

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2012

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period From _____ to _____

Commission File Number 1-2960

Newpark Resources, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

72-1123385
(I.R.S. Employer
Identification No.)

2700 Research Forest Drive, Suite 100
The Woodlands, Texas
(Address of principal executive offices)

77381
(Zip Code)

Registrant's telephone number, including area code **(281) 362-6800**

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

Title of each class
Common Stock, \$0.01 par value

**Name of each exchange
on which registered**
New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, computed by reference to the price at which the common equity was last sold as of June 30, 2012, was \$514.9 million. The aggregate market value has been computed by reference to the closing sales price on such date, as reported by The New York Stock Exchange.

As of February 13, 2013, a total of 85,652,284 shares of Common Stock, \$0.01 par value per share, were outstanding.

Documents Incorporated by Reference

Pursuant to General Instruction G(3) to this Form 10-K, the information required by Items 10, 11, 12, 13 and 14 of Part III hereof is incorporated by reference from the registrant's definitive Proxy Statement for its 2013 Annual Meeting of Stockholders.

NEWPARK RESOURCES, INC.

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FOR THE YEAR ENDED DECEMBER 31, 2012

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995, as amended. We also may provide oral or written forward-looking information in other materials we release to the public. Words such as “will”, “may”, “could”, “would”, “anticipates”, “believes”, “estimates”, “expects”, “plans”, “intends”, and similar expressions are intended to identify these forward-looking statements but are not the exclusive means of identifying them. These forward-looking statements reflect the current views of our management; however, various risks, uncertainties, contingencies and other factors, some of which are beyond our control, are difficult to predict and could cause our actual results, performance or achievements to differ materially from those expressed in, or implied by, these statements, including the success or failure of our efforts to implement our business strategy.

We assume no obligation to update, amend or clarify publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by securities laws. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Annual Report might not occur.

For further information regarding these and other factors, risks and uncertainties affecting us, we refer you to the risk factors set forth in Item 1A of this Annual Report on Form 10-K.

PART I

ITEM 1. *Business*

General

Newpark Resources, Inc. was organized in 1932 as a Nevada corporation. In 1991, we changed our state of incorporation to Delaware. We are a diversified oil and gas industry supplier providing products and services primarily to the oil and gas exploration (“E&P”) industry. We operate our business through three reportable segments: Fluids Systems and Engineering, Mats and Integrated Services, and Environmental Services. Our Fluids Systems and Engineering segment provides customized drilling fluids solutions to E&P customers globally, operating through four geographic regions: North America, Europe, the Middle East and Africa (“EMEA”), Latin America, and Asia Pacific. Our Mats and Integrated Services segment provides composite mat rentals, well site construction and related site services to oil and gas customers at well, production, transportation and refinery locations in the U.S. We also sell composite mats to E&P customers outside of the U.S., and to domestic customers outside of the oil and gas industry. Our Environmental Services segment processes and disposes of waste generated by E&P and industrial activity, primarily along the U.S. Gulf Coast.

Our principal executive offices are located at 2700 Research Forest Drive, Suite 100, The Woodlands, Texas 77381. Our telephone number is (281) 362-6800. You can find more information about us at our website located at www.newpark.com. Our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and any amendments to those reports are available free of charge on or through our website. These reports are available as soon as reasonably practicable after we electronically file these materials with, or furnish them to, the Securities and Exchange Commission (“SEC”). Our Code of Ethics, our Corporate Governance Guidelines, our Audit Committee Charter, our Compensation Committee Charter and our Nominating and Corporate Governance Committee Charter are also posted to the corporate governance section of our website. We make our website content available for informational purposes only. It should not be relied upon for investment purposes, nor is it incorporated by reference in this Form 10-K. Information filed with the SEC may be read or copied at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C., 20549. Information on operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including us.

When referring to “Newpark” and using phrases such as “we”, “us” and “our”, our intent is to refer to Newpark Resources, Inc. and its subsidiaries as a whole or on a segment basis, depending on the context in which the statements are made.

Industry Fundamentals

Historically, several factors have driven demand for our products and services, including the supply, demand and pricing of oil and gas commodities, which drive E&P drilling and development activity. Demand for most of our products and services is related to the level, type, depth and complexity of oil and gas drilling. The most widely accepted measure of activity for our North American operations is the Baker Hughes Rotary Rig Count. In 2012, the average North America rig count was 2,283, compared to 2,298 in 2011, and 1,894 in 2010. Outside of North America, drilling activity is generally more stable, as drilling activity in many countries is based upon longer term economic projections and multiple year drilling programs, which tend to minimize the impact of short term changes in commodity prices on overall drilling activity.

In our core North American markets, we have seen significant growth in drilling activity in deep shales and other hard rock formations with limited permeability in recent years. These formations are being exploited with advanced fracture stimulation technology, which facilitates production of oil and natural gas from these formations and drives higher drilling activities. In addition, while the average total North America rig count has decreased by only 1% from 2011 to 2012, there has been a significant regional shift in U.S. activity over this period. This shift from dry gas drilling to oil and liquid-rich drilling resulted in a significant decline in several key dry gas basins, including the Haynesville shale (East Texas), Barnett (East Texas) and areas in the Rockies, largely offset by increases in oil and liquid-rich basins, including the Bakken (North Dakota), Eagle Ford (South Texas), Mississippian Lime (mid-continent) and Permian Basin (West Texas). During periods of rapid transition such as 2012, operating expenses within our U.S. business units were elevated, as we re-deployed personnel and assets among regions and modified our regional business unit infrastructures to meet the changing activity levels.

Internationally, we have seen continued growth in drilling activity, which is more heavily focused on oil, rather than natural gas exploration. The elevation of oil prices in recent years and the expectation of continued increases in world-wide demand have supported continued expansion of the international E&P activity. In recent years, several international markets in which we operate, including Tunisia, Libya and Algeria experienced political unrest and at various times our operations in these countries have been interrupted or suspended. While conditions in Libya have improved in recent months, the near term outlook for operations in these areas remains uncertain.

Reportable Segments

Fluids Systems and Engineering

Our Fluids Systems and Engineering business offers customized solutions, including highly technical drilling projects involving complex subsurface conditions such as horizontal, directional, geologically deep or deep water drilling. These projects require increased monitoring and critical engineering support of the fluids system during the drilling process. We provide drilling fluids products and technical services to markets in North America, EMEA, Latin America, and the Asia Pacific region. Additionally, following our December 2012 acquisition of Alliance Drilling Fluids, LLC we distribute stimulation products (proppants), to customers in Texas. We also provide completion services and equipment rental to customers in Oklahoma and Texas.

We have industrial mineral grinding operations for barite, a critical raw material in drilling fluids products, which serve to support our activity in the drilling fluids market. We grind barite and other industrial minerals at facilities in Houston and Corpus Christi, Texas, New Iberia, Louisiana and Dyersburg, Tennessee. We use the resulting products in our drilling fluids business, and also sell them to third party users, including other drilling fluids companies. We also sell a variety of other minerals, principally to third party industrial (non oil and gas) markets, from our main plant in Houston, Texas and from the plant in Dyersburg, Tennessee.

Raw Materials — We believe that our sources of supply for materials and equipment used in our drilling fluids business are adequate for our needs, however, in the last two years, we experienced significant cost increases on barite ore. Our specialty milling operation is our primary supplier of barite used in our drilling fluids business. Our mills obtain raw barite ore under supply agreements from foreign sources, primarily China and India. During 2011 and 2012, there has been a significant increase in world-wide demand for barite ore, and as result, we experienced significant cost increases in barite ore sourced from China. In response to this development, we attempt to maintain our profitability by identifying other economical sources of barite ore and adjusting our customer pricing to offset the inflationary cost increases that we experienced. We obtain other materials used in the drilling fluids business from various third party suppliers. We have encountered no serious shortages or delays in obtaining raw materials.

Technology — We seek patents and licenses on new developments whenever we believe it creates a competitive advantage in the marketplace. We own the patent rights to a family of high-performance water-based products, which we market as DeepDrill® and FlexDrill™ systems. In addition, in 2010 we introduced Evolution®, a new water-based system which was designed to enhance drilling performance and provide environmental benefits. Proprietary technology and systems is an important aspect of our business strategy. We also rely on a variety of unpatented proprietary technologies and know-how in many of our applications. We believe that our reputation in the industry, the range of services we offer, ongoing technical development and know-how, responsiveness to customers and understanding of regulatory requirements are of equal or greater competitive significance than our existing proprietary rights.

Competition — We face competition from larger companies, including Schlumberger, Halliburton and Baker Hughes, which compete vigorously on fluids performance and/or price. In addition, these companies have broad product and service offerings in addition to their drilling fluids. We also have smaller regional competitors competing with us mainly on price and local relationships. We believe that the principal competitive factors in our businesses include a combination of price, reputation, technical proficiency, reliability, quality, breadth of services offered and experience. We believe that our competitive position is enhanced by our proprietary products and services.

Customers — Our customers are principally major integrated and independent oil and gas E&P companies operating in the markets that we serve. During 2012, approximately 47% of segment revenues were derived from the 20 largest segment customers, and 66% of segment revenues were generated domestically. Typically, we perform services either under short-term standard contracts or under longer term “master” service agreements. As most agreements with our customers can be terminated upon short notice, our backlog is not significant. We do not derive a significant portion of our revenues from government contracts. See Note 12 Segment and Related Information in Item 8. Financial Statements and Supplementary Data for additional information on financial and geographic data.

Mats and Integrated Services

We provide mat rentals, location construction and related well site services to E&P customers in the Northeast U.S., onshore U.S. Gulf Coast, and Rocky Mountain regions, and mat rentals to the petrochemical industry in the U.S. and the utility industry in the U.K. These mats provide environmental protection and ensure all-weather access to sites with unstable soil conditions.

We manufacture our DuraBase® Advanced Composite Mats for sales as well as for use in our domestic and international rental operations. Our marketing efforts for this product remain focused in principal oil and gas industry markets which include the Asia Pacific, Latin America, EMEA, as well as markets outside the E&P sector in the U.S. and Europe. We believe these mats have worldwide applications outside our traditional oilfield market, primarily in infrastructure construction, maintenance and upgrades of electric utility transmission lines, military logistics and as temporary roads for movement of oversized or unusually heavy loads.

Raw Materials — We believe that our sources of supply for materials and equipment used in our business are adequate for our needs. We are not dependent upon any one supplier and we have encountered no serious shortages or delays in obtaining any raw materials. The resins, chemicals and other materials used to manufacture composite mats are widely available. Resin is the largest raw material component in the manufacturing of our composite mat products.

Technology — We have obtained patents related to several of the components utilized in our DuraBase mats as well as the design and manufacture of our composite mats. Using proprietary technology and systems is an important aspect of our business strategy. We believe that these products provide us with a distinct advantage over our competition. We believe that our reputation in the industry, the range of services we offer, ongoing technical development and know-how, responsiveness to customers and understanding of regulatory requirements also have competitive significance in the markets we serve.

Competition — Our market is fragmented and competitive, with many competitors providing various forms of site preparation products and services. We provide DuraBase mats to many customers, both domestic and international. The mat sales component of our business is not as fragmented as the oilfield services segment with only a few competitors providing various alternatives to our DuraBase mat products. This is due to many factors, including large capital start-up costs and proprietary technology associated with this product. We believe that the principal competitive factors in our businesses include product capabilities, price, reputation, and reliability. We also believe that our competitive position is enhanced by our proprietary products, services and experience.

Customers — Our customers are principally integrated and independent oil and gas E&P companies operating in the markets that we serve. During 2012, approximately 76% of our segment revenues were derived from the 20 largest segment customers, of which, the largest customer represented 16% of our segment revenues. Typically, we perform services either under short-term contracts or rental service agreements. As most agreements with our customers are cancelable upon short notice, our backlog is not significant. We do not derive a significant portion of our revenues from government contracts. See Note 12 Segment and Related Information in Item 8. Financial Statements and Supplementary Data for additional information on financial and geographic data.

Environmental Services

We process and dispose of waste generated by our oil and gas customers that is treated as exempt under the Resource Conservation and Recovery Act (“RCRA”). Primary revenue sources include onshore and offshore Gulf of Mexico drilling waste management as well as reclamation services. Additionally, we provide disposal services in the West Texas market. We operate six receiving and transfer facilities located along the U.S. Gulf Coast. E&P waste is collected at the transfer facilities from drilling and production operations located offshore, onshore and within inland waters. Waste is accumulated at the transfer facilities and moved by barge through the Gulf Intracoastal Waterway to our processing and transfer facility at Port Arthur, Texas, and, if not recycled, is trucked to injection disposal facilities. Any remaining material is injected, after further processing, into environmentally secure geologic formations.

Under permits from Texas state regulatory agencies, we currently operate waste disposal facilities in Jefferson County, Texas (Fannett and “Big Hill”). The Fannett site was placed in service in September 1995 and is our primary facility for disposing of E&P waste. Utilizing this same technology, we also receive and dispose of non-hazardous industrial waste at the Big Hill facility, principally from generators in the U.S. Gulf Coast market, including refiners, manufacturers, service companies and industrial municipalities that produce waste that is not regulated under RCRA. These non-hazardous waste streams are injected into a separate well utilizing the same low-pressure injection technology.

We are also licensed to process E&P waste contaminated with naturally occurring radioactive material (“NORM”) at the Big Hill facility, using the same waste disposal methods described above. For more information on NORM, please refer to the discussion under Environmental Regulation below. We also dispose of non-hazardous industrial waste.

Technology — We use proprietary technology to dispose of E&P waste by low-pressure injection into unique geologic structures deep underground. We have patents covering our waste processing and injection operations which expire in 2014. We do not expect these expirations to have an impact on our operations. Our injection technology is distinguished from conventional methods in that it utilizes very low pressure to move the waste into the injection zone.

Competition — Our largest competitor in the markets we serve is Waste Connections, although we also compete with several smaller companies which utilize a variety of disposal methods and generally serve specific geographic markets. In addition, we face competition with our major customers, who continually re-evaluate their decision to use internal disposal methods, or a third-party disposal company, such as ours. We believe that the principal competitive factors in our businesses include price, reputation, location in relation to customer activity and reliability. We believe that we compete effectively on the basis of these factors.

Customers — Our customers are principally integrated and independent oil and gas E&P companies operating in the markets that we serve. During 2012, approximately 63% of our segment revenues were derived from the 20 largest segment customers, of which, the largest customer represented 16% of our segment revenues. All of our segment revenues are generated domestically. Typically, we perform services either under short-term standard contracts or under longer term service agreements. As most agreements with our customers are cancelable upon short notice, our backlog is not significant. We do not derive a significant portion of our revenues from government contracts. See Note 12 Segment and Related Information in Item 8. Financial Statements and Supplementary Data for additional information on financial and geographic data.

Employees

At January 31, 2013, we employed 2,248 full and part-time personnel, none of which are represented by unions. We consider our relations with our employees to be satisfactory.

Environmental Regulation

We seek to comply with all applicable legal requirements concerning environmental matters. Our environmental services business processes and disposes of several types of non-hazardous waste. The non-hazardous wastes handled by our environmental services business are generally described as follows:

E&P Waste. E&P waste typically contains levels of oil and grease, salts, dissolved solids and heavy metals within limits defined by state regulations. E&P waste may also include soils that have become contaminated by these materials.

NORM. NORM is present throughout the earth's crust at very low levels. Radium can co-precipitate with scale in the production stream as it is drawn to the surface and encounters a pressure or temperature change in the well tubing or production equipment. This scale contains radioactive elements that can become concentrated on tank bottoms or at water discharge points at production facilities.

Non-hazardous Industrial Waste. This category of waste is generated by industries not associated with the exploration or production of oil and gas. This includes refineries and petrochemical plants.

Our business is affected by governmental regulations relating to the oil and gas industry in general, as well as environmental, health and safety regulations that have specific application to our business. Our activities are impacted by various federal and state regulatory agencies, and provincial pollution control, health and safety programs that are administered and enforced by regulatory agencies.

Additionally, our business exposes us to environmental risks. For example, our environmental services business routinely handles, stores and disposes of non-hazardous regulated materials and waste. We could be held liable for improper cleanup and disposal based upon statute, negligence, strict liability, contract or otherwise. As is common in the oil and gas industry, we often are required contractually to indemnify our customers or other third-parties against certain risks related to the services we perform, including damages stemming from environmental contamination.

We have implemented various procedures designed to ensure compliance with applicable regulations and reduce the risk of damage or loss. These include specified handling procedures and guidelines for regulated waste, ongoing employee training and monitoring and maintaining insurance coverage.

We also employ a corporate-wide web-based health, safety and environmental management system ("HSEMS"), which is ISO 14001:2004 compliant. The HSEMS is designed to capture information related to the planning, decision-making, and general operations of environmental regulatory activities within our operations. We also use the HSEMS to capture the information generated by regularly scheduled independent audits that are done to validate the findings of our internal monitoring and auditing procedures.

ITEM 1A. *Risk Factors*

The following summarizes the most significant risk factors to our business. Our success will depend, in part, on our ability to anticipate and effectively manage these and other risks. Any of these risk factors, either individually or in combination, could have significant adverse impacts to our results of operations and financial condition, or prevent us from meeting our profitability or growth objectives.

Risks Related to Business Acquisitions and Capital Investments

Our ability to successfully execute our business strategy will depend, among other things, on our ability to make capital investments and acquisitions which provide us with financial benefits. On December 31, 2012, we acquired substantially all assets and operations of Alliance Drilling Fluids, LLC (“Alliance”), a provider of drilling fluids, proppants, and related services headquartered in Midland, Texas. In addition, our 2013 capital expenditures are expected to be approximately \$50-\$60 million, including additional investments in our manufacturing and research and development facilities, additions to our composite mat rental fleet, as well as expansion of our field equipment. These completed and anticipated investments, along with any future investments, are subject to a number of risks and uncertainties, including:

- § incorrect assumptions regarding the future benefits or results from our capital investments, acquired operations or assets
- § failure to complete a planned acquisition transaction or to successfully integrate the operations or management of any acquired businesses or assets in a timely manner
- § diversion of management's attention from existing operations or other priorities
- § unanticipated disruptions to our business associated with the implementation of our enterprise-wide operational and financial system
- § failure of new enterprise-wide operational and financial system to function as intended

Any of the factors above could have an adverse effect on our business, financial condition or results of operations.

Risks Related to Operating Hazards Present in the Oil and Natural Gas Industry

Our operations are subject to hazards present in the oil and natural gas industry, such as fire, explosion, blowouts, oil spills and leaks or spills of hazardous materials. These incidents as well as accidents or problems in normal operations can cause personal injury or death and damage to property or the environment. The customer's operations can also be interrupted. From time to time, customers seek recovery for damage to their equipment or property that occurred while we are performing services. Damage to the customer's property could be extensive if a major problem occurred. We purchase insurance which may provide coverage for incidents such as those described above. See the section entitled “Risks Related to the Inherent Limitations of Insurance Coverage” for additional information.

Risks Related to International Operations

We have significant operations outside of the United States, including certain areas of Canada, EMEA, Latin America, and Asia Pacific. In 2012, these international operations generated approximately 29% of our consolidated revenues. In addition, we may seek to expand to other areas outside the United States in the future. International operations are subject to a number of risks and uncertainties, including:

- § difficulties and cost associated with complying with a wide variety of complex foreign laws, treaties and regulations
- § unexpected changes in regulatory environments or tax laws
- § legal uncertainties, timing delays and expenses associated with tariffs, export licenses and other trade barriers
- § difficulties enforcing agreements and collecting receivables through foreign legal systems

- § risks associated with the Foreign Corrupt Practices Act, export laws, and other similar U.S. laws applicable to our operations in international markets
- § exchange controls or other limitations on international currency movements
- § sanctions imposed by the U.S. government to prevent us from engaging in business in certain countries
- § inability to obtain or preserve certain intellectual property rights in the foreign countries in which we operate
- § our inexperience in new international markets
- § fluctuations in foreign currency exchange rates
- § political and economic instability
- § acts of terrorism

In addition, several of the European Union markets in which we operate, including Italy, Romania, and Hungary are currently experiencing elevated economic uncertainties, which could negatively impact our operations and profitability.

Several North African markets in which we operate, including Tunisia, Egypt, Libya, and Algeria experienced social and political unrest, which negatively impacted our operating results, including the temporary suspension of our operations.

Risks Related to the Availability of Raw Materials and Skilled Personnel

Our ability to provide products and services to our customers is dependent upon our ability to obtain the raw materials and qualified personnel necessary to operate our business.

Barite is a naturally occurring mineral that constitutes a significant portion of our drilling fluids systems. We currently secure the majority of our barite ore from foreign sources, primarily China and India. The availability and cost of barite ore is dependent on factors beyond our control including transportation, political priorities and government imposed export fees in China as well as the impact of weather and natural disasters. During 2011 and early 2012, there has been a significant increase in world-wide demand for barite ore, and as result, we have experienced substantial cost increases in barite ore sourced from China. Our operating costs in future periods may continue to increase as a result of the increased demand in barite ore and we may be unable to offset these cost increases with customer pricing, which may result in a reduction in future profitability. Further, the future supply of barite ore from existing sources could be inadequate to meet the current market demand, which could ultimately result in a reduction in industry activity, or our inability to meet our customer's needs.

Our business is also highly dependent on our ability to attract and retain highly-skilled engineers, technical sales and service personnel. The market for these employees is very competitive, and if we cannot attract and retain quality personnel, our ability to compete effectively and to grow our business will be severely limited. Also, a significant increase in the wages paid by competing employers could result in a reduction in our skilled labor force or an increase in our operating costs.

Risks Related to the Impact of Restrictions on Offshore Drilling Activity in the Gulf of Mexico

In April 2010, the Deepwater Horizon drilling rig sank in the Gulf of Mexico after an explosion and fire, resulting in the discharge of oil from the well. Following the Deepwater Horizon oil spill, the Department of Interior of the U.S. government took several actions aimed at restricting and temporarily prohibiting certain drilling activity in the Gulf of Mexico. Following the adoption of a number of new regulations impacting offshore drilling activities by a variety of regulatory authorities, the U.S. Department of Interior has resumed issuing permits. However, drilling activity in the Gulf of Mexico remains lower than the levels prior to the Deepwater Horizon accident. We cannot predict the impact of these new regulations or any additional restrictions on exploration and production activities in the Gulf of Mexico.

Risks Related to our Customer Concentration and Cyclical Nature of the E&P Industry

We derive a significant portion of our revenues from companies in the E&P industry, and our customer base is concentrated in major integrated and independent oil and gas E&P companies operating in the markets that we serve. In 2012, approximately 40% of our consolidated revenues were derived from our 20 largest customers, although no single customer accounted for more than 10% of our consolidated revenues. The E&P industry is historically cyclical, with levels of activity generally affected by the following factors:

- § current oil and natural gas prices and expectations about future prices
- § the cost to explore for, produce and deliver oil and gas
- § the discovery rate for new oil and gas reserves
- § the ability of oil and gas companies to raise capital
- § domestic and international political, military, regulatory and economic conditions
- § government regulations regarding environmental protection, taxation, price controls and product allocation

Because of the cyclical nature of our industry and our customer concentration, our quarterly and annual operating results have fluctuated significantly in recent years and may continue to fluctuate in future periods. A prolonged decline in industry drilling rig activity or the loss of any of our large customers could materially affect the demand for our services. Because our business has high fixed costs, including significant facility and personnel expenses, downtime or low productivity due to reduced demand can have significant adverse impact on our profitability.

Risk Related to our Market Competition

We face competition in the Fluids Systems and Engineering business from larger companies, which compete vigorously on fluids performance and/or price. In addition, these companies have broad product and service offerings in addition to their drilling fluids. At times, these larger companies attempt to compete by offering discounts to customers to use multiple products and services from our competitor, some of which we do not offer. We also have smaller regional competitors competing with us mainly on price and local relationships. Our competition in the Mats and Integrated Services business is very fragmented, with many competitors providing various forms of mat products and services. Competition in the Environmental Services market could increase as the result of new entrants into the market, which could put downward pressure on our margins. We also face competition from efforts by oil and gas producing customers to improve their own methods of disposal and waste minimization.

Risks Related to the Cost and Continued Availability of Borrowed Funds

We employ borrowed funds as an integral part of our long-term capital structure and our future success is dependent upon continued access to borrowed funds to support our operations. The availability of borrowed funds on reasonable terms is dependent on the condition of credit markets and financial institutions from which these funds are obtained. Adverse events in the financial markets may significantly reduce the availability of funds, which may have an adverse effect on our cost of borrowings and our ability to fund our business strategy. Adverse events in the financial markets may also negatively impact our customers, as many of them finance their drilling and production operations through borrowed funds. The reduced availability and increased cost of borrowing could cause our customers to reduce their spending on drilling programs, thereby reducing demand and potentially pricing for our products and services.

Our ability to meet our debt service requirements and the continued availability of funds under our existing or future credit agreements is dependent upon our ability to continue generating operating income and remain in compliance with the covenants in our credit agreements. This, in turn, is subject to the volatile nature of the E&P industry, and to competitive, economic, financial and other factors that are beyond our control.

Risks Related to Legal and Regulatory Matters, Including Environmental Regulations

We are responsible for complying with numerous federal, state and local laws, regulations and policies that govern environmental protection, zoning and other matters applicable to our current and past business activities, including the activities of our former subsidiaries. Failure to remain compliant with these laws and regulations may result in fines, penalties, costs of cleanup of contaminated sites and site closure obligations, or other expenditures. Further, any changes in the current legal and regulatory environment could impact industry activity and the demands for our products and services, the scope of products and services that we provide, or our cost structure required to provide our products and services, or the costs incurred by our customers.

We believe that the demand for our services in the Environmental Services business is directly related to regulation of E&P waste. In particular, E&P waste is currently exempt from the principal federal statute governing the handling of hazardous waste. In recent years, proposals have been made to rescind this exemption. If the exemption covering this type of E&P waste is repealed or modified, or if the regulations interpreting the rules regarding the treatment or disposal of E&P waste or NORM waste were changed, it could have a material adverse effect on this business.

The markets for our products and services are dependent on the continued exploration for and production of fossil fuels (predominantly oil and natural gas). In December 2009, the U.S. Environmental Protection Agency (“EPA”) published findings that the emissions of carbon dioxide, methane and other greenhouse gases are contributing to the warming of the Earth’s atmosphere and other climatic changes, presenting an endangerment to human health and the environment. Further, federal legislation to reduce emissions of greenhouse gases has been considered and many states have taken measures to reduce greenhouse gas emissions. The EPA has adopted regulations that potentially limit greenhouse gas emissions and impose reporting obligations on large greenhouse gas emission sources. In addition, the EPA has proposed rules that could require the reduction of certain air emissions during exploration and production of oil and gas. To the extent that laws and regulations enacted as part of climate change legislation increase the costs of drilling for or producing such fossil fuels, or reduce the demand for fossil fuels, such legislation could have a material adverse impact on our operations and profitability.

Hydraulic fracturing is an increasingly common practice used by E&P operators to stimulate production of hydrocarbons, particularly from shale oil and gas formations in the United States. The process of hydraulic fracturing, which involves the injection of sand (or other forms of proppants) laden fluids into oil and gas bearing zones, has come under increasing scrutiny from a variety of regulatory agencies, including the EPA and various state authorities. Several states have adopted regulations requiring operators to identify the chemicals used in fracturing operations, and others have adopted moratoriums on the use of fracturing. The EPA has commenced a study of the potential impact of hydraulic fracturing on drinking water including the disposal of waste fluid by underground injection. The results are expected to be published in 2014. Further, the EPA has announced plans to develop effluent limitations associated with wastewater generated by hydraulic fracturing. To the extent that any of these ongoing studies or initiatives lead to regulations which have the effect of limiting the use or availability of hydraulic fracturing, such developments could have a significant negative impact on the drilling activity levels of our customers. In addition, though we believe we are in material compliance with all the applicable underground injection control requirements, new requirements could be adopted at the state or federal level as a result of the study. Such regulatory changes could have a material adverse effect on our business, results of operations or financial condition.

Risks Related to the Inherent Limitations of Insurance Coverage

While we maintain liability insurance, this insurance is subject to coverage limitations. Specific risks and limitations of our insurance coverage include the following:

- § self-insured retention limits on each claim, which are our responsibility
- § exclusions for certain types of liabilities and limitations on coverage for damages resulting from pollution
- § coverage limits of the policies, and the risk that claims will exceed policy limits
- § the financial strength and ability of our insurance carriers to meet their obligations under the policies

In addition, our ability to continue to obtain insurance coverage on commercially reasonable terms is dependent upon a variety of factors impacting the insurance industry in general, which are outside our control.

Any of the issues noted above, including insurance cost increases, uninsured or underinsured claims, or the inability of an insurance carrier to meet their financial obligations could have a material adverse effect on our profitability.

Risks Related to Potential Impairments of Long-lived Intangible Assets

As of December 31, 2012, our consolidated balance sheet includes \$87.4 million in goodwill and \$41.0 million of intangible assets, net. Goodwill and indefinite-lived intangible assets are tested for impairment annually, or more frequently as the circumstances require, using a combination of market multiple and discounted cash flow approaches. In completing this annual evaluation during the fourth quarter of 2012, we determined that no reporting unit has a fair value below its net carrying value, and therefore, no impairment is required. However, if the financial performance or future projections for our operating segments deteriorate from current levels, a future impairment of goodwill or indefinite-lived intangible assets may be required, which would negatively impact our financial results, in the period of impairment.

Risks Related to Technological Developments in our Industry

The market for our products and services is characterized by continual technological developments that generate substantial improvements in product functions and performance. If we are not successful in continuing to develop product enhancements or new products that are accepted in the marketplace or that comply with industry standards, we could lose market share to competitors, which would negatively impact our results of operations and financial condition.

We hold U.S. and foreign patents for certain of our drilling fluids components and our mat systems. In our Environmental Services business, we also hold U.S. patents on certain aspects of our system to process and dispose of E&P waste, including E&P waste that is contaminated with NORM. However, these patents are not a guarantee that we will have a meaningful advantage over our competitors, and there is a risk that others may develop systems that are substantially equivalent to those covered by our patents. If that were to happen, we would face increased competition from both a service and a pricing standpoint. In addition, costly and time-consuming litigation could be necessary to enforce and determine the scope of our patents and proprietary rights. It is possible that future innovation could change the way companies drill for oil and gas, reduce the amount of waste that is generated from drilling activities or create new methods of disposal or new types of drilling fluids. This could reduce the competitive advantages we may derive from our patents and other proprietary technology.

Risks Related to Severe Weather, Particularly in the U.S. Gulf Coast

Approximately 20% of our consolidated revenue in 2012 was generated in market areas in the U.S. Gulf of Mexico and related near-shore areas, which are susceptible to hurricanes and other adverse weather events, such as those which occurred in 2005 and 2008. These weather events can disrupt our operations and result in damage to our properties, as well as negatively impact the activity and financial condition of our customers. Our business may be adversely affected by these and other negative effects of future hurricanes or other adverse weather events.

Risks Related to Fluctuations in the Market Value of our Common Stock

The market price of our common stock may fluctuate due to a number of factors, including the general economy, stock market conditions, general trends in the E&P industry, announcements made by us or our competitors, and variations in our operating results. Investors may not be able to predict the timing or extent of these fluctuations.

ITEM 1B. *Unresolved Staff Comments*

None

ITEM 2. *Properties*

We lease office space to support our operating segments as well as our corporate offices. This leased space is located in several cities throughout Texas and Louisiana, Denver Colorado, Calgary, Alberta, Rome, Italy and Rio de Janeiro, Brazil. We also own office space in Oklahoma City, Oklahoma and Henderson, Australia and currently constructing a technology center on property we own in Katy, Texas. All material domestic owned properties are subject to liens and security interests under our Second Amended and Restated Credit Agreement (“Credit Amendment”).

Fluids Systems & Engineering. We own eight warehouse facilities and have 22 leased warehouses and 10 contract warehouses to support our customers and operations in the U.S. We own two warehouse facilities in Western Canada to support our Canadian operations. Additionally, we lease 18 warehouses and own one warehouse in the EMEA region, lease eight warehouses in Brazil, and own one warehouse and lease nine warehouses in the Asia Pacific region to support our international operations. Some of these warehouses include blending facilities as well.

We operate four specialty product grinding facilities in the U.S. These facilities are located in Houston, Texas on approximately 18 acres of owned land, in New Iberia, Louisiana on 15.7 acres of leased land, in Corpus Christi, Texas on 6 acres of leased land, and in Dyersburg, Tennessee on 13.2 acres of owned land.

Mats & Integrated Services. We own approximately 41,000 square feet of office and industrial space on 18 acres of land in Carencro, Louisiana, which houses manufacturing facilities for this segment. We also lease four sites, throughout Texas, Louisiana, Colorado, and Pennsylvania which serve as bases for our well site service activities. Additionally, we own five facilities which are located in Louisiana, Texas, and Colorado to support field operations.

Environmental Services. We lease a 4.6 acre E&P waste processing and transfer facility in Port Arthur, Texas. We own three injection disposal sites located in Jefferson County, Texas with two of those properties immediately adjacent to each other, one 47 acre site for NORM disposal with five caprock injection wells and a 130 acre site for our industrial injection operation with two caprock injection wells. The remaining site consists of our nonhazardous oilfield waste processing and injection operations. This site is on 275+ acres and has 11 caprock injection wells and a disposal cavern. In addition, we own three facilities in West Texas on a total of approximately 80 acres of land. Additionally, we have six leased receiving facilities to support our injection and waste disposal services.

ITEM 3. Legal Proceedings

In the ordinary course of conducting our business, we become involved in litigation and other claims from private party actions, as well as judicial and administrative proceedings involving governmental authorities at the federal, state and local levels. In the opinion of management, any liability in these matters should not have a material effect on our consolidated financial statements.

ITEM 4. Mine Safety Disclosures

The information concerning mine safety violations and other regulatory matters required by section 1503 (a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95.1 of this Annual Report on Form 10-K, which is incorporated by reference.

PART II**ITEM 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

Our common stock is traded on the New York Stock Exchange under the symbol "NR."

The following table sets forth the range of the high and low sales prices for our common stock for the periods indicated:

Period	High	Low
2012		
Fourth Quarter	\$ 8.10	\$ 6.29
Third Quarter	\$ 8.31	\$ 5.70
Second Quarter	\$ 8.31	\$ 5.19
First Quarter	\$ 10.62	\$ 7.40
2011		
Fourth Quarter	\$ 9.87	\$ 5.19
Third Quarter	\$ 10.09	\$ 6.07
Second Quarter	\$ 10.00	\$ 6.60
First Quarter	\$ 7.99	\$ 5.52

As of February 1, 2013, we had 1,650 stockholders of record as determined by our transfer agent.

In February 2012, our Board of Directors approved a share repurchase program that authorized the repurchase of up to \$50.0 million of our outstanding shares of common stock. During 2012, we executed the full \$50.0 million authorized, purchasing 7,241,693 shares for an average price of approximately \$6.92 per share, including commissions. All of the shares repurchased are held as treasury stock. We record treasury stock purchases under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock.

During 2012, 2011 and 2010 we repurchased \$0.6 million, \$0.6 million and \$0.2 million of shares surrendered in lieu of taxes under vesting of restricted stock awards, respectively. We have not paid any dividends during the two recent fiscal years or any subsequent interim period, and we do not intend to pay any cash dividends in the foreseeable future. In addition, our credit facilities contain covenants which limit the payment of dividends on our common stock.

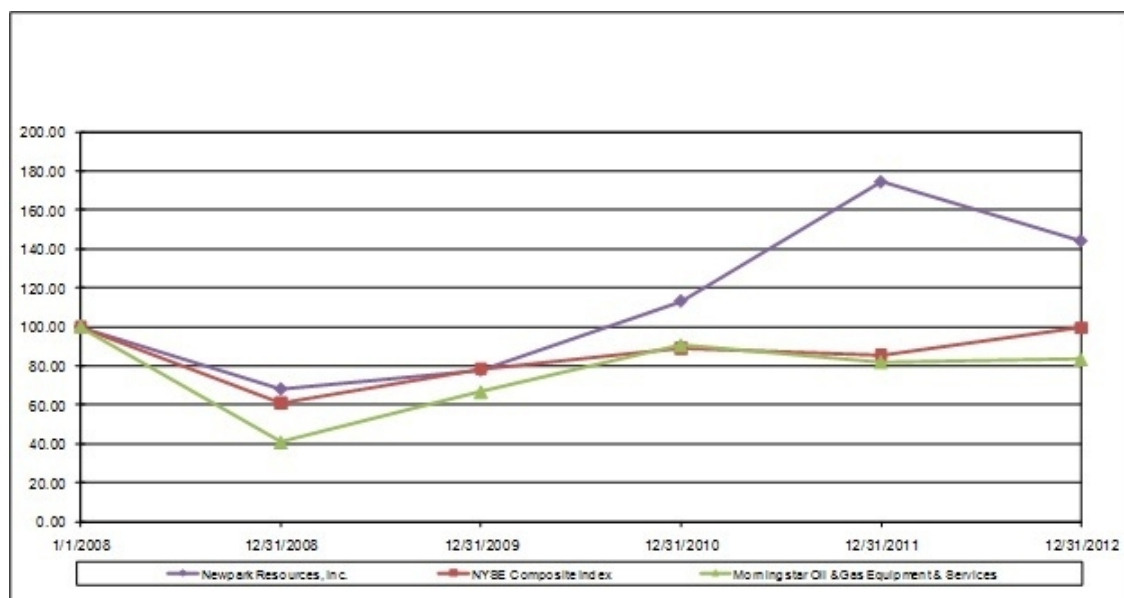
The following table details our repurchases of shares of our common stock for the three months ended December 31, 2012:

Period	Total Number of Shares Purchased (1)	Average Price per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Dollar Value of Shares that May Yet be Purchased Under Plans or Programs (2)
October 1 - 31, 2012	1,324,152	\$ 6.99	1,314,027	\$5.7 million
November 1 - 30, 2012	262,718	\$ 7.39	262,718	\$3.7 million
December 1 - 31, 2012	493,981	7.82	493,981	-
Total	2,080,851	\$ 7.24	2,070,726	

- (1) During the three months ended December 31, 2012, we purchased an aggregate of 10,125 shares surrendered in lieu of taxes under vesting of restricted stock awards.
- (2) The share repurchase program authorized in February 2012 was completed in December 2012 and no further repurchases will be made under that program.

Performance Graph

The following graph reflects a comparison of the cumulative total stockholder return of our common stock from January 1, 2008 through December 31, 2012, with the New York Stock Exchange Market Value Index, a broad equity market index, and the Morningstar Oil & Gas Equipment & Services Index, an industry group index. The graph assumes the investment of \$100 on January 1, 2008 in our common stock and each index and the reinvestment of all dividends, if any. This information shall be deemed furnished not filed, in this Form 10-K, and shall not be deemed incorporated by reference into any filing under the Securities Exchange Act of 1933, or the Securities Act of 1934, except to the extent we specifically incorporate it by reference.



ITEM 6. Selected Financial Data

The selected consolidated historical financial data presented below for the five years ended December 31, 2012 is derived from our consolidated financial statements and is not necessarily indicative of results to be expected in the future.

The following data should be read in conjunction with the consolidated financial statements and notes thereto and with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Items 7 and 8 below.

	As of and for the Year Ended December 31,				
(In thousands, except share data)	2012	2011	2010	2009	2008
Consolidated Statements of Operations:					
Revenues	\$ 1,038,019	\$ 958,180	\$ 715,954	\$ 490,275	\$ 858,350
Operating income (loss)	105,897	132,764	78,004	(15,325)	71,496
Interest expense, net	9,740	9,226	10,267	9,334	10,881
Income (loss) from continuing operations	\$ 60,032	\$ 80,017	\$ 41,626	\$ (20,573)	\$ 39,300
Loss from discontinued operations, net of tax	-	-	-	-	(842)
Net income (loss)	<u>\$ 60,032</u>	<u>\$ 80,017</u>	<u>\$ 41,626</u>	<u>\$ (20,573)</u>	<u>\$ 38,458</u>
Net income (loss) per common share (basic):					
Income (loss) from continuing operations	\$ 0.69	\$ 0.89	\$ 0.47	\$ (0.23)	\$ 0.44
Net income (loss) per common share	\$ 0.69	\$ 0.89	\$ 0.47	\$ (0.23)	\$ 0.43
Net income (loss) per common share (diluted):					
Income (loss) from continuing operations	\$ 0.62	\$ 0.80	\$ 0.46	\$ (0.23)	\$ 0.44
Net income (loss) per common share	\$ 0.62	\$ 0.80	\$ 0.46	\$ (0.23)	\$ 0.43
Consolidated Balance Sheet Data:					
Working capital	\$ 444,460	\$ 406,976	\$ 329,371	\$ 163,110	\$ 253,136
Total assets	994,541	886,837	737,342	585,114	713,679
Foreign bank lines of credit	2,546	2,174	1,458	6,901	11,302
Current maturities of long-term debt	53	58	148	10,319	10,391
Long-term debt, less current portion	256,832	189,876	172,987	105,810	166,461
Stockholders' equity	513,578	497,846	417,347	368,022	377,882
Consolidated Cash Flow Data:					
Net cash provided by (used in) operations	\$ 110,245	\$ (13,558)	\$ 31,476	\$ 88,819	\$ 28,687
Net cash used in investing activities	(96,167)	(63,150)	(10,549)	(17,144)	(23,168)
Net cash provided by (used in) financing activities	5,853	18,338	50,621	(66,265)	(2,062)

ITEM 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

The following discussion of our financial condition, results of operations, liquidity and capital resources should be read together with our Consolidated Financial Statements and Notes to Consolidated Financial Statements included in Item 8 of this Annual Report.

Overview

We are a diversified oil and gas industry supplier providing products and services primarily to the oil and gas exploration and production ("E&P") industry. We operate our business through three reportable segments: Fluids Systems and Engineering, Mats and Integrated Services, and Environmental Services. Our Fluids Systems and Engineering segment, which generated 83% of consolidated revenues in 2012, provides customized drilling fluids solutions to E&P customers globally, operating through four geographic regions: North America, Europe, the Middle East and Africa ("EMEA"), Latin America, and Asia Pacific.

Our Mats and Integrated Services segment, which generated 12% of consolidated revenues in 2012, provides composite mat rentals, well site construction and related site services to oil and gas customers and mat rentals to the petrochemicals industry in the U.S. and the utility industry in the U.K. We also sell composite mats to E&P customers outside of the U.S., and to domestic customers outside of the oil and gas industry. Our Environmental Services segment, which generated 5% of consolidated revenues in 2012, processes and disposes of waste primarily generated by E&P customers along the U.S. Gulf Coast.

During 2012, we have continued the roll-out of Evolution[®], our high performance water-based drilling fluid system launched in 2010, which we believe provides superior performance and environmental benefits to our customers, as compared to traditional fluids systems used in the industry. After the initial introduction into the Haynesville shale in 2010, the system is now being used by customers in most major North American drilling basins. In addition, the first Evolution well in the EMEA region was drilled in the fourth quarter of 2012. Revenues from wells using the Evolution system were approximately \$110 million in 2012, up from \$67 million in 2011.

On December 31, 2012, we completed the acquisition of substantially all assets and operations of Alliance Drilling Fluids, LLC ("Alliance"), a provider of drilling fluids, proppant distribution, and related services headquartered in Midland, Texas. Total cash consideration at closing was approximately \$53 million, which was funded through borrowings on our revolving credit facility. The purchase price is subject to further adjustments, based upon actual working capital conveyed. Additional consideration up to \$4.3 million may be payable based on the profitability of the proppant distribution business over the two year period following the acquisition. Alliance recorded revenues of \$89 million and operating income of \$14 million for the year ended December 31, 2011, of which approximately 50% of revenue and 40% of operating income was attributable to the proppant business.

In April 2011, we completed the acquisition of the drilling fluids and engineering services business from Rheochem PLC, a publicly-traded Australian-based oil and gas company. The acquired business provides drilling fluids and related engineering services with operations in Australia, New Zealand and India. Total cash paid in 2011 was AUD\$27.2 million (\$28.8 million). During 2012, the final payment was made which totaled AUD\$11.9 million (\$11.9 million) reflecting additional consideration required based on financial results of the acquired business over a one year earn-out period ending February 2012. In 2012, this business generated \$41.9 million of revenues, or 4% of our consolidated revenues.

Our operating results depend, to a large extent, on oil and gas drilling activity levels in the markets we serve, as well as the nature of the drilling operations (including the depth and whether the wells are drilled vertically or horizontally), which governs the revenue potential of each well. The drilling activity in turn, depends on oil and gas commodity pricing, inventory levels and demand, and regulatory actions, such as those affecting operations in the Gulf of Mexico in recent years.

Rig count data is the most widely accepted indicator of drilling activity. Average North American rig count data for the last three years ended December 31 is as follows:

	Year ended December 31,			2012 vs 2011		2011 vs 2010	
	2012	2011	2010	Count	%	Count	%
U.S. Rig Count	1,919	1,879	1,546	40	2%	333	22%
Canadian Rig Count	364	419	348	(55)	(13%)	71	20%
Total	2,283	2,298	1,894	(15)	(1%)	404	21%

Source: Baker Hughes Incorporated

While the average total North America rig count has decreased by only 1% from 2011 to 2012, there has been a significant regional shift in U.S. activity over this period. This shift from dry gas drilling to oil and liquid-rich drilling resulted in a significant decline in several key dry gas basins, including the Haynesville shale (East Texas), Barnett (East Texas), Marcellus Shale (Pennsylvania) and areas in the Rockies, largely offset by increases in oil and liquid-rich basins, including the Bakken (North Dakota), Eagle Ford (South Texas), Mississippian Lime (mid-continent) and Permian Basin (West Texas). During periods of rapid transition such as 2012, operating expenses within our U.S. business units were elevated, as we re-deployed personnel and assets among regions and modified our regional business unit infrastructures to meet the changing activity levels.

Outside of North America, drilling activity is generally more stable than North America, as drilling activity in many countries is based upon longer term economic projections and multiple year drilling programs, which tend to minimize the impact of short term changes of commodity prices on overall drilling activity.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Consolidated Results of Operations

Summarized results of operations for the year ended December 31, 2012 compared to the year ended December 31, 2011 are as follows:

(In thousands)	Year Ended December 31,		2012 vs 2011	
	2012	2011	\$	%
Revenues	\$ 1,038,019	\$ 958,180	\$ 79,839	8%
Cost of revenues	846,529	744,176	102,353	14%
Selling, general and administrative expenses	86,352	81,672	4,680	6%
Other operating income, net	(759)	(432)	(327)	76%
Operating income	105,897	132,764	(26,867)	(20%)
Foreign currency exchange loss	749	522	227	43%
Interest expense, net	9,740	9,226	514	6%
Income from operations before income taxes	95,408	123,016	(27,608)	(22%)
Provision for income taxes	35,376	42,999	(7,623)	(18%)
Net income	\$ 60,032	\$ 80,017	\$ (19,985)	(25%)

Revenues

Revenues increased 8% to \$1.038 billion in 2012, compared to \$958.2 million in 2011. This \$79.8 million improvement includes a \$44.9 million (6%) increase in revenues in North America, largely driven by improved drilling efficiency, which results in an increased number of customer wells drilled per rig, along with strong demand for the purchase of our composite mat products from customers outside of the E&P industry. Revenues from our international operations increased \$35.0 million including a \$17.3 million increase from our Asia Pacific business unit, which was acquired in April of 2011. Additional information regarding the change in revenues is provided within the operating segment results below.

Cost of Revenues

Cost of revenues increased 14% to \$846.5 million in 2012, compared to \$744.2 million in 2011. The increase is primarily driven by the 8% increase in revenues along with elevated operating expenses in 2012 driven by the shift in activity from dry gas to liquid rich regions in the U.S. Additional information regarding the change in cost of revenues is provided within the operating segment results below.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$4.7 million to \$86.4 million in 2012 from \$81.7 million in 2011. The 2012 increase in spending is largely attributable to costs associated with our fourth quarter 2011 enterprise resource planning (“ERP”) system conversion in the U.S. operations.

Foreign Currency Exchange

Foreign currency exchange was a \$0.7 million loss in 2012, compared to a \$0.5 million loss in 2011, and primarily reflects the impact of currency translations on assets and liabilities held in our foreign operations that are denominated in currencies other than functional currencies.

Interest Expense, Net

Interest expense, which primarily reflects the 4% interest associated with our \$172.5 million in unsecured convertible notes (“Senior Notes”), was \$9.7 million in 2012, compared to \$9.2 in 2011. The increased interest expense in 2012 is primarily due to the impact of increased borrowings under our revolving credit facility in the U.S.

Provision for Income Taxes

The provision for income taxes in 2012 was \$35.4 million, reflecting an effective tax rate of 37.1%, compared to \$43.0 million in 2011, reflecting an effective tax rate of 35.0%. The increase in the effective tax rate includes a \$3.9 million charge in 2012 associated with a tax assessment and related increase in tax rate for the period of 2006 through 2012 in a foreign subsidiary, which was partially offset by additional U.S. tax deductions that became available after our U.S. Federal Net Operating Loss carryforwards were exhausted in 2011.

Operating Segment Results

Summarized financial information for our reportable segments is shown in the following table (net of inter-segment transfers):

(In thousands)	Year ended December 31,		2012 vs 2011	
	2012	2011	\$	%
Revenues				
Fluids systems and engineering	\$ 861,670	\$ 798,957	\$ 62,713	8%
Mats and integrated services	122,283	110,411	11,872	11%
Environmental services	54,066	48,812	5,254	11%
Total revenues	<u>\$ 1,038,019</u>	<u>\$ 958,180</u>	<u>\$ 79,839</u>	<u>8%</u>
Operating income (loss)				
Fluids systems and engineering	\$ 59,987	\$ 90,683	\$ (30,696)	
Mats and integrated services	54,251	52,678	1,573	
Environmental services	13,622	11,909	1,713	
Corporate office	(21,963)	(22,506)	543	
Operating income	<u>\$ 105,897</u>	<u>\$ 132,764</u>	<u>\$ (26,867)</u>	
Segment operating margin				
Fluids systems and engineering	7.0%	11.4%		
Mats and integrated services	44.4%	47.7%		
Environmental services	25.2%	24.4%		

Fluids Systems and Engineering

Revenues

Total revenues for this segment consisted of the following:

(In thousands)	Year ended December 31,		2012 vs 2011	
	2012	2011	\$	%
United States	\$ 566,575	\$ 533,629	\$ 32,946	6%
Canada	48,643	51,712	(3,069)	(6%)
Total North America	<u>615,218</u>	<u>585,341</u>	<u>29,877</u>	<u>5%</u>
EMEA	117,360	113,386	3,974	4%
Latin America	87,173	75,642	11,531	15%
Asia Pacific	41,919	24,588	17,331	70%
Total	<u>\$ 861,670</u>	<u>\$ 798,957</u>	<u>\$ 62,713</u>	<u>8%</u>

North American revenues increased 5% to \$615.2 million in 2012, compared to \$585.3 million in 2011, although North America rig count was down 1% over this period. This increase in revenues is largely attributable to improved drilling efficiency achieved by our customers, which is reflected in an increased number of wells drilled per rig. The growth in several North American basins was partially offset by a \$28.6 million decline in our completion services and equipment rental revenues in the mid-continent region, which was primarily attributable to increased competition.

Internationally, revenues were up 15% to \$246.5 million in 2012, compared to \$213.6 million in 2011. This increase includes a \$17.3 million increase in revenues from our Asia Pacific region following the April 2011 acquisition described above, along with an \$11.5 million increase in Brazil, driven by increased activities with Petrobras and international oil company customers.

Operating Income

Operating income for this segment was \$60.0 million, reflecting an operating margin of 7.0% in 2012, compared to \$90.7 million and an 11.4% operating margin in 2011. Substantially all of this \$30.7 million operating income decline is attributable to our North America operations, despite a \$29.9 million increase in revenues. The decline in operating income includes a \$15.7 million decrease in the completion services and equipment rental business associated with the \$28.6 million revenue decline in that business as described above. Due to the relatively fixed nature of operating expenses in this service and equipment rental business unit, the incremental operating income impact from the decline in these revenues is higher than what is typically experienced in this segment. In addition, 2012 includes elevated costs associated with an ERP system conversion in the U.S. operations (which began in the fourth quarter of 2011) and operating cost increases associated with our customer transition away from dry gas regions into oil and liquid-rich regions, as described above.

Operating income from our international operations increased \$2.0 million on a \$32.8 million increase in revenues. Increases from our Asia Pacific and Latin America regions were partially offset by a decline in the EMEA region, as the EMEA region was negatively impacted by increased personnel and operating costs in North Africa, partially associated with the 2012 transition to new contracts in Algeria.

Mats and Integrated Services

Revenues

Total revenues for this segment consisted of the following:

(In thousands)	Year ended December 31,		2012 vs 2011	
	2012	2011	\$	%
Mat rental and services	\$ 59,779	\$ 68,579	\$ (8,800)	(13%)
Mat sales	62,504	41,832	20,672	49%
Total	<u>\$ 122,283</u>	<u>\$ 110,411</u>	<u>\$ 11,872</u>	<u>11%</u>

Mat rental and services revenues decreased \$8.8 million in 2012 compared to the prior year, as a \$17.2 million decline in the Northeast U.S. was partially offset by a \$4.0 million increase in the U.S. Gulf Coast, a \$2.1 million increase in the Rocky Mountain region, and a \$2.1 million increase in our international rental business. Mat sales increased by \$20.7 million, primarily due to higher demand for our DuraBase composite mat products from non-E&P customers, including the utility industry and the U.S. military.

Operating Income

Segment operating income increased by \$1.6 million on the \$11.9 million increase in revenues, reflecting an incremental margin of 13.4%. The low incremental margin is primarily attributable to the higher mix of mat sales relative to rental activity. Due to the fixed nature of operating expenses in the rental business, including depreciation expense on our rental mat fleet, the decremental margin associated with the decline in rental and service revenues is much higher than the incremental margin associated with the increase in mat sales.

As noted above, mat sales increased in 2012 as a result of continued strong demand for our mats from both E&P and non-E&P customers, including the utility industry and the U.S. military. The levels of mats sales in a period are determined by several factors, including customer demand, as well as our allocation of mat production between sales and deployment into our rental fleet. The allocation of our production between additions to our rental fleet and sales in any given period is driven by a number of factors including commitments to meeting customer schedules, ability of our customers to take delivery of mats, timing of large mat rental projects/events, and plant capacity/efficiencies. We expect mat sales to decline in early 2013 from the levels achieved in 2012, partially due to our decision to deploy additional mats into our rental fleet. As a result, segment revenue and operating income are expected to decline from the levels achieved in 2012.

Environmental Services

Revenues

Total revenues for this segment consisted of the following:

<u>(In thousands)</u>	<u>Year ended December 31,</u>		<u>2012 vs 2011</u>	
	<u>2012</u>	<u>2011</u>	<u>\$</u>	<u>%</u>
E&P waste	\$ 42,894	\$ 36,957	\$ 5,937	16%
NORM and industrial waste	11,172	11,855	(683)	(6%)
Total	\$ 54,066	\$ 48,812	\$ 5,254	11%

Environmental services revenues increased 11% to \$54.1 million in 2012, compared to \$48.8 million in 2011. E&P waste revenues increased by \$5.9 million, primarily due to the increased offshore drilling activity along the U.S. Gulf Coast. NORM and industrial waste revenues declined by \$0.7 million, primarily due to the impact of large disposal projects in 2011, which did not recur in 2012.

Operating Income

Operating income for this segment increased by \$1.7 million from 2011 to 2012, on a \$5.3 million increase in revenues, reflecting an incremental margin of 32%.

Corporate office

Corporate office expenses decreased \$0.5 million to \$22.0 million in 2012, compared to \$22.5 million in 2011. The decrease is primarily driven by a \$2.3 million decline in performance-based employee incentive costs partially offset by increased costs following our fourth quarter 2011 ERP system conversion in our U.S. operations.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Consolidated Results of Operations

Summarized results of operations for the year ended December 31, 2011 compared to the year ended December 31, 2010 are as follows:

(In thousands)	Year Ended December 31,		2011 vs 2010	
	2011	2010	\$	%
Revenues	\$ 958,180	\$ 715,954	\$ 242,226	34%
Cost of revenues	744,176	576,920	167,256	29%
Selling, general and administrative expenses	81,672	64,157	17,515	27%
Other operating income, net	(432)	(3,127)	2,695	(86%)
Operating income	132,764	78,004	54,760	70%
Foreign currency exchange loss (gain)	522	(1,134)	1,656	(146%)
Interest expense, net	9,226	10,267	(1,041)	(10%)
Income from operations before income taxes	123,016	68,871	54,145	79%
Provision for income taxes	42,999	27,245	15,754	58%
Net income	\$ 80,017	\$ 41,626	\$ 38,391	92%

Revenues

Revenues increased 34% to \$958.2 million in 2011, compared to \$716.0 million in 2010. This \$242.2 million improvement includes a \$201.3 million (37%) increase in revenues in North America, largely driven by the 21% improvement in the North America rig count. Revenues from our international operations increased by \$40.9 million (23%) reflecting the contribution of the Asia Pacific region, following our April 2011 acquisition, along with continued growth in Brazil. Additional information regarding the change in revenues is provided within the operating segment results below.

Cost of Revenues

Cost of revenues increased 29% to \$744.2 million in 2011, as compared to \$576.9 million in 2010. The increase is primarily driven by the 34% increase in revenues. Additional information regarding the change in cost of revenues is provided within the operating segment results below.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$17.5 million to \$81.7 million in 2011 from \$64.2 million in 2010. The increase includes a \$3.6 million increase in performance-based employee incentive compensation expense. In addition, 2011 includes \$3.2 million of expenses incurred within the acquired Asia Pacific business, \$1.0 million of transaction-related expenditures for this acquisition, \$2.5 million of costs associated with strategic planning projects, and \$2.3 million of implementation expenses associated with an operational and financial system conversion in the U.S. operations. The remainder of the increase is primarily attributable to additional costs required to support the increase in revenues.

Other Operating Income, Net

Other operating income was \$0.4 million in 2011, compared to \$3.1 million in 2010. The 2010 results included a \$3.1 million gain, reflecting net proceeds from the settlement of a lawsuit and proceeds from the insurance claims in our Mats and Integrated Services segment.

Foreign Currency Exchange

Foreign currency exchange was a \$0.5 million loss in 2011, compared to a \$1.1 million gain in 2010, and primarily reflects the impact of currency translations on assets and liabilities held in our foreign operations that are denominated in currencies other than functional currencies. Our foreign operations have a portion of their cash and accounts receivable that are denominated in U.S. dollars. During 2010, our foreign currency exchange transactions were favorably impacted by the weakening U.S. dollar as compared to other currencies in our foreign operations, while 2011 was negatively impacted by the strengthening U.S. dollar.

Interest Expense

Interest expense decreased to \$9.2 million in 2011, compared to \$10.3 million in 2010. The 2010 fiscal year included a \$1.2 million charge for the termination of our interest rate swap agreements.

Provision for Income Taxes

The provision for income taxes for 2011 was \$43.0 million, reflecting an effective tax rate of 35.0%, compared to \$27.2 million in 2010, reflecting an effective tax rate of 39.6%. The high effective tax rate in 2010 was due to losses generated in Brazil for which the recording of a tax benefit was not permitted.

Operating Segment Results

Summarized financial information for our reportable segments is shown in the following table (net of inter-segment transfers):

(In thousands)	Year ended December 31,		2011 vs 2010	
	2011	2010	\$	%
Revenues				
Fluids systems and engineering	\$ 798,957	\$ 597,795	\$ 201,162	34%
Mats and integrated services	110,411	69,397	41,014	59%
Environmental services	48,812	48,762	50	0%
Total revenues	<u>\$ 958,180</u>	<u>\$ 715,954</u>	<u>\$ 242,226</u>	<u>34%</u>
Operating (loss) income				
Fluids systems and engineering	\$ 90,683	\$ 56,234	34,449	
Mats and integrated services	52,678	26,684	25,994	
Environmental services	11,909	13,447	(1,538)	
Corporate office	(22,506)	(18,361)	(4,145)	
Operating income (loss)	<u>\$ 132,764</u>	<u>\$ 78,004</u>	<u>\$ 54,760</u>	
Segment operating margin				
Fluids systems and engineering	11.4%	9.4%		
Mats and integrated services	47.7%	38.5%		
Environmental services	24.4%	27.6%		

Fluids Systems and Engineering

Revenues

Total revenues for this segment consisted of the following:

(In thousands)	Year ended December 31,		2011 vs 2010	
	2011	2010	\$	%
United States	\$ 533,629	\$ 402,106	\$ 131,523	33%
Canada	51,712	23,021	28,691	125%
Total North America	585,341	425,127	160,214	38%
EMEA	113,386	111,416	1,970	2%
Latin America	75,642	61,252	14,390	23%
Asia Pacific	24,588	-	24,588	-
Total	\$ 798,957	\$ 597,795	\$ 201,162	34%

North American revenues increased 38% to \$585.3 million in 2011, as compared to \$425.1 million in 2010, largely attributable to the 22% increase in the U.S. rig count, a 20% increase in the Canadian rig count, along with market share improvements in Canada and several U.S. regions.

Internationally, revenues were up 24% to \$213.6 million in 2011, as compared to \$172.7 million in 2010. This increase includes \$24.6 million of revenues from our Asia Pacific region following the April 2011 acquisition described above and a \$14.4 million increase in Brazil, primarily attributable to the continued ramp-up of activity under our long-term contract with Petrobras. EMEA revenues increased \$2.0 million, as a \$13.4 million increase in Eastern Europe and a \$5.9 million increase in Algeria was largely offset by declines in other markets, including a \$5.9 million decline in Tunisia attributable to a reduction in customer activity, and a \$10.0 million decline in Libya due to the political and social unrest in that country.

Operating Income

Operating income for this segment was \$90.7 million reflecting an operating margin of 11.4% in 2011, compared to \$56.2 million and a 9.4% operating margin in 2010. Of this \$34.4 million improvement, our North American operating income increased \$28.0 million on a \$160.2 million increase in revenues, reflecting an 18% incremental margin.

Our international operations generated a \$6.5 million increase in operating income on a \$40.9 million increase in revenues, reflecting a 16% incremental margin. The low incremental margin is partially due to the acquisition of our Asia Pacific business unit in the second quarter of 2011, which generated \$2.3 million of operating income in 2011. In addition, operating income of our international operations was negatively impacted in 2011 by a \$2.3 million provision for an allowance of a customer receivable in North Africa.

Mats and Integrated Services

Revenues

Total revenues for this segment consisted of the following:

(In thousands)	Year ended December 31,		2011 vs 2010	
	2011	2010	\$	%
Mat rental and services	\$ 68,579	\$ 45,945	\$ 22,634	49%
Mat sales	41,832	23,452	18,380	78%
Total	<u>\$ 110,411</u>	<u>\$ 69,397</u>	<u>\$ 41,014</u>	<u>59%</u>

Mat rental and services revenues increased \$22.6 million, including a \$12.1 million increase in the Northeast U.S., a \$5.8 million increase in the Gulf Coast and \$4.8 million increase in the Rocky Mountain region. The increase is primarily driven by higher demand for our DuraBase composite mats, which provide environmental protection and soil stability at the drilling sites.

Mat sales also increased \$18.4 million, due to increasing demand for our DuraBase composite mat products from international E&P customers and other industries.

Operating Income

Segment operating income increased by \$26.0 million on the \$41.0 million increase in revenues, reflecting an incremental margin of 63%. The high incremental margin, relative to recent historical experience, is primarily attributable to the significant increase in mat rental revenues. Incremental margins on mat rentals are stronger than mat sales or service activities, due to the fixed nature of operating expenses, including depreciation expense on our rental mat fleet.

Environmental Services

Revenues

Total revenues for this segment consisted of the following:

(In thousands)	Year ended December 31,		2011 vs 2010	
	2011	2010	\$	%
E&P waste	\$ 36,957	\$ 39,169	\$ (2,212)	(6%)
NORM and industrial waste	11,855	9,593	2,262	24%
Total	<u>\$ 48,812</u>	<u>\$ 48,762</u>	<u>\$ 50</u>	<u>0%</u>

Environmental services revenues were \$48.8 million in both 2011 and 2010. Revenues in 2010 included \$10.5 million generated from disposals associated with the April 2010 Deepwater Horizon oil spill. The loss of this revenue in 2011 was offset by market share gains and increased activity in oilfield waste disposals from state water and inland locations, along with a \$2.3 million increase in NORM and industrial waste disposals.

Operating Income

Operating income for this segment decreased by \$1.5 million from 2010 to 2011, primarily due to a \$0.5 million increase in transportation costs, due to a higher mix of inland waste disposals in 2011, and a \$0.7 million non-cash charge in 2011 for the abandonment of a disposal well.

Corporate office

Corporate office expenses increased \$4.1 million to \$22.5 million in 2011, compared to \$18.4 million in 2010. The increase includes a \$2.3 million increase in employee compensation, primarily attributable to a \$1.6 million increase in employee incentives, along with \$1.0 million of transaction-related expenses associated with the April 2011 acquisition described above.

Liquidity and Capital Resources

Net cash provided by operating activities during 2012 totaled \$110.2 million. Net income adjusted for non-cash items provided \$104.2 million of cash during the period, while changes in operating assets and liabilities provided \$6.1 million of cash.

Net cash used in investing activities during 2012 was \$96.2 million, which included \$53.1 million for the Alliance acquisition described above. Capital expenditures were \$44.0 million in 2012, consisting primarily of \$27.9 million in expenditures in our fluids systems and engineering segment, including \$11.3 million associated with the construction of a new technology center and \$13.4 million associated with purchases of equipment at our operating locations. In addition, \$8.2 million was used in the mats and integrated services segment for expansion of the mat rental fleet and capacity expansion at our mat manufacturing facility.

Net cash provided by financing activities during 2012 was \$5.9 million, including net borrowings under our lines of credit of \$67.5 million, largely offset by \$50.8 million in repurchases of our outstanding common stock and a payment associated with the one-year earn-out obligation of \$11.9 million following the April 2011 acquisition.

We anticipate that our working capital requirements for our operations will decline in the near term due to continued efforts to reduce accounts receivable and inventory from the levels at December 31, 2012. We expect total 2013 capital expenditures to range between \$50 million to \$60 million. As of December 31, 2012, substantially all of our \$46.8 million of cash on-hand resides within our foreign subsidiaries which we intend to leave permanently reinvested abroad. We expect our subsidiary cash on-hand, along with cash generated by operations and availability under our existing credit agreement to be adequate to fund our anticipated capital needs during the next 12 months.

Our capitalization was as follows as of December 31:

(In thousands)	2012	2011
Senior Notes	\$ 172,500	\$ 172,500
Revolving credit facility	84,000	17,000
Other	2,931	2,608
Total	259,431	192,108
Stockholder's equity	513,578	497,846
Total capitalization	\$ 773,009	\$ 689,954
Total debt to capitalization	33.6%	27.8%

Our financing arrangements include \$172.5 million of Senior Notes and a \$125.0 million revolving credit facility. The Senior Notes bear interest at a rate of 4.0% per year, payable semi-annually in arrears on April 1 and October 1 of each year, beginning April 1, 2011. Holders may convert the Senior Notes at their option at any time prior to the close of business on the business day immediately preceding the October 1, 2017 maturity date. The conversion rate is initially 90.8893 shares of our common stock per \$1,000 principal amount of Senior Notes (equivalent to an initial conversion price of \$11.00 per share of common stock), subject to adjustment in certain circumstances. Upon conversion, the Senior Notes will be settled in shares of our common stock. We may not redeem the Senior Notes prior to their maturity date.

In November 2011, we entered into a Second Amended and Restated Credit Agreement (the "Credit Agreement") which provides for a \$125 million revolving loan facility available for borrowings and letters of credit and expires in November 2016. Under the terms of the Credit Agreement, we can elect to borrow at an interest rate either based on LIBOR plus a margin based on our consolidated leverage ratio, ranging from 175 to 300 basis points, or at an interest rate based on the greatest of: (a) prime rate, (b) the federal funds rate in effect plus 50 basis points, or (c) the Eurodollar rate for a Eurodollar Loan with a one-month interest period plus 100 basis points, in each case plus a margin ranging from 75 to 200 basis points. The applicable margin on LIBOR borrowings on December 31, 2012 was 200 basis points. In addition, we are required to pay a commitment fee on the unused portion of the Credit Agreement of 37.5 basis points. The Credit Agreement contains customary financial and operating covenants, including a consolidated leverage ratio, a senior secured leverage ratio and an interest coverage ratio. We were in compliance with these covenants as of December 31, 2012.

At December 31, 2012, \$84.0 million was outstanding under the Credit Agreement, and \$6.9 million in letters of credit were issued and outstanding under the Credit Agreement leaving \$34.1 million of availability at December 31, 2012. Additionally, we had \$0.2 million in letters of credit outstanding relating to foreign operations.

The Credit Agreement is a senior secured obligation, secured by first liens on all of our U.S. tangible and intangible assets, including our accounts receivable and inventory. Additionally, a portion of the capital stock of our non-U.S. subsidiaries has also been pledged as collateral.

Our foreign Fluid Systems and Engineering subsidiaries in Italy and Brazil maintain local credit arrangements consisting primarily of lines of credit with several banks, which are renewed on an annual basis. We utilize local financing arrangements in our foreign operations in order to provide short-term local liquidity needs, as well as to reduce the net investment in foreign operations subject to foreign currency risk. Advances under these short-term credit arrangements are typically based on a percentage of the subsidiary's accounts receivable or firm contracts with certain customers. The weighted average interest rate under these arrangements was 2.81% and 3.54% on total outstanding balances of \$2.5 million and \$2.2 million at December 31, 2012 and 2011, respectively.

Off-Balance Sheet Arrangements

In conjunction with our insurance programs, we had established letters of credit in favor of certain insurance companies in the amount of \$3.9 million and \$3.6 million at December 31, 2012 and 2011. We also had \$8.6 million in guarantee obligations in connection with facility closure bonds and other performance bonds issued by insurance companies outstanding as of December 31, 2012 and 2011.

Other than normal operating leases for office and warehouse space, barges, rolling stock and other pieces of operating equipment, we do not have any off-balance sheet financing arrangements or special purpose entities. As such, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such financing arrangements.

Contractual Obligations

A summary of our outstanding contractual and other obligations and commitments at December 31, 2012 is as follows:

(In thousands)	2013	2014-2015	2016-2017	Thereafter	Total
Current maturities of long term debt	\$ 53	\$ -	\$ -	\$ -	\$ 53
Long-term debt including capital leases	-	332	84,000	172,500	256,832
Interest on 4.0% Senior Notes	6,900	13,800	12,133	-	32,833
Foreign bank lines of credit	2,546	-	-	-	2,546
Operating leases	15,510	13,803	5,800	229	35,342
Trade accounts payable and accrued liabilities	156,997	-	-	-	156,997
Purchase commitments, not accrued	3,498	-	-	-	3,498
Other long-term liabilities	-	-	-	18,187	18,187
Performance bond obligations	6,237	2,371	-	-	8,608
Letter of credit commitments	6,928	-	-	-	6,928
Total contractual obligations	\$ 198,669	\$ 30,306	\$ 101,933	\$ 190,916	\$ 521,824

The above table does not reflect expected tax payments and uncertain tax positions due to the inability to make a reasonably reliable estimate of the timing and amount to be paid. For additional discussion on uncertain tax positions, see “*Note 8 - Income Taxes*” to our Notes to Consolidated Financial Statements included in Part II Item 8 in this report.

We anticipate that the obligations and commitments listed above that are due in less than one year will be paid from operating cash flows, available cash on-hand, and availability under our existing Credit Agreement. The specific timing of settlement for certain long-term obligations cannot be reasonably estimated.

Critical Accounting Policies

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted within the United States (“U.S. GAAP”), which requires us to make assumptions, estimates and judgments that affect the amounts and disclosures reported. Significant estimates used in preparing our consolidated financial statements include the following: allowances for product returns, allowances for doubtful accounts, reserves for self-insured retentions under insurance programs, estimated performance and values associated with employee incentive programs, fair values used for goodwill impairment testing, undiscounted cash flows used for impairment testing of long-lived assets and valuation allowances for deferred tax assets. Note 1 to the consolidated financial statements contains the accounting policies governing each of these matters. Our estimates are based on historical experience and on our future expectations that are believed to be reasonable. The combination of these factors forms the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from our current estimates and those differences may be material.

We believe the critical accounting policies described below affect our more significant judgments and estimates used in preparing our consolidated financial statements.

Allowance for Doubtful Accounts

Reserves for uncollectible accounts receivable are determined on a specific identification basis when we believe that the required payment of specific amounts owed to us is not probable. The majority of our revenues are from mid-sized and international oil companies as well as government-owned or government-controlled oil companies, and we have receivables in several foreign jurisdictions. Changes in the financial condition of our customers or political changes in foreign jurisdictions could cause our customers to be unable to repay these receivables, resulting in additional allowances. For 2012, 2011 and 2010, provisions for uncollectible accounts receivable were \$1.7 million, \$2.4 million and \$0.5 million, respectively.

Allowance for Product Returns

We maintain reserves for estimated customer returns of unused materials in our Fluids Systems and Engineering segment. The reserves are established based upon historical customer return levels and estimated gross profit levels attributable to product sales. Future customer return levels may differ from the historical return rate.

Impairments of Long-lived Assets

Goodwill and other indefinite-lived intangible assets are tested for impairment annually as of November 1, or more frequently, if an indication of impairment exists. The impairment test includes a comparison of the carrying value of net assets of our reporting units, including goodwill, with their estimated fair values, which we determine using a combination of a market multiple and discounted cash flow approach. If the carrying value exceeds the estimated fair value, an impairment charge is recorded in the period in which such review is performed. We identify our reporting units based on our analysis of several factors, including our operating segment structure, evaluation of the economic characteristics of our geographic regions within each of our operating segments, and the extent to which our business units share assets and other resources.

We determine the impairment of goodwill by comparing the carrying amounts of our reporting units with fair values, which we estimate using a combination of a market multiple and discounted cash flow approach. In completing our November 1, 2012 evaluation, we determined that each reporting unit's fair value was in excess of the net carrying value and therefore, no impairment was required.

We review property, plant and equipment, finite-lived intangible assets and certain other assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. We assess recoverability based on expected undiscounted future net cash flows. In estimating expected cash flows, we use a probability-weighted approach. Should the review indicate that the carrying value is not fully recoverable, the amount of impairment loss is determined by comparing the carrying value to the estimated fair value.

Insurance

We maintain reserves for estimated future payments associated with our self-insured employee healthcare programs, as well as the self-insured retention exposures under our general liability, auto liability and workers compensation insurance policies. Our reserves are determined based on historical cost experience under these programs, including estimated development of known claims under these programs and estimated incurred-but-not-reported claims. Required reserves could change significantly based upon changes in insurance coverage, loss experience or inflationary impacts. As of December 31, 2012 and 2011, total insurance reserves were \$4.3 million and \$4.4 million, respectively.

Income Taxes

We have total deferred tax assets of \$34.5 million at December 31, 2012. A valuation allowance must be established to offset a deferred tax asset if, based on available evidence, it is more likely than not that some or all of the deferred tax asset will not be realized. We have considered future taxable income and tax planning strategies in assessing the need for our valuation allowance. At December 31, 2012, a total valuation allowance of \$13.6 million was recorded, substantially all of which offsets \$13.3 million of net operating loss carryforwards for state tax purposes, as well as Brazil. Changes in the expected future generation of qualifying taxable income within these jurisdictions or in the realizability of other tax assets may result in an adjustment to the valuation allowance, which would be charged or credited to income in the period this determination was made. Specifically, we have a \$3.8 million valuation allowance recorded on the net operating loss carryforward in Brazil which could be reversed in the future, depending on our ability to generate taxable income.

New Accounting Standards

In July 2012, the Financial Accounting Standards Board (“FASB”) issued an update to previous guidance regarding testing indefinite-lived intangible assets for impairment. The revised guidance permits an entity first to assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test. The update is effective for impairment tests performed for fiscal years beginning after September 15, 2012. We do not expect the adoption of this additional guidance to have a material effect on our consolidated financial statements.

In September 2011, the FASB issued additional guidance regarding intangibles and goodwill impairment testing. The objective of the additional guidance is to simplify how entities test goodwill for impairment. Under the new requirements, we have the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If we determine it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, further quantitative testing is not required. The changes in this update were effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of this additional guidance did not have a material effect on our consolidated financial statements.

ITEM 7A. *Quantitative and Qualitative Disclosures about Market Risk*

We are exposed to market risk from changes in interest rates and changes in foreign currency rates. A discussion of our primary market risk exposure in financial instruments is presented below.

Interest Rate Risk

At December 31, 2012, we had total debt outstanding of \$259.4 million, including \$172.5 million of borrowings under our Senior Notes, bearing interest at a fixed rate of 4.0%. Variable rate debt totaled \$86.9 million which included \$84.0 million outstanding under our revolving credit facility and \$2.9 million of borrowings under foreign bank lines of credit. At the December 31, 2012 balance, a 200 basis point increase in market interest rates during 2012 would cause our annual interest expense to increase approximately \$1.7 million resulting in a \$0.02 per diluted share reduction in annual net earnings.

Foreign Currency

Our principal foreign operations are conducted in certain areas of EMEA, Latin America, Asia Pacific, Canada, U.K. and Mexico. We have foreign currency exchange risks associated with these operations, which are conducted principally in the foreign currency of the jurisdictions in which we operate which include European euros, Australian dollars, Canadian dollars and Brazilian reais. Historically, we have not used off-balance sheet financial hedging instruments to manage foreign currency risks when we enter into a transaction denominated in a currency other than our local currencies because the dollar amount of these transactions has not warranted our using hedging instruments.

Unremitted foreign earnings permanently reinvested abroad upon which deferred income taxes have not been provided aggregated approximately \$95.0 million and \$84.7 million at December 31, 2012 and 2011, respectively. We have the ability and intent to leave these foreign earnings permanently reinvested abroad.

ITEM 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Newpark Resources, Inc.
The Woodlands, Texas

We have audited the accompanying consolidated balance sheets of Newpark Resources, Inc. and subsidiaries (the "Company") as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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, such consolidated financial statements present fairly, in all material respects, the financial position of Newpark Resources, Inc. and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2012, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2013 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas
February 28, 2013

Newpark Resources, Inc.

Consolidated Balance Sheets
December 31,

(In thousands, except share data)

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 46,846	\$ 25,247
Receivables, net	323,439	328,590
Inventories	209,734	175,929
Deferred tax asset	11,596	13,224
Prepaid expenses and other current assets	12,441	10,828
Total current assets	<u>604,056</u>	<u>553,818</u>
Property, plant and equipment, net	253,990	231,055
Goodwill	87,388	71,970
Other intangible assets, net	41,018	20,850
Other assets	8,089	9,144
Total assets	<u>\$ 994,541</u>	<u>\$ 886,837</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Short-term debt	\$ 2,599	\$ 2,232
Accounts payable	114,377	97,168
Accrued liabilities	42,620	47,443
Total current liabilities	<u>159,596</u>	<u>146,843</u>
Long-term debt, less current portion	256,832	189,876
Deferred tax liability	46,348	46,844
Other noncurrent liabilities	18,187	5,428
Total liabilities	<u>480,963</u>	<u>388,991</u>
Commitments and contingencies (Note 14)		
Common stock, \$0.01 par value, 200,000,000 shares authorized and 95,733,677 and 94,497,526 shares issued, respectively	957	945
Paid-in capital	484,962	477,204
Accumulated other comprehensive (loss) income	(734)	789
Retained earnings	95,015	34,983
Treasury stock, at cost; 10,115,951 and 2,803,987 shares, respectively	(66,622)	(16,075)
Total stockholders' equity	<u>513,578</u>	<u>497,846</u>
Total liabilities and stockholders' equity	<u>\$ 994,541</u>	<u>\$ 886,837</u>

See Accompanying Notes to Consolidated Financial Statements

Newpark Resources, Inc.

Consolidated Statements of Operations
Years Ended December 31,

(In thousands, except per share data)	2012	2011	2010
Revenues	\$ 1,038,019	\$ 958,180	\$ 715,954
Cost of revenues	846,529	744,176	576,920
Selling, general and administrative expenses	86,352	81,672	64,157
Other operating income, net	(759)	(432)	(3,127)
Operating income	105,897	132,764	78,004
Foreign currency exchange loss (gain)	749	522	(1,134)
Interest expense, net	9,740	9,226	10,267
Income from operations before income taxes	95,408	123,016	68,871
Provision for income taxes	35,376	42,999	27,245
Net income	<u>\$ 60,032</u>	<u>\$ 80,017</u>	<u>\$ 41,626</u>
Income per common share -basic:	\$ 0.69	\$ 0.89	\$ 0.47
Income per common share -diluted:	\$ 0.62	\$ 0.80	\$ 0.46

See Accompanying Notes to Consolidated Financial Statements

Newpark Resources, Inc.

Consolidated Statements of Comprehensive Income
Years Ended December 31,

(In thousands)	2012	2011	2010
Net income	\$ 60,032	\$ 80,017	\$ 41,626
Settlement of interest rate swap, net of tax	-	-	858
Foreign currency translation adjustments	<u>(1,523)</u>	<u>(7,792)</u>	<u>(912)</u>
Comprehensive income	<u>\$ 58,509</u>	<u>\$ 72,225</u>	<u>\$ 41,572</u>

See Accompanying Notes to Consolidated Financial Statements

Newpark Resources, Inc.

Consolidated Statements of Stockholders' Equity

(In thousands)	Common Stock	Paid-In Capital	Accumulated Other Compre- hensive Income (Loss)	Retained (Deficit) Earnings	Treasury Stock	Total
Balance at January 1, 2010	\$ 917	\$ 460,544	\$ 8,635	\$ (86,660)	\$ (15,414)	\$ 368,022
Net income	-	-	-	41,626	-	41,626
Employee stock options, restricted stock and employee stock purchase plan	14	3,838	-	-	(220)	3,632
Stock-based compensation expense	-	3,876	-	-	-	3,876
Income tax effect, net, of employee stock related activity	-	245	-	-	-	245
Settlement of interest rate swap, net of tax	-	-	858	-	-	858
Foreign currency translation	-	-	(912)	-	-	(912)
Balance at December 31, 2010	931	468,503	8,581	(45,034)	(15,634)	417,347
Net income	-	-	-	80,017	-	80,017
Employee stock options, restricted stock and employee stock purchase plan	14	3,574	-	-	(441)	3,147
Stock-based compensation expense	-	4,535	-	-	-	4,535
Income tax effect, net, of employee stock related activity	-	592	-	-	-	592
Foreign currency translation	-	-	(7,792)	-	-	(7,792)
Balance at December 31, 2011	945	477,204	789	34,983	(16,075)	497,846
Net income	-	-	-	60,032	-	60,032
Employee stock options, restricted stock and employee stock purchase plan	12	1,088	-	-	(402)	698
Stock-based compensation expense	-	7,103	-	-	-	7,103
Income tax effect, net, of employee stock related activity	-	(433)	-	-	-	(433)
Treasury shares purchased at cost	-	-	-	-	(50,145)	(50,145)
Foreign currency translation	-	-	(1,523)	-	-	(1,523)
Balance at December 31, 2012	\$ 957	\$ 484,962	\$ (734)	\$ 95,015	\$ (66,622)	\$ 513,578

See Accompanying Notes to Consolidated Financial Statements

Newpark Resources, Inc.

Consolidated Statements of Cash Flows
Years Ended December 31,

(In thousands)	2012	2011	2010
Cash flows from operating activities:			
Net income	\$ 60,032	\$ 80,017	\$ 41,626
Adjustments to reconcile net income to net cash provided by operations:			
Impairment charges	443	-	225
Depreciation and amortization	32,821	28,971	27,010
Stock-based compensation expense	7,103	4,535	3,876
Provision for deferred income taxes	1,358	26,623	18,030
Net provision for doubtful accounts	1,709	2,400	478
Loss (gain) on sale of assets	724	630	(257)
Change in assets and liabilities:			
Decrease (increase) in receivables	23,565	(135,303)	(75,829)
Increase in inventories	(28,758)	(48,129)	(8,085)
(Increase) decrease in other assets	(641)	(434)	1,898
Increase in accounts payable	13,702	30,425	2,810
(Decrease) increase in accrued liabilities and other	(1,813)	(3,293)	19,694
Net cash provided by (used in) operating activities	110,245	(13,558)	31,476
Cash flows from investing activities:			
Capital expenditures	(43,955)	(36,897)	(12,134)
Proceeds from sale of property, plant and equipment	863	522	1,585
Business acquisitions, net of cash acquired	(53,075)	(26,775)	-
Net cash used in investing activities	(96,167)	(63,150)	(10,549)
Cash flows from financing activities:			
Borrowings on lines of credit	364,426	27,619	141,497
Payments on lines of credit	(296,944)	(9,951)	(231,613)
Principal payments on notes payable and long-term debt	(40)	(219)	(30,457)
Proceeds from senior notes, net of offering costs	-	-	167,756
Proceeds from employee stock plans	1,059	3,588	3,591
Post-closing payment for business acquisition	(11,892)	(2,055)	-
Purchase of treasury stock	(50,756)	(644)	(153)
Net cash provided by financing activities	5,853	18,338	50,621
Effect of exchange rate changes on cash	1,668	607	(72)
Net increase (decrease) in cash and cash equivalents	21,599	(57,763)	71,476
Cash and cash equivalents at beginning of year	25,247	83,010	11,534
Cash and cash equivalents at end of year	<u>\$ 46,846</u>	<u>\$ 25,247</u>	<u>\$ 83,010</u>
Cash paid for:			
Income taxes (net of refunds)	\$ 24,508	\$ 29,675	\$ 7,395
Interest	\$ 8,355	\$ 7,794	\$ 7,956

See Accompanying Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Summary of Significant Accounting Policies

Organization and Principles of Consolidation. Newpark Resources, Inc. was organized in 1932 as a Nevada corporation. In 1991, we changed our state of incorporation to Delaware. We are a diversified oil and gas industry supplier providing products and services primarily to the oil and gas exploration (“E&P”) industry serving customers in North America, Europe, the Middle East and Africa (“EMEA”), Latin America and Asia Pacific regions. The consolidated financial statements include our company and our wholly-owned subsidiaries (“we”, “our” or “us”). All intercompany transactions are eliminated in consolidation.

Use of Estimates and Market Risks. The preparation of financial statements in conformity with accounting principles generally accepted in the United States (“US GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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. Estimates used in preparing our consolidated financial statements include, but are not limited to the following: allowances for product returns, allowances for doubtful accounts, reserves for self-insured retentions under insurance programs, reserves for incentive compensation programs, fair values used for goodwill impairment testing, undiscounted future cash flows used for impairment testing of long-lived assets, depreciation using the unit-of-production method and valuation allowances for deferred tax assets.

Our operating results depend primarily on oil and gas drilling activity levels in the markets we serve. Drilling activity, in turn, depends on oil and gas commodities pricing, inventory levels and product demand. Oil and gas prices and activity are cyclical and volatile. This market volatility has a significant impact on our operating results.

Cash Equivalents. All highly liquid investments with a remaining maturity of three months or less at the date of acquisition are classified as cash equivalents.

Allowance for Doubtful Accounts. Reserves for uncollectible accounts receivable are determined on a specific identification basis when we believe that the required payment of specific amounts owed to us is not probable.

The majority of our revenues are from mid-sized and international oil companies and government-owned or government-controlled oil companies, and we have receivables in several foreign jurisdictions. Changes in the financial condition of our customers or political changes in foreign jurisdictions could cause our customers to be unable to repay these receivables, resulting in additional allowances.

Allowance for Product Returns. We maintain reserves for estimated customer returns of unused materials in our Fluids Systems and Engineering segment. The reserves are established based upon historical customer return levels and estimated gross profit levels attributable to product sales.

Inventories. Inventories are stated at the lower of cost (principally average cost) or market. Certain conversion costs associated with the acquisition, production, blending and storage of inventory in our Fluids Systems and Engineering segment as well as in the manufacturing operations in the Mats and Integrated Services segment are capitalized as a component of the carrying value of the inventory and expensed as a component of cost of revenues as the products are sold. Reserves for inventory obsolescence are determined based on the fair value of the inventory using factors such as our historical usage of inventory on-hand, future expectations related to our customers needs, market conditions and the development of new products.

Property, Plant and Equipment. Property, plant and equipment are recorded at cost. Additions and improvements that extend the useful life of the assets are capitalized. Maintenance and repairs are charged to expense as incurred. The cost of property, plant and equipment sold or otherwise disposed of and the accumulated depreciation thereon are eliminated from the property and related accumulated depreciation accounts, and any gain or loss is credited or charged to income.

NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

For financial reporting purposes, except as described below, depreciation is provided on property, plant and equipment, including assets held under capital leases, by utilizing the straight-line method over the following estimated useful service lives or lease term:

	<u>Years</u>
Computer hardware and office equipment	3- 5
Computer software	3-10
Autos & light trucks	5- 7
Furniture, fixtures & trailers	7-10
Composite mats	7-12
Machinery and heavy equipment	5-15
Owned buildings	20-39
Leasehold improvements	Lease term, including reasonably assured renewal periods

We compute the provision for depreciation on certain of our environmental disposal assets and our barite grinding mills using the unit-of-production method. In applying this method, we have considered certain factors which affect the expected production units (lives) of these assets. These factors include periods of non-use for normal maintenance and economic slowdowns.

Goodwill and Other Intangible Assets. Goodwill represents the excess of the purchase price of acquisitions over the fair value of the net identifiable assets acquired. Goodwill and other intangible assets with indefinite lives are not amortized. Intangible assets with finite useful lives are amortized either on a straight-line basis over the asset's estimated useful life or on a basis that reflects the pattern in which the economic benefits of the asset are realized. Any period costs of maintaining intangible assets are expensed as incurred.

Impairment of Long-Lived Assets. Goodwill and other indefinite-lived intangible assets are tested for impairment annually as of November 1, or more frequently, if an indication of impairment exists. The impairment test includes a comparison of the carrying value of net assets of our reporting units, including goodwill, with their estimated fair values, which we determine using a combination of a market multiple and discounted cash flow approach. If the carrying value exceeds the estimated fair value, an impairment charge is recorded in the period in which such review is performed. We identify our reporting units based on our analysis of several factors, including our operating segment structure, evaluation of the economic characteristics of our geographic regions within each of our operating segments, and the extent to which our business units share assets and other resources.

We review property, plant and equipment, finite-lived intangible assets and certain other assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. We assess recoverability based on expected undiscounted future net cash flows. In estimating expected cash flows, we use a probability-weighted approach. Should the review indicate that the carrying value is not fully recoverable, the amount of impairment loss is determined by comparing the carrying value to the estimated fair value.

Insurance. We maintain reserves for estimated future payments associated with our self-insured employee healthcare programs, as well as the self-insured retention exposures under our general liability, auto liability and workers compensation insurance policies. Our reserves are determined based on historical cost experience under these programs, including estimated development of known claims and estimated incurred-but-not-reported claims.

Revenue Recognition. The Fluids Systems and Engineering segment recognizes sack and bulk material additive revenues upon shipment of materials and passage of title. Formulated liquid systems revenues are recognized when utilized or lost downhole while drilling. An allowance for product returns is maintained, reflecting estimated future customer product returns. Engineering and related services are provided to customers at agreed upon hourly or daily rates, and revenues are recognized when the services are performed.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

For the Mats and Integrated Services segment, revenues from the sale of mats are recognized when title passes to the customer, which is upon shipment or delivery, depending upon the terms of the underlying sales contract. Revenues for services and rentals provided by this segment are generated from both fixed-price and unit-priced contracts, which are short-term in duration. The activities under these contracts include site preparation, pit design, construction, drilling waste management, and the installation and rental of mat systems for a period of time generally not to exceed 60 days. Revenues from services provided under these contracts are recognized as the specified services are completed. Revenues from any subsequent extensions to the rental agreements are recognized over the extension period.

For our Environmental Services segment, revenues are recognized when we take title to the waste, which is upon receipt of the waste at one of our facilities. All costs related to the transporting and disposing of the waste received are accrued when that revenue is recognized.

Shipping and handling costs are reflected in cost of revenues, and all reimbursements by customers of shipping and handling costs are included in revenues.

Income Taxes. We provide for deferred taxes using an asset and liability approach by measuring deferred tax assets and liabilities due to temporary differences existing at year end using currently enacted tax rates and laws that will be in effect when the differences are expected to reverse. We reduce deferred tax assets by a valuation allowance when, based on our estimates, it is more likely than not that a portion of those assets will not be realized in a future period. The estimates utilized in recognition of deferred tax assets are subject to revision, either up or down, in future periods based on new facts or circumstances. We evaluate uncertain tax positions and record a liability as circumstances warrant. We have a \$2.8 million and \$1.2 million liability for uncertain tax positions recorded as of December 31, 2012 and 2011, respectively.

Stock-Based Compensation. All share-based payments to employees, including grants of employee stock options, are recognized in the income statement based on their fair values. We use the Black-Scholes option-pricing model for measuring the fair value of stock options granted and recognize stock-based compensation based on the grant date fair value, net of an estimated forfeiture rate, for all share-based awards, on a straight-line basis over the vesting term.

Foreign Currency Transactions. The majority of our transactions are in U.S. dollars; however, our foreign subsidiaries maintain their accounting records in the respective local currency. These currencies are converted to U.S. dollars with the effect of the foreign currency translation reflected in “accumulated other comprehensive income (loss),” a component of stockholders’ equity. Foreign currency transaction gains and losses, if any, are credited or charged to income. We recorded a net transaction loss (gain) totaling \$0.7 million, \$0.5 million and (\$1.1) million in 2012, 2011 and 2010, respectively. At December 31, 2012 and 2011, accumulated other comprehensive income (loss) related to foreign subsidiaries reflected in stockholders’ equity amounted to (\$0.7) million and \$0.9 million, respectively.

Derivative Financial Instruments. We monitor our exposure to various business risks including interest rates and foreign currency exchange rates and occasionally use derivative financial instruments to manage the impact of certain of these risks. At the inception of a new derivative, we designate the derivative as a cash flow or fair value hedge or we determine the derivative to be undesignated as a hedging instrument based on the underlying facts. We do not enter into derivative instruments for trading purposes.

New Accounting Standards. In July 2012, the Financial Accounting Standards Board (“FASB”) issued an update to previous guidance regarding testing indefinite-lived intangible assets for impairment. The revised guidance permits an entity first to assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test. The update is effective for impairment tests performed for fiscal years beginning after September 15, 2012. We do not expect the adoption of this additional guidance to have a material effect on our consolidated financial statements.

NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

In September 2011, the FASB issued additional guidance regarding intangibles and goodwill impairment testing. The objective of the additional guidance is to simplify how entities test goodwill for impairment. Under the new requirements, we have the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If we determine it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, further quantitative testing is not required. The changes in this update were effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of this additional guidance did not have a material effect on our consolidated financial statements.

Note 2 — Inventories

Inventories consisted of the following items at December 31:

(In thousands)	2012	2011
Raw materials and components:		
Drilling fluids	\$ 208,580	\$ 174,659
Mats	754	623
Total raw materials and components	209,334	175,282
Finished goods- mats	400	647
Total	<u>\$ 209,734</u>	<u>\$ 175,929</u>

The increase in inventory during 2012 includes a \$20.8 million increase in U.S. barite ore inventory, a key raw material in our drilling fluids systems.

Note 3 — Property, Plant and Equipment

Our investment in property, plant and equipment consisted of the following at December 31:

(In thousands)	2012	2011
Land	\$ 14,517	\$ 14,677
Buildings and improvements	148,726	134,628
Machinery and equipment	239,873	219,993
Mats (rental fleet)	44,811	40,597
Construction in progress	14,489	3,520
	462,416	413,415
Less accumulated depreciation	(208,426)	(182,360)
Property, plant and equipment, net	<u>\$ 253,990</u>	<u>\$ 231,055</u>

Depreciation expense was \$29.5 million, \$25.6 million and \$23.9 million in 2012, 2011 and 2010, respectively.

NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Note 4 — Goodwill, Other Intangibles and Impairments of Long-Lived Assets

Changes in the carrying amount of goodwill by reportable segment are as follows:

(In thousands)	Fluids Systems & Engineering	Mats and Integrated Services	Total
Balance at December 31, 2010	\$ 47,378	\$ 14,929	\$ 62,307
Acquisition	10,275	-	10,275
Effects of foreign currency	(612)	-	(612)
Balance at December 31, 2011	57,041	14,929	71,970
Acquisition	15,060	-	15,060
Effects of foreign currency	358	-	358
Balance at December 31, 2012	<u>\$ 72,459</u>	<u>\$ 14,929</u>	<u>\$ 87,388</u>

We have evaluated the carrying values of our goodwill and other indefinite-lived intangible assets as of November 1, 2012. We determine any impairment of goodwill by comparing the carrying amounts of our reporting units with fair values, which we estimate using a combination of a market multiple and discounted cash flow approach. In completing this evaluation, we determined that no reporting unit has a fair value below its net carrying value and therefore, no impairment was required.

Other intangible assets consist of the following:

(In thousands)	December 31, 2012			December 31, 2011		
	Gross Carrying Amount	Accumulated Amortization	Intangible assets, net	Gross Carrying Amount	Accumulated Amortization	Intangible assets, net
Technology related	\$ 5,421	\$ (2,910)	\$ 2,511	\$ 5,531	\$ (2,607)	\$ 2,924
Customer related	42,540	(10,559)	31,981	20,675	(7,854)	12,821
Employment related	2,327	(593)	1,734	2,679	(2,337)	342
Total amortizing intangible assets	<u>50,288</u>	<u>(14,062)</u>	<u>36,226</u>	<u>28,885</u>	<u>(12,798)</u>	<u>16,087</u>
Permits and licenses	3,941	-	3,941	3,929	-	3,929
Trademarks	851	-	851	834	-	834
Total indefinite-lived intangible assets	<u>4,792</u>	<u>-</u>	<u>4,792</u>	<u>4,763</u>	<u>-</u>	<u>4,763</u>
Total intangible assets	<u>\$ 55,080</u>	<u>\$ (14,062)</u>	<u>\$ 41,018</u>	<u>\$ 33,648</u>	<u>\$ (12,798)</u>	<u>\$ 20,850</u>

Total amortization expense in 2012, 2011 and 2010 related to other intangible assets was \$3.3 million, \$3.3 million and \$3.1 million, respectively.

The increase in goodwill and other intangible assets in 2012 relates to the acquisition of Alliance Drilling Fluids, LLC. See “Note 5-Acquisitions” for additional details.

NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Estimated future amortization expense for the years ended December 31 is as follows (in thousands):

2013	\$	11,006
2014		8,163
2015		5,009
2016		3,680
2017		2,871
Thereafter		5,497
Total	\$	<u>36,226</u>

Note 5 — Acquisitions

In December 2012, we completed the acquisition of substantially all assets and operations of Alliance Drilling Fluids, LLC (“Alliance”), a provider of drilling fluids, proppant distribution, and related services headquartered in Midland, Texas. Total cash consideration at closing was approximately \$53 million, which was funded through borrowings on our revolving credit facility. The purchase price is subject to further adjustments, based upon actual working capital conveyed. Additional consideration up to \$4.3 million may be payable based on the profitability of the proppant distribution business over the two year period following the acquisition.

The transaction has been recorded using the acquisition method of accounting and accordingly, assets acquired and liabilities assumed were recorded at their fair values as of the acquisition date. The excess of the total consideration, including projected additional consideration, was recorded as goodwill and includes the value of the assembled workforce. While the initial purchase price allocation has been completed, the allocation of the purchase price is subject to change for a period of one year following the acquisition. The following table summarizes the amounts recognized for assets acquired and liabilities assumed as of the December 31, 2012 acquisition date.

(In thousands)

Receivables, net	\$	22,782
Inventories		5,769
Prepaid expenses and other current assets		189
Property, plant and equipment, net		4,932
Goodwill		11,528
Customer relationships		19,810
Tradenname		2,030
Employment contracts		1,625
Total assets acquired	\$	<u>68,665</u>
Accounts payable	\$	7,014
Accrued liabilities		4,276
Other noncurrent liabilities		4,300
Total liabilities assumed	\$	<u>15,590</u>
Total cash conveyed at closing	\$	<u>53,075</u>

The other non-current liabilities balance above includes \$4.3 million of post-closing payments due to the seller, reflecting the expected contingent consideration described above.

NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

In April 2011, we completed the acquisition of the drilling fluids and engineering services business from Rheochem PLC, a publicly-traded Australian-based oil and gas company. The acquired business provides drilling fluids and related engineering services to the oil and gas exploration and geothermal industries with operations in Australia, New Zealand and India. Total cash paid in 2011 was AUD\$27.2 million (\$28.8 million). During 2012, the final payment was made which totaled AUD\$11.9 million (\$11.9 million) reflecting additional consideration required based on financial results of the acquired business over a one year earn-out period ended February 2012.

The transaction was recorded using the acquisition method of accounting and accordingly, assets acquired and liabilities assumed were recorded at their fair values as of the acquisition date. The excess of the total consideration, including projected additional consideration, was recorded as goodwill and includes the value of the access to markets in Asia Pacific and an assembled workforce.

The following table summarizes the amounts recognized for assets acquired and liabilities assumed, as of the April 2011 acquisition date.

(In thousands)

Cash and cash equivalents	\$	315
Receivables, net		3,316
Inventories		7,166
Prepaid expenses and other current assets		773
Property, plant and equipment, net		9,465
Goodwill		13,842
Customer relationships (11 year life)		10,492
Tradename (5 year life)		700
Other assets		510
Total assets acquired	\$	<u>46,579</u>
Accounts payable	\$	717
Accrued liabilities		16,243
Deferred tax liability		3,432
Other noncurrent liabilities		271
Total liabilities assumed	\$	<u>20,663</u>
Total cash conveyed at closing	\$	<u>25,916</u>

The accrued liabilities at the date of acquisition in the table above includes \$14.8 million reflecting the post-closing payments to the seller under the terms of the agreement, including \$2.9 million that was paid during the third quarter of 2011 and the final payment of \$11.9 million paid in 2012. There were no material changes to our initial goodwill estimate from the inception of the acquisition.

Pro forma results of operation for the acquired businesses have not been presented as the effect of these acquisitions are not material to our consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Note 6 — Financing arrangements

Financing arrangements consisted of the following at December 31, 2012 and 2011:

(In thousands)	2012	2011
Senior Notes	\$ 172,500	\$ 172,500
Revolving credit facility	84,000	17,000
Other	2,931	2,608
Total debt	\$ 259,431	\$ 192,108
Less: current portion	(2,599)	(2,232)
Long-term portion	<u>\$ 256,832</u>	<u>\$ 189,876</u>

Our financing arrangements include \$172.5 million of unsecured convertible senior notes ("Senior Notes") and a \$125.0 million revolving credit facility which can be increased by \$75.0 million for a maximum \$200.0 million of capacity. The Senior Notes bear interest at a rate of 4.0% per year, payable semi-annually in arrears on April 1 and October 1 of each year, beginning April 1, 2011. Holders may convert the Senior Notes at their option at any time prior to the close of business on the business day immediately preceding the October 1, 2017 maturity date. The conversion rate is initially 90.8893 shares of our common stock per \$1,000 principal amount of Senior Notes (equivalent to an initial conversion price of \$11.00 per share of common stock), subject to adjustment in certain circumstances. Upon conversion, the Senior Notes will be settled in shares of our common stock. We may not redeem the Senior Notes prior to their maturity date.

In November 2011, we entered into a Second Amended and Restated Credit Agreement (the "Credit Agreement") which provides for a \$125 million revolving loan facility available for borrowings and letters of credit and expires in November 2016. Under the terms of the Credit Agreement, we can elect to borrow at an interest rate either based on LIBOR plus a margin based on our consolidated leverage ratio, ranging from 175 to 300 basis points, or at an interest rate based on the greatest of: (a) prime rate, (b) the federal funds rate in effect plus 50 basis points, or (c) the Eurodollar rate for a Eurodollar Loan with a one-month interest period plus 100 basis points, in each case plus a margin ranging from 75 to 200 basis points. The applicable margin on LIBOR borrowings on December 31, 2012 was 200 basis points. In addition, we are required to pay a commitment fee on the unused portion of the Credit Agreement of 37.5 basis points. The Credit Agreement contains customary financial and operating covenants, including a consolidated leverage ratio, a senior secured leverage ratio and an interest coverage ratio. We were in compliance with these covenants as of December 31, 2012.

At December 31, 2012, \$84.0 million was outstanding under the Credit Agreement, and \$6.9 million in letters of credit were issued and outstanding under the Credit Agreement leaving \$34.1 million of availability at December 31, 2012. Additionally, we had \$0.2 million in letters of credit outstanding relating to foreign operations.

The Credit Agreement is a senior secured obligation, secured by first liens on all of our U.S. tangible and intangible assets, including our accounts receivable and inventory. Additionally, a portion of the capital stock of our non-U.S. subsidiaries has also been pledged as collateral.

Our foreign Fluid Systems and Engineering subsidiaries in Italy and Brazil maintain local credit arrangements consisting primarily of lines of credit with several banks, which are renewed on an annual basis. We utilize local financing arrangements in our foreign operations in order to provide short-term local liquidity needs, as well as to reduce the net investment in foreign operations subject to foreign currency risk. Advances under these short-term credit arrangements are typically based on a percentage of the subsidiary's accounts receivable or firm contracts with certain customers. The weighted average interest rate under these arrangements was 2.81% and 3.54% on total outstanding balances of \$2.5 million and \$2.2 million at December 31, 2012 and 2011, respectively.

NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

We incurred net interest expense of \$9.7 million, \$9.2 million, and \$10.3 million for the years ended December 31, 2012, 2011 and 2010, respectively. Scheduled maturities of all long-term debt are as follows (in thousands):

2014	\$	67
2015		265
2016		84,000
2017		172,500
Thereafter		-
Total	\$	<u>256,832</u>

Note 7 — Fair Value of Financial Instruments and Concentrations of Credit Risk

Fair Value of Financial Instruments

Our financial instruments include cash and cash equivalents, receivables, payables and debt. We believe the carrying values of these instruments, with the exception of our Senior Notes, approximated their fair values at December 31, 2012 and December 31, 2011. The estimated fair value of our Senior Notes is \$176.0 million at December 31, 2012 and \$195.8 million at December 31, 2011, based on quoted market prices at these respective dates.

Concentrations of Credit Risk

Financial instruments that potentially subject us to significant concentrations of credit risk consist principally of cash, trade accounts and notes receivable. At December 31, 2012, substantially all of our cash deposits are held in accounts at numerous financial institutions across the various regions that we operate in. A majority of the cash is held in accounts that maintain deposit ratings of P-1 by Moody's, A-1 by Standard and Poor's, and F1+ by Fitch. As part of our investment strategy, we perform periodic evaluations of the relative credit standing of these financial institutions.

Accounts Receivable

Accounts receivable at December 31, 2012 and 2011 include the following:

(In thousands)	2012	2011
Gross trade receivables	\$ 307,276	\$ 306,791
Allowance for doubtful accounts	(4,078)	(3,161)
Net trade receivables	<u>303,198</u>	<u>303,630</u>
Other receivables	<u>20,241</u>	<u>24,960</u>
Total receivables, net	<u>\$ 323,439</u>	<u>\$ 328,590</u>

Other receivables includes \$17.7 million and \$21.9 million for value added, goods and service taxes related to foreign jurisdictions and other tax related receivables as of December 31, 2012 and 2011, respectively.

NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

We derive a significant portion of our revenues from companies in the E&P industry, and our customer base is highly concentrated in major and independent oil and gas E&P companies operating in the markets that we serve. In 2012, approximately 40% of our consolidated revenues were derived from our 20 largest customers. We maintain an allowance for losses based upon the expected collectability of accounts receivable. Changes in this allowance for 2012, 2011 and 2010 are as follows.

(In thousands)	2012	2011	2010
Balance at beginning of year	\$ 3,161	\$ 5,839	\$ 5,969
Provision for uncollectible accounts	1,709	2,400	478
Write-offs, net of recoveries	(792)	(5,078)	(608)
Balance at end of year	<u>\$ 4,078</u>	<u>\$ 3,161</u>	<u>\$ 5,839</u>

During 2011, \$5.2 million of fully reserved trade receivables were written off against the allowance for doubtful accounts. During the years ended December 31, 2012, 2011 and 2010, no single customer accounted for more than 10% of total sales.

Note 8 — Income Taxes

The provision for income taxes charged to continuing operations was as follows:

(In thousands)	Year Ended December 31,		
	2012	2011	2010
Current tax expense (benefit):			
U.S. Federal	\$ 24,154	\$ 6,082	\$ 1,110
State	1,693	2,752	1,868
Foreign	8,682	7,234	6,427
Total current	<u>34,529</u>	<u>16,068</u>	<u>9,405</u>
Deferred tax expense (benefit):			
U.S. Federal	(2,248)	26,373	17,532
State	(1,248)	372	552
Foreign	4,343	186	(244)
Total deferred	<u>847</u>	<u>26,931</u>	<u>17,840</u>
Total provision	<u>\$ 35,376</u>	<u>\$ 42,999</u>	<u>\$ 27,245</u>

Income from operations before income taxes was as follows:

(In thousands)	Year Ended December 31,		
	2012	2011	2010
U.S.	\$ 68,212	\$ 95,267	\$ 52,608
Foreign	27,196	27,749	16,263
Income from operations before income taxes	<u>\$ 95,408</u>	<u>\$ 123,016</u>	<u>\$ 68,871</u>

NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The effective income tax rate is reconciled to the statutory federal income tax rate as follows:

	Year Ended December 31,		
	2012	2011	2010
Income tax expense at federal statutory rate	35.0%	35.0%	35.0%
Nondeductible expenses	1.6%	1.9%	1.9%
Manufacturing deduction	(2.2%)	(0.9%)	0.0%
Different rates on earnings of foreign operations	(2.9%)	(2.3%)	(2.6%)
Change in valuation allowance	(1.8%)	(1.1%)	2.2%
Foreign tax withholdings	4.5%	0.7%	0.4%
State tax expense, net	1.2%	1.8%	2.6%
Other	1.7%	(0.1%)	0.1%
Total income tax expense	<u>37.1%</u>	<u>35.0%</u>	<u>39.6%</u>

The 2012 provision for income taxes included a \$3.9 million charge associated with a tax assessment and related increase in tax rate for the period of 2006 through 2012 in a foreign subsidiary.

Temporary differences and carryforwards which give rise to deferred tax assets and liabilities at December 31, 2012 and 2011 are as follows:

(In thousands)	2012	2011
Deferred tax assets:		
Net operating losses	\$ 14,965	\$ 16,045
Accruals not currently deductible	11,676	13,185
Bad debts	1,168	750
Foreign tax credits	1,653	2,026
Other	4,988	4,331
Total deferred tax assets	<u>34,450</u>	<u>36,337</u>
Valuation allowance	(13,563)	(16,734)
Total deferred tax assets, net of allowances	<u>20,887</u>	<u>19,603</u>
Deferred tax liabilities:		
Accelerated depreciation and amortization	43,063	47,320
Other	12,821	5,922
Total deferred tax liabilities	<u>55,884</u>	<u>53,242</u>
Total net deferred tax liability	<u>\$ (34,997)</u>	<u>\$ (33,639)</u>
Current portion of deferred tax assets	\$ 11,596	\$ 13,224
Non current portion of deferred tax assets	274	341
Current portion of deferred tax liabilities	(519)	(360)
Non current portion of deferred tax liabilities	(46,348)	(46,844)
Net deferred tax liabilities	<u>\$ (34,997)</u>	<u>\$ (33,639)</u>

For state income tax purposes, we have net operating loss carryforwards (“NOLs”) of approximately \$219 million available to reduce future state taxable income. These NOLs expire in varying amounts beginning in year 2013 through 2030. Foreign NOLs of approximately \$11.2 million are available to reduce future taxable income, some of which expire beginning in 2015.

NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The realization of our net deferred tax assets is dependent on our ability to generate taxable income in future periods. At December 31, 2012 and December 31, 2011, we have recorded a valuation allowance in the amount of \$13.6 million and \$16.7 million, respectively, related to state and foreign NOL carryforwards.

Unremitted foreign earnings permanently reinvested abroad upon which deferred income taxes have not been provided aggregated approximately \$95.0 million and \$84.7 million at December 31, 2012 and 2011, respectively. We have the ability and intent to leave these foreign earnings permanently reinvested abroad.

We file an income tax return in the U.S. federal jurisdiction, and various state and foreign jurisdictions. We are no longer subject to income tax examinations for substantially all tax jurisdictions for years prior to 2000.

A reconciliation of the beginning and ending provision for uncertain tax positions is as follows:

(In thousands)	2012	2011	2010
Balance at January 1	\$ 1,218	\$ 1,568	\$ 750
Additions (reductions) for tax positions of prior years	1,350	(350)	818
Additions for tax positions of current year	185	-	-
Balance at December 31	<u>\$ 2,753</u>	<u>\$ 1,218</u>	<u>\$ 1,568</u>

The provision for uncertain tax positions, if recognized, would affect the annual effective tax rate. The Company recognizes accrued interest and penalties related to uncertain tax positions in operating expenses.

Note 9 — Capital Stock

Common stock

Changes in outstanding Common Stock for the years ended December 31, 2012, 2011 and 2010 were as follows:

(In thousands of shares)	2012	2011	2010
Outstanding, beginning of year	94,498	93,143	91,673
Shares issued upon exercise of options	286	671	677
Shares issued for grants of time vested restricted stock	950	684	773
Shares issued upon vesting of performance units	-	-	20
Outstanding, end of year	<u>95,734</u>	<u>94,498</u>	<u>93,143</u>

Preferred stock

We are authorized to issue up to 1,000,000 shares of Preferred Stock, \$0.01 par value. There was no outstanding preferred stock at December 31, 2012, 2011 or 2010.

NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Treasury stock

During 2012, 2011 and 2010, 104,995, 72,721 and 27,134 shares were repurchased, respectively, for an aggregate price of \$0.6 million, \$0.6 million, \$0.2 million, respectively, representing employee shares surrendered in lieu of taxes under vesting of restricted stock awards. All of the shares repurchased are held as treasury stock. We record treasury stock purchases under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock.

During 2012, 2011 and 2010, 34,724, 35,646 and 59,804 shares of treasury stock were re-issued, respectively, pursuant to our employee stock purchase plan.

Share repurchase program

In February 2012, our Board of Directors approved a share repurchase program that authorized the repurchase of up to \$50.0 million of our outstanding shares of common stock. During 2012, we executed the full \$50.0 million of repurchases authorized, purchasing 7,241,693 shares for an aggregate price of approximately \$6.92 per share, including commissions. All of the shares repurchased are held as treasury stock. We record treasury stock purchases under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Note 10 — Earnings per Share

The following table presents the reconciliation of the numerator and denominator for calculating earnings per share:

(In thousands, except per share data)	Year Ended December 31,		
	2012	2011	2010
Basic EPS:			
Net income	\$ 60,032	\$ 80,017	\$ 41,626
Weighted average number of common shares outstanding	87,522	90,022	89,103
Basic income per common share	\$ 0.69	\$ 0.89	\$ 0.47
Diluted EPS:			
Net income	\$ 60,032	\$ 80,017	\$ 41,626
Assumed conversions of Senior Notes	4,868	4,969	1,138
Adjusted net income	\$ 64,900	\$ 84,986	\$ 42,764
Weighted average number of common shares outstanding-basic	87,522	90,022	89,103
Add: Dilutive effect of stock options and restricted stock awards	876	965	790
Dilutive effect of Senior Notes	15,682	15,682	3,824
Diluted weighted average number of common shares outstanding	104,080	106,669	93,717
Diluted income per common share	\$ 0.62	\$ 0.80	\$ 0.46
Stock options and warrants excluded from calculation of diluted earnings per share because anti-dilutive for the period	2,671	2,907	3,913

Note 11 — Stock Based Compensation and Other Benefit Plans

The following describes stockholder approved plans utilized by the Company for the issuance of stock based awards.

2003 Long-Term Incentive Plan

During 2011, our stockholders approved the Amended and restated 2003 Long Term Incentive Plan (the “2003 Plan”). As amended, the 2003 Plan, allows awards of restricted stock with multi-year vesting as well as previously authorized awards of performance-based restricted stock units made at the beginning of overlapping three-year performance periods. The maximum number of shares that may be granted in the form of performance-based restricted stock units and restricted stock awards to any participant in any calendar year is 50,000 shares. Subject to adjustment upon a stock split, stock dividend or other recapitalization event, the maximum number of shares of common stock that may be issued under the 2003 Plan is 1,000,000. The common stock issued under the 2003 Plan will be from authorized but un-issued shares of our common stock, although shares re-acquired due to forfeitures or any other reason may be re-issued under the 2003 Plan. At December 31, 2012, 65,106 shares remained available for award under the 2003 Plan.

NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

2004 Non-Employee Directors' Incentive Compensation Plan

In June 2004, our stockholders approved the 2004 Non-Employee Directors' Stock Option Plan ("2004 Plan"). During 2007, stockholders approved the amended and restated 2004 Plan (renamed the 2004 Non-Employee Directors' Incentive Compensation Plan) which authorizes grants of restricted stock to non-employee directors instead of stock options. In 2012, each non-employee director received \$130,000 in restricted stock (valued as of the date of the annual stockholder's meeting), upon their election or re-election. At December 31, 2012, 247,973 shares remained available for award under the amended 2004 Plan.

2006 Equity Incentive Plan

In December 2006, our stockholders approved the 2006 Equity Incentive Plan ("2006 Plan"), pursuant to which the Compensation Committee of our Board of Directors ("Compensation Committee") may grant to key employees, including executive officers and other corporate and divisional officers, a variety of forms of equity-based compensation, including options to purchase shares of common stock, shares of restricted common stock, restricted stock units, stock appreciation rights, other stock-based awards, and performance-based awards. During 2011, the 2006 Plan was amended to increase the number of shares available for issuance from 5,000,000 to 8,000,000. At December 31, 2012, 1,363,315 shares remained available for award under the 2006 Plan, as amended.

The Compensation Committee approves the granting of all stock based compensation to employees, utilizing shares available under the 2003 Plan and 2006 Plan. Stock based awards are granted in a variety of forms, including stock options, restricted stock awards and performance-based restricted stock units. The Committee also grants other stock based awards to non-executive employees including cash-settled stock appreciation rights and cash-settled performance-based restricted stock equivalents, which are not part of the plans outlined above and are not available to executives or non-employee directors. Activity under each of these programs is described below.

Stock Options & Cash-Settled Stock Appreciation Rights

Stock options granted by the Compensation Committee are generally granted with a three year vesting period and a term of ten years. During 2012, 1,438,158 options were granted with a three year vesting period and a ten year term. The exercise price of each stock option granted was equal to the fair market value on the date of grant.

The following table summarizes activity for our outstanding stock options for the year ended December 31, 2012:

	<u>Shares</u>	<u>Weighted-Average Exercise Price</u>	<u>Weighted- Average Remaining Contractual Life (Years)</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at beginning of period	3,621,013	\$ 6.21		
Granted	1,438,158	5.57		
Exercised	(286,457)	3.70		
Expired or cancelled	(292,688)	6.72		
Outstanding at end of period	<u>4,480,026</u>	\$ 6.13	6.63	\$ 8,560,159
Vested or expected to vest at end of period	<u>4,365,298</u>	\$ 6.14	6.56	\$ 8,321,556
Options exercisable at end of period	<u>2,281,385</u>	\$ 6.44	4.64	\$ 3,582,813

NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

We estimated the fair value of options granted on the date of grant using the Black-Scholes option-pricing model, with the following weighted average assumptions:

	Year Ended December 31,		
	2012	2011	2010
Risk-free interest rate	0.68%	1.59%	1.99%
Expected life of the option in years	5.22	5.22	5.22
Expected volatility	60.3%	63.1%	62.5%
Dividend yield	-	-	-

The risk-free interest rate is based on the implied yield on a U.S. Treasury zero-coupon issue with a remaining term equal to the expected term of the option. The expected life of the option is based on observed historical patterns. The expected volatility is based on historical volatility of the price of our common stock. The dividend yield is based on the projected annual dividend payment per share divided by the stock price at the date of grant, which is zero because we have not paid dividends for several years and do not expect to pay dividends in the foreseeable future.

The following table summarizes information about the weighted-average exercise price and the weighted-average grant date fair value of stock options granted:

	Year Ended December 31,		
	2012	2011	2010
Weighted-average exercise price of the stock on the date of grant	\$ 5.57	\$ 9.13	\$ 5.61
Weighted-average grant date fair value on the date of grant	\$ 2.89	\$ 5.00	\$ 3.08

All stock options granted for the years ended December 31, 2012, 2011 and 2010 reflected an exercise price equal to the market value of the stock on the date of grant.

The total intrinsic value of options exercised was \$1.0 million, \$2.5 and \$1.9 million for the years ended December 31, 2012, 2011 and 2010, while cash from option exercises totaled \$1.1 million, \$3.6 million and \$3.6 million, respectively.

The following table summarizes activity for outstanding cash-settled stock appreciation rights for the year-ended December 31, 2012:

	Rights
Outstanding at the beginning of the period	312,666
Exercised	(41,100)
Outstanding at the end of the period	<u>271,566</u>
Exercisable at end of period	<u>271,566</u>

During 2012, there were no additional grants of cash-settled stock appreciation rights. The remaining outstanding cash-settled stock appreciation rights, if exercised, will ultimately be settled in cash for the difference between market value of our outstanding shares at the date of exercise, and \$7.89. As such, the projected cash settlement is adjusted each period based upon the ending fair market value of the underlying stock. At December 31, 2012, the fair market value of each cash-settled stock appreciation right was \$1.20, resulting in a liability of \$0.3 million.

NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Total compensation cost recognized for stock options and cash-settled stock appreciation rights during the years ended December 31, 2012, 2011 and 2010 was \$2.3 million, \$2.1 million and \$1.8 million, respectively. For the years ended December 31, 2012, 2011 and 2010, we recognized tax benefits resulting from the exercise of stock options totaling \$0.3 million, \$0.8 million and \$0.6 million, respectively.

Performance-Based Restricted Stock Units & Cash-Settled Performance-Based Restricted Stock Units

The Compensation Committee may use various business criteria to set the performance objectives for awards of performance-based restricted stock units. For awards made during 2009, the Compensation Committee determined that our cumulative earnings per share for the three-year performance period ending December 31, 2011 was the performance criterion for vesting in the award shares. No performance-based awards were granted during 2010, 2011 or 2012.

The following table summarizes activity for outstanding performance-based restricted stock units for the year-ended December 31, 2012:

Nonvested Shares (Performance-Based)	Shares	Weighted-Average Grant Date Fair Value
Outstanding at beginning of the period	381,230	\$ 3.31
Forfeited	(381,230)	3.31
Outstanding at the end of the period	<u><u>-</u></u>	

The performance shares under this award related to the three-year performance period ending December 31, 2011 were forfeited in the first quarter of 2012 as performance objectives were not achieved.

During 2012, 2011 and 2010, no compensation cost was recognized for performance-based restricted stock units.

Restricted Stock Awards and Units

Time-vested restricted stock awards and restricted stock units are periodically granted to key employees, including grants for employment inducements, as well as to members of our Board of Directors. Employee awards provide for vesting periods ranging from three to four years. Non-employee director grants fully vest at the one year anniversary from the date of grant. Upon vesting of these grants, shares are issued to award recipients. The following tables summarize our activity for our outstanding time-vesting restricted stock awards and restricted stock units for the year-ended December 31, 2012.

NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Nonvested Shares (Time-Vesting)	Shares	Weighted-Average Grant Date Fair Value
Nonvested at January 1, 2012	1,165,729	\$ 7.93
Granted	997,709	5.86
Vested	(414,624)	7.44
Forfeited	(61,833)	7.26
Nonvested at December 31, 2012	<u>1,686,981</u>	\$ 6.85

Nonvested Share Units (Time-Vesting)	Shares	Weighted-Average Grant Date Fair Value
Nonvested at January 1, 2012	57,916	\$ 9.13
Granted	93,134	5.60
Vested	(19,309)	5.69
Forfeited	-	-
Nonvested at December 31, 2012	<u>131,741</u>	\$ 7.14

Total compensation cost recognized for restricted stock awards and restricted stock units was \$4.6 million, \$2.8 million and \$1.8 million for the years ended December 31, 2012, 2011 and 2010 respectively. Total unrecognized compensation cost at December 31, 2012 related to restricted stock awards and restricted stock units is approximately \$9.2 million which is expected to be recognized over the next 2.3 years. During the years ended December 31, 2012, 2011 and 2010, the total fair value of shares vested was \$2.5 million, \$3.2 million and \$1.2 million, respectively.

For the years ended December 31, 2012, 2011 and 2010, we recognized tax benefits resulting from the vesting of share awards totaling \$0.9 million, \$1.1 million and \$0.6 million, respectively.

Defined Contribution Plan

Substantially all of our U.S. employees are covered by a defined contribution plan (“401(k) Plan”). Employees may voluntarily contribute up to 50% of compensation, as defined in the 401(k) Plan. Participants’ contributions, up to 3% of compensation, are matched 100% by us, and the participants’ contributions, from 3% to 6% of compensation, are matched 50% by us. Under the 401(k) Plan, our cash contributions were \$3.3 million, \$2.8 million and \$1.7 million in 2012, 2011 and 2010, respectively.

Note 12 — Segment and Related Information

Our Company consists of three reportable segments, which offer different products and services to a relatively homogenous customer base. The reportable segments include: Fluids Systems and Engineering, Mats and Integrated Services, and Environmental Services. Intersegment revenues are generally recorded at cost for items which are included in inventory of the purchasing segment, and at standard markups for items which are included in cost of revenues of the purchasing segment. All intersegment revenues and related profits have been eliminated.

Fluids Systems and Engineering — Our Fluids Systems and Engineering business offers customized solutions including highly technical drilling projects involving complex subsurface conditions, such as horizontal directional, geologically deep or deep water drilling. These projects require increased monitoring and critical engineering support of the fluids system during the drilling process. We provide drilling fluids products and technical services to markets in North America, EMEA, Latin America, and the Asia Pacific region. Additionally, following our December 2012 purchase of Alliance Drilling Fluids we provide stimulation products (proppants), and other specialty chemicals and fluids and related services. We also provide completion services and equipment rental to customers in Oklahoma and Texas.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

We have industrial mineral grinding operations for barite, a critical raw material in drilling fluids products, which serve to support our activity in the drilling fluids market. We grind barite and other industrial minerals at facilities in Houston and Corpus Christi, Texas, New Iberia, Louisiana and Dyersburg, Tennessee. We use the resulting products in our drilling fluids business, and also sell them to third party users, including other drilling fluids companies. We also sell a variety of other minerals, principally to third party industrial (non oil and gas) markets, from our main plant in Houston, Texas and from the plant in Dyersburg, Tennessee.

Mats and Integrated Services — This segment provides mat rentals, location construction and related site services to oil and gas customers at well, production, transportation and refinery locations in the Northeast U.S. region, onshore U.S. Gulf Coast, and Rocky Mountain regions, and mat rentals to the petrochemical industry in the U.S. and utility industry in the U.K. These mats provide environmental protection and ensure all-weather access to sites with unstable soil conditions.

We manufacture our DuraBase composite mat system for sales as well as for use in our domestic and international rental operations. Our marketing efforts for this product remain focused in principal oil and gas industry markets which include the Asia Pacific, Latin America, EMEA, as well as markets outside the E&P sector in the U.S. and Europe. We believe these mats have worldwide applications outside our traditional oilfield market, primarily in infrastructure construction, maintenance and upgrades of electric utility transmission lines, military logistics and as temporary roads for movement of oversized or unusually heavy loads.

Environmental Services — This segment provides disposal services for both oilfield E&P waste and industrial waste. The primary method used for disposal is low pressure injection into environmentally secure geologic formations deep underground. This segment operates in the U.S. Gulf Coast and West Texas markets.

NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Summarized financial information concerning our reportable segments is shown in the following tables:

(In thousands)	Year Ended December 31,		
	2012	2011	2010
Revenues			
Fluids Systems & Engineering	\$ 861,670	\$ 798,957	\$ 597,795
Mats & Integrated Services	122,283	110,411	69,397
Environmental Services	54,066	48,812	48,762
Total Revenues	<u>\$ 1,038,019</u>	<u>\$ 958,180</u>	<u>\$ 715,954</u>
Depreciation and Amortization			
Fluids Systems & Engineering	\$ 18,419	\$ 17,126	\$ 15,253
Mats & Integrated Services	7,952	7,581	7,672
Environmental Services	3,875	3,016	3,169
Corporate Office	2,575	1,248	916
Total Depreciation and Amortization	<u>\$ 32,821</u>	<u>\$ 28,971</u>	<u>\$ 27,010</u>
Operating Income (loss)			
Fluids Systems & Engineering	\$ 59,987	\$ 90,683	\$ 56,234
Mats & Integrated Services	54,251	52,678	26,684
Environmental Services	13,622	11,909	13,447
Corporate Office	(21,963)	(22,506)	(18,361)
Operating Income	<u>\$ 105,897</u>	<u>\$ 132,764</u>	<u>\$ 78,004</u>
Segment Assets			
Fluids Systems & Engineering	\$ 790,147	\$ 673,794	\$ 476,677
Mats & Integrated Services	81,252	93,078	79,957
Environmental Services	76,604	70,122	69,058
Corporate	46,538	49,843	111,650
Total Assets	<u>\$ 994,541</u>	<u>\$ 886,837</u>	<u>\$ 737,342</u>
Capital Expenditures			
Fluids Systems & Engineering	\$ 27,916	\$ 16,033	\$ 7,033
Mats & Integrated Services	8,174	7,629	2,253
Environmental Services	1,558	1,693	738
Corporate	6,307	11,542	2,110
Total Capital Expenditures	<u>\$ 43,955</u>	<u>\$ 36,897</u>	<u>\$ 12,134</u>

NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following table sets forth information about our operations by geographic area. Revenues by geographic location are determined based on the operating location from which services are rendered or products are sold.

(In thousands)	Year Ended December 31,		
	2012	2011	2010
Revenue			
United States	\$ 738,150	\$ 690,205	\$ 516,786
Canada	48,643	51,713	23,846
EMEA	121,175	115,319	113,295
Latin America and Mexico	88,157	76,355	62,027
Asia Pacific	41,894	24,588	-
Total Revenue	\$ 1,038,019	\$ 958,180	\$ 715,954
Long-Lived Assets			
United States	\$ 304,954	\$ 252,751	\$ 243,194
Canada	11,830	11,730	12,334
EMEA	30,729	25,814	26,380
Latin America and Mexico	11,158	12,920	14,904
Asia Pacific	31,539	29,463	-
Total Long-Lived Assets	\$ 390,210	\$ 332,678	\$ 296,812

No single customer accounted for more than 10% of our consolidated revenues for years ended December 31, 2012, 2011 or 2010.

Note 13 — Supplemental Cash Flow and Other Information

Included in accounts payable and accrued liabilities at December 31, 2012, 2011, and 2010, were capital expenditures of \$1.0 million, \$3.7 million, and \$2.3 million, respectively.

Accrued liabilities at December 31, 2012 and 2011 were \$42.6 million and \$47.4 million respectively. The balance at December 31, 2012 included \$14.0 million for employee incentives and other compensation related expenses while 2011 included \$19.7 million for employee incentives and other compensation related expenses, and \$8.2 million in estimated obligations under the one-year earn-out provision relating to our April 2011 acquisition.

During the years ended December 31, 2012, 2011 and 2010, we did not finance the acquisition of property, plant and equipment with capital leases.

Note 14 — Commitments and Contingencies

In the ordinary course of conducting our business, we become involved in litigation and other claims from private party actions, as well as judicial and administrative proceedings involving governmental authorities at the federal, state and local levels. In the opinion of management, any liability in these matters should not have a material effect on our consolidated financial statements.

Leases

We lease various manufacturing facilities, warehouses, office space, machinery and equipment, including transportation equipment, under operating leases with remaining terms ranging from one to six years, with various renewal options. Substantially all leases require payment of taxes, insurance and maintenance costs in addition to rental payments. Total rental expenses for all operating leases were approximately \$26.5 million, \$24.2 million and \$25.4 million for the years ending 2012, 2011 and 2010, respectively.

NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Future minimum payments under non-cancelable operating leases, with initial or remaining terms in excess of one year are included in the table below. Future minimum payments under capital leases are not significant.

(In thousands)	
2013	\$ 15,510
2014	9,274
2015	4,529
2016	3,494
2017	2,306
Thereafter	229
	<u>\$ 35,342</u>

Other

In conjunction with our insurance programs, we had established letters of credit in favor of certain insurance companies in the amount of \$3.9 million and \$3.6 million at December 31, 2012 and 2011, respectively. We also had \$8.6 million in guarantee obligations in connection with facility closure bonds and other performance bonds issued by insurance companies outstanding as of December 31, 2012 and 2011.

Other than normal operating leases for office and warehouse space, barges, rolling stock and other pieces of operating equipment, we do not have any off-balance sheet financing arrangements or special purpose entities. As such, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such financing arrangements.

We are self-insured for health claims, subject to certain “stop loss” insurance policies. Claims in excess of \$225,000 per incident are insured by third-party insurers. We had accrued liabilities of \$1.2 million for unpaid claims incurred, based on historical experience at December 31, 2012 and 2011. Substantially all of these estimated claims are expected to be paid within six months of their occurrence.

We are self-insured for certain workers’ compensation, auto and general liability claims up to a certain policy limit. Claims in excess of \$750,000 are insured by third-party reinsurers. At December 31, 2012 and 2011, we had accrued a liability of \$3.1 million and \$3.2 million, respectively, for the uninsured portion of claims.

We maintain accrued liabilities for asset retirement obligations, which represent obligations associated with the retirement of tangible long-lived assets that result from the normal operation of the long-lived asset. Our asset retirement obligations primarily relate to repair cost obligations associated with the return of leased barges as well as required expenditures associated with owned and leased facilities. Upon settlement of the liability, a gain or loss for any difference between the settlement amount and the liability recorded is recognized. As of December 31, 2012 and 2011, we had accrued asset retirement obligations of \$2.7 million and \$2.1 million, respectively.

NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Note 15 — Supplemental Selected Quarterly Financial Data (Unaudited)

(In thousands, except per share amounts)	Quarter Ended			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal Year 2012				
Revenues	\$ 262,336	\$ 245,756	\$ 259,599	\$ 270,328
Operating income	26,135	24,755	28,756	26,251
Net income	15,634	14,463	18,742	11,193
Net income per share:				
Basic	0.17	0.16	0.22	0.13
Diluted	0.16	0.15	0.20	0.12
Fiscal Year 2011				
Revenues	\$ 202,651	\$ 230,822	\$ 261,193	\$ 263,514
Operating income	27,948	31,596	39,179	34,041
Net income	15,854	19,280	22,997	21,886
Net income per share:				
Basic	0.18	0.21	0.25	0.24
Diluted	0.16	0.19	0.23	0.22

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

ITEM 9A. Controls and Procedures

Evaluation of disclosure controls and procedures

Based on their evaluation of the Company's disclosure controls and procedures as of the end of the period covered by this report, the Chief Executive Officer and Chief Financial Officer of the Company have concluded that the Company's disclosure controls and procedures are effective as of December 31, 2012.

Changes in internal control over financial reporting

The SEC allows companies to exclude acquisitions from their assessment of internal control over financial reporting during the first year of an acquisition. On December 31, 2012, we completed the acquisition of substantially all assets and operations of Alliance Drilling Fluids, LLC ("Alliance"), a provider of drilling fluids, proppants, and related services headquartered in Midland, Texas. For purposes of determining the effectiveness of our internal control over financial reporting, management has excluded Alliance from its evaluation of these matters.

There have been no other changes in the Company's internal controls over financial reporting during the quarter ended December 31, 2012 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Management's Report on Internal Control Over Financial Reporting

We are responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Securities and Exchange Act Rule 13(a)-15(f). Our internal control system over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Internal control over financial reporting has inherent limitations and may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance, not absolute assurance with respect to the financial statement preparation and presentation. Further, because of changes in conditions, the effectiveness of internal control over financial reporting may vary over time.

Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our internal control over financial reporting as of December 31, 2012 as required by the Securities and Exchange Act of 1934 Rule 13a-15(c). In making its assessment, we have utilized the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in a report entitled "Internal Control — Integrated Framework." We concluded that based on our evaluation, our internal control over financial reporting was effective as of December 31, 2012.

The effectiveness of our internal control over financial reporting as of December 31, 2012 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which is included herein.

The SEC allows companies to exclude acquisitions from their assessment of internal control over financial reporting during the first year of an acquisition. On December 31, 2012, we completed the acquisition of substantially all assets and operations of Alliance Drilling Fluids, LLC (“Alliance”), a provider of drilling fluids, proppants, and related services headquartered in Midland, Texas. For purposes of determining the effectiveness of our internal control over financial reporting, management has excluded Alliance from its evaluation of these matters.

 /s/ Paul L. Howes

Paul L. Howes
President, Chief Executive Officer

 /s/ Gregg S. Piontek

Gregg S. Piontek
Vice President and Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Newpark Resources, Inc.
The Woodlands, Texas

We have audited the internal control over financial reporting of Newpark Resources, Inc. and subsidiaries (the "Company") as of December 31, 2012, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management's Report on Internal Control Over Financial Reporting, on December 31, 2012, the Company acquired substantially all assets and operations of Alliance Drilling Fluids, LLC, a provider of drilling fluids, headquartered in Midland, Texas ("Alliance"). For the purposes of assessing internal control over financial reporting, management excluded Alliance, whose financial statements constitute 7% of consolidated total assets and 0% of consolidated revenues, of the consolidated financial statement amounts as of and for the year ended December 31, 2012. Accordingly, our audit did not include the internal control over financial reporting at Alliance. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2012, of the company and our report dated February 28, 2013 expressed an unqualified opinion on those financial statements.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas
February 28, 2013

ITEM 9B. *Other Information*

None.

PART III

ITEM 10. *Directors, Executive Officers and Corporate Governance*

Executive Officers and Directors

The information required by this Item is incorporated by reference to the “Executive Officers” and “Election of Directors” sections of the definitive Proxy Statement relating to our 2013 Annual Meeting of Stockholders.

Compliance with Section 16(a) of the Exchange Act

The information required by this Item is incorporated by reference to the “Section 16(a) Beneficial Ownership Reporting Compliance” section of the definitive Proxy Statement relating to our 2013 Annual Meeting of Stockholders.

Code of Conduct and Ethics

We have adopted a Code of Ethics that applies to all of our directors and senior officers, and a Corporate Compliance and Business Ethics Manual (“Ethics Manual”) that applies to all officers and employees. The Code of Ethics and Ethics Manual are publicly available in the investor relations area of our website at www.newpark.com. This Code of Ethics is incorporated in this report by reference. Copies of our Code of Ethics may also be requested in print by writing to Newpark Resources, Inc., 2700 Research Forest Drive, Suite 100, The Woodlands, Texas, 77381.

ITEM 11. *Executive Compensation*

The information required by this Item is incorporated by reference to the “Executive Compensation” section of the definitive Proxy Statement relating to our 2013 Annual Meeting of Stockholders.

ITEM 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The information required by this Item is incorporated by reference to the “Ownership of Common Stock” section of the definitive Proxy Statement relating to our 2013 Annual Meeting of Stockholders.

ITEM 13. *Certain Relationships and Related Transactions, and Director Independence*

The information required by this Item is incorporated by reference to the “Related Person Transactions” and “Director Independence” sections of the definitive Proxy Statement relating to our 2013 Annual Meeting of Stockholders.

ITEM 14. *Principal Accounting Fees and Services*

The information required by this Item is incorporated by reference to the “Independent Auditor” section of the definitive Proxy Statement relating to our 2013 Annual Meeting of Stockholders.

PART IV

ITEM 15. *Exhibits and Financial Statement Schedules*

- (a) List of documents filed as part of this report or incorporated herein by reference.

1. *Financial Statements*

The following financial statements of the Registrant as set forth under Part II, Item 8 of this report on Form 10-K on the pages indicated.

	Page in this Form 10-K
Report of Independent Registered Public Accounting Firm	32
Consolidated Balance Sheets as of December 31, 2012 and 2011	33
Consolidated Statements of Operations for the Years Ended December 31, 2012, 2011 and 2010	34
Consolidated Statements of Comprehensive Income (Loss) for the Years Ended December 31, 2012, 2011 and 2010	35
Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2012, 2011 and 2010	36
Consolidated Statements of Cash Flows for the Years Ended December 31, 2012, 2011 and 2010	37
Notes to Consolidated Financial Statements	38

2. *Financial Statement Schedules*

All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

3. *Exhibits*

The exhibits listed are filed as part of, or incorporated by reference into, this Annual Report on Form 10-K.

- 3.1 Restated Certificate of Incorporation of Newpark Resources, Inc., incorporated by reference to Exhibit 3.1 to the Company's Form 10-K405 for the year ended December 31, 1998 filed on March 31, 1999 (SEC File No. 001-02960).
- 3.2 Certificate of Designation of Series A Cumulative Perpetual Preferred Stock of Newpark Resources, Inc. incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed on April 27, 1999 (SEC File No. 001-02960).
- 3.3 Certificate of Designation of Series B Convertible Preferred Stock of Newpark Resources, Inc., incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on June 7, 2000 (SEC File No. 001-02960).
- 3.4 Certificate of Rights and Preferences of Series C Convertible Preferred Stock of Newpark Resources, Inc., incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on January 4, 2001 (SEC File No. 001-02960).
- 3.5 Certificate of Amendment to the Restated Certificate of Incorporation of Newpark Resources, Inc., incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on November 4, 2009 (SEC File No. 001-02960).
- 3.6 Amended and Restated Bylaws, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed March 13, 2007 (SEC File No. 001-02960).

- 4.1 Specimen form of common stock certificate of Newpark Resources, Inc., incorporated by reference to the exhibit filed with the Company's Registration Statement on Form S-1 (SEC File No. 33-40716).
- 4.2 Indenture, dated October 4, 2010, between Newpark Resources, Inc. and Wells Fargo Bank, National Association, as trustee, incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on October 4, 2010 (SEC File No. 001-02960).
- 4.3 First Supplemental Indenture, dated October 4, 2010, between Newpark Resources, Inc. and Wells Fargo Bank, National Association, as trustee, incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on October 4, 2010 (SEC File No. 001-2960).
- 4.4 Form of 4.00% Convertible Senior Note due 2017, incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed on October 4, 2010 (SEC File No. 001-2960).
- *10.1 Amended and Restated 1993 Non-Employee Directors' Stock Option Plan, incorporated by reference to Exhibit 10.7 to the Company's Form 10-K for the year ended December 31, 1998 filed on March 31, 1999 (SEC File No. 001-02960).
- *10.2 Newpark Resources, Inc. 2003 Executive Incentive Compensation Plan, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2005 filed on May 3, 2005 (SEC File No. 001-02960).
- *10.3 Form of Award Agreement under 2003 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.31 to the Company's Form 10-K for the year ended December 31, 2004 filed on March 16, 2005 (SEC File No. 001-02960).
- *10.4 Newpark Resources, Inc. Amended and Restated Non-Employee Directors' Restricted Stock Plan, incorporated by reference to Exhibit 10.9 to the Company's Form 10-K filed on March 10, 2009 (SEC File No. 001-02960).
- *10.5 Form of Non-Employee Director Restricted Stock Agreement under the Newpark Resources, Inc. Amended and Restated Non-Employee Directors' Restricted Stock Plan, incorporated by reference to Exhibit 10.10 to the Company's Form 10-K filed on March 10, 2009 (SEC File No. 001-02960).
- *10.6 Amended and Restated Employment Agreement, dated as of December 31, 2008, between the registrant and Paul L. Howes, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 1, 2009 (SEC File No. 001-02960).
- *10.7 Indemnification Agreement, dated June 7, 2006, between the registrant and Paul L. Howes, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 13, 2006 (SEC File No. 001-02960).
- *10.8 Form of Indemnification Agreement, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on June 13, 2006 (SEC File No. 001-02960).
- *10.9 Employment Agreement, dated as of September 18, 2006, by and between Newpark Resources, Inc. and James E. Braun, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 20, 2006 (SEC File No. 001-02960).
- *10.10 Employment Agreement, dated as of September 18, 2006, by and between Newpark Resources, Inc. and Mark J. Airola, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on September 20, 2006 (SEC File No. 001-02960).
- *10.11 Form of Non-Qualified Stock Option Agreement under the Newpark Resources, Inc. 2006 Equity Incentive Plan, incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-8 filed on March 26, 2007 (SEC File No. 333-0141577).
- *10.12 Employment Agreement between Newpark Resources, Inc. and Bruce Smith dated April 20, 2007, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2007 filed on May 8, 2007 (SEC File No. 001-02960).

- 10.13 Amendment to the Indemnification Agreement between Newpark Resources, Inc. and Paul L. Howes dated September 11, 2007, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 14, 2007 (SEC File No. 001-02960).
- *10.14 First Amendment to the Newpark Resources, Inc. Amended and Restated Non-Employee Directors' Restricted Stock Plan, incorporated by reference to Exhibit 10.25 to the Company's Form 10-K filed on March 10, 2009 (SEC File No. 001-02960).
- *10.15 Newpark Resources, Inc., 2008 Employee Stock Purchase Plan, incorporated by reference to Exhibit 4.1 the Company's Registration Statement on Form S-8 filed on December 9, 2008 (SEC File No. 333-156010).
- *10.16 Employment Agreement, dated as of June 2, 2008, by an between Newpark Resources, Inc. and William D. Moss, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 6, 2006 (SEC File no. 001-02960).
- 10.17 Form of Change of Control Agreement, incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2008 filed on May 2, 2008 (SEC File No. 001-02960).
- *10.18 Amendment to Amended and Restated Employment Agreement between Newpark Resources, Inc. and Paul L. Howes dated April 20, 2009, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 23, 2009 (SEC File No. 001-02960).
- *10.19 Amendment to Employment Agreement between Newpark Resources, Inc. and James E. Braun dated April 21, 2009, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-L filed on April 23, 2009 (SEC File No. 001-02960).
- *10.20 Amendment to Employment Agreement between Newpark Resources, Inc. and Bruce C. Smith dated April 22, 2009, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on April 23, 2009 (SEC File No. 001-02960).
- *10.21 Amendment to Employment Agreement between Newpark Resources, Inc. and Mark J. Airola dated April 22, 2009, incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on April 23, 2009 (SEC File No. 001-02960).
- *10.22 Amendment to Employment Agreement between Newpark Resources, Inc. and William D. Moss dated April 23, 2009, incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on April 23, 2009 (SEC File No. 001-02960).
- *10.23 Extension Letter Amendment to Amended and Restated Employment Agreement between Newpark Resources, Inc. and Paul L. Howes dated November 30, 2009, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 7, 2009 (SEC File No. 001-02960).
- *10.24 Extension Letter Amendment to Employment Agreement between Newpark Resources, Inc. and James E. Braun dated November 30, 2009, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on December 7, 2009 (SEC File No. 001-02960).
- *10.25 Extension Letter Amendment to Employment Agreement between Newpark Resources, Inc. and Bruce C. Smith dated November 30, 2009, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on December 7, 2009 (SEC File No. 001-02960).
- *10.26 Extension Letter Amendment to Employment Agreement between Newpark Resources, Inc. and Mark J. Airola dated November 30, 2009, incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on December 7, 2009 (SEC File No. 001-02960).
- *10.27 Extension Letter Amendment to Employment Agreement between Newpark Resources, Inc. and William D. Moss dated November 30, 2009, incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on December 7, 2009 (SEC File No. 001-02960).

- 10.28 Letter Agreement dated as of March 3, 2010 between Newpark Resources, Inc. and William D. Moss, incorporated by reference to the Company's Current Report on Form 8-K filed on March 9, 2010 (SEC File No. 001-02960).
- 10.29 Employment Agreement, dated as of October 15, 2010, by and between Newpark Resources, Inc. and Jeffery L. Juergens, incorporated by reference to the Company's Current Report on Form 8-K filed on October 18, 2010 (SEC File No. 001-02960).
- 10.30 Change in Control Agreement dated as of October 15, 2010, by and between Newpark Resources, Inc. and Jeffery L. Juergens, incorporated by reference to the Company's Current Report on Form 8-K filed on October 18, 2010 (SEC File No. 001-02960).
- 10.31 Newpark Resources, Inc. 2010 Annual Cash Incentive Plan, incorporated by reference to the Company's Current Report on Form 8-K filed on April 2, 2010 (SEC File No. 001-02960).
- †*10.32 Director Compensation Summary.
- *10.33 Newpark Resources, Inc. 2006 Equity Incentive Plan (As Amended and Restated Effective June 10, 2009), incorporated by reference to Exhibit 4.6 to the Company's Registration Statement on Form S-8 filed on August 14, 2009 (SEC File No. 333-161378).
- *10.34 Amendment No. 1 to the Newpark Resources, Inc. 2006 Equity Incentive Plan (As Amended and Restated Effective June 10, 2009), incorporated by reference to Exhibit 4.8 to the Company's Registration Statement on Form S-8 filed on June 9, 2011 (SEC File No. 333-174807).
- *10.35 Form of Non-Qualified Stock Option Agreement under the Newpark Resources, Inc. 2006 Equity Incentive Plan (As Amended and Restated Effective June 10, 2009) (as amended), incorporated by reference to Exhibit 4.9 to the Company's Registration Statement on Form S-8 filed on June 9, 2011 (SEC File No. 333-174807).
- *10.36 Form of Non-Qualified Stock Option Agreement under the Newpark Resources, Inc. 2006 Equity Incentive Plan (As Amended and Restated Effective June 10, 2009) (as amended), incorporated by reference to Exhibit 4.10 to the Company's Registration Statement on Form S-8 filed on June 9, 2011 (SEC File No. 333-174807).
- *10.37 Form of Restricted Stock Agreement under the Newpark Resources, Inc. 2006 Equity Incentive Plan (As Amended and Restated Effective June 10, 2009) (as amended), incorporated by reference to Exhibit 4.11 to the Company's Registration Statement on Form S-8 filed on June 9, 2011 (SEC File No. 333-174807).
- *10.38 Form of Restricted Stock Agreement under the Newpark Resources, Inc. 2006 Equity Incentive Plan (As Amended and Restated Effective June 10, 2009) (as amended), incorporated by reference to Exhibit 4.12 to the Company's Registration Statement on Form S-8 filed on June 9, 2011 (SEC File No. 333-174807).
- *10.39 Newpark Resources, Inc. 2003 Long Term Incentive Plan, Amended and Restated Effective March 8, 2011, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 15, 2011 (SEC File No. 001-02960).
- *10.40 Form of Restricted Stock Agreement under the 2003 Long Term Incentive Plan, Amended and Restated Effective March 8, 2011, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on June 15, 2011 (SEC File No. 001-02960).
- *10.41 Employment Agreement, dated October 18, 2011, by and between Newpark Resources, Inc. and Gregg Steven Piontek, incorporated by reference to the Company's Current Report on Form 8-K filed on October 21, 2011 (SEC File No. 001-02960).
- *10.42 Indemnification Agreement, dated October 26, 2011, between Gregg S. Piontek and Newpark Resources, Inc., incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 31, 2011 (SEC File No. 001-02960).

- 10.43 Second Amended and Restated Credit Agreement among Newpark Resources, Inc., JPMorgan Chase Bank, N.A., as Administrative Agent, Bank of America, N.A., as Syndication Agent, and Wells Fargo Bank, National Association, as Documentation Agent, dated November 22, 2011, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on November 29, 2011 (SEC File No. 001-02960).
- *10.44 Employment Agreement, dated December 29, 2011, between Lee Ann Kendrick and Newpark Resources, Inc., incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 2, 2012 (SEC File No. 001-02960).
- *10.45 Indemnification Agreement, dated May 23, 2012, between Lee Ann Kendrick and Newpark Resources, Inc., incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on July 27, 2012 (SEC File No. 001-02960).
- *10.46 Form of Restricted Stock Unit for Participants Outside the United States under the 2006 Equity Incentive Plan (As Amended and Restated Effective June 10, 2009) (as amended), incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on July 27, 2012 (SEC File No. 001-02960).
- *10.47 Form of Non-Qualified Stock Option Agreement for Participants Outside the United States under the 2006 Equity Incentive Plan (As Amended and Restated Effective June 10, 2009) (as amended), incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on July 27, 2012 (SEC File No. 001-02960).
- *10.48 Second Amendment to the Newpark Resources, Inc. Amended and Restated Non-Employee Directors' Restricted Stock Plan, incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on July 27, 2012 (SEC File No. 001-02960).
- *10.49 Amendment to Employment Agreement, dated December 31, 2012, between Mark Airola and Newpark Resources, Inc., incorporated by reference to the Company's Current Report on Form 8-K filed on January 4, 2013 (SEC File No. 001-02960).
- *10.50 Amendment to Employment Agreement, dated December 31, 2012, between Bruce Smith and Newpark Resources, Inc., incorporated by reference to the Company's Current Report on Form 8-K filed on January 4, 2013 (SEC File No. 001-02960).
- †10.51 Asset Purchase Agreement, dated December 28, 2012, between Alliance Drilling Fluids, LLC, Xtreme Specialty Products, LLC, Prop-Tech Services, LLC, each of the members listed therein, Newpark Drilling Fluids LLC and Newpark Resources, Inc.
- †21.1 Subsidiaries of the Registrant.
- †23.1 Consent of Independent Registered Public Accounting Firm.
- †31.1 Certification of Paul L. Howes pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- †31.2 Certification of Gregg S. Piontek pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- †32.1 Certification of Paul L. Howes pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- †32.2 Certification of Gregg S. Piontek pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- †95.1 Reporting requirements under the Mine Safety and Health Administration.
- †101.INS XBRL Instance Document
- †101.SCH XBRL Schema Document
- †101.CAL XBRL Calculation Linkbase Document
- †101.LAB XBRL Label Linkbase Document

†101.PRE XBRL Presentation Linkbase Document

†101.DEF XBRL Definition Linkbase Document

† Filed herewith.

* Management compensation plan or agreement

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized

NEWPARK RESOURCES, INC

By: /s/Paul L. Howes

Paul L. Howes
President and Chief Executive Officer

Dated: February 28, 2013

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Signatures

Title

Date

<u>/s/ Paul L. Howes</u> Paul L. Howes	President, Chief Executive Officer and Director (Principal Executive Officer)	February 28, 2013
<u>/s/ / Gregg S. Piontek</u> Gregg S. Piontek	Vice President and Chief Financial Officer (Principal Financial Accounting Officer)	February 28, 2013
<u>/s/ Jerry W. Box</u> Jerry W. Box	Chairman of the Board	February 28, 2013
<u>/s/ James W. McFarland</u> James W. McFarland	Director, Member of the Audit Committee	February 28, 2013
<u>/s/ G. Stephen Finley</u> G. Stephen Finley	Director, Member of the Audit Committee	February 28, 2013
<u>/s/ Gary L. Warren</u> Gary L. Warren	Director, Member of the Audit Committee	February 28, 2013
<u>/s/ David C. Anderson</u> David C. Anderson	Director	February 28, 2013

NEWPARK RESOURCES, INC

EXHIBIT INDEX

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- *10.1 Amended and Restated 1993 Non-Employee Directors' Stock Option Plan, incorporated by reference to Exhibit 10.7 to the Company's Form 10-K for the year ended December 31, 1998 filed on March 31, 1999 (SEC File No. 001-02960).
- *10.2 Newpark Resources, Inc. 2003 Executive Incentive Compensation Plan, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2005 filed on May 3, 2005 (SEC File No. 001-02960).
- *10.3 Form of Award Agreement under 2003 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.31 to the Company's Form 10-K for the year ended December 31, 2004 filed on March 16, 2005 (SEC File No. 001-02960).
- *10.4 Newpark Resources, Inc. Amended and Restated Non-Employee Directors' Restricted Stock Plan, incorporated by reference to Exhibit 10.9 to the Company's Form 10-K filed on March 10, 2009 (SEC File No. 001-02960).
- *10.5 Form of Non-Employee Director Restricted Stock Agreement under the Newpark Resources, Inc. Amended and Restated Non-Employee Directors' Restricted Stock Plan, incorporated by reference to Exhibit 10.10 to the Company's Form 10-K filed on March 10, 2009 (SEC File No. 001-02960).

- *10.6 Amended and Restated Employment Agreement, dated as of December 31, 2008, between the registrant and Paul L. Howes, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 1, 2009 (SEC File No. 001-02960).
- *10.7 Indemnification Agreement, dated June 7, 2006, between the registrant and Paul L. Howes, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 13, 2006 (SEC File No. 001-02960).
- *10.8 Form of Indemnification Agreement, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on June 13, 2006 (SEC File No. 001-02960).
- *10.9 Employment Agreement, dated as of September 18, 2006, by and between Newpark Resources, Inc. and James E. Braun, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 20, 2006 (SEC File No. 001-02960).
- *10.10 Employment Agreement, dated as of September 18, 2006, by and between Newpark Resources, Inc. and Mark J. Airola, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on September 20, 2006 (SEC File No. 001-02960).
- *10.11 Form of Non-Qualified Stock Option Agreement under the Newpark Resources, Inc. 2006 Equity Incentive Plan, incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-8 filed on March 26, 2007 (SEC File No. 333-0141577).
- *10.12 Employment Agreement between Newpark Resources, Inc. and Bruce Smith dated April 20, 2007, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2007 filed on May 8, 2007 (SEC File No. 001-02960).
- 10.13 Amendment to the Indemnification Agreement between Newpark Resources, Inc. and Paul L. Howes dated September 11, 2007, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 14, 2007 (SEC File No. 001-02960).
- *10.14 First Amendment to the Newpark Resources, Inc. Amended and Restated Non-Employee Directors' Restricted Stock Plan, incorporated by reference to Exhibit 10.25 to the Company's Form 10-K filed on March 10, 2009 (SEC File No. 001-02960).
- *10.15 Newpark Resources, Inc., 2008 Employee Stock Purchase Plan, incorporated by reference to Exhibit 4.1 the Company's Registration Statement on Form S-8 filed on December 9, 2008 (SEC File No. 333-156010).
- *10.16 Employment Agreement, dated as of June 2, 2008, by an between Newpark Resources, Inc. and William D. Moss, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 6, 2006 (SEC File no. 001-02960).
- 10.17 Form of Change of Control Agreement, incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2008 filed on May 2, 2008 (SEC File No. 001-02960).
- *10.18 Amendment to Amended and Restated Employment Agreement between Newpark Resources, Inc. and Paul L. Howes dated April 20, 2009, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 23, 2009 (SEC File No. 001-02960).
- *10.19 Amendment to Employment Agreement between Newpark Resources, Inc. and James E. Braun dated April 21, 2009, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-L filed on April 23, 2009 (SEC File No. 001-02960).
- *10.20 Amendment to Employment Agreement between Newpark Resources, Inc. and Bruce C. Smith dated April 22, 2009, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on April 23, 2009 (SEC File No. 001-02960).

- *10.21 Amendment to Employment Agreement between Newpark Resources, Inc. and Mark J. Airola dated April 22, 2009, incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on April 23, 2009 (SEC File No. 001-02960).
- *10.22 Amendment to Employment Agreement between Newpark Resources, Inc. and William D. Moss dated April 23, 2009, incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on April 23, 2009 (SEC File No. 001-02960).
- *10.23 Extension Letter Amendment to Amended and Restated Employment Agreement between Newpark Resources, Inc. and Paul L. Howes dated November 30, 2009, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 7, 2009 (SEC File No. 001-02960).
- *10.24 Extension Letter Amendment to Employment Agreement between Newpark Resources, Inc. and James E. Braun dated November 30, 2009, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on December 7, 2009 (SEC File No. 001-02960).
- *10.25 Extension Letter Amendment to Employment Agreement between Newpark Resources, Inc. and Bruce C. Smith dated November 30, 2009, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on December 7, 2009 (SEC File No. 001-02960).
- *10.26 Extension Letter Amendment to Employment Agreement between Newpark Resources, Inc. and Mark J. Airola dated November 30, 2009, incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on December 7, 2009 (SEC File No. 001-02960).
- *10.27 Extension Letter Amendment to Employment Agreement between Newpark Resources, Inc. and William D. Moss dated November 30, 2009, incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on December 7, 2009 (SEC File No. 001-02960).
- 10.28 Letter Agreement dated as of March 3, 2010 between Newpark Resources, Inc. and William D. Moss, incorporated by reference to the Company's Current Report on Form 8-K filed on March 9, 2010 (SEC File No. 001-02960).
- 10.29 Employment Agreement, dated as of October 15, 2010, by and between Newpark Resources, Inc. and Jeffery L. Juergens, incorporated by reference to the Company's Current Report on Form 8-K filed on October 18, 2010 (SEC File No. 001-02960).
- 10.30 Change in Control Agreement dated as of October 15, 2010, by and between Newpark Resources, Inc. and Jeffery L. Juergens, incorporated by reference to the Company's Current Report on Form 8-K filed on October 18, 2010 (SEC File No. 001-02960).
- 10.31 Newpark Resources, Inc. 2010 Annual Cash Incentive Plan, incorporated by reference to the Company's Current Report on Form 8-K filed on April 2, 2010 (SEC File No. 001-02960).
- †*10.32 Director Compensation Summary.
- *10.33 Newpark Resources, Inc. 2006 Equity Incentive Plan (As Amended and Restated Effective June 10, 2009), incorporated by reference to Exhibit 4.6 to the Company's Registration Statement on Form S-8 filed on August 14, 2009 (SEC File No. 333-161378).
- *10.34 Amendment No. 1 to the Newpark Resources, Inc. 2006 Equity Incentive Plan (As Amended and Restated Effective June 10, 2009), incorporated by reference to Exhibit 4.8 to the Company's Registration Statement on Form S-8 filed on June 9, 2011 (SEC File No. 333-174807).
- *10.35 Form of Non-Qualified Stock Option Agreement under the Newpark Resources, Inc. 2006 Equity Incentive Plan (As Amended and Restated Effective June 10, 2009) (as amended), incorporated by reference to Exhibit 4.9 to the Company's Registration Statement on Form S-8 filed on June 9, 2011 (SEC File No. 333-174807).
- *10.36 Form of Non-Qualified Stock Option Agreement under the Newpark Resources, Inc. 2006 Equity Incentive Plan (As Amended and Restated Effective June 10, 2009) (as amended), incorporated by reference to Exhibit 4.10 to the Company's Registration Statement on Form S-8 filed on June 9, 2011 (SEC File No. 333-174807).

- *10.37 Form of Restricted Stock Agreement under the Newpark Resources, Inc. 2006 Equity Incentive Plan (As Amended and Restated Effective June 10, 2009) (as amended), incorporated by reference to Exhibit 4.11 to the Company's Registration Statement on Form S-8 filed on June 9, 2011 (SEC File No. 333-174807).
- *10.38 Form of Restricted Stock Agreement under the Newpark Resources, Inc. 2006 Equity Incentive Plan (As Amended and Restated Effective June 10, 2009) (as amended), incorporated by reference to Exhibit 4.12 to the Company's Registration Statement on Form S-8 filed on June 9, 2011 (SEC File No. 333-174807).
- *10.39 Newpark Resources, Inc. 2003 Long Term Incentive Plan, Amended and Restated Effective March 8, 2011, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 15, 2011 (SEC File No. 001-02960).
- *10.40 Form of Restricted Stock Agreement under the 2003 Long Term Incentive Plan, Amended and Restated Effective March 8, 2011, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on June 15, 2011 (SEC File No. 001-02960).
- *10.41 Employment Agreement, dated October 18, 2011, by and between Newpark Resources, Inc. and Gregg Steven Piontek, incorporated by reference to the Company's Current Report on Form 8-K filed on October 21, 2011 (SEC File No. 001-02960).
- *10.42 Indemnification Agreement, dated October 26, 2011, between Gregg S. Piontek and Newpark Resources, Inc., incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 31, 2011 (SEC File No. 001-02960).
- 10.43 Second Amended and Restated Credit Agreement among Newpark Resources, Inc., JPMorgan Chase Bank, N.A., as Administrative Agent, Bank of America, N.A., as Syndication Agent, and Wells Fargo Bank, National Association, as Documentation Agent, dated November 22, 2011, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on November 29, 2011 (SEC File No. 001-02960).
- *10.44 Employment Agreement, dated December 29, 2011, between Lee Ann Kendrick and Newpark Resources, Inc., incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 2, 2012 (SEC File No. 001-02960).
- *10.45 Indemnification Agreement, dated May 23, 2012, between Lee Ann Kendrick and Newpark Resources, Inc., incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on July 27, 2012 (SEC File No. 001-02960).
- *10.46 Form of Restricted Stock Unit for Participants Outside the United States under the 2006 Equity Incentive Plan (As Amended and Restated Effective June 10, 2009) (as amended), incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on July 27, 2012 (SEC File No. 001-02960).
- *10.47 Form of Non-Qualified Stock Option Agreement for Participants Outside the United States under the 2006 Equity Incentive Plan (As Amended and Restated Effective June 10, 2009) (as amended), incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on July 27, 2012 (SEC File No. 001-02960).
- *10.48 Second Amendment to the Newpark Resources, Inc. Amended and Restated Non-Employee Directors' Restricted Stock Plan, incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on July 27, 2012 (SEC File No. 001-02960).
- *10.49 Amendment to Employment Agreement, dated December 31, 2012, between Mark Airola and Newpark Resources, Inc., incorporated by reference to the Company's Current Report on Form 8-K filed on January 4, 2013 (SEC File No. 001-02960).

- *10.50 Amendment to Employment Agreement, dated December 31, 2012, between Bruce Smith and Newpark Resources, Inc., incorporated by reference to the Company's Current Report on Form 8-K filed on January 4, 2013 (SEC File No. 001-02960).
- †10.51 Asset Purchase Agreement, dated December 28, 2012, between Alliance Drilling Fluids, LLC, Xtreme Specialty Products, LLC, Prop-Tech Services, LLC, each of the members listed therein, Newpark Drilling Fluids LLC and Newpark Resources, Inc.
- †21.1 Subsidiaries of the Registrant.
- †23.1 Consent of Independent Registered Public Accounting Firm.
- †31.1 Certification of Paul L. Howes pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- †31.2 Certification of Gregg S. Piontek pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- †32.1 Certification of Paul L. Howes pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- †32.2 Certification of Gregg S. Piontek pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- †95.1 Reporting requirements under the Mine Safety and Health Administration.
- †101.INS XBRL Instance Document
- †101.SCH XBRL Schema Document
- †101.CAL XBRL Calculation Linkbase Document
- †101.LAB XBRL Label Linkbase Document
- †101.PRE XBRL Presentation Linkbase Document
- †101.DEF XBRL Definition Linkbase Document

† Filed herewith.
 * Management compensation plan or agreement

DIRECTOR COMPENSATION SUMMARY
(EFFECTIVE AS OF JUNE 6, 2012)

Employee directors receive no additional compensation other than their normal salary for serving on the Board or its committees. The Chairman of the Board receives \$130,000 annually. Each non-employee director (other than the Chairman of the Board) receives \$55,000 annually. In addition, the Chairman of the Audit Committee receives a \$30,000 annual retainer. The Chairmen of the Compensation and the Nominating and Corporate Governance Committees each receive an additional \$20,000 annual retainer. Each Audit Committee member (other than the Chairman of the Committee) receives an additional \$15,000 annual retainer. Each member of the Compensation and Nominating and Corporate Governance Committees (other than the Chairmen of those Committees) receives an additional \$10,000 annual retainer. Outside directors (including the Chairman of the Board) also receive an initial grant, upon first election or appointment, and an annual grant of shares of restricted stock equal to \$130,000, which valuation is based on the price of Newpark stock on the date of the grant (appointment, election or re-election).

ASSET PURCHASE AGREEMENT

between

ALLIANCE DRILLING FLUIDS, LLC

and

XTREME SPECIALTY PRODUCTS, LLC

and

PROP-TECH SERVICES, LLC

as Sellers,

and

THE MEMBERS

and

NEWPARK DRILLING FLUIDS LLC

as Buyer,

and

NEWPARK RESOURCES, INC.

Dated December 28, 2012



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EXHIBITS

Exhibit A – Form of Bill of Sale, Assignment and Assumption Agreement
Exhibit B – Form of Special Warranty Deed
Exhibit C – Form of Savage Employment Agreement
Exhibit D – Form of Savage Retention Escrow Agreement
Exhibit E – Form of Branch Employment Agreement
Exhibit F – Form of Branch Retention Escrow Agreement
Exhibit G – Form of Indemnity Escrow Agreement
Exhibit H – Form of Agreement of Assignment, Assumption and Consent
Exhibit I – Form of Mack Energy Agreement
Exhibit J - Form of Transition Services Agreement
Exhibit K - Form of Sublease Agreement

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT, dated December 28, 2012 (this “**Agreement**”), is by and among Alliance Drilling Fluids, LLC, a Texas limited liability company (“**Alliance**”), Xtreme Specialty Products, LLC, a Texas limited liability company (“**Xtreme**”) and Prop-Tech Services, LLC, a Texas limited liability company (“**Prop-Tech**,” and collectively with Alliance and Xtreme, the “**Sellers**”), the Members (as herein defined) and Newpark Drilling Fluids LLC, a Texas limited liability company (the “**Buyer**”). The Sellers, Members and the Buyer are hereinafter collectively referred to as the “**parties**” and each individually as a “**party**.” Newpark Resources, Inc., a Delaware corporation (“**Newpark**”), joins this Agreement solely for the purposes of Section 11.13 below.

WHEREAS, the Sellers carry on the business of providing customized drilling fluids, stimulation products (proppants), other specialty chemicals and fluids and services related thereto to various clients in the oil and natural gas industry (the “**Business**”) and all of the assets of the Sellers are used in the Business and the Business is the sole business of the Sellers;

WHEREAS, the Members are the sole record and beneficial owners of all of the issued and outstanding membership interests in Alliance and Alliance is sole record and beneficial owner of all of the issued and outstanding membership interests in each of Xtreme and Prop-Tech; and

WHEREAS, upon the terms and subject to the conditions set forth herein, the Sellers desire to sell and transfer to the Buyer, and the Buyer desires to purchase from the Sellers, the Purchased Assets (as defined herein) upon the terms and subject to the conditions of this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual representations, warranties, covenants and agreements contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the parties agree as follows:

ARTICLE I

DEFINITIONS; INTERPRETATION

1.1 *Defined Terms.* For purposes of this Agreement, capitalized terms have the following meanings:

“Accounting Arbitrator” has the meaning set forth in Section 2.5(b).

“Accounts Receivable” has the meaning set forth in Section 2.1(d).

“Affiliate” means, when used with respect to a specified Person, another Person that, either directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with the Person specified; and the term “control” (and correlative terms, including “controlling” and “controlled”) means the power, whether by contract, equity ownership or otherwise, to direct the policies or management of a Person and any Person that directly or indirectly owns more than 50% of any class of voting equity interests of the Person specified shall be deemed to be an Affiliate of such Person.

“Agreement” has the meaning set forth in Preamble.

“Annual Earnout Amount” has the meaning set forth in Section 2.9(b).

“Annual Earnout Period” means each of the calendar years 2013 and 2014.

“Annual Earnout Statement” has the meaning set forth in Section 2.9(a).

“Applicable Survival Period” has the meaning set forth in Section 9.1.

“Assigned Contracts” has the meaning set forth in Section 2.1(h).

“Assigned Leases” has the meaning set forth in Section 2.1(g).

“Assignment and Assumption of Lease” has the meaning set forth in Section 2.7(b)(viii).

“Assumed Liabilities” has the meaning set forth in Section 2.3(a).

“Base Purchase Price” has the meaning set forth in Section 2.4.

“Basket” has the meaning set forth in Section 9.2(c)(i).

“Benefit Plans” means all written and all material unwritten employee benefit plans and other benefit arrangements, including all “employee benefit plans” as defined in Section 3(3) of ERISA, and all other written and material unwritten employee benefit, bonus, vacation, incentive, deferred compensation, stock option or other equity-based, severance, termination, separation, salary or wage continuation or supplementation, retention, employment, consulting, collective bargaining, change in control, welfare (including, but not limited to, post-employment medical and life insurance, medical, dental, short-term disability, long-term disability, life insurance and long-term care) and fringe benefit plans (including vacation pay or paid sick leave), indemnification, policies, practices, programs, arrangements or agreements, for the benefit of any current or former employee, consultant, independent contractor, director, manager, agent, representative, officer or other service provider or any beneficiary of any of the foregoing, whether or not subject to ERISA, whether or not arising under or required by Law, whether or not written, whether formal or informal, whether legally binding or not and whether or not currently in effect, and each insurance, funding, trust or service agreement relating to any of the foregoing.

“Books and Records” means all books, records, analyses, correspondence, data, databases, designs, diagrams, documents, drawings, files, graphs, information, ledgers, lists, manuals, maps, notes, proposals, sketches, specifications, studies, records, reports, work papers and other materials (whether stored in print, magnetic tapes, computer disks, or any other digital or electronic media) related to the Business, the Purchased Assets, the Assumed Liabilities and/or the Transferred Employees, including (a) all accounting, auditing, business and financial books and records, internal financial statements, and copies of Tax books and records to the extent reasonably requested by the Buyer; (b) records relating to machinery and equipment maintenance; (c) customer and potential customer lists and related account and contact information, price lists, distribution lists, personnel lists, and supplier and potential supplier lists and related account and contact information; (d) historical sales data, operations data, quality control records and procedures, customer complaints and inquiry files, warranty records, sales materials and records (including pricing history, total sales, terms and conditions of sale, and sales and pricing policies and practices), and technical records; (e) as-built drawings, site plans, surveys, soil and substratum surveys, appraisals, electrical and mechanical plans, environmental studies; and (f) all product, business, strategic and marketing plans, surveys, materials and research; provided, however, that the term “Books and Records” shall not include any Excluded Asset.

“Branch” means Charles Branch.

“Branch Retention Escrow Agreement” means the escrow agreement, substantially in the form of Exhibit F attached hereto, entered into on or prior to the Closing by the Buyer, Branch and the Escrow Agent.

“Branch Retention Escrow Amount” means \$325,000.

“Branch Retention Escrow Fund” has the meaning set forth in Section 10.2(a).

“Business” has the meaning set forth in Recitals.

“Business Day” means any day other than Saturday or Sunday or any U.S. Federal holiday.

“Business Material Adverse Effect” has the meaning set forth in Section 4.1(c).

“Buyer” has the meaning set forth in Preamble.

“Buyer Benefit Plans” has the meaning set forth in Section 6.8(c).

“Buyer Damages” has the meaning set forth in Section 9.2(a).

“Buyer Disclosure Letter” has the meaning set forth in Article V.

“Buyer Due Diligence Investigations” has the meaning set forth in Section 6.1(a).

“Buyer Indemnitees” has the meaning set forth in Section 9.2(a).

“Buyer Material Adverse Effect” has the meaning set forth in Section 5.1.

“Cap” has the meaning set forth in Section 9.2(c)(ii).

“Capital Lease” means the Vehicle Lease and Service Agreement, dated June 1, 2012, between Alliance Drilling Fluids, LLC and Rush Truck Leasing, Inc. and all schedules thereto.

“Cause” shall mean with respect to either Savage or Branch, as applicable, that: (a) such individual violates the protective covenants (Confidentiality; Non-Competition; Non-Solicitation) contained in (i) Sections 13, 14, 15 and 16 of the employment agreement between the Buyer and such individual dated December 31, 2012, and (ii) Section 6.3 of this Agreement; (b) such individual habitually refuses to materially follow the reasonable written directives of the Buyer’s Board of Directors or President concerning the performance of his duties under such individual’s Employment Agreement; (c) such individual misappropriates the Buyer’s assets; (d) such individual intentionally engages in any dishonest, unethical, or fraudulent act in respect of his duties to the Buyer; or (e) the conviction of such individual of any felony that materially and adversely affects the reputation of the Buyer or the utility of his services to the Buyer in its business; provided, that with respect to each of the foregoing, such individual receives written notice from the Buyer specifying the particulars of any such violation and such individual fails to cure any such violation, to the extent it may be cured, within ten (10) days of such written notice; provided, however, that if such violation is capable of being cured, the Buyer agrees to extend such cure period for an additional reasonable period of time (not to exceed 60 days) so long as such individual is making good faith efforts to cure such violation.

“Claim Notice” has the meaning set forth in Section 9.4(a).

“Closing” has the meaning set forth in Section 2.7(a).

“Closing Date” has the meaning set forth in Section 2.7(a).

“Closing Date Net Working Capital” has the meaning set forth in Section 2.5(b).

“Closing Date Receivables” has the meaning set forth in Section 6.6.

“COBRA” has the meaning set forth in Section 6.8(h).

“Code” has the meaning set forth in Section 4.11(c).

“Competing Business” has the meaning set forth in Section 6.3(b).

“Competing Transaction” has the meaning set forth in Section 6.11(a).

“Confidential Information” means information, knowledge or data not generally known in the relevant trade or industry that was disclosed to, known by or in the possession or custody of the Sellers or any of its Affiliates, or to which the Sellers or its Affiliates otherwise had access, in each case, relating to any aspect of the Business or any of the Purchased Assets (including the ownership, use and operation thereof), in any form whatsoever, whether or not patentable or eligible for copyright, including business methods, business strategies, procedures, policies and plans, financial forecasts, financial data, financial statements, financial information, results of operations, assets, agency and contractor relationships and contact information, nonpublic information relating to existing or new products and services (including improvements to existing products or services), service and operation manuals, advertising, marketing, procurement requirements, pricing schedules, pricing methodology, lists of the existing, past or prospective customers and contact information and preferences, data provided by or about such existing, past or prospective customers, customer service information, data about the terms, conditions and expiration dates of contracts with customers, the type, quality and specifications of products or services purchased by such customers, any other type of customer data, trade or industrial practices, trade secrets, technology, know-how, formulae, mask works, industrial designs, technological data or information, research and development, computer programs, source codes, object and load modules, inventions, discoveries, patent applications, ideas, designs, drawings, test data, computer programs, software, databases, and any and all other information relating to any aspect of the ownership, use or operation of the Business or the Purchased Assets not generally known to the public or within the industry of the Sellers.

“Confidentiality Agreement” has the meaning set forth in [Section 6.1\(c\)](#).

“Consent” or “Consents” has the meaning set forth in [Section 3.4](#).

“Contaminant” has the meaning set forth in [Section 4.5\(h\)](#).

“Contract” of a Person means any agreement, arrangement, commitment, contract, purchase order, note, indenture, guarantee or other form of indebtedness, lease, sublease, license, sublicense or other undertaking, whether written or oral, of such Person, to which such Person is a party, or by which such Person or its assets or properties are bound or subject.

“Conveyance Documents” has the meaning set forth in [Section 2.7\(b\)\(i\)](#).

“Copyrights” has the meaning set forth in the definition of Intellectual Property.

“Court Instruction” has the meaning set forth in [Section 10.3\(a\)\(ii\)](#).

“Current Assets” has the meaning set forth in [Section 2.5\(c\)](#).

“Current Liabilities” has the meaning set forth in [Section 2.5\(c\)](#).

“Damages” has the meaning set forth in [Section 9.3\(a\)](#).

“Domain Names” has the meaning set forth in the definition of Intellectual Property.

“Earnout Disputed Items” has the meaning set forth in [Section 2.9\(d\)](#).

“Earnout Objection Notice” has the meaning set forth in [Section 2.9\(c\)](#).

“Effective Time” has the meaning set forth in [Section 2.7\(a\)](#).

“Election Period” has the meaning set forth in [Section 9.4\(b\)](#).

“Employees” has the meaning set forth in [Section 4.11\(a\)](#).

“Employment Date” has the meaning set forth in [Section 6.8\(b\)](#).

“Enforcement Restrictions” has the meaning set forth in [Section 4.12\(b\)](#).

“Environment” has the meaning set forth in [Section 4.5\(k\)](#).

“Environmental Law” has the meaning set forth in Section 4.5(i).

“EOG Mud Allowance” means, with respect to the Sellers’ prior business transactions with EOG Resources, Inc., the inventory to be sold to, and the account receivable (in the approximate amount of \$1,554,771) to be received by the Sellers from, EOG Resources, Inc., and any and all cash payments therefrom.

“Equipment” has the meaning set forth in Section 2.1(b).

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“ERISA Affiliate” means any other Person that, together with the Sellers, would be considered a single employer under Section 414(b), (c), or (m) of the Code.

“Escrow Agent” means JPMorgan Chase Bank, N.A.

“Estimated Closing Statement” has the meaning set forth in Section 2.5(a).

“Estimated Net Working Capital” has the meaning set forth in Section 2.5(a).

“Estimated Net Working Capital Excess Amount” has the meaning set forth in Section 2.5(a).

“Estimated Net Working Capital Deficiency Amount” has the meaning set forth in Section 2.5(a).

“Excluded Account” has the meaning set forth in Section 2.2(l).

“Excluded Assets” has the meaning set forth in Section 2.2.

“Excluded Liabilities” has the meaning set forth in Section 2.3(b).

“Exclusivity Termination Date” has the meaning set forth in Section 6.11(a).

“Final Closing Statement” has the meaning set forth in Section 2.5(b).

“Final Resolution” means resolution of any dispute by the dismissal with prejudice, by a final non-appealable judgment of a court of competent jurisdiction or by final settlement or agreement among the parties thereto without any further liability or obligations of any named party hereto.

“Final Working Capital Adjustment” has the meaning set forth in Section 2.5(c).

“Financial Statements” has the meaning set forth in Section 4.6(a).

“Fraud Claims” has the meaning set forth in Section 9.1(b).

“Fundamental Representations” means the representations and warranties made (a) by the Sellers and Members in Section 4.2, Section 4.3, Section 4.4(a), Section 4.14 and Section 4.17, and (b) made by the Buyer in Section 5.2, Section 5.3(a) and Section 5.4.

“GAAP” has the meaning set forth in Section 4.1(c).

“Good Reason” shall mean, with respect to either Savage or Branch, as applicable, (a) such individual’s primary place of employment is moved by Buyer or its Affiliates during the Retention Period more than 30 miles from such individual’s current primary place of employment (exclusive of temporary assignments in the ordinary course), without such individual’s consent; (b) there is a material reduction of such individual’s compensation (which, with respect to any bonuses, shall be limited to the available bonus opportunity and shall not include the actual amount of the bonus payment earned and received), as set forth in such individual’s employment agreement which becomes effective upon the Closing, without such individual’s consent; (c) there is a material reduction in such individual’s duties and responsibilities (not including any change that occurs as a result of the consummation of the transactions contemplated by this Agreement), without such individual’s consent; or (d) there is any material breach by Buyer of such employment agreements, which breach is not cured within thirty (30) calendar days of Buyer’s receipt of notice thereof. Notwithstanding the foregoing definition of “Good Reason,” any assertion by either Savage or Branch of termination of employment based on Good Reason shall not be effective unless all of the following conditions are satisfied: (i) the condition described above giving rise to Good Reason must have arisen without the written consent of Savage or Branch, as applicable; (ii) Savage or Branch, as the case may be, must provide written notice to Buyer of such condition within twenty (20) days of the discovery of the initial existence of condition by Savage or Branch, as the case may be; (iii) the condition specified in such notice must remain uncorrected for thirty (30) days after receipt of such notice by the Buyer; and (iv) the date of termination of employment because of the condition as specified in such notice must occur within ninety (90) days after the discovery by Savage or Branch, as the case may be, of the condition as specified in such notice.

“Governing Documents” shall mean with respect to any particular entity: (a) if a corporation, its articles or certificate of incorporation and its bylaws; (b) if a limited partnership, its limited partnership agreement and its articles or certificate of limited partnership; (c) if a limited liability company, its articles of organization or certificate of formation and its limited liability company agreement or operating agreement; (d) all related equityholders’ agreements, voting agreements, voting trust agreements, joint venture agreements or registration rights agreements; and (e) any amendment or supplement to any of the foregoing.

“Governmental Entity” means the United States of America and any other federal, state, tribal, local, municipal or foreign governmental or regulatory authority, department, agency, commission, body, court or other governmental entity.

“Gross Margin” means, with respect to any Annual Earnout Period, the sum of: the gross profit of the Proppant Business for such Annual Earnout Period, calculated by taking the total sales of the Proppant Business (net of returns for such sales), and reducing such sum by the cost of goods sold; *provided*, that “Gross Margin” and the components thereof shall (i) be calculated in accordance with GAAP applied on a basis consistent with the past practices of the Sellers, (ii) be calculated as if the Proppant Business is a stand-alone entity, and (iii) exclude any overhead allocations (including, without limitation, corporate overhead, consulting, administrative, management or advisor fees, charges or expenses) from Buyer or its Affiliates to the Proppant Business as part of the cost of goods sold. In calculating Gross Margin, the intercompany sales and products of the Proppant Business, if any, to Buyer or its Affiliates shall be calculated at a gross margin comparable to the gross margin obtained on sales to unrelated third parties. Without limiting the foregoing, for purposes of calculating Gross Margin Buyer shall not allocate or charge to the Proppant Business (A) any extraordinary, non-recurring expenses, (B) fees, charges and expenses related to financing arrangements (C) compensation expenses attributable to equity awards granted to employees of the Buyer or its Affiliates and other third parties providing services to the Proppant Business, or (D) any expenses incurred by Newpark and/or its Affiliates (other than Buyer) in connection with providing services to the Proppant Business; *provided, further*, that (1) items of income or expense attributable to the operation of any portion of the Proppant Business that is acquired by Buyer after the Closing Date through the purchase of any business enterprise, division or line of business that would otherwise be included within the calculation of Gross Margin shall be excluded from the calculation of Gross Margin and any other calculations contemplated by Section 2.9; (2) if after the Closing Date Buyer sells, leases, transfers or otherwise disposes of assets (other than sales of assets in the ordinary course of business) used exclusively in the Proppant Business, then Buyer and the Sellers shall agree on a fair and reasonable adjustment to the Gross Margin calculation to reflect the impact of such transaction (and if unable to agree thereon, the parties shall submit such matter to the Accounting Arbitrator for resolution, as soon as possible and, if practicable, prior to the consummation of such transaction, on a basis consistent with the procedures set forth in Section 2.9(e)); (3) expenses of integrating the Proppant Business (including travel-related expenses) shall not be included as expenses of the Proppant Business; and (4) there shall be no allocation of expenses to the Proppant Business to the extent that such expenses constitute Buyer Damages and such Buyer Damages, and any costs of recovery thereof, are fully recovered by any Buyer Indemnitee pursuant to the indemnification provisions hereunder or reimbursement pursuant to any applicable insurance policy or by any third party.

“Indebtedness” means, with respect to the Sellers, the Business or the Purchased Assets, whether or not contingent, at a particular time, without duplication: (a) any indebtedness for borrowed money or issued in substitution for or exchange of indebtedness for borrowed money; (b) any indebtedness evidenced by any note, bond, debenture or other debt security; (c) any indebtedness for the deferred purchase price of properties or services with respect to which any of the Sellers is liable, contingently or otherwise, as obligor or otherwise (other than trade payables and other current liabilities incurred in the ordinary course of business which are not more than six (6) months past due); (d) any commitment by which any of the Sellers assures a creditor against loss (including contingent reimbursement obligations with respect to letters of credit); (e) any indebtedness guaranteed in any manner by the Sellers, the Business or any of the Purchased Assets (including guarantees in the form of an agreement to repurchase or reimburse); (f) any obligations under capitalized leases with respect to which any of the Sellers is liable, contingently or otherwise, as obligor, guarantor or otherwise, or with respect to which obligations the Sellers assures a creditor against loss; (g) any indebtedness secured by a Lien on the Sellers’ properties or assets, including any of the Purchased Assets; (h) any amounts owed by the Sellers to any other Person under any non-competition, bonus, consulting or deferred compensation arrangements (including agreements entered into in connection with the transactions contemplated hereby); and (i) any unsatisfied obligation for “withdrawal liability” to a “multiemployer plan” as such terms are defined under ERISA. For purposes of calculating Indebtedness, all interest, prepayment penalties, premiums, indemnities, letters of credit and bankers’ acceptances and consent fees, “breakage” costs, “break fees” or similar payments or contractual charges and other fees and expenses (if any) which would be payable if Indebtedness were paid in full on the Closing Date shall be treated as Indebtedness.

“Indemnified Party” has the meaning set forth in Section 9.4(a).

“Indemnifying Party” has the meaning set forth in Section 9.4(a).

“Indemnity Claim” has the meaning set forth in Section 9.4(f).

“Indemnity Escrow Agreement” means the escrow agreement, substantially in the form of Exhibit G attached hereto, entered into, on or prior to the Closing by the Buyer, Sellers, Members and Escrow Agent.

“Indemnity Escrow Amount” means \$3,885,000.

“Indemnity Escrow Period” has the meaning set forth in Section 10.1(b).

“Indemnity Notice” has the meaning set forth in Section 9.4(f).

“Insolvent” has the meaning set forth in Section 3.5.

“Intellectual Property” means all of the following items: (a) all patents, certificates of invention, and any other indicia of invention ownership issued or granted by any Governmental Entity, including all provisional applications, priority and other applications, patent disclosures, continuations (whether in whole or in part), divisional re-issuances, re-examinations, revisions, extensions or equivalents or counterparts of any of the foregoing (collectively, “**Patents**”), (b) all trademarks, service marks, trade dress, logos, slogans, trade names, service names, corporate names, fictitious names, telephone numbers and other indicia of commercial source of origin (whether registered, at common law, statutory or otherwise), together with all translations, adaptations, derivations and combinations thereof, and including all goodwill associated therewith, and all registrations, applications for registration and renewals in connection therewith anywhere in the world (collectively, “**Trademarks**”), (c) all copyrights, copyrightable works, works of authorship (including web pages, photographs, graphics, text, designs, layouts and other content), rights in databases, data collections, moral rights, rights in works of authorship and mask works, and all applications for registration, registrations and renewals in connection therewith (collectively, “**Copyrights**”), (d) all computer software and codes, including source codes, object codes, executable codes, development and design tools, user interfaces, schematics, firmware and technology, data, databases and related documentation (collectively, “**Software**”), (e) all internet domain names, internet websites, uniform resource locators (URLs) and alphanumeric designations associated therewith, and all applications for registration and registrations thereof (collectively, “**Domain Names**”), (f) all Confidential Information, (g) all other tangible and intangible proprietary information, materials and rights relating to any of the foregoing (including associated goodwill and remedies against infringements thereof and rights of protection of an interest therein under applicable Law of all jurisdictions), (h) all documents, records and files relating to design, end user documentation, manufacturing, quality control, sales, marketing or customer support for all intellectual property and proprietary rights described in clauses (a) through (g), (i) copies and all tangible embodiments of all intellectual property and proprietary rights described in clauses (a) through (g), and (j) all license, sublicense and similar rights in any third party product or any third party intellectual property and proprietary rights of the types described in clauses (a) through (i).

“Inventory” has the meaning set forth in Section 2.1(a).

“IP Assets” has the meaning set forth in Section 2.1(j).

“Joint Indemnity Instructions” has the meaning set forth in Section 10.3(a).

“Law” or “Laws” has the meaning set forth in Section 3.4.

“Leased Real Property” has the meaning set forth in Section 4.9(b).

“Leases” has the meaning set forth in Section 4.9(b).

“Legal Proceeding” has the meaning set forth in Section 4.10.

“Liens” has the meaning set forth in Section 4.3.

“LOA Employees” has the meaning set forth in Section 6.8(a).

“Mack Energy Agreement” has the meaning set forth in Section 2.7(b)(x).

“Material Contracts” has the meaning set forth in Section 4.12(a)(xvii).

“Material Customers” has the meaning set forth in Section 4.18.

“Material Vendors” has the meaning set forth in Section 4.18.

“Members” means the Persons who own membership interests in Alliance as of the date of this Agreement, each of whom is executing this Agreement on the execution pages hereof under the heading “Members.”

“Members’ Pro Rata Share” means, with respect to each Member, a percentage equal to the percentage of the total outstanding membership interests of Alliance owned by such Member as of the date hereof.

“Most Recent Annual Financial Statements” has the meaning set forth in Section 4.6(a).

“Most Recent Financial Statements” has the meaning set forth in Section 4.6(a).

“Most Recent Fiscal Month End” has the meaning set forth in Section 4.6(a).

“Most Recent Fiscal Year End” has the meaning set forth in Section 4.6(a).

“MSAs” has the meaning set forth in Section 4.12(a)(i).

“Multiemployer Plan” has the meaning set forth in Section 4.11(d)(i).

“Net Working Capital” has the meaning set forth in Section 2.5(c).

“Non-Assigned Contract” has the meaning set forth in Section 2.10(a).

“Non-Offer Employee” has the meaning set forth in Section 6.9(a).

“Ongoing Project” and “Ongoing Projects” have the respective meanings set forth in Section 2.10(b).

“Order” has the meaning set forth in Section 4.10.

“Ordinary Course of Business” has the meaning set forth in Section 4.7(a).

“Outside Date” has the meaning set forth in Section 8.1(b)(i).

“Owned Real Property” has the meaning set forth in Section 4.9(a).

“Owners’ Policies” means the Sellers’ existing title insurance policies listed on Schedule 1.1.

“party” or “parties” has the meaning set forth in Preamble.

“Patents” has the meaning set forth in the definition of Intellectual Property.

“Permit” means any permit, license, certificate, tariff, concession, variance, exemption, approval, consent, franchise, registration, filing, order, qualification, authorization or similar rights granted or issued by or of any Governmental Entity relating to the Business or the Purchased Assets.

“Permitted Liens” has the meaning set forth in Section 4.3.

“Person” means any individual, partnership, firm, corporation, association, trust, limited liability company, unincorporated organization, Governmental Entity or other entity.

“Prohibited Names and Marks” has the meaning set forth in Section 6.9(a).

“Proppant Business” means the stimulation products business of the Sellers included within the Business and being acquired by the Buyer, as such Proppant Business is conducted by the Buyer following the Closing.

“Purchase” means the acquisition by the Buyer of the Purchased Assets as provided herein.

“Purchase Price” has the meaning set forth in Section 2.4.

“Purchased Assets” has the meaning set forth in Section 2.1.

“Real Property” has the meaning set forth in Section 4.9(b).

“Release” has the meaning set forth in Section 4.5(j).

“Remedial Action” has the meaning set forth in Section 4.5(k).

“Restricted Party” has the meaning set forth in Section 6.3(c).

“Restricted Period” has the meaning set forth in Section 6.3(b).

“Retained Indemnity Escrow Amount” has the meaning set forth in Section 10.1(b).

“Retention Escrow Amount” means the sum of the Savage Retention Escrow Amount and the Branch Retention Escrow Amount.

“Retention Escrow Fund” and “Retention Escrow Funds” have the respective meanings set forth in Section 10.2(a).

“Retention Period” has the meaning set forth in Section 10.2(a).

“Savage” means Shawn Savage.

“Savage Employment Agreement” has the meaning set forth in Section 2.7(b)(ii).

“Savage Retention Escrow Agreement” means the escrow agreement, substantially in the form of Exhibit D attached hereto, entered into on or prior to the Closing by the Buyer, Savage and the Escrow Agent.

“Savage Retention Escrow Amount” means \$1,300,000.

“Savage Retention Escrow Fund” has the meaning set forth in Section 10.2(a).

“Seller” has the meaning set forth in Preamble.

“Sellers Benefit Plan” means a Benefit Plan (a) that does or has covered or provided compensation or any benefit to any current or former employee, consultant, independent contractor, director, manager, agent, representative, officer or other service provider of any Seller or any beneficiary of any of the foregoing, (b) that is or was maintained by, contributed to, or required to be contributed to by any of the Sellers or any ERISA Affiliate or (c) with respect to which any of the Sellers has, whether directly or through any ERISA Affiliate, any actual or contingent liability.

“Seller Damages” has the meaning set forth in Section 9.3(a).

“Seller Disclosure Letter” has the meaning set forth in Article IV.

“Seller Indemnitees” has the meaning set forth in Section 9.3(a).

“Software” has the meaning set forth in the definition of Intellectual Property.

“Sublease Agreement” has the meaning set forth in [Section 2.7\(b\)\(xvii\)](#);

“Subsidiary” of a Person means any corporation or other entity (including a limited liability company, partnership or other business association) in which such Person, directly or indirectly, owns outstanding capital stock or other voting securities having the power, under ordinary circumstances, to elect a majority of the directors or similar members of the governing body of such corporation or other entity, or otherwise to direct the management and policies of such corporation or other entity.

“Tax” or “Taxes” has the meaning set forth in [Section 6.4\(d\)](#).

“Tax Return” means any return, declaration, report, claim for refund, property rendition or information return or statement relating to Taxes, including any schedule or attachment thereto and including any amendment thereof.

“Taxing Authority” has the meaning set forth in [Section 6.4\(d\)](#).

“Territory” has the meaning set forth in [Section 6.3\(b\)](#).

“Third-Party Claim” has the meaning set forth in [Section 9.4](#).

“Trademarks” has the meaning set forth in the definition of Intellectual Property.

“Transaction Documents” means this Agreement, the Conveyance Documents, Savage Employment Agreement, Branch Employment Agreement, Savage Retention Escrow Agreement, Branch Retention Escrow Agreement, Indemnity Escrow Agreement, Assignment and Assumption of Leases, Mack Energy Agreement and any other Contract among the parties that is contemplated by this Agreement.

“Transfer Taxes” has the meaning set forth in [Section 6.4\(b\)](#).

“Transferred Employee” has the meaning set forth in [Section 6.8\(a\)](#).

“Transition Services Agreement” has the meaning set forth in [Section 2.7\(b\)\(xvi\)](#).

“Treasury Regulations” means the regulations promulgated by the United States Treasury Department under the Code.

“Uncollected Receivables Amount” has the meaning set forth in [Section 6.6](#).

“Vehicles” has the meaning set forth in [Section 2.1\(c\)](#).

“WARN Act” has the meaning set forth in [Section 4.11\(i\)](#).

1.2 Interpretations. Unless expressly provided for elsewhere in this Agreement, this Agreement shall be interpreted in accordance with the following provisions:

- (a) Whenever the context may require, any pronoun used in this Agreement shall include the corresponding masculine, feminine, or neuter forms, and the singular form of nouns, pronouns, and verbs shall include the plural and vice versa.
- (b) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (c) The headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.
- (d) All references in this Agreement to articles, sections, or subdivisions thereof shall refer to the corresponding article, section or subdivision thereof of this Agreement unless specific reference is made to such articles, sections, or subdivisions of another document or instrument.
- (e) A reference to any agreement or document (including a reference to this Agreement) is to the agreement or document as amended, varied, supplemented, novated, or replaced, except to the extent prohibited by this Agreement or that other agreement or document.
- (f) A reference to any party to this Agreement or another agreement or document includes the party's permitted successors and assigns.
- (g) A reference to legislation or to a provision of legislation includes a modification or reenactment of it, a legislative provision substituted for it, and a regulation or statutory instrument issued under it.
- (h) A reference to a writing includes a facsimile transmission of it.
- (i) The words "hereof," "herein," and "hereunder," and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and article, section, subsection, schedule, and exhibit references are to this Agreement unless otherwise specified.
- (j) The word "including," "include," "includes," and all variations thereof shall mean "including, without limitation."
- (k) The Exhibits attached to this Agreement are incorporated herein by reference and made a part of this Agreement.
- (l) The parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

- (m) The word “or” will have the inclusive meaning represented by the phrase “and/or.”
- (n) “Shall” and “will” have equal force and effect.
- (o) Unless otherwise specified, all references to a specific time of day in this Agreement shall be based upon Central Standard Time or Central Daylight Saving Time, as applicable on the date in question in Houston, Texas.
- (p) References to “\$” or to “dollars” shall mean the lawful currency of the United States of America.
- (q) No action shall be required of the parties except on a Business Day and in the event an action is required on a day which is not a Business Day, such action shall be required to be performed on the next succeeding day that is a Business Day.
- (r) All references to “day” or “days” shall mean calendar days unless specified as a “Business Day.”
- (s) Time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the time period commences and including the day on which the time period ends and by extending the period to the next Business Day following if the last day of the time period is not a Business Day.
- (t) The phrase “Sellers’ knowledge,” “to the knowledge of the Sellers” or any similar phrase shall mean (i) such facts and other information which as of the date of this Agreement or as of the Closing Date are actually known to the managers and officers of each of the Sellers and each of Rex Tippy, Savage and Branch and (ii) the knowledge or awareness which such officers and individuals would have obtained in the conduct of his business after making reasonable inquiry (including by making inquiry of the senior management employees of Sellers) with respect to the particular matter in question.
- (u) All materials or information posted in the electronic data room maintained for the use and benefit of the Sellers and Members on or before December 26, 2012, access to which has been afforded to representatives of Buyer, shall have been deemed to have been “delivered” or “made available” to Buyer, as such phrases are used herein.

ARTICLE II

PURCHASE AND SALE

2.1 Purchased Assets. Upon the terms and subject to the conditions of this Agreement, at the Closing, the Sellers are selling, conveying, assigning, transferring and delivering to the Buyer, free and clear of all Liens other than Permitted Liens, and the Buyer is purchasing, acquiring and accepting from the Sellers, all of the following assets, properties and rights of every nature, kind and description, wherever located, whether tangible or intangible (including goodwill), whether real, personal or mixed, in each case, constituting, owned, held or used in the operation of the Business including the following (but excluding the Excluded Assets) (the “**Purchased Assets**”). The Purchased Assets include all of the Sellers’ right, title and interest in the following assets of the Business:

(a) all of the inventory of the Business as of the Closing Date, of every kind and nature and wherever located, including finished goods, work in progress, spare parts, raw materials, supplies (including consumables supplies and fuel supplies), prepaid goods (whether or not in transit as of the Closing Date) that are or are intended to be used by the Business and packaging and shipping materials (collectively, the “**Inventory**”);

(b) all of the equipment (including field equipment, office equipment, telecommunications equipment, data processing equipment), furniture, fixtures, furnishings, machinery, tools, spare and repair parts, computers, computer hardware, computer software, computer components and peripherals, and all other items of tangible personal property of the Sellers as of the Closing Date, including the items described in Schedule 2.1(b) (collectively, the “**Equipment**”);

(c) all of the vehicles owned, leased, held or used in connection with the Business (collectively, the “**Vehicles**”), which are set forth on Schedule 2.1(c) together with their respective Vehicle Identification Number (VIN);

(d) (i) all of the trade accounts receivable and other rights to payment from customers of the Sellers which have accrued as of the Closing Date, and the full benefit of all security for such accounts or rights to payments, including all trade accounts receivable representing amounts receivable in respect of goods shipped, products sold or services rendered to customers of Sellers, (ii) all other accounts or notes receivable of Sellers and the full benefit of all security for such accounts or notes and (iii) any claim, remedy or other right related to any of the foregoing (the “**Accounts Receivable**”);

(e) all of the Owned Real Property described on Schedule 2.1(e), in each case along with and subject to the applicable easements, privileges, rights and appurtenances and rights-of-way set forth in the Owners’ Policies;

(f) [Intentionally left blank]

(g) all of the Leases listed on Schedule 2.1(g) (the “**Assigned Leases**”), and all leasehold interests of the Sellers in the Leased Real Property thereunder;

(h) the Contracts (including the Capital Lease) listed on Schedule 2.1(h) (together with the Assigned Leases, the “**Assigned Contracts**”);

(i) all of the Books and Records;

(j) all Intellectual Property used in the Business including that listed on Schedule 2.1(j) and (i) all goodwill associated therewith, (ii) all licenses and sublicenses granted to and obtained by Sellers with respect thereto, (iii) all income, royalties, damages, remedies and payments due or payable from and after the Closing, including damages, remedies and payments for past, present or future infringements or misappropriations thereof and the right to sue and recover for past, present or future infringements or misappropriations thereof, and (iv) all corresponding rights, including rights to protection of interests therein, that now or hereafter may be secured throughout the world under all applicable Law (collectively, the “**IP Assets**”);

(k) to the extent transferable or assignable, all of the Permits used in the Business, including the Permits listed on Schedule 2.1(k);

(l) Sellers' interest, if any, in all telephone numbers and the facsimile numbers of the Sellers owned, held or used in the Business that are set forth on Schedule 2.1(l); *provided* that any mobile telephone numbers associated with an Employee that is not hired by the Buyer shall be retained by the Sellers;

(m) all claims, deposits, credits, prepayments (including prepaid expenses, rentals or premiums), security, refunds, causes of action, rights of recovery, rights of set-off, rights of recoupment and charges (including any such item relating to the payment of Taxes), relating to the Business, the Purchased Assets or the Assumed Liabilities;

(n) the benefit of and all of the Sellers' rights under any warranties, indemnities, covenants (including confidentiality, non-competition, non-solicitation and other restrictive covenants) and all similar rights against third parties relating to the Business or the Purchased Assets;

(o) all goodwill and the going concern value of the Business;

(p) the names "Alliance Drilling Fluids," "Xtreme Specialty Products," and "Prop-Tech Services" and all translations, transliterations, adaptations, combinations and derivations thereof;

(q) the bank accounts, deposit accounts, lock boxes and other accounts and post office boxes of the Sellers listed on Schedule 2.1(q), including all cash on deposit in such accounts as of the Effective Time; provided that the Excluded Account and any cash on deposit therein shall be specifically excluded and shall constitute an Excluded Asset; and

(r) all other property and assets, real or personal, tangible or intangible, owned, used or held for use in or relating to the Business.

2.2 Excluded Assets. The following assets, properties and rights of Sellers are not part of the Purchase, are excluded from the Purchased Assets and shall remain the assets, properties and rights of the Sellers after the Closing (the "**Excluded Assets**"):

(a) all Contracts of the Sellers, other than the Assigned Contracts;

(b) the corporate seal and any minute books, stock books and other records relating to the corporate organization of the Sellers or its Affiliates;

- (c) subject to Section 2.1(m), Section 2.1(q) and Section 2.5(c), all cash, cash equivalents, short-term investments, bank deposits, investment accounts, corporate credit cards and similar items of the Sellers;
- (d) marketable securities;
- (e) all insurance policies of the Sellers, rights thereunder and proceeds therefrom, whether or not related to the Business;
- (f) all personnel and other records that any Seller is required by applicable Law to retain in its possession and any other information described in clauses (i) and (ii) of Section 6.1(b);
- (g) all rights to any refunds (whether by payment, offset, credit or otherwise) of Taxes for which any of the Sellers is liable under Section 6.4 or that were paid or prepaid by the Sellers with respect to any period or which Taxes are the subject of indemnification by the Sellers under this Agreement;
- (h) subject to Section 2.1(d), any rights or claims of the Sellers against or with respect to any of its Affiliates and any other benefit or amount owed by any such Affiliate to any of the Sellers;
- (i) rights of the Sellers in connection with any assets of Sellers Benefit Plans;
- (j) the EOG Mud Allowance;
- (k) rights under this Agreement and other agreements and documents entered into by any of the Sellers in connection with the Purchase; and
- (l) the bank account listed on Schedule 2.2(l) (the “**Excluded Account**”) and all cash included therein;
- (m) the vehicles listed on Schedule 2.2(m); and
- (n) all items listed on Schedule 2.2(n).

2.3 Assumption of Liabilities; Excluded Liabilities.

(a) Upon the terms and subject to the conditions of this Agreement and as part of the consideration for the Purchased Assets, at the Closing, the Buyer shall assume and agree to pay, perform, discharge and satisfy, as and when due, only the following liabilities and obligations of the Sellers (the “**Assumed Liabilities**”), and no other liabilities or obligations:

- (i) any liabilities and obligations resulting from or arising out of the Purchased Assets (other than the Assigned Contracts), but only to the extent that such liabilities and obligations, whether accrued or unaccrued, absolute or contingent, known or unknown or otherwise, (A) arise or accrue after the Effective Time and (B) do not relate to or arise as a result of any failure to perform, improper performance, breach of warranty or other breach, default or violation by the Sellers on or prior to the Effective Time;

(ii) any liabilities and obligations resulting from or arising out of the Assigned Contracts but only to the extent such liabilities and obligations, whether accrued or unaccrued, absolute or contingent, known or unknown or otherwise (A) accrue or are to be performed after the Effective Time, and (B) do not relate to or arise as a result of any failure to perform, improper performance, breach of warranty or other breach, default or violation by the Sellers on or prior to the Effective Time;

(iii) subject to Section 6.8, any liabilities and obligations in respect of claims by any Transferred Employee, but only to the extent such liabilities and obligations arise after the Effective Time;

(iv) the trade and other accounts payable by the Sellers as of the Effective Time that are (A) unpaid and not delinquent as of the Closing and (B) included in the determination of the Estimated Net Working Capital, as adjusted by the determination of the Closing Date Net Working Capital;

(v) any liability or obligation with respect to customer deposits to the extent included in the Purchased Assets and included in the determination of the Estimated Net Working Capital, as adjusted by the determination of the Closing Date Net Working Capital; and

(vi) any liability or obligation with respect to Taxes set forth in Texas Tax Code Chapter 152 resulting from the sale and transfer by the Sellers to the Buyer of the Vehicles constituting Purchased Assets.

(b) Notwithstanding any provision in this Agreement or any other document or instrument to the contrary, it is expressly agreed that the Buyer shall not assume, and shall have no liability or obligation (by execution of this Agreement or any Transaction Document, by operation of Law or otherwise) to pay, perform, discharge or satisfy, any liabilities and obligations of the Sellers or any of their Affiliates of any nature, kind or description whatsoever, whether accrued or unaccrued, absolute or contingent, known or unknown, asserted or unasserted, matured or unmatured or otherwise, and whether in existence as of the Closing Date or arising thereafter, other than the Assumed Liabilities (collectively, the “**Excluded Liabilities**”), it being expressly acknowledged and agreed that the Excluded Liabilities shall be retained, paid, performed, discharged and satisfied solely by the Sellers and their Affiliates. Without limiting the foregoing, the Excluded Liabilities shall include the following:

(i) any liabilities and obligations resulting from or arising out of the Purchased Assets or the Business to the extent that such liabilities or obligations, whether accrued or unaccrued, absolute or contingent, known or unknown or otherwise (A) accrue or arise from any events, facts or circumstances existing or occurring, on or prior to the Effective Time or (B) relate to any failure to perform, improper performance, breach of warranty or other breach, default or violation by any of the Sellers on or prior to the Effective Time;

(ii) any liabilities and obligations of the Sellers and any of their Affiliates arising out of or relating to or in respect of (A) claims by or benefits to any Employee, or any individual claiming to be or deemed to be an employee of any of the Sellers (including liabilities and obligations relating to payroll, vacation, sick leave, workers' compensation, unemployment benefits, healthcare benefits or other benefits), (B) any Sellers Benefit Plan, and (C) the failure of any of the Sellers, through any act or omission to comply with the requirements of COBRA with respect to any "qualified beneficiary" (as defined in COBRA), including any Tax liability or obligation relating thereto;

(iii) any liabilities and obligations of the Sellers and any of their Affiliates under any Contract of the Sellers that is not an Assigned Contract;

(iv) any liabilities and obligations of any of the Sellers and any of their Affiliates resulting from or arising out of any of the Excluded Assets, including the EOG Mud Allowance;

(v) any liabilities and obligations of any of the Sellers arising out of or resulting from any and all Indebtedness (other than the obligations of the capitalized leases included in the Assigned Contracts) of any of the Sellers or any of their Affiliates or relating to the Business or any of the Purchased Assets;

(vi) any liabilities and obligations of any of the Sellers owed to any of their Affiliates other than the accounts payable as expressly provided in Section 2.3(a)(iv) above;

(vii) any liability or obligation for any and all Taxes (A) of the Sellers for any period that ends on or before or is subsequent to the Closing Date, provided that the Taxes described in this clause (A) shall not include any Taxes attributable to the Purchased Assets or the Business for any period subsequent to the Closing Date, (B) of, pertaining to or attributable to the Business or the Purchased Assets for any period or portion thereof that ends on or before the Closing Date (including any and all Taxes described in the immediately preceding clause (A) for which liability is or may be sought to be imposed on the Buyer under any successor liability, transferee liability or similar provision of any applicable federal, foreign, state or local Law, including, but not limited to, Treasury Regulations Section 1.1502-6), and (C) any and all claims incurred by the Buyer or any Affiliates of the Buyer attributable to the Taxes described in the immediately preceding clause (A);

(viii) any liability or obligation, including customer warranty claims, arising out of or relating to products sold or services provided by the Sellers on or prior to the Closing Date;

(ix) any liability or obligation to pay for any goods, products or services shipped, delivered or provided to the Sellers and any trade or other accounts payable by the Sellers except as expressly provided in Section 2.3(a)(iv) above;

(x) any liability or obligation arising out of or relating to any violation of, or noncompliance with, any applicable Law (including any Environmental Law) or Order either (A) by the Sellers or any of their Affiliates or (B) arising out of or relating to the Business or the Purchased Assets, to the extent occurring or accruing on or prior to the Closing Date;

(xi) any liability or obligation arising out of or relating to (A) any environmental conditions on the Real Property existing on or prior to the Closing Date; (B) the treatment, storage, transportation, disposal or arrangement for disposal of any rubbish, garbage, solid waste, paper or non-Contaminant or Contaminant by or on behalf of the Sellers and occurring on or prior to the Closing Date (without regard to whether any of the foregoing then was in violation of any applicable Environmental Law); or (C) any remedial obligation under any applicable Environmental Law attributable to the Business or the Purchased Assets on or prior to the Closing Date;

(xii) any liability or obligation of, relating to or attributable to the Sellers or any of their Affiliates, the Business or the Purchased Assets, which liabilities or obligations arise out of or relate to any Legal Proceeding that is (A) pending as of the Closing Date (whether or not described in the Seller Disclosure Letter) or (B) commenced on or after the Closing Date to the extent arising out of or relating to any fact, circumstance, occurrence or event happening on or prior to the Closing Date;

(xiii) any liability or obligation of the Sellers or any of their Affiliates to indemnify any Person by reason of the fact that such Person was a director, manager, partner, officer, employee, agent, representative or Affiliate of the Sellers or any of their Affiliates or was serving at the request of any of the Sellers or any of their Affiliates as a trustee, director, manager, partner, officer, employee, agent or representative of any other Person; and

(xiv) any liability or obligation of the Sellers or any of their Affiliates arising out of the execution and performance of this Agreement and/or any of the Transaction Documents.

2.4 Purchase Price. The consideration to be paid by the Buyer to Sellers for the Purchased Assets shall consist of (a) \$46,950,000 in cash, subject to adjustment as provided in Section 2.5 (the “**Base Purchase Price**”), (b) the assumption of the Assumed Liabilities, and (c) any Earnout Consideration payable pursuant to Section 2.9 (subject to any further adjustments as required by this Agreement, the “**Purchase Price**”).

2.5 *Net Working Capital Price Adjustment.*

(a) For the purpose of determining the Purchase Price and the Base Purchase Price payable at Closing, prior to Closing Sellers shall have prepared and delivered to Buyer a statement (the “**Estimated Closing Statement**”) setting forth a good faith estimate of the Net Working Capital (the “**Estimated Net Working Capital**”) and the components and calculation thereof, as of the Effective Time, determined in accordance with this Section 2.5. To the extent the Estimated Net Working Capital is greater than \$12,950,000 (such difference being herein referred to as the “**Estimated Net Working Capital Excess Amount**”), the Purchase Price, and the Base Purchase Price payable at Closing, shall be increased by the amount of the Estimated Net Working Capital Excess Amount. To the extent the Estimated Net Working Capital is less than \$12,950,000 (such difference being herein referred to as the “**Estimated Net Working Capital Deficiency Amount**”), the Purchase Price, and the Base Purchase Price payable at Closing, shall be reduced by the amount of the Estimated Net Working Capital Deficiency Amount.

(b) Within ninety (90) days of the Closing Date, the Buyer shall cause to be prepared and delivered to Sellers a statement (the “**Final Closing Statement**”) setting forth the actual Net Working Capital as of the Effective Time (the “**Closing Date Net Working Capital**”), the components and calculation thereof, and the difference, if any, between the Estimated Net Working Capital and the Closing Date Net Working Capital (the amount of such difference being referred to as the “**Final Working Capital Adjustment**”). If the Final Closing Statement reflects a difference between the Estimated Net Working Capital and the amount of the Closing Date Net Working Capital, Sellers shall have sixty (60) calendar days following the receipt of the Final Closing Statement to review the components and calculation of the Closing Date Net Working Capital. During such sixty (60) day period, Buyer shall provide Sellers and their legal and accounting advisors with reasonable access, during normal business hours to all Books and Records of the Business used in the calculation of the Closing Date New Working Capital. The failure of Sellers to object to the Final Closing Statement within such sixty (60) calendar day period shall be deemed to be an acceptance by Sellers of the Final Working Capital Adjustment. If Buyer and Sellers agree on all matters in the Final Closing Statement and the calculation of the Closing Date Net Working Capital, or if Sellers otherwise fail to timely object to such matters, then:

(i) if the Closing Date Net Working Capital is greater than the Estimated Net Working Capital, the Final Working Capital Adjustment shall be added to and increase the Purchase Price and shall be paid by Buyer to Sellers within three (3) Business Days of Sellers’ acceptance, or deemed acceptance, of the Final Working Capital Adjustment, with such funds paid via wire transfer of immediately available funds to the account designated by Sellers; and

(ii) if the Closing Date Net Working Capital is less than the Estimated Net Working Capital, the Final Working Capital Adjustment shall be deducted from and reduce the Purchase Price and Sellers shall pay to Buyer, within three (3) Business Days of Sellers’ acceptance, or deemed acceptance, of the Final Working Capital Adjustment, an amount equal to the Final Working Capital Adjustment, with such amount paid via wire transfer of immediately available funds to the account designated by Buyer.

In the event Sellers object to the Final Closing Statement as provided in Section 2.5(b), and the Sellers and Buyer are unable to agree on the calculations set forth therein, such dispute between Sellers and Buyer with respect to the calculation of the Closing Date Net Working Capital and the Final Working Capital Adjustment shall be resolved by a nationally recognized accounting firm reasonably acceptable to Sellers and Buyer who shall not be Deloitte & Touche LLP or Sellers' accounting firm (the "**Accounting Arbitrator**"), whose determination shall be final and binding on Buyer and Sellers absent fraud or manifest error. Buyer and the Sellers each shall provide the Accounting Arbitrator with their respective determinations of the Closing Date Net Working Capital and Final Working Capital Adjustment. The Accounting Arbitrator shall make an independent determination of Closing Date Net Working Capital and Final Working Capital Adjustment, which determination shall be based on whether the Closing Date Net Working Capital and Final Working Capital Adjustment has been calculated in accordance with the standards set forth in this Agreement, and the Accounting Arbitrator is not to make any other determination. The Accounting Arbitrator shall make its determination based solely on presentations and supporting material provided by Buyer and the Sellers and not pursuant to any independent review. In no event shall the Accounting Arbitrator's determination be outside of the range of amounts claimed by the respective parties with respect to those items in dispute. Any required payments by Buyer to Sellers, on the one hand, or by Sellers to the Buyer, on the other hand, based on such determination shall be made within three (3) Business Days of the final resolution of such dispute by the parties, or the Accounting Arbitrator, as applicable. All fees and expenses of the Accounting Arbitrator shall be paid by the party whose proposed Closing Date Net Working Capital is farthest from the final Closing Date Net Working Capital as determined by such Accounting Arbitrator. Any dispute as to which party's proposed Closing Date Net Working Capital is closest to the final Closing Date Net Working Capital shall be resolved by the Accounting Arbitrator and shall be specified in the final report prepared by such Accounting Arbitrator. Each of Buyer and Sellers shall pay their respective advisor's fees, charges and expenses incurred by such Person in connection with the dispute.

(c) For purposes of this Agreement, "**Net Working Capital**" shall (i) be calculated as of the Effective Time on an aggregate basis among the Sellers and (ii) mean the amount equal to the Current Assets minus Current Liabilities. "**Current Assets**" shall mean, subject to the adjustments set forth below, the current assets of the Sellers as of the Effective Time comprised of (i) Accounts Receivable, (net of allowances for doubtful accounts); (ii) unbilled revenues; (iii) the current portion of any notes or other receivables; (iv) inventories; (v) prepaid product costs and deposits; (vi) prepaid expenses assigned to Buyer; and (vii) any cash on deposit as of the Effective Time in any bank accounts, deposit accounts, lock boxes or other accounts included in the Purchased Assets pursuant to Section 2.1(q). "**Current Liabilities**" shall mean, subject to the adjustments set forth herein, the current liabilities of the Sellers as of the Effective Time that are included in the Assumed Liabilities comprised of (i) accounts payable; (ii) accrued liabilities; and (iii) customer deposits. Subject to the adjustments set forth below, Current Assets and Current Liabilities shall be computed in accordance with GAAP on a basis consistent with the Most Recent Annual Financial Statements. Notwithstanding the foregoing, for purposes of calculating the Net Working Capital, the Current Assets and the Current Liabilities shall not include:

(i) to the extent not incurred in the Ordinary Course of Business, intercompany receivables and payables between or among any of the Sellers, the Members and their Affiliates;

(ii) any bank or funded Indebtedness including, without limitation, (A) any short-term debt and the current portion of any long-term debt of the Sellers, and (B) any Indebtedness owed or owing by the Sellers under the Capital Lease assumed by Buyer; and

(iii) any current assets of the Sellers not included in the Purchased Assets.

(d) The provisions of this Section 2.5 shall not be subject to the provisions of Article IX hereof or any limitations of liability set forth therein.

2.6 *Payment of Base Purchase Price; Escrow.* Subject to the terms and conditions hereof, at the Closing, the Buyer shall pay the Base Purchase Price, as adjusted pursuant to Section 2.5, as follows:

(i) the Buyer shall pay the Indemnity Escrow Amount to the Escrow Agent;

(ii) the Buyer shall pay an amount equal to the Base Purchase Price, as adjusted pursuant to Section 2.5, minus the sum of the Indemnity Escrow Amount to or to the order of the Sellers;

in each such case, by wire transfer of immediately available funds to an account or accounts designated in writing to the Buyer.

In addition, subject to the terms and conditions hereof, at the Closing, the Buyer will pay the Retention Escrow Amount to the Escrow Agent by wire transfer of immediately available funds to the account designated in writing to the Buyer.

2.7 *Time and Place of Closing; Deliveries.*

(a) The closing of the Purchase (the “**Closing**”) will take place remotely via electronic exchange of documents and signatures, at 9:00 a.m. on December 31, 2012, or at such other date, place or time as the parties may agree. The date on which the Closing occurs and the transactions contemplated hereby are consummated and become effective is referred to herein as the “**Closing Date**.” The parties intend that the Closing shall be deemed effective at 11:59 p.m. on the Closing Date (the “**Effective Time**”).

(b) Upon the terms and subject to the conditions of this Agreement, at the Closing, the Sellers and Members, as applicable, will deliver, or cause to be delivered, to the Buyer:

(i) a bill of sale, deeds and assignments providing for the conveyance, assignment and transfer of the Purchased Assets by the Sellers to the Buyer, subject to the terms of this Agreement, duly executed by the Sellers, including a Bill of Sale, Assignment and Assumption Agreement substantially in the form of Exhibit A attached hereto and a special warranty deed substantially in the form of Exhibit B attached hereto (collectively, the “**Conveyance Documents**”);

(ii) a counterpart signature to the Employment Agreement between Savage and Buyer, substantially in the form attached hereto as Exhibit C (the “**Savage Employment Agreement**”), duly executed by Savage;

(iii) a counterpart signature to the Savage Retention Escrow Agreement duly executed by Savage;

(iv) a counterpart signature to the Employment Agreement between Branch and Buyer, substantially in the form attached hereto as Exhibit E (the “**Branch Employment Agreement**”), duly executed by Branch;

(v) a counterpart signature to the Branch Retention Escrow Agreement duly executed by Branch;

(vi) a counterpart signature to the Indemnity Escrow Agreement, duly executed by the Sellers and Members;

(vii) payoff letters or similar releases or confirmations from all third parties, containing payoff amounts, per diems and wire instructions, that confirm the satisfaction, release and termination of Sellers’ Indebtedness to such third parties, and the release of Liens securing the Sellers’ Indebtedness to such third parties upon payment of the Indebtedness described therein upon the Closing, each such payoff letter to be in a form reasonably acceptable to Buyer;

(viii) with respect to each Real Property Lease, an Agreement of Assignment, Assumption and Consent, substantially in the form attached hereto as Exhibit H (each an “**Assignment and Assumption of Lease**”), duly executed by the relevant Seller and lessor of the respective Leased Real Property;

(ix) a non-foreign person affidavit, dated as of the Closing Date, in compliance with Treasury Regulations Section 1.445-2(b)(2), stating that Alliance is not a “foreign person” as defined in Section 1445 of the Code;

(x) a counterpart signature to the Agreement between Mack Energy Corporation and Buyer, substantially in the form attached hereto as Exhibit I (the “**Mack Energy Agreement**”), duly executed by Mack Energy Corporation;

(xi) a certificate, dated the Closing Date and duly executed by the Secretary of Alliance, certifying (A) that a true, complete and correct copy of Alliance's organizational documents, as amended and in effect on the Closing Date, is attached thereto, (B) that a true, complete and correct copy of the resolutions of the managers and members of Alliance authorizing the execution, delivery and performance by Alliance of this Agreement and the Transaction Documents to which Alliance is a party, and the consummation of the transactions contemplated hereby and thereby, is attached thereto, and that such resolutions have not been amended, modified or rescinded and remain in full force and effect on the Closing Date, and (C) the names and signatures of the officers of Alliance authorized to execute this Agreement and the Transaction Documents to which Alliance is a party;

(xii) a certificate, dated the Closing Date and duly executed by the Secretary of Xtreme, certifying (A) that a true, complete and correct copy of Xtreme's organizational documents, as amended and in effect on the Closing Date, is attached thereto, (B) that a true, complete and correct copy of the resolutions of the sole member of Xtreme authorizing the execution, delivery and performance by Xtreme of this Agreement and the Transaction Documents to which Xtreme is a party, and the consummation of the transactions contemplated hereby and thereby, is attached thereto, and that such resolutions have not been amended, modified or rescinded and remain in full force and effect on the Closing Date, and (C) the names and signatures of the officers of Xtreme authorized to execute this Agreement and the Transaction Documents to which Xtreme is a party;

(xiii) a certificate, dated the Closing Date and duly executed by the Secretary of Prop-Tech, certifying (A) that a true, complete and correct copy of Prop-Tech's organizational documents, as amended and in effect on the Closing Date, is attached thereto, (B) that a true, complete and correct copy of the resolutions of the sole member of Prop-Tech authorizing the execution, delivery and performance by Prop-Tech of this Agreement and the Transaction Documents to which Prop-Tech is a party, and the consummation of the transactions contemplated hereby and thereby, is attached thereto, and that such resolutions have not been amended, modified or rescinded and remain in full force and effect on the Closing Date, and (C) the names and signatures of the officers of Prop-Tech authorized to execute this Agreement and the Transaction Documents to which Prop-Tech is a party;

(xiv) a certificate of good standing of each of the Sellers issued by the Comptroller of the State of Texas, as of a date within ten (10) Business Days of the Closing Date;

(xv) a certificate, dated the Closing Date and duly signed by an officer of each of the Sellers, certifying that the conditions set forth in Sections 7.1 and 7.3 have been satisfied or waived, as the case may be;

(xvi) a Transition Services Agreement by and among the Sellers, Mack Energy Corporation and the Buyer, substantially in the form attached hereto as Exhibit J (the “**Transition Services Agreement**”), duly executed by the Sellers and Mack Energy Corporation;

(xvii) a Sublease Agreement between Mack Energy Corporation and Buyer, substantially in the form attached hereto as Exhibit K (the “**Sublease Agreement**”), duly executed by Mack Energy Corporation; and

(xviii) the other documents and instruments required to be delivered by the Sellers or Members at Closing pursuant to this Agreement, and all such other agreements, certificates, documents and other instruments as the Buyer reasonably requests in writing and as are reasonably necessary to consummate the transactions contemplated by this Agreement and/or any of the Transaction Documents, in each case, in form and substance reasonably satisfactory to the Buyer and its counsel.

(c) Upon the terms and conditions of this Agreement, at the Closing, the Buyer will, in addition to paying the Base Purchase Price and making such other payments in accordance with Section 2.6, deliver to the Sellers:

(i) the Conveyance Documents, the Savage Employment Agreement, the Branch Employment Agreement, the Savage Retention Escrow Agreement, the Branch Retention Escrow Agreement, the Indemnity Escrow Agreement, the Assignment and Assumption of Lease with respect to each Real Property Lease, and the Mack Energy Agreement, the Transition Services Agreement and the Sublease Agreement, duly executed by Buyer;

(ii) a certificate, dated as of the Closing Date and duly executed by the Secretary or Assistant Secretary of the Buyer, certifying (A) that a true, complete and correct copy the resolutions of the Board of Managers of the Buyer authorizing the execution, delivery and performance by the Buyer of this Agreement and the Transaction Documents to which the Buyer is a party, and the consummation of the transactions contemplated hereby and thereby, is attached thereto, and that such resolutions have not been amended, modified or rescinded and remain in full force and effect on the Closing Date, and (B) the names and signatures of the officer(s) of the Buyer authorized to execute this Agreement and the Transaction Documents to which the Buyer is a party;

(iii) a certificate, dated as of the Closing Date and duly executed by the Secretary or Assistant Secretary of Newpark, certifying (A) that a true, complete and correct copy the resolutions of the Board of Directors of Newpark authorizing the execution, delivery and performance by Newpark of this Agreement and the Transaction Documents to which Newpark is a party, and the consummation of the transactions contemplated hereby and thereby, is attached thereto, and that such resolutions have not been amended, modified or rescinded and remain in full force and effect on the Closing Date, and (B) the names and signatures of the officer(s) of Newpark authorized to execute this Agreement and the Transaction Documents to which Newpark is a party;

(iv) a certificate of good standing of the Buyer issued by the Comptroller of State of Texas as of a date within ten (10) Business Days of the Closing Date;

(v) a certificate, dated the Closing Date and duly signed by an officer of the Buyer, certifying that the conditions set forth in Sections 7.1 and 7.2 have been satisfied;

(vi) the other documents and instruments required to be delivered by the Buyer at Closing pursuant to this Agreement, and all such other agreements, certificates, documents and other instruments as the Sellers reasonably requests in writing and as are reasonably necessary to consummate the transactions contemplated by this Agreement and/or any of the Transaction Documents, in each case, in form and substance reasonably satisfactory to the Sellers and their counsel.

2.8 Allocation of Purchase Price. The Buyer and the Sellers will cooperate in good faith and use commercially reasonable efforts to agree, on or before the 90th day following the Closing, upon an allocation of the Purchase Price (including the amount of any Assumed Liabilities recognized as part of the consideration for Tax purposes), among each class of the Purchased Assets, in compliance with the principles of Code Section 1060 and applicable Treasury Regulations thereunder. If the Sellers and the Buyer agree to such allocation, the Sellers and the Buyer agree to timely and properly prepare, execute and file with the Internal Revenue Service pursuant to Code Section 1060 an IRS Form 8594 or any successor form thereto regarding the allocation of the Purchase Price in accordance with such agreed allocation ; provided, however, that (i) the Buyer's cost for the Purchased Assets may differ from the total amount allocated hereunder to reflect the inclusion in the total cost of items (for example, capitalized acquisition costs) not included in the amount so allocated and (ii) the amount realized by the Sellers may differ from the total amount allocated hereunder to reflect transaction costs that reduce the amount realized for federal income Tax purposes. Except as required pursuant to applicable Law, none of the parties, directly or indirectly, through a Subsidiary or Affiliate or otherwise, will take a position on any Tax Return or in any audit or examination by, or any judicial proceeding before, any Taxing Authority that is in any way inconsistent with such agreed allocation; *provided, however*, that none of the Sellers, the Buyer or any of their respective Affiliates shall be obligated to litigate any challenge to such allocation of the Purchase Price by any Governmental Authority. If the Sellers and Buyer are unable to agree on an allocation of the Purchase Price within ninety (90) days following the Closing, the Buyer and the Sellers may file their respective Tax Returns allocating the Purchase Price in the manner each such party believes appropriate, provided such allocation is reasonable and in accordance with applicable Law. The parties will promptly inform one another of any challenge by any Taxing Authority to any allocation made pursuant to this Section 2.8 and agree to consult and keep one another reasonably informed with respect to the status of, and any discussion, proposal or submission with respect to, such challenge.

2.9 Earnout. Buyer shall pay to Sellers as additional consideration for the Purchased Assets and as an adjustment to the Purchase Price, a sum of up to \$4,300,000 subject to the following terms and conditions:

(a) **Earnout Statement.** Within ninety (90) days following the last day of each Annual Earnout Period, Buyer shall deliver a written statement (such statement being referred to herein as the “**Annual Earnout Statement**”) to Alliance which shall set forth (i) the Gross Margin for the Annual Earnout Period for the Proppant Business and (ii) the Annual Earnout Amount payable in connection with such Annual Earnout Period.

(b) **Earnout Amount.** The amount payable by the Buyer to the Sellers (the “**Annual Earnout Amount**”) for the first Annual Earnout Period shall be an amount equal to the Gross Margin for such Annual Earnout Period multiplied by forty-five percent (45%); *provided*, that in no event will the Annual Earnout Amount for the first Annual Earnout Period exceed an amount equal to \$3,900,000. The Annual Earnout Amount for the second Annual Earnout Period shall be an amount equal to the Gross Margin for such Annual Earnout Period multiplied by forty-five percent (45%); *provided*, that in no event will the Annual Earnout Amount for the second Annual Earnout Period exceed an amount equal to (x) \$4,300,000 less (y) the Annual Earnout Amount for the first Annual Earnout Period multiplied by one hundred ten percent (110%). In no event shall the aggregate amount of the Annual Earnout Amounts for the first and second Annual Earnout Periods exceed \$4,300,000.

(c) **Objections.** On or prior to the sixtieth (60th) calendar day following Buyer’s delivery of the Annual Earnout Statement, Alliance may give Buyer a written notice stating in reasonable detail the Sellers’ objections (an “**Earnout Objection Notice**”) to the calculation of the Gross Margin and Annual Earnout Amount as set forth on such Annual Earnout Statement. During such sixty (60) calendar day period, Buyer shall provide the Sellers and their independent accountants and other authorized representatives with access, at reasonable times and upon reasonable notice, to the Buyer’s books and records relating to the Proppant Business and its personnel and accountants. Any Earnout Objection Notice shall specify in reasonable detail the dollar amount of any objection and the reasonable basis therefor. Any determination set forth on the Annual Earnout Statement to which the Sellers do not specifically object in the Earnout Objection Notice shall be deemed acceptable and shall be final and binding upon the parties upon delivery of the Earnout Objection Notice. If Alliance does not give Buyer an Earnout Objection Notice within such sixty (60) day period, then the Annual Earnout Statement will be conclusive and binding upon the parties.

(d) **Objection Resolution.** Following Buyer's receipt of any Earnout Objection Notice, the Sellers and Buyer shall attempt to negotiate in good faith to resolve such dispute. In the event that the Sellers and Buyer fail to agree on any of the Sellers' proposed adjustments set forth in the Earnout Objection Notice within sixty (60) days after Buyer receives the Earnout Objection Notice, the Sellers and Buyer agree that an Accounting Arbitrator shall make the final, binding determination, absent fraud or manifest error, regarding the proposed adjustments set forth in the Earnout Objection Notice that are not resolved by the Sellers and Buyer (the "**Earnout Disputed Items**"). Buyer and the Sellers each shall provide the Accounting Arbitrator with their respective determinations of the Earnout Disputed Items. The Accounting Arbitrator shall make an independent determination on the Earnout Disputed Items and the resultant Gross Margin and Annual Earnout Amount that shall be final and binding on the Sellers and Buyer. The determination of the Earnout Disputed Items by the Accounting Arbitrator shall be based on whether such Earnout Disputed Items have been calculated in accordance with the standards set forth in this Agreement, and the Accounting Arbitrator is not to make any other determination. The Accounting Arbitrator shall make its determination based solely on presentations and supporting material provided by Buyer and the Sellers and not pursuant to any independent review. In no event shall the Accounting Arbitrator's determination be outside of the range of amounts claimed by the respective parties with respect to those items in dispute. The fees, costs and expenses of the Accounting Arbitrator shall be paid by the party whose proposed Gross Margin is farthest from the final Gross Margin as determined by the Accounting Arbitrator.

(e) On or before the fifth (5th) Business Day following the date on which the calculation of the Gross Margin and Annual Earnout Amount for a particular Annual Earnout Period becomes final, Buyer shall pay to an account designated by the Sellers an amount (if any), in immediately available funds, equal to the applicable Annual Earnout Amount as finally determined pursuant to the provisions of this Section 2.9, which amount will be paid pursuant to wire instructions delivered to Buyer by Alliance.

(f) All payments required pursuant to this Section 2.9 shall be deemed to be adjustments for Tax purposes to the aggregate Purchase Price paid by Buyer pursuant to this Agreement, except as otherwise required by applicable Law.

(g) From the Closing Date until payment of the final Annual Earnout Amount, unless otherwise agreed to by the Sellers, Buyer agrees to:

(i) continue to operate the Proppant Business on a commercially reasonable basis;

(ii) maintain separate books and records for the Proppant Business as necessary to calculate the Gross Margin and Annual Earnout Amounts as required by this Section 2.9, prepare such books and records in accordance with GAAP, and permit Sellers to inspect such books and records upon reasonable advance notice, and not more frequently than once every six (6) months; and

(iii) not cause or permit the sale of any products or services currently sold or provided by the Proppant Business to be diverted to, made or provided by, Newport or any of its Affiliates (other than Buyer).

2.10 Condition to Transfer of Contracts; Ongoing Projects.

(a) Notwithstanding anything herein to the contrary and assuming Buyer waives any condition contained herein that such Consent for assignment be obtained prior to Closing, the parties acknowledge and agree that at the Closing, the Sellers are not assigning to the Buyer any Contract otherwise constituting a Purchased Asset which by its terms requires the Consent of any other party in order to assign such Contract unless such Consent has been obtained on or prior to the Closing (a "**Non-Assigned Contract**").

(b) Each ongoing or pending project being performed by the Business pursuant to a Non-Assigned Contract as of the Closing Date is referred to individually as an “**Ongoing Project**” and collectively as the “**Ongoing Projects**.” Schedule 2.10 identifies as of the date of this Agreement (i) each Ongoing Project that the Sellers expect to be ongoing at the Closing Date and (ii) the respective customer relating to each such Ongoing Project.

(c) The Sellers’ rights relating to the Ongoing Projects and to the Non-Assigned Contracts are collectively referred to as the “**Contract Rights**.”

(d) From and after the Effective Time:

(i) The Sellers shall hold each such Non-Assigned Contract for the exclusive benefit of the Buyer;

(ii) At the request and expense and under the direction of the Buyer, acting reasonably, the Sellers shall use commercially reasonable efforts to cause all things to be done that the Buyer, acting reasonably, considers necessary or desirable to perform the obligations of the Sellers with respect to Ongoing Projects from and after the Closing under the Non-Assigned Contracts in a manner that preserves the value of the Contract Rights, ensures that those Contract Rights will inure to the benefit of the Buyer, and ensures that all amounts receivable under the Non-Assigned Contracts from and after the Closing will be received by the Buyer;

(iii) the Buyer agrees to perform and assume, at its sole expense, all of the obligations and liabilities of the Sellers under the Contract Rights from and after Closing to the extent such obligations and liabilities pertain to performance from and after the Effective Time and are not related to any matter, thing, improper performance, breach of warranty or default existing at, prior to or as a consequence of Closing;

(iv) the Sellers shall promptly pay over to the Buyer all amounts collected by the Sellers under the Non-Assigned Contracts;

(v) following the Closing, the Sellers and the Buyer shall make reasonable efforts and cooperate with each other in good faith to obtain the necessary Consents to assign the Non-Assigned Contracts to the Buyer; and

(vi) if the Sellers obtain the necessary Consent to assign a Non-Assigned Contract to the Buyer in form satisfactory to the Buyer, then, effective as of the date the Buyer receives a copy of that Consent from the Sellers, that Non-Assigned Contract will be deemed to have been assigned and transferred by the Sellers to Buyer and the Sellers and the Buyer will be relieved of any further obligations under any agreement made between them in respect of that Non-Assigned Contract (including under this Section 2.10(d)).

(e) Nothing in this Section 2.10 will relieve the Sellers of their obligations under Section 6.2.

2.11 **Rentals, Utilities and Other Adjustments.** All monthly installments of rent and other amounts payable to lessors under any Assigned Contract and all utility charges shall be prorated through the Closing Date and shall be considered in the determination of Net Working Capital for purposes of Section 2.5. All property Taxes imposed on or with respect to the Purchased Assets for the 2012 tax year shall remain the liability of the Sellers; *provided*, that to the extent the amount of any such property Tax is included in the determination of the Estimated Net Working Capital, as adjusted by the determination of the Closing Date Net Working Capital, the Buyer will timely pay such amount to the designated Taxing Authority, *provided, further*, that Buyer, by agreeing to make such Tax payment, shall not be deemed to have assumed Sellers' liability for such property Taxes. To the extent any such proration is not completed or is estimated as of the Closing, then promptly upon receipt of any final bills or invoices for any such prorated adjustments, the Sellers, on the one hand, or the Buyer, on the other hand, as appropriate, shall provide the other with copies of all such final bills or invoices for such items and to the extent such amounts were not properly reflected in the Final Working Capital Adjustment, such amount shall be paid by the appropriate party promptly upon demand.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF MEMBERS

Each Member, severally and not jointly, hereby represents to Buyer, as of the date hereof and as of the Closing Date, as follows:

3.1 **Organization; Qualification.** If the Member is not an individual, the Member has been duly formed or incorporated and is organized and validly existing and in good standing under the laws of its jurisdiction of formation or incorporation. The Member has the power, authority and capacity to execute and deliver this Agreement and each of the Transaction Documents to which it is or is to become a party and to consummate the transactions contemplated by this Agreement and the Transaction Documents.

3.2 **Authorization.** If the Member is not an individual, the execution and delivery by the Member of this Agreement and each of the Transaction Documents to which it is or is to become a party and the consummation of the transactions contemplated by this Agreement and such Transaction Documents have been duly and validly authorized by all necessary corporate, limited liability company or other action on behalf of the Member.

3.3 **Validity of Agreement.** This Agreement has been, and each of the Transaction Documents to which the Member is or is to become a party will at the Closing be, duly and validly executed and delivered by the Member, and this Agreement is, and each such Transaction Document will, at the Closing, be, the legal, valid and binding obligations of the Member, enforceable against the Member in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that equitable remedies may be granted only at the discretion of a court of competent jurisdiction.

3.4 Consents and Approvals; No Violations. Neither the execution and delivery by the Member of this Agreement or any of the Transaction Documents to which it is to or is become a party nor the consummation by the Member of the transactions contemplated hereby or thereby do or will (i) conflict with, violate or result in any breach of any provision of the Governing Documents of the Member (to the extent the Member is not an individual); (ii) (A) conflict with or result in a violation or breach of, or (B) constitute (with or without due notice or lapse of time or both) a default under, or (C) impair the rights of Member under, any Contract to which such Member is a party (iii) conflict with or violate any statute, rule, regulation, order, treaty, judgment, ordinance, injunction, order or decree of any Governmental Entity that is currently in effect (collectively, “**Laws**” and, individually, a “**Law**”) applicable to the Member, (iv) require, with respect to such Member, any registrations, qualifications, designations, declarations or filings with, or the obtaining of any permit, authorization, consent, waiver or approval of, or the giving of any notice to, in each case, any Governmental Entity, customer, contractual third party or other Person (collectively, “**Consents**” and individually, a “**Consent**”); or (v) result in the creation of any Lien on the Business or any of the Purchased Assets.

3.5 Solvency. No Member is insolvent or will be rendered insolvent by any of the transactions contemplated by this Agreement and the Transaction Documents. “**Insolvent**” means, with respect to any Person, that the sum of the debts and other probable liabilities of such Person exceeds the present fair market value of such Persons’ assets.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE SELLERS AND MEMBERS

Concurrently with the execution and delivery of this Agreement, the Sellers and Members are delivering to the Buyer a disclosure letter (the “**Seller Disclosure Letter**”) setting forth items the disclosure of which shall be necessary or appropriate either in response to an express disclosure requirement contained in a provision of this Agreement or as an exception to one or more representations or warranties contained in this Article IV; *provided, however*, that information disclosed in or for one section of the Seller Disclosure Letter shall be deemed disclosed in all other sections of the Seller Disclosure Letter only to the extent it is reasonably apparent on its face that such information is relevant to such other section of the Seller Disclosure Letter.

Subject to the preceding paragraph, the Sellers and Members jointly and severally represent and warrant to the Buyer as of the date hereof and as of the Closing Date, as follows:

4.1 Organization; Qualification; Subsidiaries. Each of the Sellers (i) is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Texas; (ii) has all requisite limited liability company power and authority to own, lease and operate the Purchased Assets and to carry on the Business as now being conducted; and (iii) is duly qualified and in good standing to do business in each jurisdiction in which the nature of the Business or the ownership, operation or leasing of the Purchased Assets makes such qualification necessary, except where the failure to be so qualified and in good standing would not, individually or in the aggregate, have a Business Material Adverse Effect. All of such jurisdictions in which each of the Sellers is qualified are set forth on Schedule 4.1(a).

(b) Alliance is the sole record and beneficial owner of all the issued and outstanding equity interest in each of Xtreme and Prop-Tech. The Sellers do not own, or hold the right to acquire (contingently or otherwise), any ownership interest in any other Person except as referred to in this Section 4.1(b). The Business is and at all times has been conducted, and the Purchased Assets are and have at all times been operated, by the Sellers and not through any Person other than the Sellers.

(c) As used in this Agreement, the term “**Business Material Adverse Effect**” shall mean any change, development or effect that, individually or in the aggregate with all other changes, developments or effects, has, is, or could reasonably be expected to have, a material adverse effect on, the Purchased Assets, the Business, the operations, the condition (financial or otherwise), earnings or results of operations of the Business, but shall not include: (A) changes, developments or effects (i) generally affecting the principal industries and geographic areas in which the Business operates (including the demand for or market price of oil, natural gas or other commodities), to the extent such changes, developments or effects do not disproportionately impact the Business, (ii) generally affecting the economy or the financial markets in the United States or globally (including interest rates), to the extent such changes, developments or effects do not disproportionately impact the Business, (iii) generally affecting regulatory or political conditions in the United States or globally, to the extent such changes, developments or effects do not disproportionately impact the Business, (iv) resulting from compliance with the terms of this Agreement (including omissions required by this Agreement), (v) resulting from the announcement or pendency of the transactions contemplated by this Agreement; *provided* that such announcement was made in accordance with this Agreement, or (vi) resulting from any action or omission of the Buyer and its Affiliates or taken or omitted to be taken by the Sellers at the written direction of the Buyer; (B) any adoption, implementation, promulgation, repeal, modification, reinterpretation or proposal of any Law by any Governmental Entity; (C) any changes in generally accepted accounting principles in the United States (“GAAP”) or the interpretation thereof after the date hereof; (D) weather, natural disasters or meteorological events, including any fire or flood not isolated to a Business facility and its immediate surroundings; or (E) acts of terrorism or war.

4.2 Authority Relative to this Agreement; Enforceability. Each of the Sellers has the limited liability company power and authority to execute and deliver this Agreement and the Transaction Documents to which it is or is to become a party, and to consummate the transactions contemplated by this Agreement and such Transaction Documents. The execution and delivery of this Agreement and the Transaction Documents to which each of the Sellers is or is to become a party, and the consummation of the transactions contemplated by this Agreement and such Transaction Documents have been duly and validly authorized by all requisite limited liability company action on the part of each of the Sellers. This Agreement has been, and each of the Transaction Documents to which any of the Sellers is or is to become a party will, at the Closing, be, duly and validly executed and delivered by each of the Sellers, as appropriate, and constitutes, or will at the Closing constitute, a valid and binding agreement of the Sellers, enforceable against each of the Sellers in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction.

4.3 Title to Purchased Assets. Except as set forth on Schedule 4.3, each of the Sellers has, or as of the Closing will have, and at the Closing will transfer to the Buyer, good and valid title to all of the Purchased Assets, free and clear of any and all liens (including liens arising under original purchase price conditional or installment sales Contracts and equipment leases with third parties), pledges, charges, claims, security interests, voting trusts, mortgages, deeds of trust, encroachments, options, rights of first offer, rights of first refusal, imperfections of title, restrictions, adverse interests, burdens or other encumbrances, whether consensual, statutory or otherwise (collectively, “**Liens**”), except for (a) Liens, if any, created or permitted expressly and in writing to be imposed by the Buyer, (b) mechanics’, carriers’, workmen’s, repairmen’s or other like Liens imposed by applicable Law arising or incurred in the Ordinary Course of Business for obligations that are not due and payable and for which no filing, to the extent necessary to secure or perfect such liens, has been made, (c) Liens for Taxes and other governmental charges that are not due and payable, (d) in the case of Leases, Liens created by the owner of fee title to the land covered thereby, (e) liens securing rental payments under the Capital Lease, (f) with respect to the Owned Real Property, the exceptions set forth in Items 1 and 6 of Schedule B of the Owners’ Policies, excluding any exception for rights of any Person in possession of such Owned Real Property other than Sellers, and (g) other imperfections of title, licenses or other Liens, if any, that do not, individually or in the aggregate with all other imperfections of title, licenses or other Liens, materially impair the continued use and operation of the Purchased Assets to which they relate as presently used and operated or as contemplated to be used or operated (clauses (a) through (g) above collectively, “**Permitted Liens**”). Except for the Buyer’s rights under this Agreement, no Person has any written or oral agreement or option or any right or privilege capable of becoming an agreement or option for the purchase from the Sellers of any of the Purchased Assets, except under purchase orders accepted by the Sellers in the Ordinary Course of the Business, consistent with past practice.

4.4 Consents and Approvals; No Violations. Except as set forth on Schedule 4.4 and, as it relates to clause (b) below, except for any failure of Sellers to obtain any Consent from any third party for the assignment of any Contract, neither the execution and delivery by the Sellers of this Agreement or any of the Transaction Documents to which the Sellers are or are to become a party nor the consummation by the Sellers of the transactions contemplated hereby or thereby do or will (a) conflict with, violate or result in any breach of any provision of the Governing Documents of the Sellers; (b) (i) conflict with or result in a violation or breach of, or (ii) constitute (with or without due notice or lapse of time or both) a default under, or (iii) impair the rights of Sellers under, or (iv) give rise to any right of termination, cancellation, non-renewal, amendment, modification or acceleration under or with respect to, or (v) result in or give any Person any rights or entitlement to any increased, additional, accelerated or guaranteed payments under, or (vi) result in any restriction on the rights under, in each case, any Assigned Contract, any Material Contract or any Permit held by or of the Sellers; (c) conflict with or violate any Law applicable to the Sellers, the Business or any of the Purchased Assets, including any applicable Law of any jurisdiction relating to bulk sales, bulk transfers or similar transactions; (d) require any Consents under any Contract or require any Consent of any Governmental Entity, customer, contractual third-party or other Person; or (e) result in the creation of any Lien on the Business or any of the Purchased Assets; except, in the case of clauses (ii), (iii) and (iv) of this Section 4.4, for any such violations, breaches, defaults, rights of termination, cancellation or acceleration or requirements which, individually or in the aggregate, would not have a Business Material Adverse Effect.

4.5 *Environmental Matters.*

(a) Except as set forth on Schedule 4.5(a), the Sellers have not received any written communication from a Governmental Entity or any other Person that alleges that in respect of the Business or the Purchased Assets (i) any of the Sellers is not, or has not been, in compliance in any material respect with any Environmental Law; (ii) any of the Sellers are potentially responsible for any Remedial Actions under any Environmental Laws; (iii) any Contaminant which any of the Sellers has generated, transported or disposed of has been found at any site at which any Person has conducted a Remedial Action pursuant to any Environmental Law; or (iv) any of the Sellers is or shall be a named party to any proceeding arising out of any third party's incurrence of Damages of any kind whatsoever in connection with the presence or Release of Contaminant, except where an allegation under (i), (ii), (iii) or (iv) as described above would not, individually or in the aggregate, have a Business Material Adverse Effect.

(b) Each of the Sellers (i) holds and maintains, in full force and effect, and is in material compliance with, all material Permits required under applicable Environmental Laws to conduct the Business, all such Permits being listed on Schedule 4.5(b), and there are no renewals currently required or pending with respect to any such Permits and (ii) is in material compliance with all Environmental Laws with respect to the Business and the Purchased Assets.

(c) Except as set forth on Schedule 4.5(c), in connection with the conduct of the Business and the Purchased Assets, no Seller has entered into or agreed to any court decree, order or settlement, or is subject to any judgment, order, directive, decree, fine or other sanction relating to compliance with any Environmental Law or Remedial Actions under any Environmental Law.

(d) Except as set forth on Schedule 4.5(d), (i) no portion of the Purchased Assets has been used by the Sellers in the handling, manufacturing, treatment, processing, storage, use, generation or disposal of Contaminants, except as is reasonably required for the operation of the Business and in material compliance with applicable Environmental Laws, and (ii) there have been no Releases by the Sellers or threatened Releases by the Sellers of Contaminants on, upon, into or from any Real Property in such a manner that is reasonably expected to form the basis of an obligation or liability under any Environmental Law and would have, individually or in the aggregate, a Business Material Adverse Effect.

(e) Each of the Sellers has delivered or made available to the Buyer complete, accurate and current copies of each environmental report, study, analysis, test or monitoring report listed on Schedule 4.5(e) which constitute all of the material written environmental reports, studies, analyses, tests or monitoring reports prepared, or that were obtained, by any Seller within the last two years and which are, or with reasonable efforts could be, within the possession or control of the Sellers relating to the Business.

(f) Except as set forth on Schedule 4.5(f), to the Sellers' knowledge none of the Real Property contains any of the following in material violation of Environmental Laws or in such a manner that is reasonably expected to form the basis of an obligation or liability under any Environmental Law: underground storage tanks; asbestos; polychlorinated biphenyls (PCBs); toxic mold; underground injection well; radioactive materials; or septic tanks or waste disposal pits in which process wastewater or any Contaminant have been discharged or disposed.

(g) To the knowledge of the Sellers, there are no Contaminants originating from any adjoining or neighboring properties which have, or are reasonably suspected to be, migrating into or under the Real Property.

(h) For purposes of this Agreement, a "**Contaminant**" means all hazardous or toxic substances, all petroleum hydrocarbons, petroleum products and any components, fractions or derivatives thereof, explosive or radioactive substances, asbestos and asbestos-containing materials, pollutants and contaminants and all other substances, whether or not defined as such, that are regulated pursuant to and that could result in liability under any applicable Environmental Laws.

(i) For purposes of this Agreement, "**Environmental Law**" means any Law relating to pollution or protection of the Environment or public health or safety, including any Law relating to Releases of Contaminants into the Environment and any Law relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, recycling or handling of any of the foregoing, including (i) the federal Clean Air Act, as amended; (ii) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended; (iii) the Emergency Planning and Community Right-to-Know Act of 1986, as amended; (iv) the Federal Insecticide, Fungicide & Rodenticide Act, as amended; (v) the Federal Water Pollution Control Act, as amended; (vi) the Oil Pollution Act of 1990, as amended; (vii) the Resource Conservation and Recovery Act, as amended; (viii) the Superfund Amendments and Reauthorization Act of 1986, as amended; and (ix) the Toxic Substances Control Act, as amended; and, with respect to each of the foregoing clauses (i) through (ix), all similar state Laws and all successor statutes thereto and the rules and regulations promulgated thereunder, all as amended and supplemented as of the Closing Date.

(j) For purposes of this Agreement, "**Release**" means any release, spill, emission, leaking, pumping, pouring, dumping, emptying, injection, deposit, disposal, discharge, dispersal, leaching or migration of a Contaminant on or into the Environment or into or out of any Real Property.

(k) For purposes of this Agreement, “**Remedial Action**” means all actions required by any Governmental Entity (i) to clean up, remove, treat or in any other way remediate or address any Contaminants; (ii) to minimize the further Release of any Contaminant so it does not migrate or endanger or threaten to endanger (A) public health or welfare or (B) the soil, land surface or subsurface, groundwater, surface water, drinking water supply, stream sediments, ambient air, plant and animal life or any other environmental medium or natural resource (the items set forth in this clause (B) hereinafter collectively referred to as the “**Environment**”); (iii) to perform any pre-remedial studies and investigation or post-remedial monitoring and care; or (iv) to bring the Owned Real Property or the Leased Real Property and the Sellers’ operations thereon in compliance with Environmental Laws.

4.6 Financial Information; Absence of Undisclosed Liabilities.

(a) Attached hereto as Schedule 4.6 are the following financial statements of the Business (collectively, the “**Financial Statements**”): (i) the consolidated balance sheet and statement of income and statement of cash flow of Alliance as of and for the fiscal year ended December 31, 2010; (ii) the audited consolidated balance sheet and the reviewed statement of income and statement of cash flow of Alliance (the “**Most Recent Annual Financial Statements**”) as of and for the fiscal year ended December 31, 2011 (the “**Most Recent Fiscal Year End**”), and (iii) unaudited consolidated balance sheet and statement of income and statement of cash flow of Alliance (the “**Most Recent Financial Statements**”) as of and for the year to date period ended October 31, 2012 (the “**Most Recent Fiscal Month End**”). Except as set forth on Schedule 4.6, the Financial Statements (including the notes thereto, where applicable) (i) are true and correct in all material respects, (ii) have been prepared in accordance with GAAP applied on a consistent basis throughout the periods covered thereby (except in the case of unaudited Financial Statements, for the absence of footnotes and for normal year-end adjustments), (iii) were compiled from the books and records of the Sellers, and (iv) present fairly and accurately in all material respects the assets, liabilities and financial condition of the Sellers as of such dates and the results of operations of the Sellers for such periods.

(b) The books of account and other financial records of the Sellers: (i) reflect all items of income and expense and all assets and liabilities required to be reflected therein pursuant to GAAP and (ii) are in all material respects complete and correct, and do not contain or reflect any material inaccuracies or discrepancies.

(c) Except as set forth on Schedule 4.6(c), the Sellers have no Indebtedness.

(d) Each of the Sellers has no liability related to the Business or the Purchased Assets, except for liabilities (i) expressly set forth on Schedule 4.6(d), (ii) reflected on or fully reserved against in the Most Recent Financial Statements, or (iii) incurred since October 31, 2012 in the Ordinary Course of Business (none of which is a liability for breach of contract, tort, infringement, claim, lawsuit or warranty).

4.7 Absence of Certain Changes. Since January 1, 2012, (i) there has not been a Business Material Adverse Effect and (ii) except as set forth on Schedule 4.7 or to the extent included as an Excluded Asset or Excluded Liability, with respect to the Business or any of the Purchased Assets, each of the Sellers:

(a) has operated the Business in the normal and ordinary course of the Business consistent with past customs and practices, including with respect to quantity and frequency (“**Ordinary Course of Business**”), and used commercially reasonable efforts to preserve the present relationships with other Persons having material dealings with each of the Sellers, as appropriate, in respect of the Business;

(b) has taken all commercially reasonable actions to preserve, protect and maintain all of the Purchased Assets, other than disposable assets, in customary repair, order and condition (reasonable wear and tear excepted);

(c) has not suffered any theft, damage, destruction, loss or other casualty, whether or not covered by insurance, with respect to any of the Purchased Assets having a replacement cost of more than \$25,000 for any single loss or \$100,000 for all such losses;

(d) has maintained in good standing all Permits and has filed, when due, all required renewals for such Permits;

(e) has paid and discharged diligently, in accordance with past practice and not less than on a timely basis, all of such Seller’s payables, liabilities and obligations (other than payables, liabilities or obligations being disputed in good faith for which adequate reserves have been made on the Financial Statements) to any Person;

(f) has not (i) agreed to award or pay, awarded or paid any bonuses to Employees with respect to any period after December 31, 2011, or (ii) entered into or amended any written or material unwritten employment, service, independent contractor, deferred compensation, severance or similar agreement or arrangements (except for entering into agreements or arrangements to employ new Employees on or after January 1, 2012, in exchange for an annual compensation of less than \$50,000 to each such new Employee), or (iii) agreed to increase the compensation payable or to become payable by the Sellers, as appropriate, to any officer, director, employee, agent, representative or Affiliate of the Sellers (except for increases to the compensation payable to Employees who were employed as of December 31, 2011, by an amount, with respect to each such Employee, consistent with prior practices in the Ordinary Course of Business), or (iv) agreed to increase the coverage or benefits available under any severance pay, termination pay, vacation pay, company awards, salary continuation for disability, sick leave, deferred compensation, bonus or other incentive compensation (other than with respect to bonuses or other incentive compensation in amounts less than \$25,000 individually), insurance, pension or any other Sellers Benefit Plan;

(g) has not made any loans, advances or capital contributions to, or guarantees for the benefit of, or investments, or paid or reimbursed any fees to any Person (including any Affiliate of the Sellers), except for advances and reimbursements for business expenses to Employees in the Ordinary Course of Business;

(h) has not mortgaged, pledged or subjected to any Lien, other than Permitted Liens, any of the Purchased Assets;

(i) has not sold, leased, assigned, transferred, conveyed or otherwise disposed of any of the Purchased Assets, except in the Ordinary Course of Business;

(j) has not discharged or satisfied any Lien or paid any liability or obligation, except in the Ordinary Course of Business and which, individually or in the aggregate, is not and would not be material to the Sellers, the Business or the Purchased Assets;

(k) has not canceled, settled, compromised or accelerated any Indebtedness or claim, or amended, canceled, terminated, waived or released any Contract or right, except in the Ordinary Course of Business and which, individually or in the aggregate, is not and would not be material to the Sellers, the Business or the Purchased Assets;

(l) has not instituted, settled or compromised any Legal Proceeding;

(m) except for the Capital Lease and the Leases, has not entered into, or made any commitments for, any lease of capital equipment or real property, in each case, involving payments in excess of \$50,000 per year;

(n) has not entered into any material transaction or entered into any transaction with any of its Affiliates, in each case, that was or not in the Ordinary Course of Business;

(o) has not committed to make any capital expenditures requiring any payment following the Effective Time in excess of \$50,000 individually or \$100,000 in the aggregate; and

(p) has not entered into any Contract or otherwise agreed to do, or taken any action or made any omission that would reasonably be expected to result in, anything set forth in this [Section 4.7](#).

4.8 Compliance with Law; Permits. Except as relating to environmental, employee benefit or Tax matters, which are addressed solely in [Sections 4.5, 4.11 and 4.14](#), respectively:

(a) Each of the Sellers is, and at all times since January 1, 2011 has been, operating the Business and the Purchased Assets in compliance, in all material respects, with all Laws applicable to the Sellers, the Business or any of the Purchased Assets or to which it or the Sellers, the Business or the Purchased Assets are bound or subject. Since January 1, 2011, except as set forth on [Schedule 4.8\(a\)](#), none of the Sellers has received any written notice from any Person concerning alleged violations of, or the occurrence of any events or conditions resulting in alleged noncompliance with, any Law applicable to the Sellers, the Business or the Purchased Assets or to which any of the Sellers, the Business or the Purchased Assets are bound or subject. Neither the Sellers nor any of their respective managers, officer, employees, agents, representatives or Affiliates has made any kickback, bribe, gift or political contribution in contravention of any applicable Law to or on behalf of any customer of the Business, or to any officer, director, manager, partner, trustee, employee, agent, representative or Affiliate of any customer of the Business, or to any other Person (including a Governmental Entity) in each case with respect to the Business.

(b) Each of the Sellers has obtained and holds in full force and effect all Permits that are necessary or required for the operation of the Business as currently operated or as contemplated to be operated, or the ownership, lease, use or operation of the Purchased Assets except, in each case, for any such Permits the failure of which to be obtained would not reasonably be expected to result in a Business Material Adverse Effect. Each such Permit is listed on Schedule 4.8(b). Each of the Sellers is and has been in compliance, in all material respects, with the terms of each such Permit. There is no Legal Proceeding pending or Order outstanding against any of the Sellers, or to the Sellers' knowledge, threatened against any of the Sellers that would reasonably be expected to adversely affect any such Permit in any material respect. Additionally, there are no renewals currently required or pending with respect to any such Permits.

4.9 Real Property.

(a) *Owned Real Property.* Schedule 4.9(a) sets forth a true, complete and correct list of all of the real property owned by the Sellers beneficially or of record (such real property, together with all buildings, fixtures, structures and improvements thereon, collectively, the "**Owned Real Property**"), including, with respect to each Owned Real Property, the name of the Seller that owns such Owned Real Property and the address thereof. The Sellers identified on Schedule 4.9 as the owner of the Owned Real Property have good and valid fee simple title to the Owned Real Property, free and clear of all Liens other than Permitted Liens.

(b) *Leased Real Property.* Schedule 4.9(b)(i) sets forth a true, complete and correct list of all real property (other than the Owned Real Property) leased, used or occupied by the Sellers in connection with the conduct of the Business as currently conducted (such real property, together with all rights, title and interest of the Sellers in and to the leasehold improvements relating thereto, if any, and the security deposits, reserves or prepaid rents in connection therewith, if any, collectively, the "**Leased Real Property**" and, together with the Owned Real Property, the "**Real Property**"). There are no Contracts (other than Permitted Liens) granting to any Person other than the Sellers the right of use or occupancy of any such parcel; and, to the Sellers' knowledge, the lessor of such parcel of Leased Real Property has not granted any Person other than the Sellers the right to use or occupy such Leased Real Property. Each of the Sellers has good and valid leasehold interest to the Leased Real Property, free and clear of all Liens other than Permitted Liens. Schedule 4.9(b)(ii) sets forth a true, complete and correct list of all leases, subleases, licenses, concessions and agreements, including all amendments, extensions, renewals, options and guaranties with respect thereto, to which any of the Sellers is a party and pursuant to which any of the Sellers leases, uses or occupies any Leased Real Property (the "**Leases**"), including, with respect to each Lease: (x) the location of the Leased Real Property covered by such Lease, (y) the name and address of the lessor, and (z) the termination date, extension periods (if any), current monthly rent and amount of security deposit (if any) pursuant to such Lease. The Sellers have delivered to the Buyer true, complete and correct copies of the Leases. With respect to each Lease:

(i) Such Lease is valid, binding, enforceable and in full force and effect, and the Sellers enjoy peaceful and undisturbed possession of the Leased Real Property (subject to the provisions of such Lease) covered by such Lease, and no claim has been asserted against any of the Sellers that is adverse to such Seller's rights in such leasehold interests;

(ii) Each Seller party to such Lease is in compliance in all material respects with all applicable terms of such Lease, and no event or circumstance has occurred or exists that, with or without the delivery of notice, the passage of time or both, would constitute a breach or default under such Lease, and each Seller party to such Lease, has paid all rent and other amounts due and payable as of the Effective Date under such Lease; and

(iii) The Sellers have not received nor given any notice of any breach or default under such Lease, or of the occurrence or existence of any event or circumstance that, with or without the delivery of notice, the passage of time or both, would constitute a breach or default under such Lease and, to the Sellers' knowledge, no other Person is in breach of or default under such Lease, and no party to such Lease has exercised or threatened to exercise any termination, cancellation, amendment or acceleration rights with respect thereto.

(c) The Sellers have not leased, subleased, assigned or otherwise granted to any Person (other than a lessor's right under a Lease) the right to use or occupy the Real Property or any portion thereof, and there are no options, rights of first offer, rights of first refusal or similar rights to purchase the Owned Real Property or any portion thereof or any interest therein.

(d) The (i) Real Property constitutes all of the real property owned, held or used by the Sellers to conduct the Business as currently conducted, (ii) buildings, facilities and improvements located on the Real Property have not suffered any material damage, destruction or loss, whether by fire, flood or other casualty, to the whole or any portion thereof that remains unremediated to date and are in good operating condition and in a state of good maintenance and repair and are suitable for the purposes for which they are currently being used and (iii) Owned Real Property and the Leased Real Property is adequately serviced by all utilities and public services necessary for the conduct of the Business thereon.

(e) Except as set forth on Schedule 4.9(e), since January 1, 2012, the Sellers have not received any written notice of (i) material violations of building codes and/or zoning ordinances or other Laws applicable the Real Property, (ii) existing, pending or threatened condemnation, appropriation, special assessment or other proceedings affecting or relating to the Real Property, or (iii) existing, pending or threatened zoning, building code or other moratorium proceedings, or similar matters, which would reasonably be expected to adversely affect the ability to operate the Real Property as currently operated or as contemplated to be operated in any material respect.

(f) Subject to obtaining all Permits and Consents required for operating the Business, the Buyer will have the right to use the Real Property after the Closing for its current uses in the manner currently operated by the Sellers without violating any applicable Law or private restriction in any material respect, and such current uses are legal conforming uses in all material respects.

(g) There are no Legal Proceedings or other condemnation, appropriation, moratorium, special assessments or other proceedings pending or, to the Sellers' knowledge, threatened in writing by any Person that (i) relate to or affect the Real Property, (ii) would result in a change in the allowable uses, the occupancy or the value of the Real Property, or (iii) would modify the right of the Buyer to use the Real Property for its current uses or its current intended uses after the Closing Date.

(h) To each of the Sellers' knowledge, there is no fact or condition that would reasonably be expected to result in the termination of any currently existing vehicular access to or from the Real Property and any public rights of ways and roads or any existing sewer or other utility facilities servicing, adjoining or situated on the Real Property and the Real Property has direct vehicular access to one or more public roads, streets or rights of way.

(i) Except as set forth on Schedule 4.9(i), no Contracts have been entered into with any Governmental Entity or other Person by the Sellers relating to the Real Property which would impose an obligation upon the Buyer or its successors or assigns to make any contribution or dedication of money or of all or any portion of the Real Property or to construct, install, or maintain any improvements of a public or private nature on or off the Real Property or any portion thereof.

4.10 *Legal Proceedings.* Except as set forth on Schedule 4.10, there is no action, suit, arbitration, claim, proceeding (including any worker's compensation claim or proceeding), hearing or investigation by or before any Governmental Entity or any arbitration or alternative dispute resolution panel (each, a "**Legal Proceeding**"), or any judgment, order, writ, decree, injunction or other determination, whether preliminary or final, by or of any Governmental Entity or any other entity or body whose finding, ruling or holding is legally binding or enforceable as a matter of right (each, an "**Order**"), pending against or, to the Sellers' knowledge, threatened (a) against or affecting the Sellers, the Business or any of the Purchased Assets, or (b) that would adversely affect the ability of the Sellers to execute and deliver this Agreement or any of the Transaction Documents or the consummation of the transactions contemplated hereby or thereby.

4.11 *Employee Matters.* Schedule 4.11(a) lists all individuals who are employed by the Sellers on a full-time, permanent or part-time basis immediately prior to the Closing Date (including individuals on short-term disability, long-term disability or approved leave of absence) (the "**Employees**"), which list includes each Employee's name, title or position, current rate of hourly wage or salary, total annual compensation (including incentive and similar compensation), date of hire and, in the case of any Employee paid an hourly wage, whether such Employee is currently active at work and, in the case of any such Employee who is not active, the scheduled return-to-work date of such Employee.

(b) Schedule 4.11(b) lists all material Sellers Benefit Plans.

(c) Each Sellers Benefit Plan that is intended to be qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended (the “Code”) and each trust that is intended to be exempt under Section 501(a) of the Code is so qualified or exempt, as applicable. Each Sellers Benefit Plan has been maintained, administered and operated in all material respects in accordance with its terms and in compliance in all material respects with the applicable provisions of ERISA, the Code and other applicable Law.

(d) Each Benefit Plan that is or was subject to Title IV or Section 302 of ERISA, or Section 412 or 4971 of the Code, and that is or was:

(i) a defined benefit plan, other than a “multiemployer plan” within the meaning of Section 414(f) of the Code (“**Multiemployer Plan**”), has and has at all times had a “funding target attainment percentage,” within the meaning of Section 430 of the Code, of at least 100 percent;

(ii) a money purchase pension plan, meets and has at all times met the requirements of Section 412(a)(2)(B) of the Code; or

(iii) a Multiemployer Plan does not have, and has not at any time had, an “accumulated funding deficiency,” within the meaning of Section 431 of the Code. No liability exists, or will exist, after the consummation of the transactions contemplated by this Agreement, in connection with any Sellers Benefit Plan that is a defined benefit plan or a Multiemployer Plan.

(e) No event or liability or lien on assets as described in Section 4069 of ERISA has occurred or exists in connection with any Sellers Benefit Plan.

(f) No claims (other than routine claims for benefits), lawsuits, governmental investigations or audits are pending, and to the knowledge of the Sellers, none are threatened, involving any Sellers Benefit Plan or, other than as could not result in any liability to Buyer, with respect to any Benefit Plan.

(g) None of the Purchased Assets or Assumed Liabilities is a “plan asset” (within the meaning of ERISA Reg. §2510.3-101 or Section 3(42) of ERISA).

(h) Sellers have correctly classified all current employees and non-employee service providers for purposes of each Sellers Benefit Plan and all applicable Laws.

(i) Each of the Sellers has been exempt from, or has complied with all applicable provisions of the Workers Adjustment Retraining and Notification Act of 1988, as amended (the “**WARN Act**”) and any other similar state or local Law, in connection with all past reductions in workforce relating to the Business. As of the date hereof, the Sellers have not closed, and do not intend to close, any plant or facility relating to the Business and have not effectuated, and do not intend to effectuate, any mass layoff of employees, as defined under the WARN Act or any other similar state or local Law. For purposes of determining the applicability of the WARN Act, since October 1, 2012, the Sellers have not laid off or otherwise terminated the employment of more than 15 employees within the scope of the Business.

(j) None of the Sellers has agreed to recognize any labor union or other collective bargaining representative and to the Sellers’ knowledge, no labor union or collective bargaining representative claims to or is seeking to represent any Employees. No Seller is a party to or bound by any collective bargaining agreement applicable to any Employees.

(k) There is no labor strike or labor dispute, slow down, lockout or stoppage actually pending or, to Sellers’ Knowledge, threatened against or affecting the Sellers, and, within the previous two years, none of the Sellers has experienced any labor strikes or material labor disputes, slowdowns, lockouts or stoppages. None of the Sellers is engaged, nor has engaged, in any unfair labor practices, and has not had any unfair labor practice charges or complaints before any Governmental Entity pending or, to Sellers’ Knowledge, threatened against any Seller. None of the Sellers has any grievances, arbitrations, or other proceedings arising or asserted to arise out of or under any employment or similar Contract or individual Contract, pending or, to Sellers’ Knowledge, threatened, against any of them.

(l) Except as set forth on Schedule 4.11(k), (i) each Employee is an at-will employee, and (ii) none of the Sellers is a party to any employment Contract or any consulting or similar Contract for the provision of services to any Seller or any severance, change of control, retention or other similar agreement, plan or arrangement with any employee of the Sellers.

(m) The Sellers have paid or properly accrued in the Ordinary Course of Business all wages and compensation due to their employees, including all vacations or vacation pay, holidays or holiday pay, sick days or sick pay, and bonuses.

4.12 Contracts.

(a) Schedule 4.12(a) contains a true, complete and correct list of

(i) all master service agreements (“**MSAs**”) pursuant to which the Sellers provide products and services to their customers;

(ii) to the extent not identified under clause (i) above, all Contracts (1) to which any of the Sellers or their Affiliates is a party or by which any of the Sellers or any of their Affiliates is bound in connection with the Business, the Purchased Assets or the Assumed Liabilities, or (2) to which any of the Purchased Assets is bound or subject, in each case that require payments by or to the Sellers or any of their Affiliates of at least \$100,000 in the aggregate or that have a base term (excluding potential renewals) extending at least 12 months following the Closing Date (other than contracts cancellable by the Sellers without penalty on not more than 30 days’ notice);

(iii) all Contracts for the sale or disposition of any of the Purchased Assets, or for the grant to any Person of any option, right of first refusal, right of first offer, preferential or similar right to purchase any of the Purchased Assets;

(iv) all license, royalty or other Contracts under which any of the Sellers (A) has obtained a license to use the Intellectual Property of another Person (except for any license implied by the sale of a product and any perpetual license for commonly available software programs with a value of less than \$5,000 annually under which any of the Sellers is the licensee), or (B) has granted any other Person a license to use any of the IP Assets;

(v) all bonus, pension, profit sharing, retirement, deferred compensation, equity purchase, equity option or similar plans or practices, whether formal or informal, and all severance Contracts;

(vi) all written or material unwritten employment, services, consulting, independent contractor and subcontractor Contracts with any Person on a full-time, part-time, consulting or contractor basis, and all severance, termination, change of control, golden parachute or similar Contracts;

(vii) all indentures, mortgages, notes, installment obligations, guarantees, agreements and other instruments relating to Indebtedness (other than intercompany accounts and trade payables incurred in the Ordinary Course of Business) or otherwise placing a Lien (other than a Permitted Liens) on the Purchased Assets;

(viii) all Contracts with respect to the lending or investing of the Sellers' funds to or in other Persons;

(ix) all Contracts for the purchase or sale of supplies, products or other personal property or for the furnishing or receipt of services which, when taken individually, either (A) call for performance over a period of more than 12 months (except if such Contracts do not involve a sum in excess of \$50,000 annually) or (B) involves consideration in an amount in excess of \$100,000;

(x) all Contracts under which any of the Sellers (A) is a lessee or sublessee of, or holds, uses or operates, any personal property owned by any other Person and used in the Business requiring payments in excess of \$100,000 annually, or (B) is a lessor or sublessor of, or permits any other Person to hold, use or operate, any property, whether real or personal or mixed, owned or controlled by the Sellers and used in the Business;

(xi) all nondisclosure or confidentiality Contracts, and all Contracts containing terms (A) having the effect of prohibiting any of the Sellers, the Business or the Purchased Assets from freely operating or conducting business anywhere in the world during any period of time, (B) requiring exclusive dealing or (C) relating to "most-favored-nations" status of any party thereto;

- (xii) all advertising, agency, brokerage, consulting, dealership, distribution, finders, franchise, manufacturer's representative, market research, marketing, operating, promotion, sales, service, supplier, vendor or similar Contracts;
- (xiii) all settlement, compromise or similar Contracts with any Governmental Entity or other Person;
- (xiv) all written Contracts with any Governmental Entity;
- (xv) all joint venture, partnership or similar Contracts relating to ownership of or investments in any business or enterprise in connection with the Business;
- (xvi) all powers of attorney with respect to the Business or any of the Purchased Assets; and
- (xvii) all other Contracts that are either necessary to continue to conduct the Business as currently being conducted or that have been entered into outside the Ordinary Course of Business and not previously disclosed pursuant to this Section 4.12(a) (the Contracts listed in clauses (i) through (xvii), together with the Leases set forth on Schedule 4.9(b)(ii), are collectively referred to as the "**Material Contracts**").

(b) Each of the Material Contracts is in full force and effect, is a valid and binding obligation of each of the Sellers a party thereto, and is enforceable against each of the Sellers a party thereto and, to such Seller or Sellers' knowledge, the counterparties thereto in accordance with its terms except that (i) such enforcement may be subject to any bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer or other similar laws, now or hereafter in effect, relating to or limiting creditors' rights generally and (ii) enforcement, including, among other things, the remedy of specific performance and injunctive and other forms of equitable relief, may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought (such restrictions on enforcement being collectively referred to herein as the "**Enforcement Restrictions**"). Each of the Sellers is in compliance with all applicable and material terms of each Material Contract to which such Seller is a party. No party to any Material Contract (A) has provided written notice to any of the Sellers a party thereto of such party's intent to or, to each such Seller's knowledge has threatened to, terminate, cancel, refrain from renewing, modify or withdraw its participation in, or to accelerate any right under, any Material Contract, (B) has terminated, cancelled, refrained from renewing, modified or withdrawn its participation in, or accelerated any right under, any Material Contract, or (C) to the knowledge of any of the Sellers a party thereto, is in breach, violation or default under any Material Contract, and no event or circumstance has occurred or exists which, with or without the giving of notice, the passage of time or both, would constitute such a breach, violation or default. There are no other Contracts necessary for the operation of the Business or the Purchased Assets as currently operated other than the Material Contracts. True, correct and complete copies of each Material Contract (including all amendments, supplements and other modifications, and all exhibits and schedules, thereto, and any assignments thereof) have been provided by the Sellers to the Buyer or otherwise made available to the Buyer.

4.13 Sufficiency of the Assets. The Purchased Assets constitute all of the material property and assets (tangible and intangible of any nature, kind and description) and other rights necessary for the operation of the Business in substantially the same manner as it is being operated on the date of this Agreement. The Purchased Assets are adequate for the purposes for which they are currently owned, used or held, and are in commercially reasonable operating condition (normal wear and tear excepted) to operate the Business in the Ordinary Course of Business except to the extent the failure of such Purchased Assets to be in commercially reasonable operating condition would not, individually or in the aggregate, cause a Business Material Adverse Effect. There are no facts or conditions affecting the Purchased Assets which would be reasonably expected, individually or in the aggregate, to interfere with the ownership, use or operation of the Purchased Assets as currently owned, held or used or their adequacy for such use, except such interference which would not, individually or in the aggregate, cause a Business Material Effect.

4.14 Taxes.

Except as set forth on Schedule 4.14:

(a) Each of the Sellers has (i) duly and timely filed or caused to be filed all material Tax Returns required to be filed by the Sellers with the appropriate Taxing Authority, and each such Tax Return is true, complete and correct in all material respects, and (ii) paid all Taxes due or claimed due by a Taxing Authority (whether or not shown as due on a filed Tax Return).

(b) There are no currently proposed or pending adjustments by any Taxing Authority in connection with any Tax Returns of the Sellers, and no waiver or extension of any statute of limitations as to any federal, state, local or foreign Tax matter has been given by or requested from the Sellers with respect to any Tax year.

(c) Each of the Sellers has withheld and paid all material Taxes required to have been withheld and paid in connection with amounts paid or owing to any Employee, independent contractor, shareholder, member or creditor of such entity, or other third party, and all forms (including forms W-2 and 1099) required with respect thereto have been properly completed and timely filed in all material respects.

(d) The Sellers have not entered into any Tax sharing agreement, Tax allocation agreement, Tax indemnity agreement, or similar contract or arrangement or any current or potential contractual obligation to indemnify any other Person with respect to Taxes that will require any payment by the Buyer after the date of this Agreement.

(e) There are no Liens for Taxes upon any of the Purchased Assets except Liens for Taxes not yet due and payable. Further, all of the assets of Sellers have been properly listed and described on the property tax rolls for all periods prior to and including the Closing Date, and no portion of the assets of the Sellers constitutes omitted property for property Tax purposes.

(f) No written claim has been made within the preceding two years by a Taxing Authority in a jurisdiction where any of the Sellers do not file Tax Returns that such Seller or Sellers is or are or may be subject to taxation by that jurisdiction or the Purchased Assets are or may be subject to such taxation.

(g) Each of the Sellers has not been a party to a transaction that is or is substantially similar to a “listed transaction,” within the meaning of Treasury Regulations Section 1.6011-4(b).

(h) Alliance is not a foreign person within the meaning of Section 1445 of the Code.

4.15 *Intellectual Property.*

(a) Schedule 4.15(a) sets forth a true, complete and correct list of (i) all Patents, (ii) all Trademarks, (iii) all material Software, (iv) all material Copyrights, and (v) all Domain Names, in each case, owned, held or used by a Seller in connection with the Business. The IP Assets constitute all licenses or other legally enforceable rights, title and interest to use all patents, copyrights, trademarks, service marks, trade names, brand marks, brand names, logos, intellectual property, software object and source code as are necessary to conduct the Business as currently conducted by the Sellers.

(b) Except as set forth on Schedule 4.15(b): (i) all of the IP Assets are valid and subsisting and one or more of the Sellers owns and possesses good and valid legal and beneficial title to, or has a valid and enforceable right to use pursuant to a written license agreement, all IP Assets together with the goodwill associated therewith, free and clear of all Liens other than Permitted Liens; (ii) there is no pending or, to the Sellers’ knowledge, threatened action, claim or Legal Proceeding by a third Person contesting the validity, enforceability, use or ownership of any IP Asset and, to the Sellers’ knowledge, there are no grounds for any of the foregoing; (iii) the operation of the Business or the Purchased Assets by the Sellers, including the ownership or use of the IP Assets, is not infringing upon, misappropriating or conflicting with, and has not infringed upon, misappropriated or conflicted with, the Intellectual Property or rights thereon of any other Person and, to the Sellers’ knowledge, the IP Assets are not being and have not been infringed, misappropriated or conflicted by any third Person; (iv) the Sellers have not received any written notice of any infringement, misappropriation or conflict of the type described in the preceding clause.

4.16 *Accounts Receivable.* Except as set forth Schedule 4.16, the Accounts Receivable of the Sellers included in the Net Working Capital as of the Closing Date (a) will be valid and genuine, (b) will have arisen solely out of bona fide sales and deliverance of goods, performance of services and other business transactions in the Ordinary Course of Business consistent with past practice, (c) will not be subject to any material defenses, set-offs or counterclaims other than the Enforcement Restrictions, (d) will be reasonably expected to be collectible in the Ordinary Course of Business consistent with past practice, net of any reserve for doubtful accounts set forth in the Net Working Capital, and (e) have not been assigned or pledged to any Person.

4.17 *Brokers; Finders and Fees.* Except for GulfStar Group, whose fees will be paid by the Sellers or one of their Affiliates, neither the Sellers nor any of their respective Affiliates has employed or engaged any investment banker, broker or finder or incurred any liability for any investment banking, financial advisory or brokerage fees, commissions or finders' fees in connection with this Agreement, any of the Transaction Documents or the transactions contemplated by this Agreement or any of the Transaction Documents. Neither GulfStar Group nor any other Person has or will have, as a result of the consummation of the transactions contemplated by this Agreement or any of the Transaction Documents, any right, interest or claim against or upon the Buyer or any of its Affiliates for any fees, commission or other compensation arising out of or relating to such Person's employment or engagement as an investment banker, finder or broker of the Sellers or any of their respective Affiliates.

4.18 *Customers and Vendors.* Schedule 4.18 sets forth (a) each of the ten (10) largest customers of the Business as a percentage of the Sellers' aggregate total revenue for the twelve (12) month period ended November 30, 2012 (the "**Material Customers**") and (b) each of the ten (10) largest vendors, suppliers and other providers of products, services, supplies or materials to the Business based on the percentage of the Sellers' aggregate expenditures attributable to all vendors, suppliers or providers for the twelve (12) month period ended November 30, 2012 (the "**Material Vendors**"). Except as set forth on Schedule 4.18, other than actions taken in the Ordinary Course of Business, no Material Customer or Material Vendor (a) has terminated, cancelled, materially amended or modified or declined to renew or continue its relationship with any of the Sellers, or (b) during the twelve (12) month period ended November 30, 2012, has materially decreased (i) its purchase of any of the Sellers' products or services, or (ii) its supply or provision of products, services, supplies or materials to any of the Sellers, as applicable. Except as set forth on Schedule 4.18, since December 31, 2011, the Sellers have not received any written notice from any Material Customer that it intends to terminate, cancel, materially amend or modify or decline to renew or continue its relationship with any of the Sellers, or that it intends to materially decrease its purchase of any of the Sellers' products or services. Since December 31, 2011, the Sellers have not received any written notice from any Material Vendor that it intends to terminate, cancel, materially amend or modify or decline to renew or continue its relationship with any of the Sellers, or that it intends to materially decrease its supply or provision of products, services, supplies or materials to any the Sellers.

4.19 *Product and Service Warranties.* The Sellers have not made any warranties or guarantees (express or implied) with respect to the products sold or services provided by the Business, other than those warranties expressly set forth in the standard MSAs or the Sellers terms and conditions of sale, copies of which have been made available to Buyer.

4.20 Insurance. Schedule 4.20 contains a true, complete and correct list of all insurance policies maintained by or for the benefit of the Sellers, the Business or the Purchased Assets identifying with respect to each such policy: (a) the type of insurance; (b) the name of the insurer; and (c) the policy number. Each such insurance policy is valid, binding and enforceable and is and has been in full force and effect since the date of its issuance. All premiums due under each such insurance policy on or before the date hereof and the Closing Date have been paid or will be paid in the Ordinary Course of Business, and the Sellers have not received any written notice of any cancellation, non-renewal or termination in respect of any such policy.

4.21 Inventories. The Inventories consist solely of items of tangible personal property of the kind and quality regularly used or produced in the Business and are of market value quality and free of any material defect, are saleable or re-saleable (or useable) in the Ordinary Course of Business for the purpose for which they were intended, are at a level consistent with the level of inventories that has been maintained in the operation of the Business prior to the date of this Agreement in the Ordinary Course of Business. None of the Inventory is obsolete and no write-down of the Inventory has been made or should have been made in the period since December 31, 2011, in each case other than an immaterial amount of the Inventory with an aggregate book value as of the date hereof equal to \$50,000 or less. The Inventory as reflected in the Final Closing Statement and the determination of the Closing Date Net Working Capital shall reflect a write-down of the Inventory as described in the preceding sentence and shall reflect the value of such Inventory at the lesser of cost or fair market value.

4.22 Bank Accounts. Schedule 4.22 sets forth the name of each bank in which each Seller has an account or lock box, the names of all Persons authorized to draw thereon or to have access thereto, and the account number for each such bank account of the Sellers.

4.23 Solvency.

No Seller is insolvent or will be rendered insolvent by any of the transactions contemplated by this Agreement and the Transaction Documents.

4.24 Affiliated Transactions. Except as set forth on Schedule 4.24, no director, officer, equity interest owner, employee, vendor, supplier or Affiliate of the Sellers, and no Affiliate or family member (whether by blood, marriage or adoption) of any such Person, is a party to any Contract, transaction or series of transactions, whether written or oral, with any of the Sellers, or has any interest in (a) any property or assets that are used by any of the Sellers in connection with the Business, (b) any business, property or assets that compete, whether directly or indirectly, with the Business, in each case except for equity securities listed on any national securities exchange, or (c) any of the Purchased Assets. Except as set forth on Schedule 4.24, each Contract, transaction or series of transactions listed on Schedule 4.24 has been entered in the Ordinary Course of Business and is on terms no less favorable to the Sellers than those which would be obtainable from an unaffiliated third party.

4.25

Disclaimer of Representations and Warranties. Except as and to the extent expressly set forth in this ARTICLE IV or in ARTICLE III (as qualified by the Seller Disclosure Letter), neither any of the Sellers nor any of the Members makes any representations or warranties whatsoever to Buyer or any other Person, and each of the Sellers and Members hereby disclaims all liability and responsibility for any representation, warranty, statement, or information made, communicated, or furnished (orally or in writing) to Buyer or any other Person (including without limitation any opinion, information, projection, or advice that may have been or may be provided to Buyer or any other Person by any director, officer, employee, agent, consultant, or representative of the Sellers or any of the Members) except for the representations, warranties, statements or information made or included in this ARTICLE IV or in ARTICLE III (as qualified by the Seller Disclosure Letter). Without limiting the generality of the foregoing, except as and to the extent expressly set forth in this ARTICLE IV (AS QUALIFIED BY THE SELLER DISCLOSURE LETTER), NEITHER THE SELLERS NOR ANY OF THE MEMBERS MAKES ANY REPRESENTATIONS OR WARRANTIES, EITHER EXPRESS OR IMPLIED, AS TO (I) THE CONDITION, REPAIR, MAINTENANCE, DESIGN, OR MARKETABILITY OF THE PURCHASED ASSETS OR ANY PORTION THEREOF, (II) THE OPERATIONS, RESULTS OF OPERATIONS, CONDITION (FINANCIAL OR OTHERWISE), OR PROSPECTS OF THE BUSINESS, OR (III) ANY MATERIALS OR INFORMATION THAT MAY HAVE BEEN OR MAY BE PROVIDED TO BUYER OR ANY OTHER PERSON IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, OR ANY DISCUSSION OR PRESENTATION RELATING THERETO, INCLUDING ANY WARRANTY AS TO MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE, IT BEING EXPRESSLY UNDERSTOOD AND AGREED BY THE PARTIES HERETO THAT, EXCEPT AS AND TO THE EXTENT EXPRESSLY SET FORTH IN THIS ARTICLE IV, PURCHASER WILL ACQUIRE THE PURCHASED ASSETS IN THEIR PRESENT CONDITION AND STATE OF REPAIR, “AS IS” AND “WHERE IS”. Neither the Sellers nor any of the Members is, directly or indirectly, making any representations or warranties regarding any pro-forma financial information, financial projections or other forward-looking statements with respect to the Sellers or the Business.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF BUYER

Concurrently with the execution and delivery of this Agreement, the Buyer is delivering to the Sellers a disclosure letter (the “**Buyer Disclosure Letter**”) setting forth items the disclosure of which shall be necessary or appropriate either in response to an express disclosure requirement contained in a provision of this Agreement or as an exception to one or more representations or warranties contained in this Article V; *provided, however*, that information disclosed in or for one section of the Buyer Disclosure Letter shall be deemed disclosed in all other sections of the Buyer Disclosure Letter only to the extent it is reasonably apparent on its face that such information is relevant to such other section of the Buyer Disclosure Letter.

Subject to the preceding paragraph, the Buyer represents and warrants to the Sellers as of the date hereof and as of the Closing Date as follows:

5.1 Organization; Qualifications. The Buyer (a) is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Texas; (b) has all requisite limited liability company power and authority to own, lease and operate its properties and assets and to carry on its business substantially as now being conducted; and (c) is duly qualified and in good standing to do business in each jurisdiction in which the nature of its business or the ownership, operation or leasing of its properties makes such qualification necessary, except where the failure to be so qualified or in good standing would not, individually or in the aggregate, have a Buyer Material Adverse Effect. As used in this Agreement, the term “**Buyer Material Adverse Effect**” shall mean an event, change or circumstance which adversely affects in any material respect the ability of the Buyer to fund the Purchase at Closing or otherwise consummate the transactions contemplated by this Agreement, but shall not include: (a) changes or effects (i) generally affecting the principal industries and geographic areas in which the Buyer operates (including the demand for or market price of oil, natural gas or other commodities), to the extent such changes do not disproportionately impact the Buyer, (ii) generally affecting the economy or the financial markets in the United States or globally (including interest rates), to the extent such changes do not disproportionately impact the Buyer, (iii) generally affecting regulatory or political conditions in the United States or globally, to the extent such changes do not disproportionately impact the Buyer, (iv) resulting from compliance with the terms of this Agreement (including omissions required by this Agreement), (v) resulting from the announcement or pendency of the transactions contemplated by this Agreement; *provided* that such announcement was made in accordance with this Agreement, or (vi) resulting from any action or omission of the Sellers or any of their Affiliates or taken or omitted to be taken by the Buyer at the written direction of the Sellers or any of their Affiliates; (b) any adoption, implementation, promulgation, repeal, modification, reinterpretation or proposal of any Law by any Governmental Entity; (c) any changes in GAAP or the interpretation thereof after the date hereof; (d) weather, natural disasters or meteorological events; or (e) acts of terrorism or war.

5.2 Authority Relative to this Agreement; Enforceability. The Buyer has the limited liability company power and authority to execute and deliver this Agreement and the Transaction Documents to which the Buyer is or is to become a party, and to consummate the transactions contemplated by this Agreement and such Transaction Documents. The execution and delivery of this Agreement and the Transaction Documents to which the Buyer is or is to become a party, the consummation of the transactions contemplated by this Agreement and such Transaction Documents have been duly and validly authorized by all requisite limited liability company action on the part of the Buyer. This Agreement has been, and each of the Transaction Documents to which the Buyer is or is to become a party will, at the Closing, be, duly and validly executed and delivered by the Buyer and constitutes, or will at the Closing constitute, a valid and binding agreement of the Buyer, enforceable against the Buyer in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction.

5.3 Consents and Approvals; No Violations. Except as set forth on Schedule 5.3, neither the execution and delivery of this Agreement or any of the Transaction Documents by the Buyer nor the consummation by the Buyer of the transactions contemplated hereby or thereby will (a) conflict with, violate or result in any breach of any provision of the Governing Documents of the Buyer; (b)(i) conflict with or result in a violation or breach of, or (ii) constitute (with or without due notice or lapse of time or both) a default under, or (iii) impair the rights of Buyer under, or (iv) give rise to any right of termination, cancellation, non-renewal, amendment, modification or acceleration under, or (v) require any Consent under any Contract of the Buyer; (c) conflict with or violate any Laws applicable to the Buyer or any of its properties or assets; or (d) require any Consent of any Governmental Entity, customer, contractual third party or other Person; except, in the case of clauses (b), (c) or (d) of this Section 5.3, for any such conflicts, violations, breaches, defaults, rights of termination, cancellation, non-renewal, amendment, modification or acceleration, or requirements which, individually or in the aggregate, would not have a Buyer Material Adverse Effect.

5.4 Brokers; Finders and Fees. Neither the Buyer nor any of its Affiliates has employed or engaged any investment banker, broker or finder or incurred any liability for any investment banking, financial advisory or brokerage fees, commissions or finders' fees in connection with this Agreement, any of the Transaction Documents, or the transactions contemplated by this Agreement or any of the Transaction Documents.

ARTICLE VI

COVENANTS OF THE PARTIES

6.1 Access to Information.

(a) From the date hereof to the Closing, the Sellers (i) shall give the Buyer and its authorized representatives reasonable access, during regular business hours and upon reasonable advance notice, to all assets, personnel (including management-level personnel), books and records, Contracts, accountants, offices, premises and other facilities and properties of the Sellers or any of their Affiliates that are related to the Business or the Purchased Assets, including (A) access to inspect and to conduct as-built and boundary surveys of the Owned Real Property and (B) access to conduct Environmental due diligence of the Real Property, including the collection and analysis of samples of the Environment at, in, under or from the Real Property; (ii) shall cause officers of the Sellers and their Affiliates and, to the extent the Sellers or any of their Affiliates has a right to do so, contractors of the Sellers or their Affiliates, to furnish the Buyer and its authorized representatives with such financial and operating data and other information with respect to the Business and/or the Purchased Assets as the Buyer may from time to time reasonably request, including, with respect to any Real Property: (A) surveys, plats, title commitments, title policies and title abstracts, (B) Environmental reports, tests, studies, Remediation plans and notices, Orders and other communications from any Governmental Entities with respect to Contaminants and/or Environmental Laws, (C) soil and other geological tests and studies, (D) property condition reports and studies, (E) unrecorded Leases, licenses and easements, and (F) all other documents and materials relating to the Real Property, and (iii) shall permit the Buyer or its authorized representatives to make copies, inquiries and inspections of the items and Persons set forth in the preceding clauses (i) and (ii) as the Buyer or its authorized representatives may reasonably request, in each case, as are reasonably necessary to allow the Buyer or its authorized representatives to make such investigation, inspection or review as it or they may reasonably request (all of the actions contemplated under the foregoing clauses (i), (ii) and (iii), collectively, the "**Buyer Due Diligence Investigations**"); *provided, however*, that the Buyer and its representatives shall coordinate such access and any requests for information through GulfStar Group or designated officers of Alliance. The Sellers shall have the right to have a representative present at all times during any such inspections, interviews and examinations constituting the Buyer Due Diligence Investigations. Neither the Buyer nor its representatives shall conduct any materially invasive sampling or testing of any groundwater, soil, building materials or other media without the prior written consent of the Sellers.

(b) Notwithstanding anything in this Section 6.1 to the contrary, the Buyer shall have no right of access to, and the Sellers shall have no obligation to provide to the Buyer, (i) any information that is subject to the consent requirements of the Health Insurance Portability and Accountability Act or to restrictions under applicable Law, or (ii) any information that is subject to attorney-client privilege or other privilege from disclosure or subject to a confidentiality agreement with a third party. Any such access as described in this Section 6.1 shall be at the Buyer's sole risk and expense and conducted in such a manner as to maintain the confidentiality of this Agreement and the transactions contemplated by this Agreement and not to interfere unreasonably with the operation of the Business.

(c) All such information and access obtained by the Buyer pursuant to Section 6.1 shall be subject to the terms and conditions of the Confidentiality Agreement between the Buyer and the Gulfstar Group, acting on behalf of the Sellers, dated October 18, 2012 (the "**Confidentiality Agreement**").

(d) From and after the Closing Date, each of the Buyer and the Sellers shall, and shall cause their respective Affiliates to: (i) give the other parties and their respective authorized representatives reasonable access, during regular business hours, upon reasonable advance notice given by the relevant requesting party to the relevant requested party, at the sole cost and expense of such requesting party, and in a manner not unreasonably disruptive to the business and operations of such requested party, to the books, records, personnel, accountants, offices and other facilities and properties of such requested party, its Affiliates and Subsidiaries to the extent relating to the Purchase Assets or the Business, (ii) permit such requesting party to make such copies and inspections thereof as such requesting party may reasonably request, and (iii) cause the officers of such requested party and its Subsidiaries and Affiliates, as applicable, to furnish such requesting party with such financial and operating data and other information with respect to the Business and the Purchased Assets as such requesting party may from time to time reasonably request to the extent reasonably necessary: (A) to comply with reporting, disclosure, filing or other requirements imposed on such requesting party (including under applicable securities Laws) by a Governmental Entity or regulatory authority having jurisdiction over such requesting party or any of its Affiliates, (B) for use in connection with the investigation, prosecution, defense or settlement of any action, suit, claim, proceeding, hearing or governmental investigation by or against such requesting party, or in order to satisfy any audit, accounting, claims, regulatory, litigation, subpoena or other similar requests or requirements by any Taxing Authority or Governmental Entity, in each case, relating to the Business or the Purchased Assets during periods prior to or on the Closing Date, except for (1) any information relating to post-Closing periods that is commercially sensitive, a trade secret, proprietary or confidential, or (2) any information that is subject to attorney-client privilege, work product privilege or other privilege from disclosure, or subject to a confidentiality agreement with a third party, or that otherwise would not be required to be provided pursuant to subpoena or other civil discovery procedure); (C) to comply with the obligations of such requesting party or any of its Affiliates under this Agreement or the Transition Documents, as the case may be; or (D) to complete any Tax Returns, Tax filings or financial statements required or appropriate to be made by such requesting party after the Closing Date. Each party shall, and shall cause its directors, managers, officers, employees, agents, representatives and Affiliates to, hold any and all information provided to or obtained by such party or its authorized representatives pursuant to this Section 6.1(d), together with any information derived therefrom, in confidence.

(e) For a period of two years after the Closing Date, the Sellers shall, and shall cause their respective managers, officers, employees, agents, representatives or Affiliates to, (i) refrain from destroying or damaging, whether in whole or in part, any Books and Records in the possession or custody or within the control of the Sellers without having first offered to deliver the same to the Buyer, and (ii) notify the Buyer at least 60 days in advance prior to the destruction of or damage to any Books and Records.

6.2 Consents; Cooperation.

(a) Subject to the terms and conditions set forth in this Agreement, each of the parties hereto shall use its commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other parties in doing, all things necessary, proper or advisable under applicable Law to consummate and make effective the transactions contemplated by this Agreement as promptly as practicable, including: (i) the obtaining of all necessary actions or non-actions, expirations or terminations of waiting periods, clearances, and Consents from Governmental Entities and the making of all necessary registrations and filings with, and the taking of all steps as may be reasonably necessary to obtain a Consent from, or to avoid an action or proceeding by, any Governmental Entity, (ii) the obtaining of all necessary Consents from third parties, and (iii) the defending of any Legal Proceedings, whether judicial or administrative, challenging this Agreement or the consummation of the transactions contemplated by this Agreement.

(b) After the Closing, each of the Sellers shall use its commercially reasonable efforts to obtain all Consents from third Persons that (i) are necessary to the assignment to the Buyer of the Assigned Contracts and (ii) were not obtained by the Sellers and delivered to the Buyer on or prior to the Closing, and the Buyer shall use its commercially reasonable efforts, as reasonably requested by the Sellers from time to time, to assist the Sellers in obtaining such Consents; *provided, however*, that the Buyer shall not be required to pay any monies or give any other consideration in order to obtain any such Consent. In using their respective commercially reasonable efforts to obtain any such Consents from a third Person, the Sellers shall, upon request of Buyer, seek to have such third Person novate the Assigned Contract to which such Consent relates so that such third Person enters into a new Contract with the Buyer (or one or more of its Affiliates), in form and substance reasonably satisfactory to the Buyer.

(c) The Sellers' obligations pursuant to Section 6.2(b) shall terminate on the earlier of (i) with respect to a particular Assigned Contract, if the applicable third Person advises in writing that it has determined not to Consent and (ii) one hundred eighty (180) days after the Closing Date. In such event, the Sellers and the Buyer shall cooperate in any lawful arrangement to provide that Buyer shall receive all benefits under such Assigned Contract, including the right to receive any monies paid or payable under such Assigned Contract in respect of periods on or after the Closing. In addition and without limiting the foregoing, the Sellers shall use its commercially reasonable efforts to collect any monies payable under any Assigned Contract not assigned to the Buyer pursuant to this Agreement in respect of periods on or after the Closing. In the event that any of the Sellers receives any payment under any Assigned Contract following the Closing Date, such Seller shall promptly transmit such payment to the Buyer.

6.3 Confidentiality; Non-Competition; Non-Solicitation.

(a) Each of the Sellers acknowledges that in the course of its ownership of the Purchased Assets and operation of the Business it has had access to the Confidential Information. Each of the Members also acknowledges that in the course of its ownership of Alliance, such Member, together with its Affiliates, has had access to the Confidential Information. Each of the Sellers and Members agrees that it shall not, and shall not authorize or permit any of their respective Affiliates, directly or indirectly, at any time, to disclose any Confidential Information to any other Person or to use any Confidential Information to the detriment of the Buyer; *provided, however*, that for purposes of this Section 6.3(a), Confidential Information shall not be deemed to include such information as is generally available and known by the public or the industry through no fault of the Sellers, Members or any of their Affiliates in breach of the terms hereof; *provided, further*, that this Section 6.3(a) shall not prevent the disclosure of Confidential Information by the Sellers or Members to the extent required in any proceeding between the parties hereto; and, *provided further*, that this Section 6.3 shall not restrict Savage or Branch from using or disclosing Confidential Information in the course of employment with Buyer. If any of the Sellers, Members or their respective Affiliates is compelled to disclose any Confidential Information by any legal proceeding or the federal securities laws, such Seller or Member shall promptly notify the Buyer of such required disclosure so that the Buyer may seek, at its sole expense, a protective order or other appropriate remedy. If such protective order or other remedy is not obtained, such Seller or Member agrees to disclose only that portion of the Confidential Information which is legally required to be disclosed and to take all reasonable steps to preserve the confidentiality of the Confidential Information.

(b) Each of the Sellers and Members agrees that it shall not, and shall not permit any of its Affiliates to, at any time during the five-year period immediately following the Closing Date (the "**Restricted Period**") directly or indirectly, either individually or on behalf of, or in partnership or conjunction with, any Person, as owner, officer, manager, director, partner, investor, employee, agent, shareholder (other than as a holder of not more than five percent (5%) of the total outstanding equity securities of a publicly-traded entity) or in any other capacity or manner whatsoever, carry on or engage in the business of providing customized drilling fluids, stimulation products (proppants), other specialty chemicals and fluids, and services related thereto, in the energy industry (the "**Competing Business**") in the States of Texas, New Mexico, Kansas, Oklahoma and Wyoming (the "**Territory**").

(c) Each of the Sellers and Members agrees that it shall not, and shall not permit any of its Affiliates to, at any time during the Restricted Period, directly or indirectly, either individually or on behalf of, or in partnership or conjunction with, any Person, as owner, officer, manager, director, partner, investor, employee, agent, shareholder (other than as a holder of not more than five percent (5%) of the total outstanding equity securities of a publicly-traded entity) or in any other capacity or manner whatsoever, (i) seek, solicit, or attempt to establish a business relationship within the Competing Business with a Person who (A) was a client, customer, supplier or vendor of the Business during the twenty-four (24) months preceding the Closing Date or (ii) was solicited directly by any Seller or an employee of any Seller during the twelve (12) months preceding the Closing Date to become a client, customer, supplier or vendor of the Business (each a “**Restricted Party**”), or (iii) request, induce or attempt to limit or influence any Restricted Party or business entity to limit, curtail, cancel or terminate any business it transacts with, or products it provides to or receives from, any Seller or the Buyer. For purposes hereof, a Restricted Party shall include, without limitation, the Persons listed on Schedule 6.3(c).

(d) During the Restricted Period, each of the Sellers and Members shall not, and each shall cause its Affiliates not to, without the prior written consent of the Buyer, directly or indirectly, either individually or on behalf of, or in partnership or conjunction with, any Person, as owner, officer, manager, director, partner, investor, employee, agent, shareholder (other than as a holder of not more than five percent (5%) of the total outstanding equity securities of a publicly-traded entity) or in any other capacity or manner whatsoever, (i) hire, solicit or recruit the employment or services of employees employed with or consultants engaged by the Buyer or any of its Affiliates at the time of any such actions or within three (3) months prior to such action, or (ii) induce or attempt to induce any employee or consultant of the Buyer or any of its Affiliates to terminate, modify or sever his or her employment or consulting relationship with the Buyer or any of its Affiliates; *provided, however*, that (A) the Sellers, Members and their Affiliates may hire any such person whose employment is terminated by the Buyer or any of its Affiliates; and (B) nothing in this Section 6.3(d) shall prohibit the Sellers, Members or any of their Affiliates from engaging in general solicitations to the public or general advertising not targeted at employees of the Buyer, its Affiliates or the Business and hiring persons responding thereto provided such persons are in no way otherwise solicited by them.

(e) Each of the Sellers and Members acknowledges that the Buyer would be irreparably harmed and the value of the transaction contemplated hereby to Buyer would be diminished by any violation of Sellers’ and Members’ obligations under this Section 6.3 and that, in addition to all other rights or remedies available at law or in equity, if any of the Sellers or Members violates any of the covenants set forth in this Section 6.3, the Buyer shall be entitled to injunctive relief or such other relief against such Seller or Member as may be provided at Law or in equity together with such damages as may be provided at Law or in equity. The Buyer shall be entitled where provided under applicable Law to specific performance of the requirements of this Section 6.3 or to temporary or permanent injunctive relief against any breach of such provisions of this Agreement by the Sellers or Members, without the necessity of posting a bond or other security.

(f) Each of the Sellers and Members acknowledges that the goodwill associated with the Business and its customers, suppliers, vendors and employees is an integral component of the value of the Business to the Buyer and that the obligations of the Sellers and Members under this Section 6.3 are a material inducement to the Buyer's execution and performance of this Agreement and that the restrictions contained in this Section 6.3 are reasonable as to time, geographic area and scope of activity and do not impose a greater restraint than is necessary to protect the goodwill and other legitimate business interests of the Buyer.

(g) If the provisions of this Section 6.3 are found by a court of competent jurisdiction to contain unreasonable limitations as to time, geographic area or scope of activity, then such court is hereby directed to reform such provisions to the minimum extent necessary to cause the limitations contained therein as to time, geographical area and scope of activity to be reasonable and enforceable.

6.4 Tax Matters.

(a) *Liability for Taxes.* The Sellers shall be liable for all Taxes included in the Excluded Liabilities. All property, ad valorem and similar Taxes and assessments based upon or measured by the value of the assets that are imposed with respect to the Purchased Assets shall be divided or prorated between the Sellers and Buyer as of the Effective Time. Sellers shall retain responsibility for such Taxes attributable to the period of time on and prior to the Effective Time and Buyer shall assume responsibility for and bear such Taxes that are attributable to the period of time after the Effective Time. Buyer agrees to pay any property, ad valorem or similar Taxes to the extent such amounts are included in the determination of the Estimated Net Working Capital, as adjusted by the determination of the Closing Date Net Working Capital, in accordance with Section 2.11.

(b) *Transfer Taxes.* All excise, sales, use, value added, transfer (including real property transfer or gains), stamp, documentary, filing, recordation and other similar taxes, levies, assessments, customs, duties, imposts, charges or fees, together with any interest, additions or penalties with respect thereto and any interest in respect of such additions or penalties, resulting from the sale and transfer by the Sellers to the Buyer of the Purchased Assets (the "**Transfer Taxes**"), shall be borne by the Sellers except to the extent such Taxes set forth in Texas Tax Code Chapter 152 result from the sale and transfer by the Sellers to the Buyer of the Vehicles constituting Purchased Assets, which such Taxes shall be borne by the Buyer.

(c) *Refunds, Overpayments and Prepayments.* If, after the Closing, the Buyer receives any refund (whether by payment, offset, credit or otherwise) of, or the Sellers overpay, Taxes for which the Sellers are liable or which Taxes are the subject of indemnification by the Sellers under this Agreement, the Buyer shall promptly transfer, or cause to be transferred, to the Sellers the entire amount of the refund or overpayment (including interest). The Buyer agrees to claim any such refund as soon as possible and to furnish to the Sellers all information, records and assistance necessary to verify the amount of the refund or overpayment.

(d) For purposes of this Agreement, “**Tax**” or “**Taxes**” shall mean taxes of any kind, levies or other like assessments, customs, duties, imposts, charges or fees imposed by any Taxing Authority, including taxes, levies or other like assessments on income, profits or gains, franchise, privilege, gross receipts, ad valorem, escheat, value added, customs, excise, import or export, real or property, asset, sales, use, license, payroll, transaction, capital, net worth, withholding, estimated, social security, utility, workers’ compensation, severance, production, unemployment compensation, occupation, premium, windfall profits, stamp, documentary, filing, recordation, transfer and gains taxes, levies or otherwise or other governmental taxes imposed or payable to or in any jurisdiction or country in the world, or any state or county, government or subdivision or agency thereof (any such authority a “**Taxing Authority**”), together with any interest, penalties or additions with respect thereto and any interest in respect of such additions or penalties.

(e) *Tax Treatment of Indemnity Payments.* The Sellers and the Buyer agree to treat any payment made by or on behalf of the Sellers or the Buyer as indemnification pursuant to Section 9.2(a) or 9.3(a) or any other provision of this Agreement as an adjustment to the Purchase Price for Tax purposes, unless otherwise required by applicable Law.

(f) *Cooperation Regarding Tax Matters.* The parties shall, with respect to any taxable period (or portion thereof) ending on or before the Closing, communicate with each other and reasonably cooperate (i) in the preparation and filing of any Tax Return or election with respect to Taxes related to the Purchased Assets, (ii) to enable each party to more accurately determine its own Tax liability with respect to the Purchased Assets, and (iii) in the defense of any audit, examination, administrative appeal or litigation of any Tax Return or other similar governmental report or form or in the preparation or filing of a claim or suit for refund with respect Taxes relating to the Purchased Assets. The Buyer and the Sellers shall keep all such information and documents received by them from the other party confidential unless otherwise required by Law.

6.5 *Further Assistance.* From time to time after the Closing, each of the Sellers shall execute and deliver, or cause to be executed and delivered, any and all instruments or other documents of transfer, conveyance and assignment, and take such other action as the Buyer may reasonably request, as may be necessary to effect or evidence the conveyance of, or to vest or perfect the Buyer’s rights, title and interest in and to, the Business and the Purchased Assets, as and to the extent contemplated hereby. From time to time after the Closing, the Buyer shall execute and deliver, or cause to be executed and delivered, any and all instruments or other documents of assumption and acceptance, and take such other action as the Sellers may reasonably request, as may be necessary to effect or evidence the assumption of the Assumed Liabilities, as and to the extent contemplated hereby.

6.6 *Accounts Receivable.* Schedule 6.6 sets forth a complete and correct list of all Accounts Receivable included in the calculation of the Estimated Net Working Capital and any adjustment to the Base Purchase Price pursuant to Section 2.5 (the “Closing Date Receivables”). The list of the Closing Date Receivables may be revised in connection with the determination of the Closing Date Net Working Capital. The Buyer agrees that it shall use commercially reasonable efforts to collect the Closing Date Receivables for a period of not less than one hundred fifty (150) days after the Closing Date (and an additional 30 days thereafter with respect to Closing Date Receivables that are existing but unbilled prior to the Closing Date). If collections by Buyer with respect to the Closing Date Receivables during the one hundred fifty (150) day period following the Closing Date (and an additional 30 days thereafter with respect to Closing Date Receivables that are existing but unbilled prior to the Closing Date) are less than the amount of the Closing Date Receivables (such deficit being referred to as the “Uncollected Receivables Amount”), Sellers or Members shall pay to Buyer an amount equal to the Uncollected Receivables Amount within ten (10) days of written demand by Buyer. Buyer’s right to recover the Uncollected Receivables Amount shall not be subject to the provisions of Article X or any limitations of liability set forth therein. Any such payment shall be deemed an adjustment to the Purchase Price. Upon receiving payment for the Uncollected Receivables Amount, Buyer shall assign such Closing Date Receivables to the Sellers. If Buyer thereafter receives payment on any such Closing Date Receivables for which it has previously received payment pursuant to this Section 6.6, Buyer shall promptly pay to Seller (or Members, as applicable) the amount received by Buyer for such Closing Date Receivable. Upon assignment of any such uncollected Closing Date Receivables to Sellers, Sellers shall have the right to seek collection of any such Closing Date Receivables; *provided*, that Sellers shall provide written notice to Buyer in advance of Sellers initiating any legal proceedings against the account debtor on any such Closing Date Receivables.

6.7 *Conduct of Business.*

(a) During the period from the date of this Agreement to the Closing Date, except as provided below or on Schedule 6.7 or otherwise contemplated by this Agreement or consented to by the Buyer in writing (which consent shall not be unreasonably withheld, delayed or conditioned), the Sellers shall, and the Members shall cause the Sellers to:

- (i) conduct and operate the Business and the Purchased Assets in the Ordinary Course of Business;
- (ii) preserve and maintain all Permits required for the conduct of the Business as currently conducted or for the ownership, use and operation of the Purchased;
- (iii) pay all Indebtedness, Taxes, liabilities and obligations of the Business when due in the Ordinary Course of Business;

(iv) use commercially reasonable efforts to preserve intact the Business and the Purchased Assets (reasonable wear and tear excepted);

(v) continue in full force and effect without modification all insurance policies set forth on Schedule 4.20, except as required by applicable Law;

(vi) timely and fully perform, discharge or satisfy all of the agreements, covenants, liabilities and obligations required to be performed, discharged or satisfied by any of the Sellers on or before the Closing Date under all Assigned Contracts;

(vii) comply in all material respects with all Laws applicable to the conduct of the Business or the ownership, use or operation of the Purchased Assets;

(viii) use commercially reasonable efforts to keep available the services of the current officers, Employees, agents and representatives of the Sellers, and maintain the relation and goodwill with all suppliers, customers, landlords, lessees, creditors, Employees, agents, representatives and other Persons having business relations with the Business; and

(ix) confer with the Buyer concerning operational matters of a material nature that will affect the post-Closing ownership, use, conduct or operation of the Business or the Purchased Assets.

(b) During the period from the date of this Agreement to the Closing Date, except as provided below or on Schedule 6.7 or otherwise contemplated by this Agreement or consented to by the Buyer in writing (which consent shall not be unreasonably withheld, delayed or conditioned), the Sellers shall not, and the Members shall not permit the Sellers to:

(i) sell, assign, transfer, lease, license, mortgage, pledge or otherwise encumber or subject to any Lien (other than Permitted Liens) or otherwise dispose of any of its material properties or assets, including the Purchased Assets, except in the Ordinary Course of Business;

(ii) terminate or materially amend any Material Contract, except in the Ordinary Course of Business;

(iii) enter into any new Contract that would constitute a Material Contract other than customer contracts, service contracts, purchase contracts or renewals of existing Contracts, in each case, in the Ordinary Course of Business;

(iv) enter into any written employment agreement with any Employee or materially increase the compensation of any Employee, except for such increases as are granted in the Ordinary Course of Business (which shall include normal periodic performance reviews and related compensation and benefit increases);

(v) adopt, grant, extend or increase the rate or terms of any bonus, insurance, pension or other employee benefit plan, payment or arrangement made to, for or with any such Employee, except as required by any applicable Law and except increases in the Ordinary Course of Business; or

(vi) commit to any material capital expenditure or authorize any new material capital expenditures.

(c) Notwithstanding the foregoing clauses (a) and (b) and any other representation, warranty, covenant or agreement herein to the contrary, Buyer acknowledges and agrees that, prior to Closing, Sellers may, at their sole election, transfer any and all of Sellers' cash on deposit from the accounts described in Section 2.1(q) to the Excluded Account and/or distribute such cash to the Members. The cash that is so transferred or distributed, if any, will not be included as a Current Asset in the calculation of the Estimated Net Working Capital, as adjusted by the determination of the Closing Date Net Working Capital as set forth in Section 2.5 hereof.

6.8 Employee Matters.

(a) On or before the Closing Date, the Buyer will give offers of employment to each Employee identified on Schedule 6.8(a) (other than those Employees who are not actively employed due to short-term disability, long-term disability, workers compensation leave or approved leave of absence (collectively, the "**LOA Employees**") and Non-Offer Employees, as defined below) which offer shall provide for employment at a level of base salary or hourly wage at least equal to the that in effect as of November 30, 2012 as previously disclosed to Buyer and otherwise provide benefits on terms and conditions comparable to similarly situated employees of Buyer. All offers of employment made by the Buyer pursuant to this Section 6.8(a) will be conditioned in all respects on the occurrence of the Closing. The Buyer shall notify the Sellers in writing the names of the Employees identified on Schedule 6.8(a) who have accepted offers of employment with the Buyer. Each such Person who becomes employed by the Buyer pursuant to this Section 6.8(a) is referred to herein as a "**Transferred Employee.**" Employment with the Buyer shall be effective as of the Effective Time for all Transferred Employees (except as described below). Notwithstanding the foregoing, the Buyer shall not be required to make an offer of employment to an Employee whom the Buyer is prohibited from hiring by applicable Law or who otherwise fails any applicable screening and testing policies of Buyer (a "**Non-Offer Employee**"). If the Buyer determines that an Employee is a Non-Offer Employee, the Buyer will promptly notify the Sellers that such Non-Offer Employee will not be offered employment with the Buyer. During the 180 day period following the Closing Date, the Buyer shall offer employment to each LOA Employee upon his return from short-term disability, long-term disability or approved leave of absence within 10 Business Days of the expected return date of each LOA Employee from short-term disability, long-term disability or an approved leave of absence, but effective as of, and conditioned upon, the commencement of active employment of such LOA Employee. A LOA Employee who receives and accepts an offer of employment from Buyer shall become a Transferred Employee effective upon the commencement of such LOA Employee's active employment with Buyer and shall be treated as an employee of the Sellers prior to the commencement of active employment for all purposes (including for purposes of this Section 6.8).

(b) From and after the time the employment of the Transferred Employees with Buyer becomes effective (the “**Employment Date**”) the employment of the Transferred Employees with the Sellers will terminate. The Buyer shall not assume any of the Sellers Benefit Plans and shall have no obligations or liabilities with respect to the Sellers Benefit Plans. The Sellers will pay to each Transferred Employee all salary or other compensation or employment benefits which has accrued to such Transferred Employee prior to the Employment Date. To the extent required under the Sellers’ applicable policies, Sellers shall also pay to each Transferred Employee an amount equal to the value of all vacation time accrued and unused by such Transferred Employee immediately prior to the Employment Date.

(c) Except as required by Section 6.8(d) and Section 6.8(e), beginning on the Employment Date, the Benefit Plans that the Buyer maintains, contributes to or participates in (the “**Buyer Benefit Plans**”) shall be made available to each Transferred Employee if and when, and on the same terms and conditions, such Buyer Benefit Plan would be made available to a new employee of the Buyer who is similarly situated to the Transferred Employee.

(d) Each Transferred Employee shall become eligible to participate in the group health plan of the Buyer, summaries of which have been provided to Sellers at least five (5) calendar days prior to the Closing Date, effective as of his or her Employment Date. With respect to any group health plan or program of the Buyer or the Buyer’s Affiliates in which a Transferred Employee becomes eligible to participate as of his or her Employment Date or thereafter, the Buyer shall take all reasonable steps to ensure that such Transferred Employee shall (i) receive credit for any deductibles, co-pays or other out-of-pocket expenses paid under the corresponding group health plan or program of the Sellers, and (ii) not be subject to any pre-existing condition limitations to the extent that such pre-existing condition limitation did not apply to such Transferred Employee under the corresponding group health plan or program of the Sellers.

(e) The Buyer and the Buyer’s Affiliates shall credit each Transferred Employee with the same number of years of service, including partial years of service, as the Transferred Employee would have been credited by the Buyer and Buyer’s Affiliates if, solely for the purposes of determining years of service under Benefit Plans sponsored by the Buyer or any of its Affiliates, the Transferred Employee’s date of hire with the Buyer was the Transferred Employee’s date of hire as provided by the Sellers on Schedule 4.11(a), under the applicable Benefit Plan sponsored by the Buyer or any of its Affiliates, except as otherwise limited by applicable Law. The service credit required by this Section 6.8(e) shall apply for all purposes under any health, retiree medical, severance, vacation, sick or any similar paid-time off program or other employee welfare benefit plan (as such term is defined in Section 3(1) of ERISA) of the Buyer or the Buyer’s Affiliates and for purposes of eligibility to participate, vesting, eligibility for a particular form or type of benefit, and benefit accrual (except for benefit accrual under a defined benefit pension plan) under any pension, retirement, savings, or other employee pension benefit plan (as such term is defined in Section 3(2) of ERISA) of the Buyer or the Buyer’s Affiliates; *provided*, that such service credit shall not require Buyer to pay any Transferred Employee for, or carryforward, any accrued and unused vacation time as of the Effective Time.

(f) Claims for workers' compensation or long-term disability benefits arising out of occurrences prior to an Employee's Employment Date shall be the responsibility of the Sellers. Claims for workers' compensation or long-term disability benefits for a Transferred Employee arising out of occurrences on or subsequent to the Transferred Employee's Employment Date shall be the responsibility of the Buyer and the Buyer's Affiliates.

(g) The Sellers shall retain all liability for severance and other benefits (including any notice obligations and liability arising under the WARN Act) to any Employee who is terminated by Seller (whether as a result of Buyer's decision not to hire such individual or due to "constructive termination" or similar concept under applicable Law) prior to, as of or after the Effective Time. The Buyer shall assume all liability arising under the WARN Act with respect to any Transferred Employee who is terminated by Buyer after the Transferred Employee's Employment Date.

(h) The Sellers shall be responsible for compliance with and liability under Section 4980B of the Code and Sections 601 through 608 of ERISA ("**COBRA**") with respect to all COBRA-qualifying events that occur with respect to Sellers Benefit Plans. The Buyer shall be responsible for compliance with and liability under COBRA with respect to any COBRA-qualifying events that occur with respect to the Buyer Benefit Plans.

6.9 Removal of Names.

(a) After Closing, the Sellers, the Members and their Affiliates shall not be entitled to use and shall not use any service marks, trade names, trade dress, logos, designs or other indicia of origin of or used by the Sellers prior to Closing including the words "Alliance Drilling Fluids," "Xtreme Specialty Products" and "Prop-Tech Services" or any such items that include such words, and any variations or derivations of any of the foregoing (collectively, the "**Prohibited Names and Marks**").

(b) In addition, as soon as reasonably practicable following Closing, but in any event within ninety (90) days following Closing, the Sellers shall and shall cause each of their Affiliates to remove, obliterate or replace, as appropriate, all signs, containers, advertisements or other media containing any such Prohibited Names and Marks located on any Excluded Assets.

(c) Within fifteen (15) Business Days of Closing, each of the Sellers shall file certificates of amendment or similar amendments to its respective Governing Documents changing its name to a name that does not contain any of the Prohibited Names and Marks and that is not confusingly similar to any of the Prohibited Names and Marks, and deliver to the Buyer photocopies of the file-stamped certificates of amendment evidencing that those certificates of amendment or similar amendments have been filed within fifteen (15) Business Days following the Closing Date.

6.10 Casualty Loss. If, before the Closing Date, all or any portion of the Purchased Assets are damaged or destroyed, whether in whole or in part, by fire, flood or other casualty, the Sellers will promptly notify the Buyer in writing of such fact and, at the Closing, pay to the Buyer, by wire transfer of immediately available funds to an account or accounts designated by the Buyer in writing, all proceeds from third-party insurers received by the Sellers, and assign to the Buyer all of the Sellers' right, title, and interest in and to any and all such insurance proceeds received or to be received, in each case, in compensation for such damage or destruction; *provided, however*, that nothing in this Section 6.10 is intended, or shall be construed, to modify or limit the Buyer's right to terminate this Agreement pursuant to the terms hereof or otherwise decline to proceed with the Closing by reason of the fact that the damage or destruction to all or any portion of the Purchased Asset by fire, flood or casualty, whether considered individually or in the aggregate, would have a Business Material Adverse Effect.

6.11 Exclusivity.

(a) From the date hereof until the earlier of (i) the Closing Date, or (ii) the termination of this Agreement pursuant to Article VIII (such earlier date being referred to herein as the "**Exclusivity Termination Date**"), the Sellers and Members shall not, and shall not authorize or permit any of their respective officers, directors, employees, agents, representatives or Affiliates to, directly or indirectly: (i) solicit, initiate, encourage, facilitate or (to the extent within such Person's control) permit the submission of any proposal, inquiry, or offer from any Person (other than Buyer or any of its Affiliates) relating to the direct or indirect disposition, whether by sale, merger or otherwise, of all or any portion of the Business or the Purchased Assets (a "**Competing Transaction**") other than acquisitions of the Purchased Assets in the Ordinary Course of Business, or (ii) furnish any information, participate in any discussions or negotiations, or enter into any Contract, letter of intent, or other understanding (whether written, oral, binding, non-binding, or otherwise) regarding a Competing Transaction.

(b) Immediately following the execution of this Agreement, each of the Sellers and Member will terminate any and all discussions or negotiations with respect to any Competing Transaction and request each Person that has heretofore executed a confidentiality agreement in connection with a Competing Transaction to return all confidential information heretofore furnished to such Person by or on behalf of, or with respect to, the Sellers, the Business or the Purchased Assets.

(c) From the date hereof through the Exclusivity Termination Date, if any of the Sellers and Members receives any inquiry, proposal, or offer relating to a Competing Transaction, or any request for information relating thereto, such party will promptly, and in any event within one (1) Business Day, notify the Buyer in writing of such inquiry, proposal, offer, or request, including the identity of the Person making such inquiry, proposal, offer, or request, and the terms and details thereof, including a copy of any writing (including any electronic mail) relating thereto.

(d) Each of the Sellers and Members hereby acknowledges that any breach of this Section 6.11 would cause substantial and irreparable damage to the Buyer for which money damages would be an inadequate remedy and, accordingly, acknowledges and agrees that the Buyer will be entitled to an injunction, specific performance or other equitable relief to prevent the breach of such obligations (in addition to all other rights and remedies to which the Buyer may be entitled in respect of any such breach), without the necessity of posting a bond or other security.

6.12 Insurance Matters. On or before the Closing Date, the Sellers will cause the Buyer to be added as an Additional Insured under the National American Insurance Company commercial general liability insurance policy of the Sellers.

6.13 Publicity. Following the execution of this Agreement, Newpark intends to issue or cause the publication of a press release and the filing of a Current Report on Form 8-K with respect to this Agreement and the transactions contemplated herein; *provided, however*, that Newpark will provide copies thereof to the Sellers and allow Sellers to comment on such release or announcement in advance of its issuance.

ARTICLE VII

CONDITIONS TO CONSUMMATION OF THE PURCHASE

7.1 Conditions to Each Party's Obligations to Consummate the Purchase. The respective obligations of each party to consummate the Purchase and to take the other actions required under this Agreement at Closing are subject to the satisfaction at or prior to the Closing Date of the condition that (a) no Law or Order shall have been enacted, entered, promulgated or enforced by any Governmental Entity that restrains, enjoins, prohibits or makes illegal the consummation of the Purchase or that materially and adversely affects the ownership, use, operation or control of the Business or the Purchased Assets, and (b) there shall be no Legal Proceeding pending or threatened that challenges the Purchase or seeks monetary, injunctive or other relief by reason of the consummation of the Purchase.

7.2 Conditions to the Sellers' and Members' Obligations. The obligations of the Sellers and Members to consummate the Purchase and to take the other actions required to be taken by them under this Agreement or any of the Transaction Documents at Closing are further subject to satisfaction at or prior to the Closing Date of the following conditions, any one or more of which may be waived in writing, in whole or in part, by the Sellers and the Members, in their sole discretion:

(a) the representations and warranties of the Buyer contained in Article V that are qualified by materiality or Buyer Material Adverse Effect shall be true and correct in all respects, and all other representations and warranties of the Buyer contained in Article V shall be true and correct in all material respects, in each case, at and as of the date of this Agreement and at and as of the Closing Date with the same force and effect as though such representations and warranties had been made at and as of the Closing Date (except for representations and warranties that by their terms are made as of a specified date or period, which shall be true and correct only as of such specified date or period);

(b) the Buyer shall have performed and complied in all material respects with all agreements, covenants, conditions and obligations required by this Agreement to be performed or complied with by it on or prior to the Closing; and

(c) the Buyer shall have made the payments as set forth in [Section 2.6](#) and delivered to the Sellers the Transaction Documents and other Closing deliveries set forth in [Section 2.7\(c\)](#).

7.3 ***Conditions to the Buyer's Obligations.*** The obligations of the Buyer to consummate the Purchase and to take the other actions required to be taken by it under this Agreement at Closing are further subject to satisfaction at or prior to the Closing Date of the following conditions, any one or more of which may be waived in writing, in whole or in part, by the Buyer in its sole discretion:

(a) the representations and warranties of the Members contained in [Article III](#) and the Sellers contained in [Article IV](#) that are qualified by materiality or by Business Material Adverse Effect shall be true and correct in all respects, and all other representations and warranties of the Members contained in [Article III](#) and Sellers contained in [Article IV](#) shall be true and correct in all respects, in each case, at and as of the date of this Agreement and at and as of the Closing Date with the same force and effect as though such representations and warranties had been made at and as of the Closing Date (except for representations and warranties that are made as of a specified date or period, which shall be true and correct only as of such specified date or period);

(b) each of the Members and Sellers shall have performed and complied in all material respects with all agreements, covenants, conditions and obligations required by this Agreement to be performed or complied with by them on or prior to the Closing;

(c) each of the Sellers shall have delivered, or caused to be delivered, to the Buyer the Transaction Documents and other Closing deliveries set forth in [Section 2.7\(c\)](#);

(d) the Consents described in [Schedule 7.3\(d\)](#) will have been made, given or obtained by such customer, vendor, contractual third party or other Person, as applicable, on terms reasonably satisfactory to the Buyer; and

(e) the Buyer shall have received evidence reasonably satisfactory to the Buyer that all Liens affecting Purchased Assets, other than Permitted Liens, have been discharged and that good and valid title to all Purchased Assets is being conveyed to the Buyer, free and clear of all Liens other than Permitted Liens.

ARTICLE VIII

TERMINATION AND ABANDONMENT

8.1 Termination. Subject to Section 8.2, this Agreement may be terminated and the transactions contemplated by this Agreement may be abandoned at any time prior to the Closing:

- (a) by mutual written consent of the Sellers and the Buyer;
- (b) by the Sellers, on the one hand, or the Buyer, on the other hand, by giving written notice to the other party, if:
 - (i) the Closing shall not have occurred on or before December 31, 2012 or such later day as the Sellers and the Buyer may mutually agree upon in writing (the “**Outside Date**”); or
 - (ii) an injunction, decree, legal restraint, prohibition, judgment or order of any Governmental Entity shall have been entered permanently enjoining, restraining or prohibiting the consummation of the transactions provided for in this Agreement and such injunction, decree, legal restraint, prohibition, judgment or order shall have become final and non-appealable;
- (c) by the Sellers, if the Buyer shall have breached or failed to perform any of its representations, warranties, covenants or other agreements contained in this Agreement, which breach or failure to perform: (i) would constitute the failure of a condition set forth in Section 7.2(a), 7.2(b) or 7.2(c) and (ii)(A) is not capable of being satisfied or cured by the Outside Date or (B) if capable of being satisfied or cured, is not satisfied or cured within fifteen (15) days following receipt by the Buyer of written notice stating the Sellers’ intention to terminate this Agreement pursuant to this Section 8.1(c), and the basis for such termination; or
- (d) by the Buyer, if any Sellers or Members shall have breached or failed to perform any of their respective representations, warranties, covenants or other agreements contained in this Agreement, which breach or failure to perform: (i) would constitute the failure of a condition set forth in Section 7.3(a), 7.3(b) or 7.3(c) and (ii)(A) is not capable of being satisfied or cured by the Outside Date or (B) if capable of being satisfied or cured, is not satisfied or cured within fifteen (15) days following receipt by the Sellers of written notice stating the Buyer’s intention to terminate this Agreement pursuant to this Section 8.1(d), and the basis for such termination;

provided, however, that the party seeking termination pursuant to clause (b)(i), (c) or (d) is not then in breach of any of its representations, warranties, covenants or agreements contained in this Agreement, which breach would give rise to the failure of a condition set forth in Section 7.2, if the Buyer is then seeking termination, or Section 7.3, if the Sellers are then seeking termination.

8.2 Procedure for and Effect of Termination. In the event of termination of this Agreement and abandonment of the transactions contemplated by this Agreement by the parties under Section 8.1, written notice thereof shall be given by the party so terminating to the other party or parties and, except as provided in this Section 8.2, this Agreement shall forthwith terminate and shall become null and void and of no further force or effect, and the transactions contemplated by this Agreement shall be abandoned without further action by the Sellers or the Buyer. If this Agreement is terminated under Section 8.1 of this Agreement, there shall be no liability or obligation under this Agreement on the part of the Sellers, Members or the Buyer or any of their respective directors, officers, employees, Affiliates, controlling Persons, agents or representatives, except (i) that no such termination shall relieve any party for liability arising out of its breach of this Agreement and the rights, remedies or causes of action accrued or resulting therefrom will continue unimpaired, and (ii) the provisions of this Section 8.2 and Article IX shall survive any such termination.

ARTICLE IX

SURVIVAL AND INDEMNIFICATION

9.1 Survival Periods. All representations, warranties, covenants and agreements of the parties contained in this Agreement shall survive the Closing for the applicable time periods specified herein. For purposes of this Agreement, the term “**Applicable Survival Period**” shall be two (2) years after the Closing Date, except that the Applicable Survival Period with respect to the following shall be as set forth below:

(a) with respect to any Damages arising from or related to a breach of the representations and warranties set forth in Section 4.3 (Title to Purchased Assets), Section 4.5 (Environmental Matters), Sections 4.11(b), (c), (d), (e), (f) and (g) (Sellers Benefit Plans and ERISA) and Section 4.14 (Taxes), the Applicable Survival Period shall be three (3) months following the expiration of the statute of limitations applicable to the Damages giving rise to that claim for indemnification (including any extensions thereto or waivers thereof to the extent that such statute of limitations may be tolled); and

(b) there shall be no time limit for any claim for indemnification with respect to any Damages arising from or relating to (i) intentionally fraudulent acts or omissions (collectively, “**Fraud Claims**”), (ii) any of the Excluded Assets or the Excluded Liabilities or (iii) the Assumed Liabilities.

In addition to and without limiting the foregoing, the parties further agree that no claims or causes of action for indemnification under this Agreement may be brought against the Sellers, Members or the Buyer based upon, directly or indirectly, a breach or nonperformance of any of the covenants or agreements contained herein that by their terms are to be performed prior to or at Closing, unless written notice thereof is delivered to the party against whom indemnification is sought prior to the date that is three (3) months following the Closing Date (which period shall be the Applicable Survival Period therefor). Notwithstanding anything in this Agreement to the contrary, this Section 9.1 shall not in any manner limit the survival period for, or any party’s right or ability to bring any claims for indemnification under this Agreement with respect to Damages arising from or relating to, a breach or nonperformance of any covenant or agreement of the parties contained in this Agreement or any of the Transaction Documents which by its terms contemplates performance after the Closing.

9.2 Sellers' and Members' Agreement to Indemnify.

(a) Subject to the terms and conditions set forth herein, from and after the Closing, the Sellers and Members shall jointly and severally indemnify, defend and hold harmless the Buyer and its managers, officers, employees, Subsidiaries, Affiliates, controlling Persons, and agents and their respective successors and permitted assigns (collectively, the "**Buyer Indemnitees**") from and against, and pay on behalf of or reimburse such Buyer Indemnitees in respect of, any and all liabilities, obligations, demands, claims, actions or causes of action, assessments, losses, damages, deficiencies, Taxes, penalties, fines, fees, costs (including court costs) and expenses (including reasonable attorneys' fees and expenses, and all reasonable amounts paid in connection with the investigation, defense or settlement of any of the foregoing) (collectively, "**Buyer Damages**") asserted against, sustained or incurred by any Buyer Indemnitee arising out of or resulting from:

(i) a breach of any representation or warranty of the Sellers contained in Article IV of this Agreement or in any Transaction Document when made or at and as of the Closing Date (or at and as of such different date or period specified for such representation or warranty) as though such representation and warranty were made at and as of the Closing Date (or such different date or period);

(ii) a breach or nonperformance of any covenant or agreement of the Seller contained in this Agreement or any of the Transaction Documents to be performed by the Sellers;

(iii) the Excluded Assets or the Excluded Liabilities; or

(iv) Sellers' failure to properly file property renditions as disclosed on Schedule 4.14(E), *provided, however*, that any Tax liability arising from such failure will not be limited to the items disclosed on Schedule 4.14(E).

(b) Subject to the terms and conditions set forth herein, from and after the Closing, the Members shall severally, and not jointly, indemnify, defend and hold harmless the Buyer Indemnitees from and against, and pay on behalf of or reimburse such Buyer Indemnitees in respect of, any and all Buyer Damages asserted against, sustained or incurred by any Buyer Indemnitee arising out of or resulting from:

(i) a breach of any representation or warranty of such Member contained in Article III of this Agreement or in any Transaction Document, to which such Member is a party, when made or at and as of the Closing Date (or at and as such different date or period specified for such representation or warranty) as though such representation and warranty were made at and as of the Closing Date (or such different date or period); or

(ii) a breach or nonperformance of any covenant or agreement of such Member contained in this Agreement or any Transaction Document, to which such Member is a party, to be performed by such Member.

(c) The Sellers' and Members' obligation to indemnify the Buyer Indemnitees pursuant to Section 9.2(a) is subject to the following limitations:

(i) no indemnification shall be made by the Sellers or Members pursuant to Section 9.2(a)(i) unless the aggregate amount of Buyer Damages for all claims pursuant to Section 9.2(a)(i) exceeds \$350,000 (the "**Basket**") and, in such event, indemnification shall be made by the Sellers and Members for Buyer Damages only to the extent of such excess; *provided, however*, that the Basket shall not apply with respect to any breach of any of the Fundamental Representations made by the Sellers and Members or with respect to any Buyer Damages arising from or relating to Fraud Claims;

(ii) in no event shall the Sellers' and Members' obligation to indemnify the Buyer Indemnitees pursuant to Section 9.2(a)(i) exceed \$8,500,000 (the "**Cap**"); *provided, however*, that the Cap shall not apply with respect to any breach of any of the Fundamental Representation made by the Sellers and Members or with respect to any Buyer Damages arising from or relating to Fraud Claims;

(iii) the amount of any Buyer Damages shall be reduced by any amount actually received by a Buyer Indemnitee with respect thereto under any insurance coverage with respect to, or from any other party alleged to be responsible for, such Buyer Damages less any reasonable costs and expenses incurred by such Buyer Indemnitee in connection with the receipt or realization of such amount or benefit. If a Buyer Indemnitee actually receives any amount under such insurance coverage or from such other party with respect to Buyer Damages at any time subsequent to any indemnification provided by the Sellers pursuant to this Section 9.2, then such Buyer Indemnitee shall promptly reimburse the Sellers or Members, as applicable, for any payment made or expense incurred by the Sellers or Members in connection with providing such indemnification in an amount equal to the amount actually received by the Buyer Indemnitee (net of reasonable costs and expenses incurred, whether directly or indirectly, by such Buyer Indemnitee in connection with the receipt of such amount) and any calculation of the aggregate Buyer Damages for purposes of Section 9.2(c)(i) shall be re-calculated as necessary such that the aggregate Buyer Damages does not include such amount actually received; and

(iv) the Sellers and Members shall be obligated to indemnify the Buyer Indemnitees pursuant to Section 9.2(a)(i) and Section 9.2(b), as applicable only for those claims giving rise to Buyer Damages as to which any Buyer Indemnitee has given the Sellers written notice thereof prior to the end of the Applicable Survival Period. Any written notice delivered by any Buyer Indemnitee to the Sellers with respect to Buyer Damages shall set forth the information required hereunder to be provided in connection with a Claim Notice or an Indemnity Notice, as applicable.

The Basket and Cap shall not apply to any claims for indemnification by any Buyer Indemnitee under Sections 9.2(a)(ii) and (iii), and Section 9.2(b).

(d) Notwithstanding Section 9.2(a) or any other provision herein to the contrary, subject to the other limitations of this ARTICLE IX, the liability of each Member shall be limited to the amount of any sums or proceeds actually received by such Member; *provided, however*, that with respect to Savage and Branch, each shall be deemed to have received his respective amount of the Retention Escrow Amount. In addition, no Member shall be required to make any payment under Section 9.2(a) with respect to any Buyer Damages in excess of such Members' Pro Rata Share of such Buyer Damages; *provided*, that the foregoing limitation shall not apply to any Members' liability under Section 9.2(b).

9.3 Buyer's Agreement to Indemnify.

(a) Subject to the terms and conditions set forth herein, from and after the Closing, the Buyer shall indemnify, defend and hold harmless the Sellers and their respective managers, officers, employees, Affiliates, controlling Persons, agents and representatives and their respective successors and assigns (collectively, the "**Seller Indemnitees**") from and against all liabilities, obligations, demands, claims, actions or causes of action, assessments, losses, damages, deficiencies, Taxes, penalties, fines, fees, costs (including court costs) and expenses (including reasonable attorneys' fees and expenses and all reasonable amounts paid in connection with the investigation, defense or settlement of any of the foregoing) (collectively, "**Seller Damages**" and, together with Buyer Damages, "**Damages**") asserted against, sustained or incurred by any Seller Indemnitee to the extent arising out of or resulting from:

(i) a breach of any representation or warranty of the Buyer contained in Article V of this Agreement or in any Transaction Document when made or at and as of the Closing Date (or at and as of such different date or period specified for such representation or warranty) as though such representation and warranty were made at and as of the Closing Date (or such different date or period);

(ii) a breach or nonperformance of any covenant or agreement of the Buyer contained in this Agreement or any of the Transaction Documents to be performed by Buyer;

(iii) the Assumed Liabilities.

(b) The Buyer's obligation to indemnify the Seller Indemnitees pursuant to Section 9.3(a) is subject to the following limitations:

(i) no indemnification shall be made by the Buyer pursuant to Section 9.3(a)(i) unless the aggregate amount of Seller Damages for all claims pursuant to Section 9.3(a)(i) exceeds the Basket and, in such event, indemnification shall be made by the Buyer for Seller Damages only to the extent of such excess; *provided, however*, that the Basket shall not apply with respect to any breach of any of the Fundamental Representations made by the Buyer or with respect to any Seller Damages arising from or relating to Fraud Claims;

(ii) in no event shall the Buyer's aggregate obligation to indemnify the Seller Indemnitees pursuant to Section 9.3(a)(i) exceed the Cap; *provided, however*, that the Cap shall not apply with respect to any breach of any of the Fundamental Representations made by the Buyer or with respect to any Seller Damages arising from or relating to Fraud Claims;

(iii) the amount of any Seller Damages shall be reduced by any amount actually received by a Seller Indemnitee with respect thereto under any insurance coverage with respect to, or from any other party alleged to be responsible for, such Seller Damages, less any reasonable costs and expenses incurred by such Seller Indemnitee in connection with the receipt or realization of such amount or benefit. If a Seller Indemnitee actually receives any amount under insurance coverage or from such other party with respect to Seller Damages at any time subsequent to any indemnification provided by the Buyer pursuant to this Section 9.3, then such Seller Indemnitee shall promptly reimburse the Buyer for any payment made or expense incurred by the Buyer in connection with providing such indemnification in an amount equal to the amount actually received by the Seller Indemnitee (net of reasonable costs and expenses incurred by such Seller Indemnitee in connection with the receipt of such amount); and

(iv) the Buyer shall be obligated to indemnify the Seller Indemnitees pursuant to Section 9.3(a)(i) only for those claims giving rise to Seller Damages as to which any Seller Indemnitee has given the Buyer written notice thereof prior to the end of the Applicable Survival Period. Any written notice delivered by any Seller Indemnitee to the Buyer with respect to Seller Damages shall set forth the information required to be provided hereunder in connection with a Claim Notice or an Indemnity Notice, as applicable.

The Basket and Cap shall not apply to any claims for indemnification by any Seller Indemnitee under Sections 9.3(a)(ii) and (iii).

9.4 Indemnification Procedures. The obligations of the Sellers and Members to indemnify the Buyer Indemnitees under Section 9.2 hereof with respect to Buyer Damages, and the obligations of the Buyer to indemnify the Seller Indemnitees under Section 9.3 hereof with respect to Seller Damages, in either case arising out of or resulting from the assertion of liability or any Legal Proceeding by third parties who are not Affiliated with a party to this Agreement (each, as the case may be, a "**Third-Party Claim**"), will be subject to the following terms and conditions:

(a) A party claiming indemnification under this Agreement (an “**Indemnified Party**”) shall promptly after receiving written notice of any Third-Party Claim, but in no event later than 30 days thereafter, transmit to the party or parties from whom indemnification is sought under this Agreement (the “**Indemnifying Party**”) a written notice of the Third-Party Claim (a “**Claim Notice**”) describing in reasonable detail the nature of the Third-Party Claim, attaching a copy of all papers served to such Indemnified Party with respect to such Third-Party Claim (if any), setting forth a reasonable estimate of the amount of Damages attributable to the Third-Party Claim to the extent feasible (which estimate shall not be conclusive of the final amount of Damages arising from or relating to such Third-Party Claim), and describing in reasonable detail the basis of the Indemnified Party’s request for indemnification under this Agreement. Any failure or delay to provide such Claim Notice within such specified time period shall not release the Indemnifying Party from its liability under this Article IX or affect the right of an Indemnified Party to indemnification hereunder, except to the extent (and only to the extent) the Indemnifying Party is materially prejudiced by such failure or delay.

(b) Within thirty (30) days after receipt of any Claim Notice (the “**Election Period**”), the Indemnifying Party shall notify the Indemnified Party (i) whether the Indemnifying Party disputes its potential liability to the Indemnified Party under this Article IX with respect to such Third-Party Claim and (ii) whether the Indemnifying Party desires, at its sole cost and expense, to defend the Indemnified Party against such Third-Party Claim. If the Indemnifying Party does not notify the Indemnified Party within such Election Period that the Indemnifying Party disputes its potential liability with respect to such Third-Party Claim, any liability with respect to such Third-Party Claim shall be deemed an admitted liability of the Indemnifying Party hereunder.

(c) If the Indemnifying Party notifies the Indemnified Party within the Election Period that the Indemnifying Party elects to assume the defense of the Third-Party Claim, then the Indemnifying Party shall have the right to defend, at its sole cost and expense, such Third-Party Claim by all appropriate proceedings with counsel of its choosing (but reasonably satisfactory to the Indemnified Party), which proceedings shall be prosecuted diligently by the Indemnifying Party to a final conclusion or settled at the discretion of the Indemnifying Party in accordance with this Section 9.4. The Indemnifying Party shall have full control of such defense and proceedings, including any compromise or settlement thereof; *provided, however*, that the Indemnifying Party shall obtain the prior written consent of the Indemnified Party before entering into any compromise or settlement of such Third-Party Claim or ceasing to defend such Third-Party Claim if, pursuant to or as a result of such compromise, settlement or cessation, any injunction or other equitable relief shall be imposed against the Indemnified Party or if such compromise or settlement does not expressly, unconditionally and fully release the Indemnified Party from any and all liabilities and obligations with respect to such Third-Party Claim, without prejudice. The Indemnified Party is hereby authorized (but shall not be required) to file, at the sole cost and expense of the Indemnifying Party, during the Election Period, any motion, answer or other pleadings that the Indemnified Party shall reasonably deem necessary to protect its interests or those of the Indemnifying Party and not materially prejudicial to the Indemnifying Party (it being understood and agreed that if an Indemnified Party makes any such filing that is materially prejudicial to the Indemnifying Party, and such filing directly causes a final adjudication that is adverse to the Indemnifying Party, the Indemnifying Party shall be relieved of its obligations hereunder with respect to such Third-Party Claim to the extent the Indemnifying Party was so materially prejudiced). If reasonably requested by the Indemnifying Party, the Indemnified Party shall cooperate with the Indemnifying Party and its counsel in contesting any Third-Party Claim that the Indemnifying Party elects to contest in good faith, including by providing the Indemnifying Party with reasonable access during normal business hours of the Indemnified Party to books, records and personnel of the Indemnified Party (but only to the extent relevant to such Third-Party Claim), and in making any related counterclaim against the Person asserting the Third-Party Claim or any cross-complaint against any Person. Except as otherwise provided herein, the Indemnified Party may participate in, but not control, any defense or settlement of any Third-Party Claim controlled by the Indemnifying Party pursuant to this Section 9.4, and to retain counsel of the Indemnified Party’s own choice in connection with such participation, and the Indemnified Party shall bear its own costs and expenses with respect to such participation (except that the reasonable fees, costs and expenses of such separate counsel incurred prior to the date on which the Indemnifying Party effectively assumes control of the defense of such Third-Party Claim pursuant to this Section 9.4 shall be borne solely by the Indemnifying Party).

(d) Notwithstanding anything in this Agreement to the contrary, the Indemnifying Party shall not be entitled to assume control of the defense of such Third-Party Claim and shall pay the reasonable fees, costs and expenses of separate counsel retained by the Indemnified Party: (i) if the Indemnifying Party fails to notify the Indemnified Party within the Election Period that the Indemnifying Party elects to assume the defense of the Third-Party Claim pursuant to Section 9.4(b); (ii) if the Indemnifying Party elects to assume the defense of such Third-Party Claim pursuant to Section 9.4(b) but fails diligently to prosecute the Legal Proceeding related to such Third-Party Claim and/or to defend such Third Party Claim as herein provided; (iii) if such Third-Party Claim seeks an injunction or equitable relief against the Indemnified Party; and/or (iv) if (A) such Third-Party Claim is against, or if the defendants in such Third-Party Claim include, both the Indemnified Party and the Indemnifying Party, and (B) the Indemnified Party reasonably concludes that there are defenses available to the Indemnified Party that are different or additional to those available to the Indemnifying Party, or (C) if the interests of the Indemnified Party may be reasonably deemed to conflict with those of the Indemnifying Party. In the event any of the conditions set forth in the preceding clauses (i) through (iv) are met, the Indemnified Party shall have the right to defend, at the sole cost and expense of the Indemnifying Party, the Third-Party Claim by all appropriate proceedings, which proceedings shall be diligently prosecuted by the Indemnified Party to a final conclusion or settled at the discretion of the Indemnified Party. The Indemnified Party shall have full control of such defense and proceedings, including any compromise or settlement thereof. If reasonably requested by the Indemnified Party, the Indemnifying Party shall cooperate with the Indemnified Party and its counsel (including by providing the Indemnified Party with reasonable access during normal business hours of the Indemnifying Party to books, records and personnel of the Indemnifying Party (but only to the extent relevant to such Third-Party Claim)) in defending such Third-Party Claim, in contesting any Third-Party Claim that the Indemnified Party elects to contest in good faith, and in making any related counterclaim against the Person asserting the Third-Party Claim or any cross-complaint against any Person. Notwithstanding the foregoing, if within the Election Period the Indemnifying Party has delivered a written notice to the Indemnified Party to the effect that the Indemnifying Party disputes its potential liability to the Indemnified Party under this Article IX with respect to such Third-Party Claim, and if such dispute is finally and conclusively resolved by a court of competent jurisdiction in favor of the Indemnifying Party, the Indemnifying Party shall not be required to bear the costs and expenses of the Indemnified Party's defense of such Third-Party Claim pursuant to this Section 9.4 or of the Indemnifying Party's participation therein at the Indemnified Party's request, and the Indemnified Party shall reimburse the Indemnifying Party in full for all reasonable attorney's fees and costs actually paid by the Indemnifying Party in connection with such participation within thirty (30) days of receiving an invoice and reasonably sufficient supporting documentation therefor. Except as otherwise provided herein, the Indemnifying Party may participate in, but not control, any defense or settlement of any Third-Party Claim controlled by the Indemnified Party pursuant to this Section 9.4, and to retain counsel of the Indemnifying Party's own choice in connection with such participation, and the Indemnifying Party shall bear its own costs and expenses with respect to such participation.

(e) The non-controlling party in the defense of a Third-Party Claim shall have the right to consult with the party controlling such defense, and the controlling party shall facilitate such consultation, with respect to the conduct, status, developments and results of the defense of such Third-Party Claim and the controlling party's strategy for addressing the matters that are the basis of such Third-Party Claim.

(f) In the event any Indemnified Party should have a claim for indemnification hereunder against any Indemnifying Party that does not involve a Third-Party Claim (an "**Indemnity Claim**"), the Indemnified Party shall promptly transmit to the Indemnifying Party a written notice of such Indemnity Claim (the "**Indemnity Notice**") describing in reasonable detail the nature of the Indemnity Claim, a reasonable estimate of the amount of Damages attributable to such Indemnity Claim to the extent feasible (which estimate shall not be conclusive of the final amount of Damages arising from or relating to such Indemnity Claim) and the basis of the Indemnified Party's request for indemnification under this Agreement. Any failure or delay to provide such Indemnity Notice shall not release the Indemnifying Party from its liability under this Article IX or affect the right of an Indemnified Party to indemnification hereunder, except to the extent (and only to the extent) the Indemnifying Party is materially prejudiced by such failure or delay.

Within thirty (30) days after receipt of any Indemnity Notice, the Indemnifying Party shall notify the Indemnified Party whether the Indemnifying Party disputes its potential liability to the Indemnified Party under this Article IX with respect to such Indemnity Claim. If the Indemnifying Party does not notify the Indemnified Party within thirty (30) days from its receipt of the Indemnity Notice that the Indemnifying Party disputes such Indemnity Claim, the Indemnity Claim together with the aggregate amount of Damages therefor specified by the Indemnified Party in the Indemnity Notice shall be deemed a liability of the Indemnifying Party hereunder.

(g) The provisions of this Section 9.4 are subject to the limitations and restrictions of Article IX, unless it is otherwise expressly provided. The parties intend that, even though indemnification and other obligations appear in various sections and articles of this Agreement, the indemnification procedures contained in this Section 9.4 shall apply to all indemnity and other obligations of the parties under this Agreement.

9.5 *Materiality Disregarded.* Notwithstanding anything contained in this Agreement or any Transaction Document to the contrary, for purposes of determining the amount of Damages related to a breach or inaccuracy of any representation or warranty, or any failure to comply with or perform any covenant or agreement that are the subject matter of a claim for indemnification hereunder (but not for purposes of determining whether such breach, inaccuracy or failure has occurred), each representation, warranty, covenant and agreement contained in this Agreement or any Transaction Document shall be read without regard and without giving effect to the term “material” or “Material Adverse Change” or “Material Adverse Effect” or similar phrases contained in such representation, warranty, covenant or agreement (as if such word was deleted from such representation, warranty, covenant or agreement).

9.6 *Manner and Timing of Payment.* Any indemnification of the Buyer Indemnitees pursuant to this Article IX or Section 6.4 shall be paid, no later than ten (10) days following the final determination thereof, by wire transfer of immediately available funds from the Sellers to an account or accounts designated by the applicable Buyer Indemnitees in writing. Any indemnification of the Seller Indemnitees pursuant to this Article IX shall be paid, no later than ten (10) days following the final determination thereof, by wire transfer of immediately available funds from the Buyer to an account or accounts designated by the applicable Seller Indemnitees in writing.

9.7 *No Duplication.* Any Damages giving rise to liability for indemnification hereunder shall be determined without duplication of recovery by reason of the same set of facts giving rise to such Damages constituting a breach of more than one representation, warranty, covenant or agreement. Except as otherwise specifically provided herein, this Article IX shall not apply to Tax claims to the extent those claims are separately indemnifiable under Section 6.4. Without limiting the foregoing, no Buyer Indemnitee shall be entitled to indemnification hereunder for any Buyer Damages to the extent such Buyer Damages are included in the calculation of Net Working Capital pursuant to Section 2.5.

9.8 *Sole Remedy.* AS BETWEEN THE BUYER INDEMNITEES AND SELLERS AND MEMBERS, ON THE ONE HAND, AND THE SELLER INDEMNITEES AND BUYER, ON THE OTHER, AFTER CLOSING, OTHER THAN WITH RESPECT TO CLAIMS FOR INTENTIONAL FRAUD REGARDING THE REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS AGREEMENT AND CLAIMS FOR INJUNCTIVE OR OTHER EQUITABLE RELIEF AND WITHOUT LIMITING A PARTY’S RIGHTS UNDER SECTION 11.12, (i) THE PROVISIONS SET FORTH IN THIS ARTICLE IX SHALL BE THE SOLE AND EXCLUSIVE RIGHTS, OBLIGATIONS AND REMEDIES OF THE PARTIES WITH RESPECT TO ANY CLAIM FOR, RELATED TO OR ARISING FROM ANY BREACH OF OR NON-COMPLIANCE WITH THIS AGREEMENT, ANY CLAIM RELATED TO OR ARISING FROM THE EVENTS GIVING RISE THERETO, AND ANY CLAIM RELATED TO OR ARISING FROM THE TRANSACTIONS PROVIDED FOR HEREIN OR CONTEMPLATED HEREBY, AND (ii) NO PARTY OR ANY OF ITS SUCCESSORS OR PERMITTED ASSIGNS SHALL HAVE ANY RIGHTS AGAINST ANY OTHER PARTY OR ITS AFFILIATES WITH RESPECT TO SUCH CLAIMS OTHER THAN AS IS EXPRESSLY PROVIDED IN THIS ARTICLE IX.

9.9 Punitive Damages. Under no circumstances shall any Indemnified Party be entitled to be indemnified for punitive damages. Without limiting the foregoing, the Parties agree that no Indemnified Party shall make any claim under any law, rule, regulation, judgment, order or decree of any Governmental Entity requesting such damages.

ARTICLE X

ESCROWS

10.1 Indemnity Escrow Fund.

(a) At the Closing, Buyer shall deposit with the Escrow Agent in accordance with Section 2.6 the Indemnity Escrow Amount (such funds, as held by the Escrow Agent pursuant to the Indemnity Escrow Agreement, including interest income thereon, the “**Indemnity Escrow Fund**”) and the Indemnity Escrow Fund shall be held and distributed in accordance with the terms of this Section 10.1 and the Indemnity Escrow Agreement. The Indemnity Escrow Fund shall be available as a nonexclusive source of funds to the Buyer to satisfy any claim by Buyer for Buyer Damages for which the Buyer is entitled pursuant to Article IX; *provided*, that the Buyer Indemnitees shall first seek recovery of any Buyer Damages from the Indemnity Escrow Agreement, to the extent funds are available therein. The Indemnity Escrow Fund shall not represent a cap on, or otherwise reduce, limit or restrict the liabilities or obligations of the Sellers and Members with respect to any Buyer Damages under Article IX.

(b) The Indemnity Escrow Fund shall be maintained in the escrow account established pursuant to the Indemnity Escrow Agreement. The Indemnity Escrow Fund shall be maintained in the escrow account until the date which is two (2) years following the Closing Date (the “**Indemnity Escrow Period**”). Upon expiration of the Indemnity Escrow Period, and subject to the terms of this Article X and the Indemnity Escrow Agreement, the Escrow Agent shall deliver or cause to be delivered to the Sellers, or their designee, the balance, if any, of the Indemnity Escrow Fund. If, upon expiration of the Indemnity Escrow Period, any Buyer Indemnitees shall have asserted a claim for indemnification in accordance with Article IX and such claim is pending or unresolved at the time of the expiration of the Indemnity Escrow Period, the Escrow Agent shall retain in escrow an amount estimated to equal the value of the asserted claim (the “**Retained Indemnity Escrow Amount**”) until Final Resolution of such matter and such Retained Indemnity Escrow Amount may be distributed in accordance with the terms and provisions of this Article X and the Indemnity Escrow Agreement.

10.2 Retention Escrow Funds.

(a) At the Closing, Buyer shall deposit with the Escrow Agent in accordance with Section 2.6, (i) the Savage Retention Escrow Amount (such funds, as held by the Escrow Agent pursuant to the Savage Retention Escrow Agreement, including interest income thereon, the “**Savage Retention Escrow Fund**”) and (ii) the Branch Retention Escrow Amount (such funds, as held by the Escrow Agent pursuant to the Branch Retention Escrow Agreement, including interest income thereon, the “**Branch Retention Escrow Fund**”). The Savage Retention Escrow Fund and the Branch Retention Escrow Fund (individually referred to as a “**Retention Escrow Fund**” and collectively as the “**Retention Escrow Funds**”) shall be held and distributed in accordance with the terms of this Section 10.2 and the respective Retention Escrow Agreement. The Retention Escrow Funds have been established to incentivize Savage and Branch to continue their employment with the Buyer for a period of three (3) years following the Closing Date (the “**Retention Period**”) and to provide a non-exclusive source of funds for the recovery of any damages and losses that may arise from or be incurred by the Buyer in seeking a replacement of either Savage or Branch, *provided, however*, that the Retention Escrow Funds shall not be used in any case as a source of funds for the recovery of any damages or losses arising from any representation, warranty, covenant or agreement contained in this Agreement or in any other Transaction Document.

(b) If Savage is continuously employed by Buyer or any of its Affiliates from the Closing Date through the Retention Period, Savage shall be entitled to receive all of the Savage Retention Escrow Fund. If Savage’s employment with Buyer or any of its Affiliates is terminated at any time during the Retention Period by reason of (i) death, (ii) disability, (iii) a termination by Savage for Good Reason, or (iv) a termination by the Buyer or any of its Affiliates without Cause, then in such event Savage shall, subject to the terms of this Article X and the Savage Retention Escrow Agreement, be entitled to receive all of the Savage Retention Escrow Fund. If Savage’s employment with Buyer or any of its Affiliates is terminated at any time during the Retention Period by reason of (i) a termination by Savage without Good Reason, or (ii) a termination by Buyer or any of its Affiliates for Cause, then in such event the Buyer shall, subject to the terms of this Article X and the Savage Retention Escrow Agreement, be entitled to receive all of the Savage Retention Escrow Funds.

(c) If Branch is continuously employed by Buyer or any of its Affiliates from the Closing Date through the Retention Period, Branch shall be entitled to receive all of the Branch Retention Escrow Fund. If Branch’s employment with Buyer or any of its Affiliates is terminated at any time during the Retention Period by reason of (i) death, (ii) disability, (iii) a termination by Branch for Good Reason, or (iv) a termination by the Buyer or any of its Affiliates without Cause, then in such event Branch shall, subject to the terms of this Article X and the Branch Retention Escrow Agreement, be entitled to receive all of the Branch Retention Escrow Fund. If Branch’s employment with Buyer or any of its Affiliates is terminated at any time during the Retention Period by reason of (i) a termination by Branch without Good Reason, or (ii) a termination by Buyer or any of its Affiliates for Cause, then in such event the Buyer shall, subject to the terms of this Article X and the Branch Retention Escrow Agreement, be entitled to receive all of the Branch Retention Escrow Funds.

10.3 *Release From Escrows.*

(a) When either the Sellers or the Buyer become entitled to any distribution of all or any portion of the Indemnity Escrow Fund, the Sellers and the Buyer shall promptly execute and deliver to the Escrow Agent joint written instructions setting forth the amounts to be paid to such party from the Indemnity Escrow Fund (the “**Joint Indemnity Instructions**”). In furtherance and not in limitation of the foregoing:

(i) Sellers and Buyer agree to execute and deliver to the Escrow Agent the Joint Indemnity Instructions within two (2) Business Days of any Final Resolution that any party is entitled to a distribution of all or any portion of the Indemnity Escrow Fund pursuant to Article IX instructing the Escrow Agent to distribute such portion of the Indemnity Escrow Fund in accordance with such Final Resolution; and

(ii) If Sellers or Buyer shall fail to execute and deliver to the Escrow Agent the Joint Indemnity Instructions in accordance with Section 10.3(a)(i), either Alliance or Buyer, as applicable, shall be entitled to receive distributions from the Indemnity Escrow Fund from the Escrow Agent promptly upon delivery to the Escrow Agent of a final written non-appealable instruction, order or judgment (setting forth the amounts to be paid to such party) issued or entered by a court of competent jurisdiction (a “**Court Instruction**”).

(b) When either Savage or the Buyer become entitled to any distribution of all or any portion of the Savage Retention Escrow Fund, Savage and the Buyer shall promptly execute and deliver to the Escrow Agent joint written instructions setting forth the amounts to be paid to such party from the Savage Retention Escrow Fund (the “**Joint Savage Instructions**”). In furtherance and not in limitation of the foregoing:

(i) Savage and Buyer agree to execute and deliver to the Escrow Agent the Joint Savage Instructions within two (2) Business Days of any Final Resolution that any party is entitled to a distribution of all or any portion of the Savage Retention Escrow Fund instructing the Escrow Agent to distribute such portion of the Savage Retention Escrow Fund in accordance with such Final Resolution; and

(ii) If Savage or Buyer shall fail to execute and deliver to the Escrow Agent the Joint Savage Instructions in accordance with Section 10.3(b)(i), either Savage or Buyer, as applicable, shall be entitled to receive distributions from the Savage Retention Escrow Fund from the Escrow Agent promptly upon delivery to the Escrow Agent of Court Instruction (setting forth the amounts to be paid to such party).

(c) When either Branch or the Buyer become entitled to any distribution of all or any portion of the Branch Retention Escrow Fund, Branch and the Buyer shall promptly execute and deliver to the Escrow Agent joint written instructions setting forth the amounts to be paid to such party from the Branch Retention Escrow Fund (the “**Joint Branch Instructions**”). In furtherance and not in limitation of the foregoing:

(i) Branch and Buyer agree to execute and deliver to the Escrow Agent the Joint Savage Instructions within two (2) Business Days of any Final Resolution that any party is entitled to a distribution of all or any portion of the Branch Retention Escrow Fund instructing the Escrow Agent to distribute such portion of the Branch Retention Escrow Fund in accordance with such Final Resolution; and

(ii) If Branch or Buyer shall fail to execute and deliver to the Escrow Agent the Joint Savage Instructions in accordance with Section 10.3(c)(i), either Branch or Buyer, as applicable, shall be entitled to receive distributions from the Branch Retention Escrow Fund from the Escrow Agent promptly upon delivery to the Escrow Agent of Court Instruction (setting forth the amounts to be paid to such party).

ARTICLE XI

MISCELLANEOUS PROVISIONS

11.1 *Amendment and Modification.* This Agreement may be amended, modified or supplemented at any time by the parties to this Agreement, under an instrument in writing signed by all parties.

11.2 *Entire Agreement; Assignment; Binding Effect.* This Agreement, together with the Seller Disclosure Letter, the Buyer Disclosure Letter, the Confidentiality Agreement, the Transaction Documents and all Schedules and Exhibits hereto, (a) constitutes the entire agreement among the parties concerning the subject matter hereof and supersedes other prior agreements and understandings, both written and oral, among the parties concerning the subject matter of this Agreement and (b) shall not be assigned, by operation of Law or otherwise, by a party, without the prior written consent of the other party. Notwithstanding the preceding clause (b) to the contrary, the Buyer in its sole discretion may (i) at any time prior to the Closing, assign in whole or in part its rights and obligations under this Agreement to one or more of its wholly-owned Subsidiaries, including any such Subsidiaries which may be organized or acquired after the date hereof; (ii) assign in whole or in part its rights under this Agreement for collateral security purposes to any lenders providing financing to the Buyer or any of its Affiliates, and any such lender may exercise all of the rights and remedies of the Buyer hereunder, or (iii) assign in whole or in part the Buyer's rights under this Agreement to any subsequent purchaser of all or any portion of the Business or the Purchased Assets, whether such sale is structured as a sale of stock, a sale of assets, a merger, a reorganization or otherwise. Subject to the preceding sentences, this Agreement will be binding upon, inure to the benefit of, and be enforceable by, the parties and their respective successors and permitted assigns.

11.3 *Severability.* Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broadly as is enforceable.

11.4 Notices. Unless otherwise provided in this Agreement, all notices and other communications under this Agreement shall be in writing and may be given by any of the following methods: (a) personal delivery; (b) electronic mail or facsimile transmission; (c) registered or certified mail, postage prepaid, return receipt requested; or (d) overnight delivery service. Such notices and communications shall be sent to the appropriate party at its address or facsimile number given below (or at such other address or facsimile number for such party as shall be specified by notice given under this Agreement) and shall be deemed given upon receipt by such party or upon actual delivery to the appropriate address, in case of a facsimile transmission, upon transmission by the sender and issuance by the transmitting machine of a confirmation slip that the number of pages constituting the notice have been transmitted without error; in the case of notices sent by electronic mail or facsimile transmission, the sender shall contemporaneously mail a copy of the notice to the addressee at the address provided for above; *provided, however*, that such mailing shall in no way alter the time at which the facsimile notice is deemed received:

(a) if to the Sellers, to:

Alliance Drilling Fluids, LLC
125 West Missouri Avenue
Midland, Texas 79701
Facsimile: (432) 684-0069
Attention: Shawn Savage, President

with copies, which shall not constitute notice, to:

Murphy Mahon Keffler & Farrier, L.L.P.
Tindall Square Building No. 2
505 Pecan Street, Suite 101
Fort Worth, TX 76102
Facsimile: (817) 877-3668
Attention: Robert J. Keffler

and

Kelly Hart & Hallman LLP
201 Main Street, Suite 2500
Fort Worth, Texas 76102
Facsimile: (817) 878-9759
Attention: S. Benton Cantey

(b) if to the Buyer, to:

Newpark Resources Inc.
2700 Research Forest Drive, Suite 100
The Woodlands, TX 77381
Facsimile: 281-362-6801
Attention: Mark J. Airola

with a copy, which shall not constitute notice, to:

Andrews Kurth LLP
10001 Woodloch Forest Drive
Waterway Plaza Two, Suite 200
The Woodlands, Texas 77380
Facsimile: 713-238-7286
Attention: William McDonald

11.5 *Governing Law.*

(a) This Agreement shall be governed by, and construed in accordance with, the Laws of the State of Texas, applicable to contracts executed in and to be performed entirely within that state. All actions and proceedings arising out of or relating to this Agreement shall be heard and determined in any Texas state or federal court sitting in Houston, Texas, and the parties hereby irrevocably submit to the exclusive jurisdiction of such courts in any such action or proceeding and irrevocably waive the defense of an inconvenient forum to the maintenance of any such action or proceeding. Each party irrevocably consents to the service of any and all process in any such action or proceeding by the mailing of copies of such process to such party at its address specified in Section 9.4. The parties agree that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by applicable Law. Nothing in this Section 9.5 shall affect the right of any party to serve legal process in any other manner permitted by applicable Law. The consents to jurisdiction set forth in this Section 9.5 shall not constitute general consents to service of process in the State of Texas and shall have no effect for any purpose except as provided in this Section 9.5 and shall not be deemed to confer rights on any person other than the parties.

(b) EACH OF THE PARTIES (ON ITS BEHALF AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ON BEHALF OF ITS AFFILIATES) HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED UPON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

11.6 *Descriptive Headings.* The descriptive headings used in this Agreement are inserted for convenience of reference only and shall in no way be construed to define, limit, describe, explain, modify, amplify, or add to the interpretation, construction or meaning of any provision of, or scope or intent of, this Agreement nor in any way affect this Agreement.

11.7 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. An executed counterpart signature page to this Agreement delivered by facsimile or other means of electronic transmission shall be deemed to be an original and shall be as effective for all purposes as delivery of a manually executed counterpart.

11.8 Fees and Expenses. Whether or not this Agreement and the transactions contemplated by this Agreement are consummated, and except as otherwise expressly set forth in this Agreement, all costs and expenses (including legal and financial advisory fees and expenses) incurred in connection with, or in anticipation of, this Agreement and the transactions contemplated by this Agreement shall be paid by the party incurring such expenses.

11.9 Third-Party Beneficiaries. This Agreement is solely for the benefit of the Sellers and their respective successors and permitted assigns and the Seller Indemnitees, with respect to the obligations of the Buyer under this Agreement, and for the benefit of the Buyer and its successors and permitted assigns and the Buyer Indemnitees, with respect to the obligations of the Sellers under this Agreement, and this Agreement shall not be deemed to confer upon or give to any other third party any remedy, claim of liability or reimbursement, cause of action or other right.

11.10 Waivers. Except as otherwise expressly provided in this Agreement, no failure to exercise, delay in exercising, or single or partial exercise of any right, power or remedy by any party, and no course of dealing between or among the parties, shall constitute a waiver of any such right, power or remedy. No waiver by a party of any default, misrepresentation, or breach of warranty or covenant under this Agreement, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant under this Agreement or affect in any way any rights arising by virtue of any such prior or subsequent occurrence. No waiver shall be valid unless in writing and signed by the party against whom such waiver is sought to be enforced.

11.11 Incorporation of Exhibits. The disclosure letters and all exhibits and schedules attached hereto and referred to herein are hereby incorporated herein and made a part hereof for all purposes as if fully set forth herein.

11.12 Specific Performance. The parties to this Agreement agree that, if at any time following the Closing Date any covenants or agreements herein are not performed in accordance with their specific terms or are otherwise breached, irreparable damage would occur, no adequate remedy at law would exist and damages would be difficult to determine, and that the parties shall be entitled to specific performance of such terms of this Agreement and immediate injunctive relief, without the necessity of proving the inadequacy of money damages as a remedy, in addition to any other remedy to which they are entitled at law or in equity.

11.13 *Newpark Guaranty.*

(a) Newpark hereby unconditionally and irrevocably guarantees to the Sellers and the Members, as primary obligor and not merely as surety, the performance of, and compliance with, all agreements, obligations, covenants, warranties, representations, and undertakings of Buyer contained in this Agreement when and as the same shall become due after giving effect to all conditions, restrictions and limitations on any such obligations of the Buyer hereunder (the “**Newpark Guaranty**”); *provided*, that Newpark’s obligations under the Newpark Guaranty shall be subject to such defenses and counterclaims that the Buyer may have under this Agreement. Newpark hereby waives promptness, diligence, demand, protest and notice as to the obligations and covenants guaranteed hereby and acceptance of this Parent Guaranty, and subject to Sellers’ and Members’ agreement to first make demand upon Buyer, the right to require the Sellers or the Members to exhaust remedies against any other Person and waives any other circumstance, except as provided above in this Section 11.13(a), which might otherwise constitute a defense available to, or a discharge of, Newpark as a guarantor. Newpark hereby waives all claims of waiver, release, surrender, abstraction or compromise and all set-offs, counterclaims, cross-claims, recoupments or other defenses that it may have against the Sellers or the Members with respect to this Parent Guaranty, provided that Newpark is not hereby waiving any set-offs, counterclaims, cross-claims, recoupments or other defenses that Buyer may have against the Sellers or the Members. Newpark agrees to pay the costs and expenses in connection with the successful enforcement of this Parent Guaranty.

(b) The obligations of Newpark will not be discharged by: (i) any modification of, or amendment or supplement to, this Agreement; (ii) any furnishing or acceptance of security or any exchange or release of any security; (iii) any waiver, consent or other action or inaction or any exercise or non-exercise of any right, remedy or power with respect to Buyer or any change in the structure of Buyer; or (iv) any insolvency, bankruptcy, reorganization, arrangement, composition, liquidation, dissolution, or similar proceedings with respect to Buyer.

(c) This Parent Guaranty shall: (i) be binding upon Newpark, its successors and assigns; (ii) inure to the benefit of, and be enforceable by, the Sellers and Members and their respective successors and permitted assigns; and (iii) remain in full force and effect until the performance in full of all obligations of Buyer and Newpark in accordance with the terms and provisions of this Agreement at which time the Parent Guaranty shall automatically terminate.

[Signature Page Follows.]

IN WITNESS WHEREOF, each of the undersigned has caused this Agreement to be duly signed as of the date first above written.

SELLERS:

ALLIANCE DRILLING FLUIDS, LLC,

a Texas limited liability company

By: /s/ Shawn Savage
Name: Shawn Savage
Title: President

XTREME SPECIALTY PRODUCTS, LLC,
a Texas limited liability company

By: /s/ Shawn Savage
Name: Shawn Savage
Title: President

PROP-TECH SERVICES, LLC,
a Texas limited liability company

By: /s/ Shawn Savage
Name: Shawn Savage
Title: President

MEMBERS:

RADIKIN INVESTMENTS, LLC,
a Texas limited liability company

By: /s/ Shawn Savage
Name: Shawn Savage
Title: Sole Member

Signature Page to Asset Purchase Agreement

CHASE VENTURES, LLC,
a New Mexico limited liability company

By: /a/ Robert C. Chase
Name: Robert C. Chase
Title: Member

TRESCAZA, LLC
a New Mexico limited liability company

By: /s/ Robert C. Chase
Name: Robert C. Chase
Title: Member

BARBEN INVESTMENTS, LLC
a Texas limited liability company

By: /s/ Charles Branch
Name: Charles Branch
Title: Sole Member

 /s/ Bradley D. Bartek
Bradley D. Bartek, Individually

Signature Page to Asset Purchase Agreement

BUYER:

NEWPARK DRILLING FLUIDS LLC,
a Texas limited liability company

By: /s/ Gregg S. Piontek

Name: Gregg S. Piontek

Title: Vice President

NEWPARK:

NEWPARK RESOURCES, INC.,
a Delaware corporation

By: /s/ Gregg S. Piontek

Name: Gregg S. Piontek

Title: Vice President and
Chief Financial Officer

Signature Page to Asset Purchase Agreement

**Subsidiaries
of
Newpark Resources, Inc.
December 31, 2012**

1. NEWPARK MATS & INTEGRATED SERVICES LLC
2. DURA-BASE DE MEXICO S.A. DE C.V.
3. DURA-BASE NEVADA, INC.
4. EXCALIBAR MINERALS LLC
5. NEWPARK CANADA, INC.
6. NEWPARK CANADA HOLDINGS LIMITED PARTNERSHIP
7. NEWPARK CANADA INVESTMENTS LIMITED PARTNERSHIP
8. NEWPARK DRILLING FLUIDS LLC
9. NEWPARK ENVIRONMENTAL SERVICES LLC
10. NEWPARK ENVIRONMENTAL MANAGEMENT COMPANY, L.L.C.
11. NEWPARK ENVIRONMENTAL SERVICES MISSISSIPPI, L.P.
12. NEWPARK ENVIRONMENTAL WATER SOLUTIONS LLC
13. NEWPARK HOLDINGS NOVA SCOTIA CORP.
14. NEWPARK INVESTMENTS NOVA SCOTIA CORP.
15. NEWPARK TEXAS, L.L.C.
16. AVA, S.P.A.
17. AVA EASTERN EUROPE D.F.& S., S.R.L.
18. AVA AFRICA S.A.R.L.
19. AVA DEUTCHLAND GMBH
20. AVA TUNISIE S.A.R.L.
21. AVA INTERNATIONAL DRILLING FLUIDS LTD.
22. AVA ALGERIE E.U.R.L.
23. NEWPARK DRILLING FLUIDS do BRASIL TRATAMENTO de FLUIDOS LTDA.
24. AVA PANNONIA
25. DBM SERVICIOS, S.A. de C.V.
26. NEWPARK DRILLING FLUIDS INTERNATIONAL LLC
27. NEWPARK DRILLING FLUIDS PERSONNEL SERVICES LLC
28. TECHNOLOGY AND ENGINEERING FOR DRILLING FLUIDS JSC
29. NEWPARK LATIN AMERICA LLC
30. NEWPARK PERU S.R.L.
31. NEWPARK AUSTRALIA PTY LTD
32. RHEOCHEM LIMITED
33. PT RHEOCHEM INDONESIA
34. RHEOCHEM INDIA PRIVATE LIMITED
35. RHEOCHEM PACIFIC LIMITED

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in this Registration Statement Nos. 333-07225, 333-39948, 333-106394, 333-118140, 333-141577, 333-161378 and 333-156010 on Form S-8 and Registration Statement Nos. 333-156009 and 333-166776-09 on Form S-3 of our reports dated February 28, 2013, relating to the financial statements of Newpark Resources, Inc. and subsidiaries, and the effectiveness of Newpark Resources, Inc. and subsidiaries' internal control over financial reporting, appearing in the Annual Report on Form 10-K of Newpark Resources, Inc. and subsidiaries for the year ended December 31, 2012.

/s/ *DELOITTE & TOUCHE LLP*

Houston, Texas

February 28, 2013

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Paul L. Howes, certify that:

1. I have reviewed this Annual Report on Form 10-K of Newpark Resources, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2013

/s/ Paul L. Howes

Paul L. Howes, President and Chief Executive Officer

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Gregg S. Piontek, certify that:

1. I have reviewed this Annual Report on Form 10-K of Newpark Resources, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2013

By: /s/ Gregg S. Piontek

Gregg S. Piontek, Vice President and
Chief Financial Officer

Certification
Pursuant to 18 U.S.C. Section 1350
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report on Form 10-K for the period ended December 31, 2012, of Newpark Resources, Inc. (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul L. Howes, President and Chief Executive Officer (Principal Executive Officer) of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 28, 2013

/s/ Paul L. Howes

Paul L. Howes, President and Chief Executive Officer

Certification
Pursuant to 18 U.S.C. Section 1350
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report on Form 10-K for the period ended December 31, 2012, of Newpark Resources, Inc. (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gregg S. Piontek, Vice President and Chief Financial Officer (Principal Financial Officer) of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 28, 2013

/s/ Gregg S. Piontek

Gregg S. Piontek, Vice President and
Chief Financial Officer

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), each operator of a coal or other mine is required to include certain mine safety results in its periodic reports filed with the Securities and Exchange Commission (“SEC”). While we have disputed that certain operations of our subsidiary, Excalibur Minerals LLC (“Excalibur”), are subject to the jurisdiction of the Mine Safety and Health Administration (“MSHA”), we are providing below the required mine safety data for the four specialized barite and calcium carbonate grinding facilities operated by Excalibur that are subject to the regulation by MSHA under the Federal Mine Safety and Health Act of 1977 (the “Mine Act”).

As required by the reporting requirements regarding mine safety included in Section 1503 of the Dodd-Frank Act and the SEC’s final rules promulgated thereunder, the table below presents the following information for the twelve months ended December 31, 2012 for each of the specialized facilities operated by our subsidiaries:

- (a) The total number of Mine Act Section 104 significant and substantial citations received, which are for alleged violations of a mining safety standard or regulation where there exists a reasonable likelihood that the hazard could result in an injury or illness of a reasonably serious nature;
 - (b) The total number of Mine Act Section 104(b) orders received, which are for an alleged failure to totally abate the subject matter of a Mine Act Section 104(a) citation within the period specified in the citation;
 - (c) The total number of Mine Act Section 104(d) citations and orders received, which are for an alleged unwarrantable failure to comply with a mining safety standard or regulation;
 - (d) The total number of flagrant violations under Section 110(b)(2) of the Mine Act received;
 - (e) The total number of imminent danger orders issued under Section 107(a) of the Mine Act;
 - (f) The total dollar value of proposed assessments from MSHA under the Mine Act;
 - (g) The total number of mining-related fatalities;
 - (h) Mine Act Section 104(e) written notices for an alleged pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of a coal mine health or safety hazard, or the potential to have such a pattern; and
 - (i) The total number of pending legal actions before the Federal Mine Safety and Health Review Commission as required by Section 1503(a)(3) of the Dodd-Frank Act. The number of legal actions pending as of December 31, 2012 that are:
 - (1) contests of citations and orders referenced in Subpart B of 29 CFR Part 2700: 0
 - (2) contests of proposed penalties referenced in Subpart C of 29 CFR Part 2700: 0
 - (3) complaints for compensation referenced in Subpart D of 29 CFR Part 2700: 0
 - (4) complaints of discharge, discrimination or interference referenced in Subpart E of 29 CFR Part 2700: 0
-

- (5) applications for temporary relief referenced in Subpart F of 29 CFR Part 2700: 0
- (6) appeals of judges' decisions or orders to the Federal Mine Safety and Health Review Commission referenced in Subpart H of 29 CFR Part 2700: 0

For the Twelve Months Ended December 31, 2012

Mine or Operating Name/MSHA Identification Number	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(H)	(I)	(I)	(I)
	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessments Proposed (#)	Total Number of Mining Related Fatalities (#)	Received Notice of Pattern of Violations Under Section 104(e) (yes/no)	Received Notice of Potential to Have Pattern Under Section 104(e) (yes/no)	Legal Actions Pending as of Last Day of Period (#)	Legal Actions Initiated During Period (#)	Legal Actions Resolved During Period (#)
Houston Plant /41-04449	10	-	-	-	-	\$ 1,688.00	-	No	No	-	-	-
Dyersburg Plant / 40-03183	3	-	-	-	-	\$ 2,836.00	-	No	No	-	-	-
Excalibar Minerals (New Iberia Plant) / 16-01302	2	-	-	-	-	\$ 217.00	-	No	No	-	-	-
Corpus Christ Plant / 41-04002	3	-	-	-	-	\$ 410.00	-	No	No	-	-	-

In evaluating the above information regarding mine safety and health, investors should take into account factors such as (i) the number of citations and orders will vary depending on the size of the coal mine or facility, (ii) the number of citations issued will vary from inspector-to-inspector and mine-to-mine, and (iii) citations and orders can be contested and appealed, and in that process, may be reduced in severity and amount, and are sometimes dismissed.