS	695,956	3,149,316
OTHER INCOME	81,231	430,654
INTEREST EXPENSE	398,326	590,767
<b>NET EARNINGS BEFORE TAXES</b>	378,861	2,989,203
PROVISION FOR INCOME TAXES	132,603	1,076,113
<b>NET EARNINGS</b>	<b>\$ 246,258</b>	<b>\$ 1,913,090</b>

The accompanying notes are an integral part of these statements.

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**HYLAND ENTERPRISES, INC.**  
**Statement of Shareholders' Equity**  
**Six Months Ended August 31, 2004 and Year Ended February 29, 2004**

	<b>Common Stock</b>	<b>Retained earnings</b>	<b>Total shareholders equity</b>
Balance at February 28, 2003	\$ 1,000	\$ 1,910,736	\$ 1,911,736
Net earnings		1,913,090	1,913,090
Balance at February 29, 2004	1,000	3,823,826	3,824,826
Net earnings		246,258	246,258
Balance at August 31, 2004	\$ 1,000	\$ 4,070,084	\$ 4,071,084

The accompanying notes are an integral part of these statements.

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**HYLAND ENTERPRISES, INC.**  
**Statements of Cash Flows**  
**August 31, 2004 and February 29, 2004**

	Six months ended August 31 2004	Twelve months ended February 29, 2004
Cash flows from operating activities:		
Net earnings	\$ 246,258	\$ 1,913,090
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Gain on sale of equipment	(54,257)	(173,093)
Depreciation	1,688,280	2,181,325
Deferred income taxes	(25,165)	1,044,137
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	381,932	(2,605,210)
Decrease (increase) in prepaid expenses and other assets	(218,678)	(126,203)
Increase in notes receivable	(573,826)	(169,103)
Increase in inventory	(116,794)	(447,079)
Increase in assets held for sale	(41,140)	
Increase in accounts payable	135,640	1,235,409
Increase in accrued liabilities	653,329	369,955
Net cash provided by operating activities	2,075,579	3,223,228
Cash flows from investing activities:		
Purchase of equipment	(4,155,925)	(3,517,668)
Proceeds from sale of equipment	120,833	357,888
Proceeds from sale of investments		172,019
Purchases of certificates of deposit	(62,498)	(10,000)
Net cash used in investing activities	(4,097,590)	(2,997,761)
Cash flows from financing activities:		
Proceeds from long-term debt	3,074,145	1,091,580
Proceeds from transfers of accounts receivable, net	65,212	1,064,126
Payments on long-term debt	(1,334,709)	(2,086,083)
Net cash provided by financing activities	1,804,648	69,623
Net (increase) decrease in cash and cash equivalents	(217,363)	295,090
Cash and cash equivalents at beginning of period	312,264	17,174
Cash and cash equivalents at end of period	\$ 94,901	\$ 312,264
Supplemental cash flow information:		
Cash paid during the year for interest	\$ 398,326	\$ 590,767
Cash paid during the year for income taxes	125,000	31,976
Non-cash activities:		
Purchase of equipment for notes payable	3,074,145	4,610,438



The accompanying notes are an integral part of these statements.

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**HYLAND ENTERPRISES, INC.**

**Notes to Financial Statements**

**August 31, 2004 and February 29, 2004**

**NOTE A NATURE OF OPERATIONS**

Hyland Enterprises, Inc., ( Hyland ) specializes in drilling completions, production services including production and fresh water hauling, frac tank rental, gravel hauls and construction, heavy equipment rentals and moves. Frac tanks are typically rented weekly and heavy equipment is rented monthly. Hyland is headquartered in Rawlins, Wyoming with locations in Wamsutter, Baggs and Rock Springs, Wyoming and Rifle, Colorado.

**NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*1. Use of Estimates and Reclassifications*

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Certain amounts from the prior year have been reclassified to conform to the current year presentation.

*2. Cash and Cash Equivalents*

Hyland considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. At August 31, 2004 and February 29, 2004, Hyland has cash accounts that exceeded the Federal Deposit Insurance Corporation insured limit by \$525,819 and \$857,993. Hyland has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. Restricted cash consists of certificates of deposit required by the State of Wyoming to ensure proper land restoration following water extraction. Certificates of deposits can not be redeemed without authorization from the State of Wyoming.

*3. Inventory*

Inventory, which is stated at the lower of average cost or market, consists primarily of truck parts for repairs and maintenance on capitalized fixed assets, and crushed rock which is held for resale.

*4. Accounts Receivable and Allowance for Doubtful Accounts*

Hyland's accounts receivables are due from customers located in its service areas. Credit is extended based on evaluation of a customer's financial condition. Accounts receivable are due within 30 days and are stated at amounts due from customers net of allowance of doubtful accounts. Hyland reviews its receivables on a regular basis and adjusts the allowance of doubtful accounts accordingly. Hyland determines its allowance by considering factors including the length of time trade accounts receivable are past due, Hyland's previous loss history, the customer's current ability to pay its obligation to Hyland and the condition of the general economy and the industry as a whole. The allowance for doubtful accounts was \$118,498 and \$97,892 at August 31, 2004 and February 29, 2004.

*5. Notes Receivable*

Hyland's notes receivable consist of amounts due from owner/operators that are associated with Hyland whereby Hyland has financed equipment which secures the notes for the owner/operator. An amortization schedule is prepared for each note and interest at an annual rate of 12% charged on a monthly basis in accordance with the amortization schedule. In addition, as of August 31, 2004, Hyland also had a note receivable from the president and a majority shareholder of Hyland. The total amount of

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**HYLAND ENTERPRISES, INC.**  
**Notes to Financial Statements (Continued)**  
**August 31, 2004 and February 29, 2004**

this note receivable was \$927,997 as of August 31, 2004. This amount was paid in full on September 3, 2004 when Hyland's stock was sold (See Note K). The shareholder note receivable consisted of a series of advances from June 19, 2003 through August 9, 2004, totaling \$939,113 at interest rates from 4.57% to 5.13%. These advances were not secured by any collateral. Interest income for the six months ended August 31, 2004 on all notes was \$19,976 and for the year ended February 29, 2004 was \$35,604.

6. *Asset Held for Sale*

As of August 31, 2004, Hyland plans to dispose of a truck which is classified as asset held for sale. This asset was disposed of by sale in 2005.

7. *Property, Plant and Equipment*

Capital assets are carried at cost and depreciated on a straight-line basis over the following lives:

	<b>Life</b>
Buildings	39 years
Field equipment, trucks and trailers	5-10 years
Office equipment	5 years

Total depreciation expense for the six months ended August 31, 2004 and for the twelve months ended February 29, 2004 was \$1,688,280 and \$2,181,325.

8. *Revenue Recognition*

Hyland recognizes revenues on service contracts in the period in which the service is provided. Hyland recognizes revenues on the sale of materials and supplies when products have been shipped, title and risk of loss have been transferred and collectibility is probable. Hyland recognizes revenues from the rental of machinery and equipment in the period during which these items are rented to outside parties.

9. *Income Taxes*

Hyland recognizes deferred income tax assets and liabilities for the expected future tax consequences for events that have been included differently on the financial statements and income tax returns. The deferred tax assets and liabilities are computed based on the difference between the financial statement and income tax bases of assets and liabilities using the enacted tax rates in effect in the year in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance for the amount of any tax benefit Hyland does not expect to be realized.

10. *Transfers of Receivables with Recourse*

Hyland entered into a service contract in August, 1999 with a financial factor that obligated the factor to purchase eligible accounts receivable from Hyland on a daily basis with recourse. The original term of the agreement was one year, renewed annually unless cancelled by either party within the time periods specified in the contract. Hyland accounts for the contract as a secured borrowing. Under the terms of the agreement, the factor will advance Hyland 90% of the eligible accounts receivable with the remaining 10% to be held back as a non-interest bearing reserve which will be used as security and to absorb certain expenses. The factor charges a daily service fee based on the prime rate which averaged approximately 1.2% of the receivables transferred. In addition various transactional fees are charged by the factor. Total fees for the six months ended August 31, 2004 and the year ended February 29, 2004 were \$135,592 and \$179,634 respectively, and are shown as interest expense in the accompanying statement of earnings. The

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**HYLAND ENTERPRISES, INC.**  
**Notes to Financial Statements (Continued)**  
**August 31, 2004 and February 29, 2004**

advances by the factor are secured by all accounts receivable and intangible assets of Hyland. As of August 31, 2004 and February 29, 2004, secured borrowings from the factor totaled \$3,236,115 and \$3,170,903 and the reserve held by the factor was \$366,045 and \$317,090, respectively. Accounts receivable at August 31, 2004 and February 29, 2004 included \$3,236,115 and \$3,170,903 of factored accounts, respectively.

**NOTE C 401(k) PLAN**

Hyland provides a 401(k) plan to all eligible employees. An eligible employee is any employee who has attained age 21 and completed one year of service as defined by the plan. Participation is elective and not required. Eligible employees may begin participating in the Plan on the first day of the month following the completion of the eligibility requirements. Under the Plan, participating employees can defer an amount of their compensation not to exceed maximum dollar amounts determined by the Federal government each year. Hyland did not make discretionary matching contributions to the Plan for the periods ended August 31, 2004 and February 29, 2004.

**NOTE D PROPERTY, PLANT AND EQUIPMENT**

The major components of our property, plant and equipment as of August 31, 2004 and February 29, 2004 are as follows:

	August 31, 2004	February 29, 2004
Land	\$ 80,049	\$ 327,491
Buildings	730,445	585,445
Vehicles	4,365,827	4,220,590
Equipment	20,783,630	16,970,242
Total property, plant and equipment	25,959,951	22,103,768
Accumulated depreciation	11,583,755	10,128,641
Net property, plant and equipment	\$ 14,376,196	\$ 11,975,127

**NOTE E RELATED PARTY TRANSACTIONS**

An individual shareholder, C. Douglas Dowlin, owns 12,203 shares which is 98.89% of the outstanding shares as of August 31, 2004. Mr. Dowlin is also the President and Treasurer of Hyland. The remaining outstanding shares in the amount of 137 shares or 1.11% of the total are owned by Joseph L. Carnes who is also the Vice President and Secretary of Hyland. Both shareholders are actively involved in the business of Hyland on a daily basis.

C. Douglas Dowlin, dba Falcon Filters owns various facilities that are currently leased by Hyland. In addition, C. Douglas Dowlin and Lori Dowlin (wife of C. Douglas Dowlin) jointly own various facilities that are currently leased by Hyland. A third entity, Red Canyon Ventures, owns land that is also leased by Hyland. Red Canyon Ventures is a joint venture between C. Douglas Dowlin and Bill Davis, who is the manager for Hyland's Rifle, Colorado terminal. Remote Enterprises, LLC is an entity owned by Denice

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**HYLAND ENTERPRISES, INC.**  
**Notes to Financial Statements (Continued)**  
**August 31, 2004 and February 29, 2004**

Tripp, daughter of C. Douglas Dowlin. Following is a summary of these properties along with the total rent and other payments for the six months ended August 31, 2004:

Description of facility	Lessor	Rent payments
Main Office, South Shop, Washbay, Safety Office, North Shop, Drive Line Facility, Lots 1, 2, 8, 9, 15, 22 & 23 in the Wamsutter Industrial Park and the Rock Springs Terminal Yard all leases are month to month plus monthly rental of two pickups	C. Douglas Dowlin dba Falcon Filters, Douglas Dowlin and Lori Dowlin	\$160,000
East storage yard in Rifle, Colorado consisting of five fenced yards	Red Canyon Ventures	87,383
Rental of ten Wichita 660 BBL frac tanks numbers 3091 through 3100	Remote Enterprises, LLC	74,250
Total rents to related parties		\$321,633
		Other payments
Total advances, net of interest payments received, to related parties	Various loans to C. Douglas Dowlin and/or Falcon Filters	\$613,843
Total purchases of equipment from related parties	Purchase of mobile homes and two used pick-up trucks from Falcon Filters	\$124,000

**NOTE F INVENTORY**

The major components of inventory as of August 31, 2004 and February 29, 2004 are as follows:

	August 31, 2004	February 29, 2004
Crushed rock	\$ 501,511	\$ 406,497
Truck parts and shop supplies	648,771	626,991
Inventory	\$ 1,150,282	\$ 1,033,488

**NOTE G LONG-TERM DEBT**

Long-term debt consists of the following at August 31, 2004 and February 29, 2004:

	<b>August 31, 2004</b>	<b>February 29, 2004</b>
Various note payables to finance companies, secured with interest of 0 to 10.5%, payable in monthly installments through various dates ranging from September 2004 to September 2009	\$ 10,063,210	\$ 8,323,774
Less current maturities	3,221,489	2,531,819
<b>Total long-term debt</b>	<b>\$ 6,841,721</b>	<b>\$ 5,791,955</b>

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**HYLAND ENTERPRISES, INC.**  
**Notes to Financial Statements (Continued)**  
**August 31, 2004 and February 29, 2004**

Substantially all of Hyland's property and equipment secure the various notes payable. Maturities of notes payable for the five years following August 31, 2004, are as follows:

2005	\$	3,221,489
2006		2,614,447
2007		2,242,039
2008		1,440,206
Thereafter		545,029
	\$	10,063,210

**NOTE H INCOME TAXES**

The provision for income taxes consists of:

	August 31, 2004	February 29, 2004
Current tax provision	\$ 157,768	\$ 31,976
Deferred tax provision	(25,165)	1,044,137
Provision for income taxes	\$ 132,603	\$ 1,076,113

Deferred tax liabilities consist of the following:

	August 31, 2004	February 29, 2004
Deferred tax liabilities		
Property, plant and equipment	\$ 1,901,589	\$ 1,956,600
Other	5,106	(24,740)
Total deferred tax liabilities	\$ 1,906,695	\$ 1,931,860

**NOTE I COMMON STOCK**

Hyland has authorized 50,000 shares of no par value common stock, of which 12,340 shares are issued and outstanding on August 31, 2004 and February 29, 2004. Holders of Hyland's common stock are entitled to one vote per share on all matters to be voted on by shareholders and are entitled to receive dividends, if any, as may be declared from time to time by Hyland's Board of Directors. Upon any liquidation or dissolution of Hyland, the holders of the common stock are entitled to receive a pro rata share of all of the assets remaining available for distribution to shareholders after settlement of all liabilities.

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**HYLAND ENTERPRISES, INC.**  
**Notes to Financial Statements (Continued)**  
**August 31, 2004 and February 29, 2004**

**NOTE J COMMITMENTS AND CONTINGENCIES**

Hyland and its subsidiaries occupy various facilities and lease certain equipment under various lease agreements. The minimum rental commitments under non-cancelable operating leases, with lease terms in excess of one year subsequent to August 31, 2004, are as follows:

2005	\$ 159,343
2006	79,427
2007	8,963
2008	3,803
2009	517
	\$ 252,053

Rental expense amounted to \$1,250,736, including short-term equipment rentals of \$1,003,283, for the period ended August 31, 2004.

Hyland is subject to various legal proceedings and claims that arise in the ordinary course of business. As of August 31, 2004, the financial statements include an accrual in the amount of \$575,000 for the settlement of a lawsuit in November 2004 with Cloverleaf Construction, Inc. dba Plum Creek Sand and Gravel and Theodore Roosevelt Jordon dba Ted Jordon. In the opinion of management, the amount of any liability with respect to any other actions is either too early to determine or will not materially affect Hyland's financial statements or results of operations.

**NOTE K SUBSEQUENT EVENTS**

A sale of all of Hyland's outstanding stock occurred on September 3, 2004 to Complete Energy Services, Inc.



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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Board of Directors

Monument Well Service Company and Affiliates

We have audited the combined balance sheets of Monument Well Service Company, R & W Rentals, Ltd. and Medco, LLC ( Monument Well Service Company and Affiliates or the Company ) as of April 30, 2004 and December 31, 2003, and the related combined statement of earnings, stockholder s equity, and cash flows for the four month and twelve month periods then ended. These financial statements are the responsibility of the Company s management. 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 as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Monument Well Service Company and Affiliates at April 30, 2004 and December 31, 2003, and the combined results of their operations and their cash flows for the four month and twelve month periods then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Grant Thornton LLP

Houston, Texas

February 24, 2006

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**MONUMENT WELL SERVICE COMPANY AND AFFILIATES**  
**Combined Balance Sheets**  
**April 30, 2004 and December 31, 2003**

	<b>April 30, 2004</b>	<b>December 31, 2003</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,791,749	\$ 1,637,888
Accounts receivable	1,111,254	1,199,198
Other current assets	1,262	6,854
Total current assets	2,904,265	2,843,940
<b>PROPERTY AND EQUIPMENT</b>		
Equipment	4,598,354	4,330,970
Vehicles	721,237	721,501
Less accumulated depreciation	(2,169,681)	(2,026,555)
Total property and equipment	3,149,910	3,025,916
<b>INVESTMENTS</b>		
	\$ 6,054,175	\$ 5,890,382
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$	\$ 34,706
Accounts payable	294,565	20,916
Accrued liabilities	81,057	141,574
Notes payable stockholder	36,442	133,427
Total current liabilities	412,064	330,623
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS EQUITY</b>		
	5,642,111	5,559,759
	\$ 6,054,175	\$ 5,890,382

The accompanying notes are an integral part of these statements.

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**MONUMENT WELL SERVICE COMPANY AND AFFILIATES**  
**Combined Statements of Earnings**  
**April 30, 2004 and December 31, 2003**

	<b>April 30, 2004 (Four Months)</b>	<b>December 31, 2003 (Twelve Months)</b>
REVENUE	\$ 3,294,758	\$ 7,754,858
Less discounts	(80,101)	(214,416)
	3,214,657	7,540,442
<b>COSTS GOODS AND SERVICES</b>		
Wages	772,625	1,365,898
Equipment rental	312,082	115,783
Material	186,543	680,691
Repairs and maintenance	164,827	429,134
Payroll tax expense	82,322	101,932
Depreciation	144,624	384,591
Other	280,848	565,926
	1,943,871	3,643,955
Gross profit	1,270,786	3,896,487
<b>EXPENSES</b>		
Salaries and employee benefits	184,653	1,086,774
General and administrative	114,063	347,281
Rent	19,500	77,778
Taxes and insurance	127,425	473,751
Total expenses	445,641	1,985,584
OTHER (EXPENSE) INCOME	(5,259)	3,327
<b>NET EARNINGS</b>	<b>\$ 819,886</b>	<b>\$ 1,914,230</b>

The accompanying notes are an integral part of these statements.

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**MONUMENT WELL SERVICE COMPANY AND AFFILIATES**  
**Combined Statements of Stockholders Equity**  
**April 30, 2004**

	<b>Common Stock</b>	<b>Additional Paid-In Capital</b>	<b>Members Capital</b>	<b>Retained Earnings</b>	<b>Total Stockholders Equity</b>
Balance at December 31, 2002	\$ 93,924	\$ 6,914	\$ 108,380	\$ 3,529,620	\$ 3,738,838
Stockholder distributions				(95,000)	(95,000)
Net earning				1,914,230	1,914,230
Other comprehensive income				1,691	1,691
Balance at December 31, 2003	93,924	6,914	108,380	5,350,541	5,559,759
Stockholder distributions				(735,566)	(735,566)
Net earnings				819,886	819,886
Other comprehensive income				(1,968)	(1,968)
Balance at April 30, 2004	\$ 93,924	\$ 6,914	\$ 108,380	\$ 5,432,893	\$ 5,642,111

The accompanying notes are an integral part of this statement.

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**MONUMENT WELL SERVICE COMPANY AND AFFILIATES**  
**Combined Statements of Cash Flows**  
**Period ended April 30, 2004 and December 31, 2003**

	<b>April 30, 2004</b>	<b>December 31, 2003</b>
	<b>(Four Months)</b>	<b>(Twelve Months)</b>
<b>Cash flows from operating activities</b>		
Net earnings	\$ 819,886	\$ 1,914,230
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation	144,624	384,591
Loss on sale of property, plant and equipment	(3,547)	
Gain on sale of investment	1,102	
Changes in assets and liabilities		
Decrease in accounts receivable	87,944	69,630
Decrease in prepaid and other assets	5,592	16,168
Increase in accounts payable and accrued liabilities	213,132	99,765
Net cash provided by operating activities	1,268,733	2,484,384
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	10,610	
Purchase of property, plant, and equipment	(275,681)	(1,424,266)
Proceeds from sale of investments	17,456	
Net cash used in investing activities	(247,615)	(1,424,266)
<b>Cash flows from financing activities</b>		
Cash distributions	(735,566)	(95,000)
Payments on notes payable	(131,691)	(38,924)
Net cash used in financing activities	(867,257)	(133,924)
Net increase in cash and cash equivalents	153,861	926,194
Cash and cash equivalents at beginning of year	1,637,888	711,694
Cash and cash equivalents at end of year	\$ 1,791,749	\$ 1,637,888

The accompanying notes are an integral part of these statements.

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**MONUMENT WELL SERVICE COMPANY AND AFFILIATES**

**Notes to Combined Financial Statements**

**April 30, 2004 and December 31, 2003**

**NOTE A NATURE OF OPERATIONS**

Monument Well Service Company, a Colorado corporation, R & W Rentals, Ltd. and Medco, LLC (collectively Monument ), are oil well site service providers with operations in the Rocky Mountain region of the United States. Monument provides a wide range of services to the oil and gas exploration industry, including well servicing, well site rentals, materials and supplies and other support services.

Monument s business depends, to a large degree, on the level of spending by oil and gas companies for exploration, development and production activities. Therefore, a sustained increase or decrease in the price of natural gas or oil, which could have a material impact on exploration, development and production activities, also could materially affect the Monument s financial position, results of operations and cash flows.

**NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows.

*1. Basis of Combination*

The combined financial statements include Monument Well Service Company and its affiliates. These entities were 100% owned by an individual through personal ownership and affiliated persons or companies. The financial statements of these affiliates were combined with no adjustments to the balance sheet or statement of stockholder s equity. All significant intercompany transactions and accounts have been eliminated in the combination.

*2. Accounts Receivable and Allowance for Doubtful Accounts*

Monument s accounts receivables are due from customers located in the service areas. Credit is extended based on evaluation of a customer s financial condition. Accounts receivables are due within 30 days from the date of invoice. Monument reviews its accounts receivable every 30 days. When a customer balance is greater than 45 days past due, a follow-up invoice is sent. Monument has not experienced accounts receivable write-offs in the past and its current assessment is that all receivables will be collected in full. Monument had no allowance for doubtful accounts at either December 31, 2003 or April 30, 2004.

*3. Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Monument reviews all significant estimates affecting its financial statements on a recurring basis and records the effect of any necessary adjustments in the financial statements. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of financial statements and estimates may change in the future when improved information is available or events culminate. Certain amounts from the prior year have been reclassified to conform to the current year presentation.

*4. Revenue Recognition*

Monument recognizes revenues for oilfield services and equipment rentals in the period in which the services or rental is provided.

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**MONUMENT WELL SERVICE COMPANY AND AFFILIATES**  
**Notes to Combined Financial Statements (Continued)**  
**April 30, 2004 and December 31, 2003**

5. Cash and Cash Equivalents

Monument considers all highly liquid investments with maturities of three months or less to be cash equivalents.

6. Property and Equipment

Property and equipment are stated at cost and depreciated on a straight-line basis over their estimated useful lives, as follows:

	<b>Life in Years</b>
Service Rigs	25
Service Equipment	7-10
Vehicles, equipment and furniture	3

7. Income Taxes

The stockholder has elected, under the provisions of Subchapter S of the Internal Revenue Code, to have Monument's income treated for Federal income tax purposes substantially as if Monument were a partnership. The stockholder's respective equitable share in the net income or losses of Monument is reportable on his individual tax return. Accordingly, the financial statements reflect no provision or liability for Federal and state income taxes.

8. Long-Lived Assets

Monument reviews its long-lived assets for impairment whenever events or changes indicate that the carrying amount of an asset may not be recoverable. No impairments were recognized in the four and twelve month periods ended April 30, 2004 and December 31, 2003.

**NOTE C LONG-TERM DEBT**

Long-term debt consists of the following:

	<b>April 30, 2004</b>	<b>December 31, 2003</b>
Note payable to a finance company with no interest; principal payments of \$828 payable monthly with the last payment due January 31, 2004; collateralized by a truck	\$	\$ 9,934
Note payable to a finance company with no interest; principal payments of \$832 payable monthly with the last payment due December 16, 2004; collateralized by a truck		10,820
Note payable to a finance company with no interest; principal payments of \$1,160 payable monthly with the last payment due December 10, 2004; collateralized by a truck		13,952
		34,706
Less current maturities		(34,706)
	\$	\$

Monument elected to pay-off the notes due in December 2004 on January 28, 2004.

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**MONUMENT WELL SERVICE COMPANY AND AFFILIATES**  
**Notes to Combined Financial Statements (Continued)**  
**April 30, 2004 and December 31, 2003**

**NOTE D FAIR VALUE INSTRUMENTS**

The fair value of Monument's cash equivalents, trade receivables, trade payables and note payable to shareholder approximate their carrying value due to the short-term nature of these instruments.

**NOTE E EMPLOYEE BENEFIT PLANS**

Monument sponsors a 401(k) defined contribution plan that provides retirement benefits to all employees that elect to participate. Under the plan, participating employees may defer up to 15% of their base pre-tax compensation. Monument matches the first 5% of such contributions. During the four month period ended April 30, 2004 and the twelve months ended December 31, 2003, Monument contributed approximately \$22,000 and \$65,000, respectively, related to this plan.

**NOTE F MAJOR CUSTOMERS AND CONCENTRATION OF CREDIT RISK**

Almost all of Monument's revenues are generated from services provided to oilfield companies throughout the Rocky Mountain region of the United States of America. While the individual job contracts may be short-term in nature, relationships with these entities may be longstanding. Customers with revenues in excess of 10% of total revenues as of the four month period ended April 30, 2004 are as follows:

	April 30, 2004	December 31, 2003
Monument Well Service Company		
Customer A	25%	41%
Customer B	4%	31%
Customer C	21%	26%
R & W Rentals, Ltd.		
Customer A	18%	18%

Financial instruments which subject Monument to concentrations of credit risk consist almost entirely of trade accounts receivable. Management has not incurred significant bad debts in the past.

At April 30, 2004 and December 31, 2003, Monument had deposits in domestic banks in excess of federally insured limits of approximately \$1.7 million and \$.2 million, respectively.

**NOTE G COMMON STOCK**

Monument has authorized 25,025 shares of no par value common stock. As of April 30, 2004 and December 31, 2003, Monument had issued 18,825 shares of common stock. The holder of the common stock has full voting rights. Dividends may be paid to the stockholder as approved by the Board of Directors.

**NOTE H RELATED PARTY TRANSACTIONS**

Monument owed its stockholder \$36,442 and \$133,427 at April 30, 2004 and December 31, 2003, respectively. The notes carry no interest and are due on demand.

Monument leases office space from a stockholder. The lease is on a month-to-month basis and has been in place for over 10 years. The current lease has a rental rate of \$6,500 per month.



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**MONUMENT WELL SERVICE COMPANY AND AFFILIATES**

**Notes to Combined Financial Statements (Continued)**

**April 30, 2004 and December 31, 2003**

**NOTE I COMMITMENTS AND CONTINGENCIES**

In the normal course of business, Monument may become involved in litigation incidents to operations. At present, management is unaware of any matters in dispute, which would have a material effect on the financial position or results of operations of Monument.

**NOTE J SUBSEQUENT EVENT**

A sale of Monument's ownership interest occurred on May 6, 2004 to Complete Energy Services, Inc. The Subchapter S election was terminated at that time.

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**APPENDIX A**

**Glossary of Selected Industry Terms**

*Acidizing.* The pumping of acid into the wellbore to remove near-well formation damage and other damaging substances.

*Acoustic pressure surveys.* Surveys that determine oil and gas reservoir pressure from surface using pressure transducers and sound waves.

*Artificial lift equipment.* A system that adds energy to the fluid column in a wellbore with the objective of initiating and improving production from the well.

*Blowout.* An uncontrolled flow of reservoir fluids into the wellbore, and sometimes catastrophically to the surface.

*Blowout preventer (BOP).* A large valve at the top of a well that may be closed to regain control of a reservoir if the drilling crew or other wellsite personnel loses control of formation fluids.

*Bottom-hole assemblies.* The lower portion of the drillstring, consisting of (from the bottom up in a vertical well) the bit, bit sub, a mud motor (in certain cases), stabilizers, drill collars, heavy-weight drillpipe, jarring devices ( jars ) and crossovers for various threadforms.

*Casing.* Large-diameter pipe lowered into an openhole wellbore and cemented in place.

*Casing patch.* A downhole assembly or tool system used in the remedial repair of casing damage, corrosion or leaks.

*Cementing.* To prepare and pump cement into place in a wellbore.

*Choke.* A device incorporating an orifice that is used to control fluid flow rate or downstream system pressure.

*Coiled tubing.* A long, continuous length of pipe wound on a spool. The pipe is straightened prior to pushing into a wellbore and recoiled to spool the pipe back onto the transport and storage spool.

*Completion phase.* A generic term used to describe the assembly of downhole tubulars and equipment required to enable safe and efficient production from an oil or gas well. The point at which the completion process begins may depend on the type and design of the well.

*Downhole.* Pertaining to or in the wellbore (as opposed to being on the surface).

*Drillpipe.* Tubular steel conduit fitted with special threaded ends called tool joints. The drillpipe connects the surface equipment with the bottomhole assembly, both to pump drilling fluid to the bit and to be able to raise, lower and rotate the bottomhole assembly and bit.

*Drill string.* The combination of the drillpipe, the bottomhole assembly and any other tools used to make the drill bit turn at the bottom of the wellbore.

*Electric-line.* Related to any aspect of logging that employs an electrical cable to lower tools into the borehole and to transmit data.

*Fishing.* The application of tools, equipment and techniques for the removal of junk, debris or lost or stuck equipment from a wellbore.

*Flapper valves.* A check valve that has a spring-loaded plate (or flapper) that may be pumped through, generally in the downhole direction, but closes if the fluid attempts to flow back through the drillstring to the surface.

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*Flare gas.* A vapor or gas that is burned through a pipe or burners.

*Flowback.* The process of allowing fluids to flow from the well following a treatment, either in preparation for a subsequent phase of treatment or in preparation for cleanup and returning the well to production.

*Foam.* Drilling foam is a fluid that contains air or gas bubbles, that can withstand high salinity, hard water, solids, entrained oil and high temperatures.

*Frac tanks.* A tank used to hold fluid during a frac job. Capacity of such tanks are from 400 to 600 bbls.

*Hydrocarbon.* A naturally occurring organic compound comprising hydrogen and carbon. Hydrocarbons can be as simple as methane, but many are highly complex molecules, and can occur as gases, liquids or solids. Petroleum is a complex mixture of hydrocarbons. The most common hydrocarbons are natural gas, oil and coal.

*Jars.* A mechanical device used downhole to deliver an impact load to another downhole component, especially when that component is stuck.

*Jetting.* A downhole treatment in which a fluid laden with solid particles is used to remove deposits from the surface of wellbore tubulars and completion components.

*Landing nipples.* A completion component fabricated as a short section of heavy wall tubular with a machined internal surface that provides a seal area and a locking profile.

*Live-well.* A well that is flowing or has the ability to flow into the wellbore.

*Log.* The measurement versus depth or time, or both, of one or more physical quantities in or around a well. The term comes from the word *log* used in the sense of a record or a note.

*Logging tools.* The downhole hardware needed to make a log.

*Manifold.* An arrangement of piping or valves designed to control, distribute and often monitor fluid flow. Manifolds are often configured for specific functions, such as a choke or kill manifold used in well-control operations and a squeeze manifold used in squeeze-cementing work.

*Milling.* A downhole tool used to cut and remove material from equipment or tools located in the wellbore.

*Mud coolers.* A mud cooling system is used in a variety of applications where drilling safety or efficiency is enhanced by cooling the drilling fluid.

*Nitrogen unit.* A high-pressure pump or compressor unit capable of delivering high-purity nitrogen gas for use in oil or gas wells.

*Packer.* A downhole device used in many completions to isolate the annulus from the production conduit, enabling controlled production, injection or treatment.

*Progressive Cavity (PC) pump.* A type of sucker rod-pumping unit that uses a rotor and a stator. The rotation of the rod cavity by means of an electric motor at surface causes the fluid contained in a cavity to flow upward.

*Perforating guns.* A device used to perforate oil and gas wells in preparation for production. Perforating guns contain several shaped explosive charges and are available in a range of sizes and configurations.

*Perforate.* To create holes in the casing or liner to achieve efficient communication between the reservoir and the wellbore.

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*Pipe handling.* Equipment used to move and connect drillpipe.

*Plug drilling.* The process by which plugs are removed from the wellbore.

*Plugs.* A downhole packer assembly used in a well to seal off or isolate a particular formation for testing, acidizing, cementing, etc.; also a type of plug used to seal off a well temporarily while the wellhead is removed.

*Plunger lift.* An artificial-lift method principally used in gas wells to unload relatively small volumes of liquid.

*Power swivels.* On a drilling rig, a swivel is a mechanical device that must simultaneously suspend the weight of the drillstring, provide for rotation of the drill string beneath it while keeping the upper portion stationary, and permit high-volume flow of high-pressure drilling mud from the fixed portion to the rotating portion without leaking. Well service rigs do not have integral swivels; therefore, if rotation capability for drilling or any other reason is required on a well service rig, then a power swivel is added to the well service rig.

*Pressure pumping.* Services that include the pumping of liquids under pressure.

*Drilling rig.* The machine used to drill a wellbore.

*Shale.* A fine-grained, fissile, sedimentary rock formed by consolidation of clay- and silt-sized particles into thin, relatively impermeable layers.

*Slickline.* A thin non-electric cable used for selective placement and retrieval of wellbore hardware, such as plugs, gauges and valves. Valves and sleeves can also be adjusted using slickline tools.

*Sliding sleeves.* Completion devices that can be operated to provide a flow path between the production conduit and the annulus.

*Snubbing.* The act of putting drillpipe or tubing into the wellbore when the blowout preventers (BOPs) are closed and pressure is contained in the well.

*Stabilizers.* A bottom-hole-assembly component having a body diameter about the same size as a drill collar, and having longitudinal or spiral blades that form a larger diameter, often at or near hole diameter.

*Supply stores.* Retail stores that sell equipment for use in oil and gas exploration, development and production.

*Swabbing.* The act of unloading liquids from the production tubing to initiate or improve flow from the reservoir.

*Tight sands.* A type of unconventional tight reservoir. Tight reservoirs are those which have low permeability, often quantified as less than 0.1 millidarcies.

*Tubing string.* A pipe set inside the well casing, through which the oil or gas is produced.

*Underbalanced.* A well condition where the amount of pressure exerted on a formation is less than the internal fluid pressure of the formation, enabling formation fluids to enter the wellbore. The drilling rate typically increases as an underbalanced condition is approached.

*Well casing* see Casing.

*Well clean-up.* A period of controlled production, generally following a stimulation treatment, during which time treatment fluids return from the reservoir formation.

*Wellbore.* The physical conduit from surface into the hydrocarbon reservoir.

*Whipstock.* An inclined wedge placed in a wellbore to force the drill bit to start drilling in a direction away from the wellbore axis.

*Wireline.* A general term used to describe well-intervention operations conducted using single-strand or multi-strand wire or cable for intervention in oil or gas wells.

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