IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF LOUISIANA
NEW ORLEANS DIVISION

SECURITIES AND EXCHANGE COMMISSION,	)	
	)	
Plaintiff,	)	
	)	**Civil Action No.** 09-CV-4414
vs.	)	
	)	
MATTHEW W. HARDEY,	)	
L. CYRUS DeBLANC, and	)	
JOE E. PENLAND,	)	
	)	
Defendants.	)	
	)	

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

The Securities and Exchange Commission ("Commission" or "SEC") hereby files its complaint, and alleges the following:

SUMMARY

1. From early 2004 through 2006, the defendants engaged in various fraudulent accounting schemes which resulted a series of accounting irregularities at Newpark Resources, Inc. ("Newpark"), an oil and gas company whose equity securities are traded on the NYSE.

2. The defendants engaged in a scheme that enabled Newpark to avoid writing-off approximately $4.2 million of its receivables reported in the annual financial statements for fiscal year 2003.

3. If such receivables had been written-off as required by Generally Accepted Accounting Principles ("GAAP"), the associated bad debt expenses would have caused Newpark to report a significant net loss in its Form 10-K for the fiscal year ended

December 31, 2003, as opposed to the $494,000 of net income that the company actually reported in the filing.

4. The fraudulent transactions arose after Newpark sold its primary product, industrial mats used at oil-drilling sites, to third-party customers Quality Mat (owned and controlled by defendant Joe E. Penland ["Penland"]) and Easy Frac in 2002 and 2003.

5. Newpark recognized approximately $3.33 million of revenue in 2002 and just under $1 million of revenue in 2003 from these sales and recorded accounts receivable to reflect the money owed from these sales.

6. Near the end of 2003, Newpark's audit committee noticed these large receivables and questioned why they remained unpaid.

7. In 2004, Newpark's CFO, defendant Matthew W. Hardey ("Hardey") and defendant L. Cyrus DeBlanc ("DeBlanc"), the CFO of a Newpark subsidiary, were aware that the receivables were not going to be paid. Pursuant to GAAP, the receivables should have been written off. Hardey and DeBlanc devised a scheme that would funnel money to Quality Mat (Penland) and Easy Frac through sham transactions, so that they could pay the debts owed to Newpark.

8. As part of this scheme, Hardey and DeBlanc had Quality Mat issue fictitious invoices to Newpark to reflect that Newpark had purchased mats and lumber from Quality Mat (Penland), when in fact it had not made such purchases.

9. In some instances, the products supposedly purchased by Newpark were the same mats that Newpark had initially sold.

10. In other instances, the goods supposedly purchased were never shipped to Newpark.

11. As instructed by Hardey, in 2004 and 2005, Quality Mat (Penland) used the money obtained from Newpark in these sham transactions to pay the debt it owed to Newpark and to provide Easy Frac with funds to pay its debt to Newpark.

12. Defendants Hardey and DeBlanc have engaged, and unless restrained and enjoined by this Court, will continue to engage in acts and practices which constitute and will constitute violations of Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. 77q(a)] and Sections 10(b) [15 U.S.C. 78j(b)] and 13(b)(5) [15 U.S.C. 78m(b)(5)] of the Securities Exchange Act of 1934 ("Exchange Act") and Rules 10b-5 [17 C.F.R. 240.10b-5], 13b2-1 and 13b2-2 [17 C.F.R. 240.13b2-1 and 240.13b2-2]; thereunder, and for aiding and abetting violations of Sections 13(a) [15 U.S.C. § 78m(a)], 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(b)(2)(A) and 78m(b)(2)(B)] and Rules 12b-20, 13a-1, 13a-11, and 13a-13 thereunder [17 C.F.R. 240.12b-20, 240.13a-1, 240.13a-11 and 13a-13]; and, with respect to Hardey, violations of Rule 13a-14 under the Exchange Act [17 C.F.R. 240.13a-14].

13. Defendant Penland has engaged in aiding and abetting violations, and unless restrained and enjoined by this Court, will continue to engage in acts and practices which constitute and will constitute aiding and abetting violations of Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78j(b), 78m(a), 78m(b)(2)(A) and 78m(b)(2)(B)] and Rules 10b-5, 12b-20, 13a-1, 13a-11 and 13a-13 thereunder [17 C.F.R. 240.10b-5, 240.12b-20, 240.13a-1, 240.13a-11 and 13a-13], and violations of Exchange Act Rule 13b2-2 [17 C.F.R. 240.13b-2].

JURISDICTION AND VENUE

14. The SEC brings this action pursuant to Sections 20(b), 20(d) and 20(e) of the Securities Act [15 U.S.C. §§ 77t(b), 77t(d) and 77t(e)] and Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§ 78u(d) and 78u(e)] to enjoin the defendants from engaging in transactions, acts, practices and courses of business alleged in this complaint, and transactions, acts, practices, and courses of business of similar purport and object, for civil money penalties, and for officer and director bars against defendants Hardey and DeBlanc. This Court has jurisdiction of this action pursuant to Sections 20(b), 20(d), 20(e) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b), 77t(d), 77t(e) and 77v(a)] and Sections 21(d), 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e) and 78aa].

15. The defendants, directly and indirectly, have made use of the mails, the means and instruments of transportation and communication in interstate commerce, and the means and instrumentalities of interstate commerce, in connection with the transactions, acts, practices and courses of business alleged in this Complaint.

16. Venue lies in this Court pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Section 27 of the Exchange Act [15 U.S.C. § 78aa] because defendants Hardey and DeBlanc reside within this district; because Newpark was at the time of the events alleged in this complaint, a company which maintained its principal place of business within this district; and because certain of the actions set forth herein occurred within the Eastern District of Louisiana.

THE DEFENDANTS

17. Matthew W. Hardey, age 56, is a resident of Covington, Louisiana. In 1988, Newpark hired Hardey as the treasurer and assistant secretary. He was promoted to the position of CFO and vice-president of finance in 1991. He remained in those positions until his dismissal from the company in June 2006.

18. L. Cyrus DeBlanc, age 58, is a resident of New Orleans, Louisiana. DeBlanc was hired as comptroller and CFO of Newpark's wholly-owned subsidiary, Soloco, LLC, in 1992. In that capacity, DeBlanc was responsibility for the accuracy of Soloco's financial statements. Newpark dismissed DeBlanc in June 2006.

19. Joe E. Penland, age 58, is a resident of Kountze, Texas. Penland founded Quality Mat Company in 1974. Penland is the sole shareholder of Quality Mat, which is a non-public company located in the Beaumont, Texas area. Quality Mat has approximately 80 to 100 employees and is the main supplier or vendor of wooden mats to Newpark. Penland is still the primary officer of Quality Mat.

RELATED ENTITY AND INDIVIDUAL

20. Newpark Resources, Inc. is a Delaware corporation with its principal executive office currently located in Houston, Texas. During 2002 and 2003, Newpark's principal office was located in New Orleans, Louisiana. The company is a diversified oil and gas industry supplier with three operating segments: fluids systems and engineering, mat and integrated services, and environmental services.

21. Industrial mats in the oil and gas business are primarily used to lay temporary roads and sites for the transportation and set-up of heavy duty drilling equipment at remote earthen drilling sites. The mats are made of wood and/or hard plastic (composite)

and sell from a few hundred dollars to thousands of dollars per mat depending on size and structure. Composite mats are more durable then wooden mats and are usually more expensive.

22. Newpark has approximately 1,800 employees. Newpark's common stock is registered with the Commission under Section 12(b) of the Exchange Act and is traded on the NYSE. The improper transactions at issue in this matter were executed through three wholly-owned subsidiaries of Newpark: Soloco, LLC, Dura- Base Nevada, LLC and Dura-Base Mexico, LLC (the Dura-Base entities shall be collectively referred to as Dura-Base).

23. James D. Cole, age 68, is a resident of Covington, Louisiana. Cole was the CFO of a NASDAQ company called Elpac, Inc., prior to Elpac's merger with Newpark in 1975, at which time Cole became the CEO of the merged company.

24. Cole remained as the CEO of Newpark until March 23, 2006, when he took a new position at the company.

FACTS

A. Initial Sales Leading to Large Uncollected Receivables on Newpark's Financial Statements

i. The Sales to Quality Mat (Defendant Penland)

25. In 2002, Soloco, LLC, a wholly-owned subsidiary of Newpark, recorded three sales of composite and wooden mats to Quality Mat through defendant Penland for a total of $3.33 million.

26. All of these sales were included in Newpark's revenues on its quarterly and year-end income statements for 2002. The related accounts receivable were also included

in Newpark's balance sheet at December 31, 2002. (Except where indicated, Soloco, LLC and Newpark Resources, Inc. are hereafter collectively referred to as "Newpark").

27. In October of 2003, almost a year after these sales occurred, Quality Mat (defendant Penland) still had not paid for these $3.3 million of mat purchases.

28. A member of Newpark's audit committee noticed that Newpark had a large amount of receivables from Quality Mat (Penland) and that these receivables had been outstanding for several months. At an audit committee meeting on October 28, 2003, the audit committee member questioned why Quality Mat (Penland) had not yet paid the $3.33 million debt owed.

29. Hardey responded that Quality Mat had had some financial difficulties and was currently unable to pay for the 2002 mat purchases. However, Hardey assured the audit committee that there was no need to write off these receivables because Quality Mat (Penland) would be able to begin paying the outstanding receivables by January or February 2004.

30. In fact, Hardey knew, or was reckless in not knowing, that Quality Mat (Penland) did not have the resources to pay the receivables.

31. The unpaid accounts receivable from Quality Mat remained as assets on the balance sheet of Newpark at December 31, 2003, even though all of the receivables were then more than one year old and there had not been any payment on those receivables.

ii. The Sale to Easy Frac

32. On June 26, 2003, Easy Frac ordered 600 composite mats from Newpark at a cost of $918,750, intending to resell those mats to a company in Mexico.

33. Newpark recognized the $918,750 sale of these mats as revenue in its 2003 fiscal year and recorded the related receivable on its balance sheet.

34. Easy Frac never took possession of the mats and did not pay for them until June 2004, with funds provided to it from Newpark.

B. The Scheme to Eliminate the Quality Mat and Easy Frac Receivables

i. Eliminating the Quality Mat Receivable

35. On or about January 22, 2004, just a few months after the audit committee had questioned the outstanding receivables from Quality Mat, Cole, Hardey, DeBlanc, Penland and others met to discuss the repayment of the debt Quality Mat owed Newpark.

36. The meeting was convened at least in part because Newpark's audit committee and/or board was exerting significant pressure to begin collecting on these debts.

37. In or around the time of this meeting, Cole and Hardey asked Penland to convert Quality Mat's receivables into notes and Penland agreed.

38. During or shortly after this meeting, Hardey devised a repayment schedule by which Quality Mat would begin to satisfy the $3.33 million debt it owed Newpark. This included (1) two immediate payments of $450,000 and 180,000 (for a total of $630,000) and (2) converting the remaining debt into two notes: (a) a $1.8 million note ("Note 1") and (b) a $900,000 note ("Note 2").

39. Quality Mat, with Penland's agreement, paid the $630,000 down payment to Newpark on February 2, 2004.

40. In or around January 2004, Hardey, DeBlanc and Penland also devised two plans by which Newpark could provide Quality Mat with the funds to pay off the

remaining balances on Notes 1 and 2 and reimburse Penland's company Quality Mat for at least some of the payments previously made on these notes.

a. Hardey, DeBlanc and Penland Use Newpark's Dura-Base Venture As A Pretext To Eliminate Some of the Debt Quality Mat Owed To Newpark

41. To satisfy Note 1, Hardey and DeBlanc devised a plan, referred to as the Dura-Base Transaction, that involved (1) forming two new Newpark subsidiaries, Dura-Base Nevada, LLC and Dura-Base de Mexico, LLC (collectively "Dura-Base") to begin selling mats in Mexico and (2) supplying those subsidiaries with inventory acquired from Quality Mat.

42. Newpark created the Dura-Base inventory in part by repurchasing 1,500 of the mats previously sold to Penland's company Quality Mat and the 600 composite mats sold to Easy Frac in 2003.

43. To pay off Note 2, Hardey and DeBlanc devised a second plan, referred to as the Bulk Lumber Purchases. Pursuant to this plan, Quality Mat generated invoices, representing fictitious sales of lumber to Newpark, and used the proceeds from these fictitious sales to repay Note 2.

44. On January 16, 2004, Penland signed an audit confirmation acknowledging that Quality Mat owed $3.33 million to Newpark as of September 30, 2003.

45. Penland met with Hardey, DeBlanc and others from Newpark six days later, on January 22, 2004, to discuss Quality Mat's aging receivables. The scheme through which Quality Mat would "repay" it debt to Newpark was likely finalized at that meeting.

b. The Dura-Base Transaction

46. In or around January 2004, Newpark's management concluded that it would be advantageous for Newpark to begin renting mats in Mexico, rather than selling them.

As a result Newpark created the Dura-Base entities in 2004 to commence rental operations in Mexico.

47. According to internal documents, Hardey and others at Newpark projected that, to start operations, Dura-Base needed an inventory of 6,175 large mats and 50 small mats.

48. When Hardey asked Newpark's chief accounting officer ("CAO") about the accounting ramifications if Dura-Base repurchased the mats previously sold to Quality Mat, the CAO advised that this would require Newpark to record an expense reflecting the difference between the initial sales price and Newpark's cost. This would have had essentially the same negative impact on earnings as if Newpark had written-off the debt owed by Quality Mat. Only after receiving this advice did Hardey ask the CAO whether the accounting treatment would change if, in launching the Dura-Base venture, Newpark effectively purchased Quality Mat's distribution rights under the agreement, thus creating an intangible asset.

49. Although Newpark manufactured these type mats internally, Hardey directed that Dura-Base should obtain its inventory from Quality Mat (Penland) ostensibly because a June 18, 2001 distribution agreement between Newpark and Quality Mat gave Quality Mat the exclusive right to distribute Newpark mats in Mexico. According to Hardey, Newpark would ostensibly violate the agreement by executing the Dura-Base plan. In fact, the transaction through Quality Mat was a sham concocted by Hardey, DeBlanc and Penland to provide Quality Mat with funds to pay its receivables to Newpark.

50. Because Hardey contended that the Dura-Base rental operations in Mexico would violate the distribution agreement, Hardey claimed that Newpark was obligated to compensate Quality Mat for the loss of its distribution rights in Mexico.

51. As a result, Newpark supplied Dura-Base with its inventory in part by repurchasing the 1,500 of the composite mats that Newpark had previously sold to Quality Mat and the 600 composite mats that Newpark had previously sold to Easy Frac.

52. In addition, in connection with purportedly supplying Dura-Base with the needed inventory, Newpark sold 3,229 composite mats to Quality Mat and Quality Mat immediately sold those mats back to Newpark's new subsidiary, Dura-Base.

53. Newpark sold the 3,229 mats at a price of $750 per mat, but Dura-Base repurchased them from Quality Mat at a price of $1,100 per mat. These mats were never shipped to Quality Mat.

54. Contrary to Hardey's claim, Newpark had no obligation to either compensate Quality Mat for the loss of its distribution rights or to repurchase the mats previously sold to Quality Mat.

55. Hardey's claim that Newpark was required to compensate Quality Mat was false, and was designed to conceal the sham nature of the transaction. In fact, for several reasons, Newpark was not required to compensate Quality Mat under this agreement.

56. First, Quality Mat's distribution agreement specifically provided that it was a non-exclusive arrangement. Indeed, in 2003, Newpark had a separate agreement that included nearly identical terms with Easy Frac for the sale of mats in Mexico.

57. Second, the distribution agreement's terms state that it would continue in force for only one year, and the terms further provided that it was subject to termination by either party with 60 days notice.

58. Third, there was no amendment to the distribution agreement reflecting the alleged acquisition or termination of those rights by Newpark.

59. Fourth, the purported obligation to compensate Quality Mat was inconsistent with how Newpark interpreted its very similar agreement with Easy Frac.

60. Easy Frac was not compensated for the loss of its contractual rights in connection with Newpark's formation of Dura-Base.

61. On June 22, 2004, Hardey instructed Penland to have Quality Mat (Penland) send two invoices, totaling $6.82 million, to reflect Dura-Base's purchase of 6,175 large mats and 50 small Dura-base mats from Quality Mat.

62. Significantly, when Quality Mat issued the second invoice, it apparently did not have the requisite mats to sell to Dura-Base. On June 23, 2004, in an apparent effort to solve this problem, Quality Mat purchased 3,229 mats from Newpark for a total of $2.42 million, which Quality Mat included in its sale of 3,448 mats to Dura-Base. The 3,229 mats were never shipped from Newpark to Quality Mat.

63. To pay Quality Mat the $6.82 million on these invoices, Dura-Base took out two loans, and on July 27, 2004, directed the lenders to wire the loan proceeds directly to Quality Mat. According to a worksheet prepared by Hardey for the benefit of Penland, Quality Mat was to use the funds as follows:

Amount	**Purpose**
$2,421,750	To pay for the 3,229 composite mats that Quality Mat purchased from Newpark on June 23, 2004

$1,518,000	To repay the outstanding balance on Note No. 1
$450,000	To reimburse Quality Mat for the down payment on Note No. 1
$286,000	To reimburse Quality Mat for the four months of principle payments paid on Note No. 1
$918,750	To Easy Frac (for Easy Frac to use to satisfy its debt to Newpark)
$200,000	For payment on another Quality Mat note [not at issue]
$427,300	Net reimbursement to Newpark for certain freight and other costs
$6,221,800	**Total**

64. On July 28, 2004, one day after receiving the $6.82 million from Dura-Base, Quality Mat wired $918,750 to Easy Frac to effectuate Newpark's scheme to eliminate the Easy Frac receivable.

65. The next day, Quality Mat wired $4.14 million to Newpark, representing payment for (1) the remaining balance on Note 1 ($1.5 million), (2) the 3,229 mats purchased from Newpark ($2.4 million), and (3) $200,000 towards another note that is not at issue in this matter.

66. Hardey and DeBlanc claimed that the difference between the $6.82 million wired to Quality Mat and the $6.2 million that was used in the manner detailed in Hardey's worksheet (or $620,000) was to compensate Quality Mat/Penland for the loss of its Mexican distribution rights.

67. The sale/repurchase of the mats was structured by Hardey, DeBlanc and Penland so as to appear to compensate Quality Mat for the loss of its distribution rights in Mexico. However, Quality Mat had no exclusive rights and any rights it had were subject to termination upon 60 days notice by Newpark.

b. Bulk Lumber Purchases

68. Hardey, DeBlanc and Penland devised a second plan, involving fictitious sale of bulk lumber, to provide Quality Mat with the money to make the payments on Note 2.

69. After making a $180,000 down payment in February 2004 (for which it was later reimbursed) Quality Mat began making monthly payments of $52,409 to Newpark in or around March 2004 and continued making those payments through July 2005, when Note 2 was purportedly paid in full.

70. Quality Mat began issuing monthly invoices to Newpark in May 2004, reflecting Newpark's purported purchase of bulk lumber.

71. Although the amounts on the bulk lumber invoices varied, the average payment to Quality Mat for more than a year (May 2004 to July 2005) was $52,409, the same amount that Quality Mat was paying Newpark under Note 2.

72. These bulk lumber sales to Newpark had no related purchase orders, and there were no delivery tickets. In fact, no lumber was ever shipped by Quality Mat or received by Newpark. The sales of lumber were fictitious.

73. Penland signed an audit confirmation on February 5, 2005, in which he represented that Quality Mat owed $409,985 to Newpark on Note 2 as of December 31, 2004. DeBlanc signed the audit confirmation on behalf of Newpark. Both defendants knew the information was false, in that Quality Mat did not have the ability to pay the receivables, when they signed the confirmations.

ii. Eliminating the Easy Frac Receivable

74. Hardey, DeBlanc and Penland also used the Dura-Base transaction to eliminate the debt Easy Frac owed from its purchase of 600 mats in June 2003.

75. Specifically, months after Newpark booked this sale, the owner of Easy Frac asked Newpark to cancel the sale because the customer to whom Easy Frac had intended to resell the mats had backed out. Easy Frac had neither received these mats, nor made any payment towards them. DeBlanc advised the owner of Easy Frac that the sale could not be rescinded because the mats had been inventoried and the sale had been recorded. But DeBlanc assured the owner of Easy Frac that Newpark would arrange for funds to be provided to Easy Frac so that it could pay the debt owed to Newpark.

76. In or around June 2004, under the guise of procuring additional mats for Quality Mat to sell to Dura-Base, DeBlanc instructed Quality Mat to purchase from Easy Frac the 600 mats that Easy Frac had purportedly purchased from Newpark in 2003.

77. DeBlanc also directed the owner of Easy Frac, on or about June 7, 2004, to invoice Quality Mat $918,750 for the 600 composite mats.

78. On June 23, 2004, at DeBlanc's request, the owner of Easy Frac supplied DeBlanc and Quality Mat with Easy Frac's bank account and routing numbers so that Quality Mat could wire proceeds to Easy Frac.

79. After Easy Frac received payment for this invoice from Quality Mat, DeBlanc directed the owner of Easy Frac to forward the proceeds to Newpark. As directed by DeBlanc, Easy Frac wired the funds. The owner of Easy Frac agreed to this plan, as it did not impose any net financial obligation on his company.

80. On July 28, 2004, Quality Mat wired $918,750 to Easy Frac using the money it received in connection with the Dura-Base deal. The wire was ostensibly to "purchase" the mats from Easy Frac, even though Easy Frac had never taken possession of those mats from Newpark.

81. The next morning, Easy Frac wired an identical amount to Newpark, which was then recorded as payment on the receivable arising from the 2003 sale to Easy Frac.

82. The invoice trail suggests on its face that the 600 mats went from Newpark to Easy Frac, then from Easy Frac to Quality Mat, and then finally from Quality Mat to Dura-Base.

83. In reality, after receiving Easy Frac's purchase order in June 2003, Newpark shipped the mats to a neutral Louisiana warehouse, where they stayed until they were shipped to Mexico in connection with the Dura-Base transaction.

C. Hardey Misleads Newpark's Auditors Regarding the Dura-Base Transaction

84. Various aspects of the June 2004 Dura-Base transaction were discussed with Ernst and Young ("E&Y"), Newpark's outside auditors.

85. Specifically, Hardey told the Ernst & Young audit partner on the engagement, that, in connection with forming Dura-Base to begin rental operations in Mexico, Newpark would purchase the entire initial inventory – 6,175 mats – from Quality Mat, including (a) 1,500 mats that Newpark had previously sold to Quality Mat, (b) 3,229 mats that Newpark would sell to Quality Mat and Dura-Base would then buy back and (c) 600 mats from Easy Frac.

86. The Ernst & Young audit partner was not advised by Hardey or anyone else that the 3,229 mats sold to Quality Mat and immediately repurchased by Dura-Base were never delivered to Quality Mat. That fact was material to the determination as to whether those transactions qualified as sales. Nor was the audit partner advised that, despite the almost simultaneous sale and repurchase, the purchase price Dura-Base paid to reacquire

those mats from Quality Mat ($1,100) was more than what Quality Mat paid to Newpark to purchase those mats ($750).

87. The audit partner and Ernst &Young were misled by Hardey as to the reason for purchasing Dura-Base's entire initial inventory through Quality Mat, and this was key to Ernst & Young's view of the transaction's accounting.

88. Hardey and others at Newpark told Ernst & Young that Quality Mat had, pursuant to a distribution agreement with Newpark, the exclusive right to sell Newpark's products in Mexico, and that before Newpark could initiate any sort of business in Mexico, it had to pay Quality Mat to compensate it for the loss of those rights. Those statements were false, because Newpark's agreement with Quality Mat was not exclusive and could be terminated by Newpark on 60 days notice.

89. Hardey and others at Newpark told Ernst & Young that it would (a) repurchase the mats from Quality Mat, (b) record the mats as inventory on Dura-Base's balance sheet (at Newpark's initial cost) and (c) record as an intangible an amount equaling the difference between the purchase price from Quality Mat and the cost.

90. Hardey told Ernst & Young that the intangible reflected the repurchase of Mexican distribution rights from Quality Mat. Based on these false representations from Hardey and others, Ernst & Young erroneously concluded that Newpark had "properly recorded the transaction as a separate intangible asset." However, Quality Mat's rights in Mexico were not exclusive and were terminable at will. Thus, Newpark was not required to reacquire those rights from Quality Mat when it formed Dura-Base. In reality, the reason for creating the intangible was to allow Newpark to buy back all the mats it had

"sold" to Quality Mat/Penland and Easy Frac in the relevant 2002-2003 sales at the original purchase price, without having to write off any of the value.

91. On March 1, 2004, March 15, 2005 and March 10, 2006, Hardey signed management representation letters to Ernst & Young in connection with, respectively, their audits of the 2003, 2004 and 2005 year end financial statements. The letters represented that Newpark's financial statements were prepared in conformity with GAAP.

D. Hardey's and DeBlanc's Schemes Enable Newpark to Depart from GAAP and Inflate Earnings and Receivables

92. Newpark recognized revenues of over $3.2 million in 2002 and just under $1 million in 2003 on mat sales to Quality Mat and Easy Frac.

93. It was a violation of GAAP to record these sales in 2002 and 2003.

94. GAAP states that "an expense or loss is recognized if it becomes evident that previously recognized future economic benefits of an asset have been reduced or eliminated, or that a liability has been incurred or increased, without associated economic benefits."

95. In addition GAAP states that "an estimated loss from a loss contingency shall be accrued by a charge to income if both of the following conditions are met: (a) information available prior to issuance of the financial statements indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements, and it is implicit in this condition that it must be probable that one or more future events will occur confirming the fact of the loss, and (b) the amount of the loss can be reasonably estimated."

96. In this case, the defendants knew that the "asset" or the receivables had lost their future economic value since neither Quality Mat nor Easy Frac were making payments on these amounts.

97. The subsequent payments and reimbursements to Quality Mat and Easy Frac also confirmed that these entities did not have the resources or intention of repaying their debts.

98. Since the benefits of these receivables had been eliminated and the amounts were reasonably known, Newpark should have recognized a loss pursuant to GAAP. This is what Hardey and DeBlanc were attempting to avoid through the transactions at issue.

99. Under GAAP, the receivables should have been written-off and the related losses recognized. Hardey knew at the end of 2003 and beginning of 2004 that Quality Mat and Easy Frac would not repay their receivables absent receiving funds from Newpark.

100. Specifically, in 2003 the owner of Easy Frac asked to cancel the sale to Easy Frac, and DeBlanc advised that Newpark would provide the funds to pay the debt. In January of 2004, Penland, Hardey and DeBlanc devised the plan by which Newpark would provide funds to Quality Mat so that it could repay its debt to Newpark. Both aspects of the scheme involved fictitious or sham transactions and were not consistent with GAAP.

101. As a result of the above described schemes devised by Hardey and DeBlanc, in January of 2004, Newpark was able to avoid the write-off of the receivables related to these sales.

102. Had they not perpetrated this scheme, Newpark would have had to reduce 2003 earnings by $2.7 million ($4.2 million sales amount less the $1.5 million in cost of goods sold). Such a deduction from earnings would have changed Newpark's reported annual net income in 2003 of $494,000 to a net loss of just under $700,000.

103. The overstated net income and receivables were included in the 2003 annual financial statements of Newpark's subsidiary (Soloco, LLC), for which DeBlanc had ultimate responsibility.

104. DeBlanc certified the accuracy of these financial statements when they were submitted to Newpark for incorporation into Newpark's consolidated 2003 year end financial statements.

105. Soloco's overstated earnings ultimately caused Newpark to materially overstate its net income in its 2003 annual financial statements, which were included in (a) a press release that was filed as part of a Form 8-K (filed on February 26, 2004) and (b) in the Form 10-K for the year ended December 31, 2003 (filed March 11, 2004). Hardey signed both the Form 8-K and Form 10-K.

106. In addition, on August 12, 2004, Newpark filed a Form S-8, signed by Hardey, which incorporated by reference the 2003 Form 10-K.

107. The overstated 2003 earnings were also republished in Newpark's Forms 10-K for fiscal year 2004 (filed March 16, 2005), and 2005 (filed March 14, 2006), both of which were also signed by Hardey.

108. The failure to write off the debts owed by Quality Mat and Easy Frac also caused Newpark to overstate its receivables in the Form 10-K for fiscal year 2003 and in

the Forms 10-Q for the first and second quarters of 2004. The percentage by which the receivables were overstated in these reports varied between 3% and 4%.

109. As CFO and a division CFO respectively, Hardey and DeBlanc should have then taken action to ensure that net income, as reported in Newpark's December 31, 2003 Form 10-K filed March 11, 2004, and incorporated by reference in the company's Form S-8, filed on August 11, 2004, did not include financial statements that materially overstated net income.

CLAIMS FOR RELIEF

COUNT I—FRAUD
Violations of Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)]

110. Paragraphs 1-109 are hereby re-alleged and are incorporated herein by reference.

111. Defendants Hardey and DeBlanc, from early 2004 through 2006, singly or in concert, in connection with the offer or sale of securities, specifically the above-described securities, by use of the means and instruments of transportation and communication in interstate commerce or by use of the mails, directly and indirectly employed devices, schemes and artifices to defraud purchasers of such securities.

112. In engaging in such conduct, Defendants Hardey and DeBlanc acted with scienter, that is, with an intent to deceive, manipulate or defraud or with a reckless disregard for the truth.

113. By reason of the foregoing, Defendants Hardey and DeBlanc directly and indirectly, have violated and, unless enjoined, will continue to violate Section 17(a)(1) of the Securities Act. [15 U.S.C. § 77q(a)(1)].

COUNT II—FRAUD

Violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. § 77q(a)(2) and 77q (a)(3)]

114. Paragraphs 1-109 are hereby re-alleged and are incorporated herein by reference.

115. Defendants Hardey and DeBlanc, from early 2004 through 2006, singly or in concert, in connection with the offer or sale of securities, specifically the above-described securities, by use of the means and instruments of transportation and communication in interstate commerce or by use of the mails, directly and indirectly:

(a) obtained money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, not misleading; and

(b) engaged in transactions, practices and a course of business which would have operated as a fraud or deceit upon the purchasers of such securities,

all as more particularly described in paragraphs 1-109 above.

116. By reason of the foregoing, Defendants Hardey and DeBlanc directly and indirectly, have violated and, unless enjoined, will continue to violate Sections 17(a)(2) and 17(a)(3) of the Securities Act. [15 U.S.C. § 77q(a)(2) and 77q(a)(3)].

COUNT III—FRAUD

Violations of Section 10(b) of the Exchange Act [15. U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]

117. Paragraphs 1 through 109 are hereby re-alleged and are incorporated herein by reference.

118. Defendants Hardey and DeBlanc, from early 2004 through 2006, aided and abetted by Defendant Penland, singly or in concert, in connection with the purchase and sale of securities described herein, by the use of the means and instrumentalities of interstate commerce and by use of the mails, directly and indirectly:

a) employed devices, schemes, and artifices to defraud;

b) made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and

c) engaged in acts, practices, and courses of business which would and did operate as a fraud and deceit upon the purchasers of such securities,

all as more particularly described above.

119. Defendants Hardey and DeBlanc, aided and abetted by Defendant Penland, knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud, made untrue statements of material facts and omitted to state material facts, and engaged in fraudulent acts, practices and courses of business. In engaging in such conduct, Defendants Hardey and DeBlanc, aided and abetted by Defendant Penland, acted with scienter, that is, with an intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

120. By reason of the foregoing, Defendants Hardey and DeBlanc, aided and abetted by Defendant Penland, directly and indirectly, have violated and, unless enjoined, will continue to violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

COUNT IV-FALSE STATEMENTS TO AUDITORS AND FALSIFIED BOOKS

Violations By Defendants Hardey and DeBlanc of Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)(5)] and Rules 13b2-1 and 13b2-2 thereunder [17 C.F.R. 240.13b2-1 and 240.13b2-2]

121. Paragraphs 1 through 109 are hereby realleged and are incorporated herein by reference.

122. Defendants Hardey and DeBlanc, from early 2004 through 2006, singly or in concert, knowingly circumvented Newpark's internal accounting controls, knowingly failed to implement certain systems of internal accounting controls, knowingly falsified and caused to be falsified Newpark's books, records and accounts described in Section 13(b)(2) of the Exchange Act [15 U.S.C. 78m(b)(2)], as described in paragraphs 1 through 109.

123. Hardey and DeBlanc knowingly failed to implement a system of internal accounting controls, which resulted in the improper recording of assets on Newpark's books, records and accounts, as described in paragraphs 1 through 109.

124. Defendants Hardey and DeBlanc, from early 2004 through 2006, singly or in concert:

a. made or caused to be made materially false or misleading statements; and

b. omitted to state, or caused another person to omit to state, material facts necessary in order to make statements made, in light of the circumstances under which such statements were made, not misleading, to an accountant in connection with (1) an audit or examination of the financial statements of the issuer required to be made pursuant to Section 13 of the Exchange Act; and (2) the

preparation or filing of a document or report required to be filed with the Commission pursuant to this subpart or otherwise,

as described in paragraphs 1 through 109 above.

125. Hardey violated Rule 13b2-2 when he signed the management representation letters to Ernst & Young in connection with their audits of the 2003, 2004 and 2005 annual financial statements of Newpark. When he signed these letters on March 1, 2004, March 15, 2005, and March 10, 2006, respectively, he knew that Newpark had materially overstated its income by the failing to write-off the debt owed by Easy Frac and Quality Mat.

126. DeBlanc, who acted at the direction of Hardey, violated Rule 13b2-2 when he signed the January 2005 audit confirmation, confirming that Quality Mat owed $409,985 to Newpark on Note 2 as of December 31, 2004. When he signed this letter, DeBlanc knew that this debt was not legitimate in that a scheme had been arranged to channel funds from Newpark to Quality Mat so that the latter could repay that obligation.

127. By reason of the foregoing, defendants Hardey and DeBlanc have violated, and unless restrained and enjoined, will continue to violate Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)(5)] and Rules 13b2-1 and 13b2-2 thereunder [17 C.F.R. §§ 240.13b2-1 and 240.12b2-2].

COUNT V-REPORTING PROVISIONS VIOLATIONS

Liability of Hardey and DeBlanc for Aiding and Abetting Newpark's Violations of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder [17 C.F.R. 240.12b-20, 240.13a-1, 240.13a-11 and 13a-13].

128. Paragraphs 1 through 109 are hereby realleged and are incorporated herein by reference.

129. Defendants Hardey and DeBlanc, between 2004 and 2006 aided and abetted Newpark's violations of Section 13(a) which occurred when it filed current reports, annual reports and quarterly reports that contained financial statements that were not prepared in conformity with GAAP and contained material misstatements, as described above. Newpark violated Section 13(a) and Rules 12b-20, 13a-1, 13a-11, and 13a-13 by filing annual, current, and quarterly reports containing financial statements not prepared in conformity with GAAP and that contained material misstatements.

130. Hardey and DeBlanc aided and abetted Newpark's violations by knowingly providing substantial assistance to another person in violation of a provision of the Exchange Act or any rule or regulation thereunder.

131. Hardey and DeBlanc provided substantial assistance to Newpark's violations when they engaged in the misconduct described in paragraphs 1-109 above, and aided and abetted Newpark's violations of the reporting provisions through their direct participation in the accounting schemes described in this complaint. The results of their actions were included in the misleading financial statements that were included in Newpark's filings with the Commission. In addition, Hardey signed all of Newpark's annual, quarterly and current reports during the relevant period.

132. By reason of the foregoing, Newpark violated Section 13(a) of the Exchange Act [15 U.S.C. 78m(a)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder [17 C.F.R. 240.12b-20, 240.13a-1, 240.13a-11 and 240.13a-13].

133. Defendant Hardey served as Newpark's CFO and vice president of finance and Defendant DeBlanc served as comptroller and CFO of Newpark's subsidiary Soloco and each of them, in their respective positions, provided substantial assistance to Newpark in

the contents of and filings of its periodic and current reports with the Commission. They, while associated with Newpark, aided and abetted the conduct of Newpark with respect to the activities constituting the violations of Section 13(a) of the Exchange Act [15 U.S.C. 78m(a)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder [17 C.F.R. 240.13a-1, 240.13a-11 and 240.13a-13]. Hardey and DeBlanc were culpable participants in the conduct.

134. By reason of the foregoing, Hardey and DeBlanc aided and abetted Newpark's violations of Section 13(a) of the Exchange Act [15 U.S.C. 78m(a)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder [17 C.F.R. 240.13a-1, 240.13a-11 and 240.13a-13] and unless enjoined will continue to aid and abet violations of Section 13(a) of the Exchange Act [15 U.S.C. 78m(a)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder [17 C.F.R. 240.12b-20, 240.13a-1, 240.13a-11 and 240.13a-13].

COUNT VI-REPORTING PROVISIONS VIOLATIONS

Liability of Penland for Aiding and Abetting Newpark's Violations of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder [17 C.F.R. 240.12b-20, 240.13a-1, 240.13a-11 and 13a-13]

135. Paragraphs 1 through 109 are hereby realleged and are incorporated herein by reference.

136. Defendant Penland, between 2004 and 2006 aided and abetted Newpark's violations of Section 13(a) which occurred when it filed current reports, annual reports and quarterly reports that contained financial statements that were not prepared in conformity with GAAP and contained material misstatements, as described above. Newpark violated Section 13(a) and Rules 12b-20, 13a-1, 13a-11, and 13a-13 by filing annual, current, and

quarterly reports containing financial statements not prepared in conformity with GAAP and that contained material misstatements.

137. Penland aided and abetted Newpark's violations by knowingly providing substantial assistance to another person in violation of a provision of the Exchange Act or any rule or regulation thereunder. Specifically, in January 2004, after admitting that Quality Mat could not repay its debt to Newpark, Penland agreed to the plan that funneled money to Quality Mat so that Quality Mat could purportedly repay its debt. As signatory to the distributorship agreement that allegedly dictated the structure of the Dura-Base transaction, Penland knew or was reckless in not knowing that, under the terms of that agreement, he was not the entitled to any compensation in connection with Newpark's plans to begin rental operations in Mexico, yet he agreed to receive such compensation and conveniently use it to pay down debts owed to Newpark.

138. Penland provided substantial assistance to Newpark's violations when he engaged in the misconduct described in paragraphs 1-109 above, and aided and abetted Newpark's violations of the reporting provisions through their direct participation in the accounting schemes described in this complaint. The results of his actions were included in the misleading financial statements that were included in Newpark's filings with the Commission.

139. By reason of the foregoing, Newpark violated Section 13(a) of the Exchange Act [15 U.S.C. 78m(a)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder [17 C.F.R. 240.12b-20, 240.13a-1, 240.13a-11 and 240.13a-13].

140. Defendant Penland in his capacity as sole shareholder of Quality Mat, a main supplier or vendor of wooden mats to Newpark, provided substantial assistance to

Newpark in the contents of and filings of its periodic and current reports with the Commission. Penland, while associated with the third party vendor Quality Mat, aided and abetted the conduct of Newpark with respect to the activities constituting the violations of Section 13(a) of the Exchange Act [15 U.S.C. 78m(a)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder [17 C.F.R. 240.13a-1, 240.13a-11 and 240.13a-13]. Penland was a culpable participant in the conduct. In an effort to facilitate the scheme, Penland agreed to send fictitious invoices to Newpark, falsely representing that Quality Mat had sold lumber to Newpark. Penland attempted to conceal the true purpose of these invoices by using apparently random amounts, the combined average of which equated to Quality Mat's monthly payment obligation to Newpark on Note 2. Penland's actions contributed to Newpark's reporting of misstated receivables and net income in the December 31, 2003 financial statement. Penland also signed an audit confirmation on February 2, 2005, falsely representing that Quality Mat remained indebted to Newpark on Note 2, even though, when he signed that document, he had agreed to the plan by which Newpark would funnel funds to Quality Mat under the pretext of purchasing lumber. Finally, at DeBlanc's request, Penland agreed to "purchase" product from Easy Frac, without ever taking possession of that product.

141. By reason of the foregoing, Penland aided and abetted Newpark's violations of Section 13(a) of the Exchange Act [15 U.S.C. 78m(a)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder [17 C.F.R. 240.13a-1, 240.13a-11 and 240.13a-13] and unless enjoined will continue to aid and abet violations of Section 13(a) of the Exchange Act [15 U.S.C. 78m(a)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder [17 C.F.R. 240.12b-20, 240.13a-1, 240.13a-11 and 240.13a-13].

COUNT VII-REPORTING PROVISIONS VIOLATIONS

Liability of Hardey for Violating Rule 13a-14 of the Exchange Act [15 U.S.C. § 78m(a)] and Rule 13a-14 thereunder [17 C.F.R. 240.13a-14]

142. Paragraphs 1 through 109 are hereby realleged and are incorporated herein by reference.

143. Rule 13a-14 requires the CEO and the CFO of a reporting company to certify in each annual or quarterly report filed with the Commission that (1) the signing officer has reviewed the report, (2) based on the officer's knowledge, the report does not contain any untrue statement of a material fact or omit to state a necessary material fact, and (3) based on the officer's knowledge, the financial statements and other financial information included in the report fairly represent in all material respects the financial condition and results of operations of the company.

144. In addition, Rule 13a-14 requires that each periodic report containing financial statements filed by an issuer with the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act of 1934 should include a written statement by the CEO and CFO certifying that the periodic report containing the financial statements fully complies with the requirements of section 13(a) or 15(d) and that information contained in the periodic report fairly presents, in all material respects, the financial condition and results of operations of the issuer.

145. Hardey certified Newpark's December 31, 2003 Form 10-K filed March 11, 2004, pursuant to Section 302 of the Sarbanes-Oxley Act and Rule 13a-14 on March 9, 2004. He certified the Forms 10-Q filed May 6, 2004, and August 6, 2004, pursuant to Section 302 of the Sarbanes-Oxley Act and Rule 13a-14 on May 5, 2004, and August 5, 2004, respectively. Hardey certified Newpark's December 31, 2004 Form 10-K filed

March 16, 2005, pursuant to Section 302 of the Sarbanes-Oxley Act and Rule 13a-14 on March 15, 2005. This 2004 Form 10-K also included the December 31, 2003 financial statements.

146. Hardey also certified Newpark's December 31, 2005 Form 10-K filed March 14, 2006, pursuant to Section 302 of the Sarbanes-Oxley Act and Rule 13a-14 on March 6, 2006. This 2005 Form 10-K also included the December 31, 2003 financial statements.

147. Hardey knew at the time he executed these certifications that these forms and their accompanying financial statements were materially false and misleading as they improperly included worthless receivables that he knew should have been written off. He also knew that he was involved in a fraudulent scheme to eliminate these receivables when he signed these certifications. As such, Hardey violated Rule 13a-14 and unless enjoined will continue to violate of Rule 13a-14.

COUNT VIII-RECORD KEEPING AND INTERNAL CONTROLS VIOLATIONS

Liability of Hardey, DeBlanc and Penland for Aiding and Abetting Newpark's Violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. 78m(b)(2)(A) and 78m(b)(2)(B)]

148. Paragraphs 1 through 109 are hereby re-alleged and are incorporated herein by reference.

149. From early 2004 through 2006, Newpark failed, as described above, to make and keep books, records, and accounts, which in reasonable detail, accurately and fairly reflected transactions and disposition of its assets.

150. From early 2004 through 2006, Newpark failed, as described above, to devise and maintain a system of internal accounting controls sufficient to provide reasonable

assurances that: (a) transactions were executed in accordance with management's general or specific authorization, (b) transactions were recorded as necessary (i) to permit preparation of financial statements in conformity with GAAP or any other criteria applicable to such statements, and (ii) to maintain accountability for assets, (c) access to its assets was permitted only in accordance with management's general or specific authorization, and (d) the recorded accountability for its assets was compared with its existing assets at reasonable intervals and appropriate action was taken with respect to any differences.

151. By reason of the foregoing, Newpark violated Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. 78m(b)(2)(A) and 78m(b)(2)(B)].

152. As described above, both Hardey and DeBlanc deliberately falsified or caused to be falsified Newpark's books and records during the Newpark's calendar year ended December 31, 2003 and the quarters ending March 31, 2004, and June 30, 2004, resulting in material misstatements in Newpark's filings with the Commission and press releases. Each of them therefore aided and abetted Newpark's violations of Section 13(b)(2)(A).

153. As described above, in the 2004 Dura-Base transaction, Hardey and DeBlanc orchestrated a scheme whereby they deliberately circumvented the internal controls by providing the funds to Quality Mat and Easy Frac in order to make it appear that these companies were actually paying off debts owed to Newpark. Hardey and DeBlanc also caused corporate records to be falsified by using the funds received from Quality Mat and Easy Frac to pay off the accounts receivable supposedly owed by those companies when, in truth, a bad debt expense should have been recorded and the receivables written off. With respect to the Bulk Lumber scheme, Hardey and DeBlanc

also caused Newpark to falsify its books and records by recording bulk lumber assets that were never actually received. Hardey and DeBlanc therefore aided and abetted Newpark's violations of Section 13(b)(2)(B).

154. Defendant Penland, in an effort to facilitate the scheme, agreed to send fictitious invoices to Newpark, falsely representing that Quality Mat had sold lumber to Newpark. Penland attempted to conceal the true purpose of these invoices by using apparently random amounts, the combined average of which equated to Quality Mat's monthly payment obligation to Newpark on Note 2. Penland also signed an audit confirmation on February 2, 2005, falsely representing that Quality Mat remained indebted to Newpark on Note 2, even though, when he signed that document, he had agreed to the plan by which Newpark would funnel funds to Quality Mat under the pretext of purchasing lumber. Finally, at DeBlanc's request, Penland agreed to "purchase" product from Easy Frac, without ever taking possession of that product.

155. By reason of the foregoing, defendants Hardey, DeBlanc and Penland are liable as aiders and abettors of Newpark's violations, and unless restrained and enjoined, will continue to aid and abet violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. 78m(b)(2)(A) and 78m(b)(2)(B)].

COUNT IX-LYING TO AUDITORS

Liability of Defendant Penland for Violations of Rule 13b2-2 of the Exchange Act

156. Paragraphs 1 through 109 are hereby re-alleged and are incorporated herein by reference.

157. Rule 13b2-2 of the Exchange Act prohibits officers and directors of an issuer, as well as persons acting under the direction of an officer and director, from, *inter*

alia, making a materially false or misleading statement to an accountant in connection with any audit, review, or examination of the financial statements of the issuer.

158. Penland, who acted at the direction of Hardey, violated Rule 13b2-2 when he signed the January 2005 audit confirmation, confirming that Quality Mat owed $409,985 to Newpark on Note 2 as of December 31, 2004. When he signed this letter, Penland knew that this debt was not legitimate in that a scheme had been arranged to channel funds from Newpark to Quality Mat so that the latter could repay that obligation.

159. As such, Penland violated Rule 13b2-2 and unless enjoined will continue to violate Rule 13b2-2.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff SEC, respectfully prays that the Court:

I.

Make findings of fact and conclusions of law in accordance with Rule 52 of the Federal Rules of Civil Procedure.

II.

Issue a permanent injunction enjoining defendant Hardey, and his agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of the order by personal service or otherwise, and each of them:

a. from violating Section 17(a) of the Securities Act [15 U.S.C. 77q(a)];

b. from violating Section 10(b) of the Exchange Act [15 U.S.C. 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. 240.10b-5];

c. from violating Section 13(b)(5) of the Exchange Act [15 U.S.C. 78m(b)(5)] and Rules 13b2-1 and 13b2-2 thereunder [17 C.F.R. 240.13b2-1 and 240.13b2-2];

d. from aiding and abetting Newpark's violations of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder [17 C.F.R. 240.12b-20, 240.13a-1, 240.13a-11 and 13a-13];

e. from aiding and abetting Newpark's Violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(b)(2)(A) and 78m(b)(2)(B)]; and

f. from Violating Rule 13a-14 of the Exchange Act [17 C.F.R. 240.13a-14].

III.

Issue a permanent injunction enjoining defendant DeBlanc, and his agents, servants, employees, attorneys, and all persons in active concert or participation with him who receive actual notice of the order by personal service or otherwise, and each of them:

a. from violating Section 17(a) of the Securities Act [15 U.S.C. 77q(a)];

b. from violating Section 10(b) of the Exchange Act [15 U.S.C. 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. 240.10b-5];

c. from violating Section 13(b)(5) of the Exchange Act [15 U.S.C. 78m(b)(5)] and Rules 13b2-1 and 13b2-2 thereunder [17 C.F.R. 240.13b2-1 and 240.13b2-2];

d. from aiding and abetting Newpark's violations of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder [17 C.F.R. 240.12b-20, 240.13a-1, 240.13a-11 and 13a-13]; and

e. from aiding and abetting Newpark's Violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(b)(2)(A) and 78m(b)(2)(B)].

a. from violating Section 17(a) of the Securities Act [15 U.S.C. 77q(a)];

IV.

Issue a permanent injunction enjoining defendant Penland, and his agents, servants, employees, attorneys, and all persons in active concert or participation with him who receive actual notice of the order by personal service or otherwise, and each of them:

a. from aiding and abetting violations of Section 10(b) of the Exchange Act [15 U.S.C. 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. 240.10b-5];

b. from aiding and abetting violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. 78m(a), 78m(b)(2)(A) and 78m(b)(2)(B)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder [17 C.F.R. 240.12b-20, 240.13a-1, 240.13a-11 and 13a-13]; and

c. from violating Exchange Act Rule 13b2-2 [17 C.F.R. 240.13b-2].

V.

Issue an Order requiring defendants Hardey, DeBlanc and Penland, pursuant to Section 20(d) of the Securities Act [15 U.S.C. 77t(d)] and Sections 21(d)(3) and 21A of the Exchange Act [15 U.S.C. 78u(d)(3) and 78u-1], to pay civil monetary penalties.

VI.

Issue an Order pursuant to Section 20(e) of the Securities Act [15 U.S.C. 77t(e)] and Section 21(d)(2) of the Exchange Act [15 U.S.C. 78u(d)(2)] permanently prohibiting defendants Hardey and DeBlanc from acting as officers or directors of any company that has a class of securities registered with the Commission pursuant to Section 12 of the Exchange

Act [15 U.S.C. 78l] or that is required to file reports with the Commission pursuant to Section 15(d) of the Exchange Act [15 U.S.C. 78o(d)].

VII.

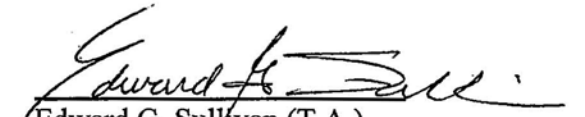
Issue an Order that retains jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that may have been entered or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

VIII.

Grant such other and further relief as may be necessary and appropriate.

Dated: July 14, 2009

RESPECTFULLY SUBMITTED,



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