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Series: Personal Papers
Subseries: Zapata Oil File, Personal Alphabetical File

OA/ID Number: 25836
Folder ID Number: 25836-001

Folder Title:
CAMCO [1961-1964] [2]

Stack:	Row:	Section:	Shelf:	Position:
G	5	1	1	5



I N C O R P O R A T E D

October 22, 1962

Mr. George H.W. Bush, President
Zapata Offshore Drilling Company
1701 Houston Club Building
Houston 2, Texas

Dear Mr. Bush:

I am enclosing three copies of the Stock Option Contract concerning your-
self.

Please execute all three copies and return two copies to me, retaining the
third copy for your files.

Yours very truly,

CAMCO, INCORPORATED

Charles H. Weier
Charles H. Weier
Secretary

CHW:jh
Enclosures

cc: Central File

*Pls return 2 to me
and put blue back
on one for my
safe deposit box
WJ*

Bush Library Photocopy



I N C O R P O R A T E D

October 25, 1962

Mr. George H. W. Bush, President
Zapata Off-Shore Company
Houston Club Building
Houston, Texas

Dear George,

Attached you will find the advance proof on the Camco Note Agreement with John Hancock. Please read and advise me by telephone of any comments you may have on this subject.

I would like to be able to write John Hancock my first rebuttal by Friday, November 2, 1962.

Sincerely,

CAMCO, INCORPORATED

A handwritten signature in cursive script, appearing to read "McGowen", is written over the typed name.

Harold E. McGowen, Jr.
President

Incl:
a/s

HEM/amc

CAMCO, INCORPORATED

NOTE AGREEMENT

relating to

5½% Notes due November 1, 1982

October , 1962

JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY
200 Berkeley Street
Boston 17, Massachusetts
Attention: *Bond Department*

Dear Sirs:

The undersigned, Camco, Incorporated, a Texas corporation (hereinafter called the "Company"), hereby agrees with you as follows:

SECTION 1. DESCRIPTION OF NOTES AND SALE AND PURCHASE THEREOF.

- 1.1. *Authorization of Notes.* The Company proposes to issue \$1,600,000 principal amount of its 5½% Notes due November 1, 1982. The Notes are to be substantially in the form of Exhibit A attached hereto and are to be purchased by you. Except where the context otherwise requires, the term "Notes" as used herein means the Notes issued and sold to you pursuant to this Agreement and includes any notes issued in substitution or exchange, or upon a transfer, made as herein provided, and the term "Note" means any one of the Notes.
- 1.2. *Sale and Purchase of Notes.* Subject to the terms and conditions herein set forth, the Company hereby agrees to sell to you and you, in reliance upon the representations and warranties of the Company contained herein, hereby agree to purchase from the Company for investment the entire principal amount of the Notes at a price equal to 100% of the principal amount thereof.
- 1.3. *Closing.* The time for delivery of and payment for the Notes (herein called the "Closing") shall be 11 A.M., E.S.T., on _____, 1962 (or on such other date, not later than December 11, 1962, as shall be agreed upon by the Company and you) at your principal office in Boston, Massachusetts. At the Closing the Company will deliver to you a Note or Notes, dated as of the Closing, and issued in your name or in the name or names of your nominee or nominees in such denominations as you shall request, against delivery by you to the Company of a certified or bank cashier's check in Boston Clearing House funds for the full purchase price thereof.

SECTION 2. USE OF PROCEEDS.

The Company will use the proceeds from the sale of the Notes to retire, simultaneously with the issuance and sale of the Notes hereunder, its 4¾% mortgage note due January 1, 1970 payable to Guardian Life Insurance Company of America, having an unpaid principal balance on the date hereof of \$ _____, and its 6% mortgage note due January 2, 1969 payable to Ruth R. Whitmire, having an unpaid principal balance on the date hereof of \$ _____, and will add the balance of such proceeds to its general funds and apply the same initially to the reduction of short-term bank borrowings.

SECTION 3. PREPAYMENT OF NOTES.

- 3.1. *Fixed Installment Payments.* On November 1, 1963 and on November 1 in each year thereafter, until the entire principal amount of the Notes is paid, the Company will apply the sum of \$80,000 to the payment of the principal of the Notes without premium; and on November 1, 1982 will pay any balance of the Notes remaining unpaid.
- 3.2. *Optional Prepayments Without Premium.* Subject to the provisions of Section 3.4, the Company may at its option on November 1, 1963, or on any November 1 thereafter, make prepayments of the principal of the Notes, without premium, in an amount not exceeding \$80,000 for any one such prepayment, provided that the Company may only make such prepayments on five separate occasions. No such optional prepayment shall be applied against the amount of any future payment or prepayment required by Section 3.1 and the privilege of the Company to make prepayments pursuant to this Section 3.2 shall be non-cumulative so that if not exercised in full on any November 1 the Company may not on any succeeding November 1 exercise such privilege to the extent not theretofore exercised.
- 3.3. *Optional Prepayments With Premium.* Subject to the provisions of Section 3.4, the Company may at its option at any time after, but not on or before, November 1, 1967 prepay the entire principal amount of the Notes remaining unpaid, or from time to time any part thereof, provided the Company shall also pay a premium at the following percentages of the principal amount thereof being prepaid for the respective periods indicated:

<i>Period</i>	<i>Percentage</i>
After November 1, 1967 and on or before November 1, 1968	6 %
After November 1, 1968 and on or before November 1, 1969	5.572
After November 1, 1969 and on or before November 1, 1970	5.144
After November 1, 1970 and on or before November 1, 1971	4.716
After November 1, 1971 and on or before November 1, 1972	4.288
After November 1, 1972 and on or before November 1, 1973	3.860
After November 1, 1973 and on or before November 1, 1974	3.432
After November 1, 1974 and on or before November 1, 1975	3.004
After November 1, 1975 and on or before November 1, 1976	2.576
After November 1, 1976 and on or before November 1, 1977	2.148
After November 1, 1977 and on or before November 1, 1978	1.720
After November 1, 1978 and on or before November 1, 1979	1.292
After November 1, 1979 and on or before November 1, 1980864
After November 1, 1980 and on or before November 1, 1981436
And thereafter without premium.	

Notwithstanding the foregoing provisions of this Section 3.3, the Company shall not have the right to prepay any of the Notes pursuant to this Section 3.3 on or before November 1, 1972, as part of a refunding or anticipated refunding operation, by the application, directly or indirectly, of funds borrowed or then expected to be borrowed which will have an effective net interest cost to the Company (calculated in accordance with accepted financial practice) of less than 5½% per annum.

- 3.4. *Notice, Interest and Allocation of Prepayments.* Written notice of each prepayment pursuant to Sections 3.2 and 3.3 shall be given by the Company to you if you are then the holder of any of the Notes, and to any holders of the Notes whose names and addresses are on file with the Company, not less than 30 nor more than 60 days prior to the date fixed for prepayment, specifying such date,

the principal amount of the Notes to be prepaid and the premium, if any, applicable to such prepayment. Notice of prepayment having been so given, the principal amount of Notes specified for prepayment in such notice shall become due and payable on the date fixed in such notice.

All payments and prepayments pursuant to Sections 3.1, 3.2 and 3.3 shall be in a multiple of \$1,000, shall be allocated in multiples of \$1,000 among the Notes then outstanding, as nearly as may be pro rata according to the respective unpaid principal amounts thereof, and shall be accompanied by payment of any interest accrued but unpaid on the amount paid to the date of such payment and thereupon the interest on the amount of principal so paid shall cease to accrue.

SECTION 4. GENERAL COVENANTS OF COMPANY.

The Company covenants and agrees that, so long as any of the Notes shall be outstanding:

- 4.1. *Payments of Principal and Interest.* The Company will duly and punctually pay the principal of and premium, if any, and interest on the Notes on the date, in the place and in the manner therein mentioned according to the true intent and meaning thereof. Notwithstanding any provision to the contrary in the Notes contained, the Company will pay all amounts payable to you in respect of the principal of or premium or interest on any of the Notes then held by you by delivery or by mailing the same to you at your address set forth at the beginning of this Agreement or at such other address as you from time to time may designate in writing, without any presentment thereof. You will, however, at any time during regular business hours on any day when a payment of principal is due, permit the Company to make appropriate notation on any Note then held by you of the amount of principal which has been paid thereon, if the Company, at least 15 days in advance, shall have in writing requested permission to make such notation. If the Company shall not make appropriate notation of any payment of principal on any Note held by you at the time such payment is made, you may, if you so determine, make such notation and you will promptly make such notation if the Company shall so request. In the event of the sale, negotiation or other transfer of any Note by any holder thereof, such holder shall endorse on such Note the amount of the unpaid balance of principal due thereon and the last date to which interest thereon has been paid, and if any Note is transferred to a holder other than an insurance company, then such holder shall be required to endorse on such Note each partial payment or prepayment of principal thereafter received. Except as stated in this Section 4.1, no holder of a Note shall be under any obligation to make any notation on the Note as to the payment or prepayment of any principal thereof or interest thereon or to surrender the Note to the Company for such purpose.
- 4.2. *Preservation of Franchises and Existence.* The Company and its Subsidiaries, except as otherwise permitted by this Agreement, will keep their respective corporate existence, rights and franchises in full force and effect.
- 4.3. *Payment of Taxes and Assessments.* The Company will pay or cause to be paid all taxes, assessments and other governmental charges levied upon any of its properties or assets or any of the properties or assets of any Subsidiaries or in respect of its or their franchises or income or profits before any interest or penalty thereon shall accrue, except that no such charge need be paid if being contested in good faith and by appropriate proceedings or in another appropriate manner and if such reserve or other appropriate provision, if any, as shall be required by generally accepted accounting principles shall have been made therefor.
- 4.4. *Maintenance of Properties.* Except as prevented by causes beyond its control, the Company will maintain or cause to be maintained in good repair, working order and condition all properties used or useful in the business of the Company and any Subsidiaries.
- 4.5. *Insurance.* The Company will maintain or cause to be maintained with financially sound and reputable insurers, insurance with respect to its properties and business and the properties and business of any Subsidiaries against such casualties and contingencies of such types and in such amounts as is customary in the case of corporations engaged in the same or a similar business or having similar

properties similarly situated. The Company and each Subsidiary will also maintain war risk insurance on its insurable property, if requested by the holders of not less than 66⅔% in aggregate principal amount of the Notes at the time outstanding, in such amounts not to exceed the insurable value of the properties covered thereby as such holders may specify, but shall not be obligated to obtain or keep any such insurance if its Board of Directors deems the cost unreasonable or if similar corporations having similar properties are not generally carrying such insurance.

- 4.6. *Accounts and Records.* The Company and its Subsidiaries will keep books of record and account in which full, true and correct entries in accordance with generally accepted accounting principles will be made of all dealings or transactions in relation to their respective businesses and activities.

SECTION 5. SPECIAL COVENANTS OF COMPANY.

The Company covenants and agrees that, so long as any of the Notes shall be outstanding:

- 5.1. *Restrictions on Indebtedness.* The Company will not itself, and will not permit any Subsidiary to, create, incur, assume, guarantee or be or remain liable in respect of any Indebtedness except
- (1) Indebtedness in respect of the Notes and the following Indebtedness of the Company:
 - (a) 5½% promissory note due February 19, 1967 payable to James E. Berry, originally issued in May, 1962 and now outstanding in the unpaid principal amount of \$ _____; and
 - (b) 6% promissory note due May 30, 1967 payable to International Business Machines Corporation, originally issued in May, 1962 and now outstanding in the unpaid principal amount of \$ _____;
 - (2) Unsecured Current Liabilities of the Company or a Subsidiary, other than for money borrowed, incurred in the ordinary course of business, and unsecured Current Liabilities of the Company or a Subsidiary representing amounts due within one year on Indebtedness for money borrowed originally constituting Funded Debt permitted by any provision hereof;
 - (3) Unsecured Current Liabilities of the Company or a Subsidiary for money borrowed in the ordinary course of business, and guaranties by the Company of the Indebtedness of a Subsidiary permitted by this subdivision (3), provided that the aggregate unpaid principal amount of all Indebtedness of all Subsidiaries permitted by this subdivision (3) shall not exceed \$ _____ at any one time outstanding, and provided further that any Subsidiary incurring Indebtedness permitted by this subdivision (3) shall have no such Indebtedness outstanding for a period of at least 60 consecutive days during each fiscal year;
 - (4) Liabilities of the Company or a Subsidiary for taxes, assessments, governmental charges or levies if payment thereof is not at the time required to be made in accordance with Section 4.3;
 - (5) Indebtedness of the Company or a Subsidiary secured by liens to the extent permitted by Section 5.2(1), Section 5.2(3) and Section 5.2(4);
 - (6) Unsecured Funded Debt of the Company hereafter created, incurred or assumed, in addition to the Notes and the Indebtedness referred to in clauses (a) and (b) of subdivision (1) above, and Funded Debt of the Company or its Northern Ireland Subsidiary, Camco, Limited, hereafter created, incurred or assumed which is secured by liens permitted by Section 5.2(2), provided that no such Funded Debt shall be created, incurred or assumed unless, immediately after giving effect thereto,
 - (a) Consolidated Funded Debt of the Company and Subsidiaries then to be outstanding shall not exceed 33⅓% of Consolidated Net Tangible Assets of the Company and Subsidiaries; and
 - (b) Consolidated Net Income of the Company and Subsidiaries, before interest on Indebtedness and provision for taxes based on income or profits, for the five next preceding fiscal years of the Company, shall have averaged at least 5.5 times the interest on Consolidated Funded

Debt of the Company and Subsidiaries then to be outstanding and for either of the two next preceding fiscal years of the Company shall have been at least 5.5 times such interest;

- (7) Indebtedness of the Company or a Subsidiary to a Wholly Owned Subsidiary and Indebtedness of a Subsidiary to the Company; and
- (8) Indebtedness of the Company or a Subsidiary on account of judgments or awards in respect of which an appeal or proceedings for review shall be under consideration with no execution levied in respect thereof, or shall be pending and a stay of execution shall have been obtained.

5.2. *Restrictions on Liens.* The Company will not itself, and will not permit any Subsidiary to, create or incur, or suffer to be created or incurred or to exist, any mortgage, pledge, lien, charge or other encumbrance of any kind upon any of its property or assets of any character, whether owned at the date hereof or hereafter acquired, or acquire any property of any character subject to conditional sales agreements or other title retention contracts, except that:

- (1) The Company may suffer to exist the mortgage on the engineering laboratory at the Company's plant in Houston, Texas securing the outstanding 6 $\frac{1}{4}$ % promissory note of the Company due February 1, 1976 payable to The Prudential Insurance Company of America, originally issued in February, 1961 and now outstanding in the unpaid principal amount of \$, and may extend or renew such mortgage upon the same property, or extend or renew the Indebtedness secured thereby, provided that the amount of such Indebtedness so extended or renewed shall not be increased;
- (2) The Company or its Northern Ireland Subsidiary, Cameco, Limited, may create liens on real estate, fixed property or plant assets owned on the date hereof by the Company or such Subsidiary, as the case may be, in the United States of America or Northern Ireland, in addition to the mortgage referred to in subdivision (1) above, provided that prior to or simultaneously with the creation of such lien all of the Notes, and any other unsecured Funded Debt of the Company then outstanding which has been created, issued or assumed in accordance with the provisions of Section 5.1(6) and which is entitled to the benefit of a covenant similar in effect to this covenant, shall be equally and ratably secured by effective lien on such property so long as any such Indebtedness is secured thereby (the Company to give prompt written notice to you if you are then the holder of any of the Notes and to any holders of the Notes whose names and addresses are on file with the Company of the granting of such equal and ratable security, such notice to be accompanied by a favorable opinion of counsel, which counsel shall be satisfactory to you and such holders, as to the validity and enforceability of such equal and ratable security), and, subject to the foregoing provisions respecting equal and ratable security, may extend or renew any such lien upon the same property or extend or renew the Indebtedness secured thereby, provided that in any case the amount of any such Indebtedness so extended or renewed shall not be increased;
- (3) The Company or any Subsidiary may create liens on real estate, fixed property or plant assets (except machinery and equipment acquired otherwise than in connection with the acquisition of buildings) purchased after the date hereof to secure the payment of a portion of the purchase price of such property not exceeding 66 $\frac{2}{3}$ % of the cost or fair value thereof, whichever be less, or may acquire real estate, fixed property or plant assets (except as aforesaid) subject to existing liens securing Indebtedness, whether or not assumed by the Company or any Subsidiary, in an amount not exceeding 66 $\frac{2}{3}$ % of the cost or fair value of such property, whichever be less, provided that
 - (a) the aggregate principal amount of all Indebtedness secured by such liens at any one time outstanding shall not exceed \$300,000 less the amount of any Indebtedness then outstanding secured by liens permitted by subdivision (4) below;
 - (b) any such lien shall be limited to the property originally subject thereto; and

- (c) any such lien shall, if not existing at the date of acquisition of such property, be created or incurred at the time of acquisition;
- (4) The Company or any Subsidiary may create liens on transportation equipment purchased after the date hereof to secure the payment of a portion of the purchase price of such equipment or may acquire such equipment subject to conditional sales agreements or other title retention contracts, provided that the aggregate principal amount of all Indebtedness secured by such liens and title retention contracts at any one time outstanding shall not exceed \$300,000 less the amount of any Indebtedness then outstanding secured by liens permitted by subdivision (3) above and further shall not in any case exceed 66 $\frac{2}{3}$ % of the cost or fair value of such equipment, whichever be less;
- (5) The Company or any Subsidiary may create, permit or incur or suffer to be created or incurred or to exist (a) liens for taxes, assessments, governmental charges or levies if payment thereof shall not at the time be required to be made in accordance with Section 4.3, (b) defects in and restrictions and encumbrances not securing the payment of money on titles to its properties which do not materially and adversely affect or interfere with the use of such properties in its business, (c) pledges or deposits under workmen's compensation laws or similar legislation, (d) pledges and deposits in connection with tenders, contracts and leases in the ordinary course of business, (e) deposits to secure public or statutory obligations or surety or appeal bonds, (f) liens in respect of judgments or awards against the Company or any Subsidiary in respect of which an appeal or proceedings for review shall be under consideration with no execution levied in respect thereof, or shall be pending and a stay of execution shall have been obtained, or (g) attachments remaining undischarged for not longer than 30 days from the making thereof; and
- (6) A Subsidiary may create liens securing Indebtedness to the Company or to a Wholly Owned Subsidiary.
- 5.3. *Maintenance of Working Capital.* Consolidated Working Capital of the Company and Subsidiaries shall at all times be at least equal to \$2,000,000 or 135% of Consolidated Funded Debt of the Company and Subsidiaries, whichever be greater.
- 5.4. *Restrictions on Dividends and Other Distributions.* The Company will not at any time (a) declare or pay any dividends (other than dividends payable solely in common stock of the Company) on any class of its capital stock or (b) purchase, redeem or otherwise retire any shares of its capital stock, or make any distribution in respect thereof, either directly or through any Subsidiary (except to the extent of the proceeds derived from the sale of capital stock of the Company subsequent to July 31, 1961), unless, immediately thereafter and after giving effect thereto, Consolidated Net Income of the Company and Subsidiaries accrued subsequent to July 31, 1961 (as offset by Consolidated Net Losses, if any) will be greater than the aggregate of the cash paid or to be paid and the book value of all other property applied or to be applied by the Company or any Subsidiary subsequent to July 31, 1961 in respect of all such dividends, payments, purchases, redemptions, retirements and distributions (other than those excepted as aforesaid).
- 5.5. *Restrictions on Investments, Loans and Advances.* The Company will not itself, and will not permit any Subsidiary to, purchase or otherwise acquire any stock or other securities of, or make any loan or advance to, any other corporation, association, partnership or individual except that
- (1) The Company or a Wholly Owned Subsidiary may purchase or otherwise acquire the stock or other securities of, or make any loan or advance to, any corporation which is or thereupon will become a Subsidiary; and
- (2) The Company or any Subsidiary may invest in obligations issued or guaranteed by the United States of America or Canada having a maturity of not over three years, time deposits with banks or bankers, commercial paper, United States treasury and Canadian tax anticipation notes and readily marketable short-term obligations of states, provinces, municipalities or other governmental subdivisions in said United States or Canada.

5.6. *Sale of Assets, Merger, Consolidation, Sale and Lease Back.*

The Company will not

- (1) Sell real estate, fixed property or plant assets, or permit any Subsidiary to sell real estate, fixed property or plant assets, in the United States of America or Northern Ireland unless an amount equivalent to the net proceeds realized therefrom is promptly deposited by the Company or such Subsidiary, as the case may be, in a segregated or escrow account for use in the acquisition or construction in said United States or Northern Ireland, as the case may be, of other real estate, fixed property or plant assets, such acquisition or construction to be completed within one year from the date of sale, provided that not later than one year from the date of sale the Company shall, to the extent that other real estate, fixed property or plant assets have not been so acquired or constructed, prepay a principal amount of Notes equal to such deficiency in the manner provided and at the then applicable premium for optional prepayments thereof with premium (except to the extent optional prepayment without premium may then be permissible pursuant to the provisions of Section 3.2), and provided, further, that the foregoing provisions of this subdivision (1) shall not apply to any sale involving net proceeds of less than \$25,000 (but for this purpose any series of related sales shall be deemed to constitute a single sale);
- (2) Merge into, consolidate with or sell, lease or otherwise dispose of all or substantially all its property and assets to, or permit any Subsidiary to merge into, consolidate with or sell, lease or otherwise dispose of all or substantially all its property and assets to, any other corporation, association, partnership or individual, or permit any other corporation or other entity to merge into it or such Subsidiary, or acquire, or permit any Subsidiary to acquire, all or substantially all the property and assets of any other corporation, association, partnership or individual, without first obtaining the consent provided for in Section 14, including your consent so long as you hold any of the Notes, provided that nothing in this subdivision (2) shall prevent a sale by the Company or a Subsidiary pursuant to the provisions of subdivision (1) of this Section 5.6; or
- (3) Enter into any arrangement, or permit any Subsidiary to enter into any arrangement, directly or indirectly,
 - (a) whereby the Company or such Subsidiary shall sell or transfer any real or personal property in order then or thereafter to lease such property or lease other property which the Company or such Subsidiary intends to use for substantially the same purpose as the property being sold or transferred, or
 - (b) whereby the Company or such Subsidiary shall lease any real property acquired or constructed by any owner or owners for the purpose of leasing the same to the Company or such Subsidiary on terms involving or contemplating the equivalent of a sale thereof or an eventual nominal rental thereof.

5.7. *Disposition of Insurance and Eminent Domain Proceeds.* In the event that the Company or any Subsidiary shall receive insurance or eminent domain proceeds in excess of \$25,000 in any one instance as a result of casualties or takings affecting any real estate, fixed property or plant assets of the Company or any Subsidiary in the United States of America or Northern Ireland, an amount equivalent to such proceeds shall be promptly deposited by the Company or such Subsidiary, as the case may be, in a segregated or escrow account for use in acquiring or constructing other real estate, fixed property or plant assets in said United States or Northern Ireland, as the case may be, such acquisition or construction to be completed within one year from the date of receipt of such proceeds, provided that not later than one year from the date of such receipt the Company shall, to the extent that other real estate, fixed property or plant assets have not been so acquired or constructed, prepay a principal amount of Notes equal to such deficiency in the manner provided in Section 3 but without premium, provided that if any such proceeds are received in respect of property on which there exists a mortgage permitted by Section 5.2 the foregoing provisions of this Section 5.7 shall be subject to whatever provisions may be contained in such mortgage with respect to the disposition of insurance or eminent domain proceeds.

5.8. *Disposition of Stock or Indebtedness of Subsidiaries.* The Company will not itself, and will not permit any Subsidiary to, sell, assign, transfer or otherwise dispose of any shares of stock (except directors' qualifying shares), or Indebtedness for money borrowed, of any Subsidiary except to the Company or to a Wholly Owned Subsidiary and except that any disposition of such stock or Indebtedness may be made if (a) simultaneously therewith all the shares of stock and all such Indebtedness of such Subsidiary at the time owned by the Company and its Subsidiaries shall be disposed of as an entirety and for a consideration which shall be not less than the fair value thereof and which will not include stock of another corporation (unless immediately after the receipt of such stock such other corporation will be or become a Subsidiary) and (b) immediately thereafter the Subsidiary so disposed of will not hold any Indebtedness of the Company for money borrowed. In case any such disposition or dispositions occurring during any twelve-month period shall comprise shares of stock and/or Indebtedness of an aggregate book value of more than 5% of the Consolidated Net Worth of the Company and Subsidiaries, an amount equivalent to the net proceeds of said disposition or dispositions shall be promptly used to prepay the Notes in the manner provided and at the then applicable premium for optional prepayments thereof with premium.

The Company will not permit any Subsidiary to issue or sell any shares of its stock (other than directors' qualifying shares, and stock sold pursuant to pre-emptive rights if the Company or a Wholly Owned Subsidiary subscribes to its share of such issue) or any of its securities (unless issued in a transaction expressly permitted hereby), except to the Company or to a Wholly Owned Subsidiary.

Notwithstanding the foregoing two paragraphs, the Company or a Subsidiary may sell or otherwise dispose of shares of stock of any Subsidiary, and any Subsidiary may sell or issue any shares of its stock, without restriction to the extent necessary to comply with applicable law.

SECTION 6. FINANCIAL STATEMENTS AND INFORMATION.

The Company will deliver to you so long as you shall hold any Notes, and to each holder of 15% or more in principal amount of such Notes at the time outstanding:

- (a) as soon as practicable and in any event within 30 days after the end of each of the first three quarterly periods in each fiscal year, balance sheets as of the end of such period and profit and loss and surplus statements for such period for the Company itself and for the Company and Subsidiaries consolidated, setting forth in each case in comparative form figures for the corresponding period of the previous fiscal year, in duplicate and in reasonable detail and accompanied by a statement of a principal financial or accounting officer of the Company to the effect that such statements, in his opinion, present fairly the financial position of the Company and of the Company and Subsidiaries consolidated at the close of such period and the results of their operations for the period, together with figures in summary form showing the financial status at the close of such period with respect to the restrictions contained in Sections 5.1(6), 5.2(3), 5.2(4), 5.3, 5.4, 5.6(1), 5.7 and 5.8, and a certificate by such financial or accounting officer either
 - (i) stating that to the best of his knowledge there exists no condition or event which constitutes an Event of Default (as defined in Section 11) or which, after notice or lapse of time or both, would constitute such an Event of Default, or
 - (ii) specifying the nature and period of existence of any such condition or event and what action the Company is taking or proposes to take with respect thereto;
- (b) as soon as practicable after the end of each fiscal year and in any event within 90 days thereafter, balance sheets as at the end of such year and profit and loss and surplus statements for such year for the Company itself and for the Company and Subsidiaries consolidated, setting forth in each case in comparative form figures for the previous fiscal year, in duplicate and all in reasonable detail and accompanied by a report of Arthur Andersen & Co., or other independent public accountants of recognized standing selected by the Company and satisfactory to you, to the effect that such statements, in their opinion, present fairly the financial position of the Company and of the Company and Subsidiaries consolidated at the close of such year and the results of their operations

for the year, in accordance with generally accepted accounting principles, together with figures in summary form showing the financial status at the close of such year with respect to the restrictions contained in Sections 5.1(6), 5.2(3), 5.2(4), 5.3, 5.4, 5.6(1), 5.7 and 5.8, and a report of said accountants

- (i) stating that in making their examination of such financial statements they have (except as specified by them) obtained no notice of the existence of any condition or event which constitutes an Event of Default as defined in Section 11 or which, after notice or lapse of time or both, would constitute such an Event of Default; and
- (ii) specifying the nature and period of existence of any such condition or event of which they have obtained notice;
- (c) on, or not more than 30 days before, March 1 in each year beginning with the year 1963, a certificate of the Company, signed by its Treasurer or an Assistant Treasurer as to insurance at the time in force as required by Section 4.5, specifying the amount and character of coverage, identifying the type of insurance and certifying to the payment of all current premiums;
- (d) promptly upon receipt thereof, copies of all detailed reports submitted to the Company by independent accountants on the financial position or results of operations of the Company or of any of its Subsidiaries;
- (e) promptly upon transmission thereof, copies of all financial statements and reports sent by the Company to its stockholders and of regular and periodic reports, if any, filed by it with the Securities and Exchange Commission or any governmental authority succeeding to the functions of such Commission; and
- (f) with reasonable promptness, such other data and information as from time to time may be reasonably requested by you or any such holder of the Notes.

You shall be free to exhibit or deliver any financial statements, information or reports furnished to you pursuant to this Agreement to any regulatory body or commission to the jurisdiction of which you are at the time subject or to any recognized association of life insurance companies of which you are at the time a member. So long as you hold any of the Notes, any of your authorized representatives shall also have the right at your expense to visit and inspect any of the properties of the Company and of any Subsidiary, to examine their books of account and take notes and make transcripts therefrom, and to discuss their affairs, finances and accounts with, and be advised as to the same by, their officers, all at reasonable times and intervals, provided that all confidential information so acquired shall be kept confidential, and provided, further, that any such right may be denied if and to the extent that the exercise thereof either might result in the disclosure of any trade secrets or secret processes or would be, in the reasonable opinion of the Company, detrimental to the business of the Company or any Subsidiary.

SECTION 7. REPRESENTATIONS AND WARRANTIES.

The Company represents and warrants to you that:

- 7.1. *Organization and Good Standing of Company.* The Company is a corporation duly organized and validly existing and in good standing under the laws of the State of Texas and has all requisite corporate power and authority to carry on its business as now conducted and is duly qualified or licensed to conduct its business in all places where such qualification or license is required.
- 7.2. *Subsidiaries of Company.* The Company has five Subsidiaries, as follows:

<i>Name</i>	<i>Incorporated under laws of</i>
Camco, Limited	Canada
Camco, Limited	Northern Ireland
Camco de Mexico, S. A.	Mexico
Servicios Petroleros de Linea, S. A.	Mexico
A-Z Export, S. A.	Venezuela

Each such Subsidiary is duly organized and validly existing and in good standing under the laws of its state or country of incorporation and has all requisite corporate power and authority to carry on its business as now conducted and is duly qualified or licensed to conduct its business in all places where such qualification or license is required. All of the issued and outstanding shares of capital stock (except directors' qualifying shares) of each such Subsidiary, other than A-Z Export, S. A., are owned by the Company free and clear of all liens, pledges or encumbrances and have been duly and validly issued and are fully paid and non-assessable. The Company owns 80% of the issued and outstanding shares of capital stock of A-Z Export, S. A., free and clear of all liens, pledges or encumbrances and such shares have been duly and validly issued and are fully paid and non-assessable.

7.3. *Financial Statements.* The Company has furnished you with the following financial statements:

- (a) balance sheets of the Company as at the end of each of its last seven fiscal years, all certified by independent public accountants; and
- (b) balance sheets of the Company and its then Subsidiaries consolidated as at the end of such fiscal years and statements of income of the Company and such Subsidiaries for such fiscal years, likewise certified by independent public accountants.

Such financial statements are complete and correct and have been prepared in accordance with generally accepted accounting principles consistently followed throughout the periods covered by such statements and fairly present the financial condition and the results of operations of the Company and of the Company and its then Subsidiaries consolidated at the dates and for the periods indicated respectively.

7.4. *Financial Condition.* There has been no change in the assets or liabilities or condition (financial or otherwise) or business of the Company and its Subsidiaries from that set forth or reflected in such consolidated balance sheet as at July 31, 1962, other than changes in the ordinary course of business, none of which individually or in the aggregate has materially and adversely affected the properties or operations of the Company and its Subsidiaries as a whole.

The average net earnings of the Company during the seven fiscal years next preceding the date of this Agreement have been not less than four times the fixed charges of the Company. The terms referred to in this paragraph shall have the same meanings assigned to them in paragraph 14A of Section 63 of Chapter 175 of the General Laws of Massachusetts.

7.5. *Title to Properties; Leases.* The Company and each of its Subsidiaries has good and marketable title to its properties and assets, including the properties and assets reflected in such consolidated balance sheet as at July 31, 1962 (except those disposed of since that date in the ordinary course of business), subject to no mortgage, pledge, lien, charge or other encumbrance or defect except those which are of the character permitted under Section 5.2, or which in the aggregate are not substantial in amount and do not materially detract from the value of the properties or assets subject thereto or materially impair the operations of the Company and its Subsidiaries as a whole. The Company and its Subsidiaries enjoy peaceful and undisturbed possession under all leases under which they operate, none of which contains any unusual and burdensome provision which is likely to materially and adversely affect or impair their operations as a whole, and all such leases are valid and subsisting and in full force and effect.

7.6. *Tax Returns and Payments.* All tax returns and reports of the Company and each of its Subsidiaries considered to be required by law to be filed have been duly filed, and all taxes, assessments and other governmental charges (other than any currently being or to be contested in good faith) upon the Company and its Subsidiaries or upon any of their properties or assets which are due and payable have been paid. All Federal income and excess profits tax returns of the Company have been audited by the Internal Revenue Service for all fiscal years through _____, and the results of such audits are fully reflected in the financial statements referred to in Section 7.3. The

charges, accruals and reserves on the books of the Company in respect of Federal taxes for all fiscal years since _____, are considered adequate, and the Company does not know of any actual or proposed additional assessments against it for the fiscal years since that date which are not adequately covered by reserves.

- 7.7. *Permits, Licenses, Patents and Trade-marks.* The Company and its Subsidiaries have adequate permits and licenses, patents and patent rights, trade-marks and trade names to allow them to conduct their respective businesses as now conducted, subject to no unusual and burdensome restrictions which materially and adversely affect or impair their operations as a whole.
- 7.8. *Litigation.* There is no action, proceeding or investigation pending or, to the knowledge of its officers, threatened against the Company or any of its Subsidiaries which might result in any material adverse change in the property, assets or business or condition (financial or otherwise) of the Company and its Subsidiaries as a whole or in any liability on their part (not covered by insurance) exceeding an aggregate of \$50,000 in amount or value or which questions the validity of the Notes or of this Agreement or of any action taken or to be taken by the Company pursuant to or in connection with this Agreement.
- 7.9. *No Burdensome Agreements.* Neither the Company nor any of its Subsidiaries is a party to any indenture, contract, agreement or other instrument, or subject to any provision of its charter or by-laws or any order, regulation or demand of any municipal or governmental agency, authority or body, any term of which materially and adversely affects their financial condition, properties or operations as a whole.
- 7.10. *Compliance with Other Instruments.* The consummation of the transaction contemplated by, and compliance with the provisions of, this Agreement will not result in a breach in any of the terms, conditions or provisions of, or constitute a default under, or result in the creation of any lien or encumbrance upon any properties of the Company or of any of its Subsidiaries pursuant to, any charter provision, by-law, indenture, contract, agreement or other instrument to which the Company or any of its Subsidiaries is a party or by which the Company or its properties or any of its Subsidiaries or their properties may be bound or affected and, to the best of its knowledge, neither the Company nor any of its Subsidiaries is in default in any material respect under any provision of its charter or by-laws or any such indenture, contract, agreement or other instrument or any order, regulation or demand of any municipal or governmental agency, authority or body.
- 7.11. *Legal Status of Company and Subsidiaries.* Neither the Company nor any of its Subsidiaries is a holding company or a subsidiary of a registered holding company as defined in the Public Utility Holding Company Act of 1935. The Company is not, and since April 10, 1940, has not been, controlled by any national of any foreign country designated in Presidential executive orders 8389 or 9193, as amended, within the meaning of either such executive order, as amended, or any regulation issued thereunder.

SECTION 8. EXEMPT CHARACTER OF TRANSACTION.

You represent to the Company that you have no present intention of selling, negotiating or otherwise disposing of the Notes to be acquired by you, provided that the disposition of your property shall at all times be within your control. The Company represents that it has not, either directly or through any agent, offered any Notes for sale to or solicited any offers to buy any Notes (including for the purposes of this Section only any similar notes) from, or otherwise approached or negotiated in respect of any Notes with, anyone other than you and _____ other institutional investors.

SECTION 9. CONDITIONS TO PURCHASER'S OBLIGATION.

Your obligation to purchase the Notes to be acquired by you shall be subject to the performance by the Company of all of its agreements to be performed at or before the Closing and to the accuracy of its repre-

sentations and warranties herein contained and to the satisfaction, at or prior to the Closing, of the following further conditions:

9.1. *Legal Opinions.*

- (a) You shall have received from Messrs. Choate, Hall & Stewart, your special counsel in this transaction, their opinion in form, scope and substance satisfactory to you to the effect that:
- (i) the Company is duly organized and validly existing as a corporation in good standing under the laws of the State of Texas with adequate corporate power to enter into this Agreement and issue the Notes;
 - (ii) this Agreement has been duly authorized by proper corporate action and has been duly executed and delivered and constitutes a valid and legally binding agreement on the part of the Company enforceable in accordance with its terms, subject to bankruptcy, insolvency and other similar laws of general application affecting the rights and remedies of creditors;
 - (iii) the Notes have been duly authorized by proper corporate action and have been duly executed, issued and delivered and constitute valid and legally binding obligations of the Company enforceable in accordance with their terms;
 - (iv) no authorization, approval or consent on the part of any public body or authority, Federal, state or local, is required to be obtained by the Company in connection with the execution and delivery of this Agreement or the issue of the Notes as contemplated herein; and
 - (v) the offering, sale and delivery of the Notes under the circumstances outlined in this Agreement constitute an exempted transaction under the Securities Act of 1933, and therefore registration of the Notes with the Securities and Exchange Commission is not required by the provisions of said Act and qualification of this Agreement under the Trust Indenture Act of 1939 is not required and since you are acquiring the Notes for investment and not for resale or distribution, if you should in the future deem it expedient to sell any of the Notes or any Notes issued in exchange therefor (which you do not now contemplate or foresee), such sale will be an exempted transaction under the Securities Act of 1933 as now amended, and therefore such sale would not of itself require registration of the Notes or such other Notes with the Securities and Exchange Commission under the provisions of said Act as now amended or qualification of this Agreement under the Trust Indenture Act of 1939 as now amended, except that such registration (but not such qualification) might be required if at the time of such sale you directly or indirectly control, are controlled by or are in common control with the Company and such sale is made through an "underwriter" as defined in said Securities Act as now amended; and
- (b) You shall have received from Messrs. Fulbright, Crooker, Freeman, Bates & Jaworski, counsel for the Company, their opinion in form, scope and substance satisfactory to you and your special counsel to the same effect as provided in items (i) through (v) of subdivision (a) above and also to the effect that:
- (vi) all of the outstanding shares of capital stock of each Subsidiary are owned by the Company (except for certain directors' qualifying shares and a 20% minority interest in A-Z Export, S. A.), free and clear of liens, pledges or encumbrances and have been duly authorized and issued and are validly outstanding, fully paid and non-assessable;
 - (vii) the Company has all requisite corporate power and authority to carry on its business as it is now conducted and is duly qualified or licensed by all requisite governmental authorities to conduct its business in all places where such qualification or license is required;
 - (viii) such counsel are familiar with the acquisition by the Company of its major real properties reflected in the balance sheet of the Company as at July 31, 1962 and, on the basis thereof and of certificates of officers of the Company, opinions of local counsel and policies of title insurance companies previously rendered, are of the opinion that the Com-

pany has good and marketable title to its major real properties, free and clear of mortgages, pledges, liens, charges and encumbrances except to the extent mentioned in Section 7.5 and except defects which, in the opinion of the management, do not materially and adversely affect or interfere with the proper conduct of its business;

- (ix) counsel have no knowledge of any actions, suits or proceedings, pending or threatened against the Company or any of its Subsidiaries, at law, in equity or before or by any governmental authority, domestic or foreign, which is likely to result in any material and adverse change in their properties, assets, business or condition (financial or otherwise) as a whole; and
- (x) there is no condition or provision in the charter or by-laws of the Company or any of its Subsidiaries and counsel have no knowledge of any condition or provision in any indenture, contract, agreement, or other instrument to which the Company or any of its Subsidiaries is a party or by which the Company or its properties or any of its Subsidiaries or their properties may be bound or affected under which the issue and sale of the Notes or compliance with the provisions of the Notes and of this Agreement would result in a breach thereof, or constitute a default thereunder, or result in the creation of any lien or encumbrance upon any properties of the Company or any of its Subsidiaries pursuant thereto.

The foregoing opinions of counsel shall also cover such other matters incident to the transaction contemplated by this Agreement as you may reasonably request.

- 9.2. *Documents Satisfactory.* All documents incident to the making of this Agreement and the issue and delivery of the Notes and all proceedings to be taken in connection with the transaction contemplated by this Agreement and to be performed at or prior to the Closing shall be satisfactory in form and substance to you and your special counsel; and you shall have received properly certified or attested copies of the records of corporate proceedings and of all other documents in connection with said transaction which you may reasonably request; and the Company shall have furnished or made available to your special counsel such documents as they may reasonably request for the purpose of enabling them to pass upon all legal phases of said transaction, including such special opinions of counsel for the Company as your special counsel deem necessary.
- 9.3. *Representations and Warranties True at Closing.* The representations and warranties of the Company contained in Sections 7 and 8 and otherwise made by or on behalf of the Company in writing in connection with the transaction contemplated hereby shall be true in all material respects at and as of the Closing.
- 9.4. *No Event of Default.* There shall exist at the Closing no condition or event which would constitute an Event of Default as defined in Section 11 or which, after notice or lapse of time or both, would constitute such an Event of Default.
- 9.5. *Performance by Company.* The Company shall have performed and complied with all agreements and conditions contained herein required to be performed or complied with by it prior to or at the Closing.
- 9.6. *Compliance Certificate.* The Company shall have delivered to you a certificate dated the date of the Closing signed by its President or a Vice President and its Treasurer or an Assistant Treasurer, certifying in form satisfactory to you and to your special counsel that the conditions specified in Sections 9.3, 9.4 and 9.5 have been met, such certificate to state in particular, without limiting the generality of the foregoing, that the 4¾% and 6% mortgage notes referred to in Section 2 have been retired simultaneously with the issuance and sale of the Notes hereunder.

SECTION 10. EXCHANGE OF NOTES; APPOINTMENT OF TRUSTEE.

- 10.1. *Exchange for Notes of Other Denominations.* At any time at the request of any holder of the Notes and upon surrender of the Notes for such purpose to the Company at its executive office in Houston, Texas, the Company at its expense will issue in exchange therefor new Notes in such denominations (of \$1,000 and integral multiples thereof) as may be requested in aggregate principal amount equal to the unpaid principal amount of the Notes surrendered and substantially in the form of the Notes with appropriate revisions and dated as of the day to which interest has been paid on the Notes surrendered. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such exchange.
- 10.2. *Appointment of Trustee.* In the event that the Notes become secured pursuant to the provisions of Section 5.2(2), the Company will at your request, or the request of the holders of not less than 66 $\frac{2}{3}$ % in aggregate principal amount of the Notes at the time outstanding, appoint a bank or trust company, designated by you or such holders, as trustee to hold and administer such security for the benefit of the holders of the Notes and the holders of any other Indebtedness which may be secured thereby; and the Company will take all such action as may be necessary or desirable on its part to effectuate the transfer of such security to said trustee and will bear all expenses in connection therewith.

SECTION 11. DEFAULT.

- If any of the following events (herein called "Events of Default") shall occur:
- (a) if the Company shall default in the payment of any part of the principal of or the premium on the Notes when the same shall become due and payable, whether at maturity or at a date fixed for payment or prepayment or by acceleration or declaration or otherwise; or
 - (b) if the Company shall default in the payment of any installment of interest on the Notes for more than 5 days after the same shall become due and payable; or
 - (c) if the Company or any Subsidiary shall default either in the payment of the principal of or premium, if any be due and payable, or interest on any Indebtedness for borrowed money (other than the Notes) or in respect of any of the provisions of any evidence of Indebtedness for borrowed money (other than the Notes) or any agreement (other than this Agreement) under which any such evidence of Indebtedness may have been issued, and such default shall continue for more than the period of grace, if any, therein specified; or
 - (d) if the Company or any Subsidiary shall make an assignment for the benefit of creditors or shall admit in writing its inability to pay its debts as they become due; or
 - (e) if the Company or any Subsidiary shall file a voluntary petition in bankruptcy, or shall be adjudicated a bankrupt or insolvent, or shall file any petition or answer seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, or shall file any answer admitting or failing to deny the material allegations of a petition filed against the Company or any Subsidiary in any such proceeding, or shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of the Company or any Subsidiary or of all or any substantial part of the properties of the Company or any Subsidiary; or
 - (f) if a decree or order by a court having jurisdiction in the premises shall have been entered approving as properly filed a petition seeking reorganization of the Company under the federal bankruptcy laws or any other applicable law of the United States of America or any state thereof, or appointing a receiver or trustee or assignee in bankruptcy or insolvency of the Company or its property, or directing the winding up or liquidation of its affairs and such decree or order shall have continued undischarged or unstayed for a period of 30 days; or

- (g) if any representation or warranty made by or on behalf of the Company herein or otherwise in writing in connection with the transaction contemplated hereby shall prove to have been false or incorrect in any material respect on the date as of which made, and shall not have been remedied in all material respects within 30 days after the date as of which made; or
- (h) if the Company shall default in the performance of or compliance with any promise, condition or term contained in Sections 5.1, 5.2, 5.4, 5.6, 5.7 or 5.8; or
- (i) if the Company shall default in the performance of or compliance with any promise, condition or term contained in Section 5.3, and such default shall not have been remedied in all material respects within 30 days after the date as of which made; or
- (j) if the Company shall default in the performance of or compliance with any other promise, condition or term contained in this Agreement, and such default shall not, within 30 days after notice thereof shall have been received by the Company from any holder of the Notes outstanding hereunder, have been remedied in all material respects; or
- (k) if a final judgment which, with other outstanding final judgments against the Company and any Subsidiaries, exceeds an aggregate of \$50,000 in amount or value (not covered by insurance) shall be rendered against the Company or any Subsidiary and if within 90 days after entry thereof such judgment shall not have been discharged or execution thereof stayed, or if within 45 days after the expiration of any such stay such judgment shall not have been discharged;

then and in any such Event of Default other than an Event of Default specified in clause (a) or (b) above either you, so long as you shall hold any of the Notes, or the holder or holders of not less than 66 $\frac{2}{3}$ % in aggregate principal amount of the Notes at the time outstanding, and in an Event of Default specified in clause (a) or (b) above any holder of the Notes, shall, unless such Event of Default shall have then been made good or cured, have the option by written notice to the Company to declare the Notes to be due and payable, whereupon all the Notes shall forthwith mature and become due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived, anything contained herein or in the Notes to the contrary notwithstanding. This provision, however, is subject to the condition that, if at any time after the principal of the Notes shall have become due and payable, by declaration as aforesaid, and before any judgment or decree for the payment of the moneys so due, or any thereof, shall have been entered, all arrears of interest upon all the Notes and all other sums payable under the Notes (except the principal thereof which by such declaration shall have become payable) shall have been duly paid, and every other default and Event of Default shall have been made good or cured, then and in every such case the holder or holders of not less than 66 $\frac{2}{3}$ % in aggregate principal amount of the Notes at the time outstanding may, by written instrument filed with the Company, rescind and annul such declaration and its consequences; but no such rescission or annulment shall extend to or affect any subsequent default or Event of Default or impair any right consequent thereon.

SECTION 12. REMEDIES ON DEFAULT.

- 12.1. *Enforcement by Noteholders.* In case one or more Events of Default shall happen and be continuing the holder or holders of any of the Notes may proceed to protect and enforce his or their rights in any manner provided by law. Any remedy conferred on such holder or holders by this Agreement or by law, in equity or otherwise, shall be deemed cumulative and not exclusive of any other remedies available to the holder or holders of the Notes, and, except as herein specifically provided to the contrary, no delay, course of dealing, or omission by them in the exercise of any right or power accruing to them upon the happening of any Event of Default shall operate to impair any such power or right or be construed to be a waiver thereof or of any such default. A waiver of any Event of Default or any failure of performance of this Agreement shall not be construed as applying to any future or other Event of Default or failure of performance.
- 12.2. *Waiver by Company.* To the extent permitted by applicable law, the Company hereby agrees to waive, and does hereby absolutely and irrevocably waive and relinquish the benefit and advantage of any

valuation, stay, appraisalment, extension or redemption laws now existing or which may hereafter exist, and which, but for this provision, might be applicable to any sale made under the judgment, order or decree of any court, or otherwise, based on the Notes or on any claim for interest on the Notes.

- 12.3. *Costs of Collection and Notices.* If default be made in the payment of any principal of or premium, if any, or any interest on any of the Notes, the Company will pay to the holder thereof such further amount as shall be sufficient to cover the cost and expenses of collection, including but not limited to reasonable attorneys' fees. If any holder of the Notes or of any other Indebtedness of the Company for money borrowed shall serve any notice or demand or take any other action in respect of a claimed default, the Company will forthwith give written notice to all holders of the Notes describing the notice, demand or action and the nature of the claimed default.

SECTION 13. DEFINITIONS.

As used herein the following terms have the following respective meanings:

- 13.1. The term "Subsidiary" means a corporation a majority of either the voting stock or the common stock of which is at the time owned or controlled, directly or indirectly, by the Company or one or more of its Subsidiaries or both. For this purpose the term "voting stock" means stock of any class or classes (however designated) the holders of which are at the time entitled as such holders to vote for the election of a majority of the directors of the corporation, whether or not by reason of the happening of a contingency, and the term "common stock" means stock of any class or classes (however designated) the holders of which are ordinarily and generally, in the absence of contingencies, entitled to vote for the election of a majority of the directors of the corporation even though the right to do so has been suspended by the happening of a contingency. The term "Wholly Owned Subsidiary" means a Subsidiary all of the outstanding stock (of every class and having whatever rights other than directors' qualifying shares) of which, and all Indebtedness for money borrowed of which, are at the time owned by the Company or one or more of its Wholly Owned Subsidiaries or both.
- 13.2. The term "Indebtedness" means (i) all items, except capital stock and surplus and segregations of surplus, whether in the nature of general contingency reserves or otherwise, which in accordance with generally accepted accounting principles would be included on the liability side of the balance sheet as of the date as of which Indebtedness is to be determined, (ii) all indebtedness, obligations and liabilities, secured by mortgage, pledge or lien existing on property owned subject to such mortgage, pledge or lien whether or not such indebtedness, obligations or liabilities have been assumed, and (iii) all guaranties, endorsements (other than for collection or deposit in the ordinary course of business) and other contingent obligations to purchase or otherwise acquire or become liable upon or in respect of the indebtedness, obligations or liabilities of others.
- 13.3. The term "Current Assets" means (i) readily available cash and cash items in United States currency (or in foreign currency converted at the appropriate exchange rate) on hand or in transit or on deposit with a bank or trust company, (ii) accounts receivable payable on demand or within one year from the date as of which Current Assets are to be determined and not renewable or extendable by the terms thereof at the option of the debtor beyond such year, taken at their face value less reserves determined to be sufficient in accordance with generally accepted accounting principles, (iii) inventories taken at cost or market, whichever is lower, (iv) readily marketable securities taken at cost or market, whichever is lower, (v) the cash surrender value of life insurance policies, and (vi) such other assets as may properly be classified as Current Assets in accordance with generally accepted accounting principles, provided that any assets which are pledged to secure, or deposited as security for or for the purpose of paying, any claim or obligation which is not included in Current Liabilities shall be excluded. The term "Consolidated Current Assets of the Company and Subsidiaries" means the Current Assets of the Company and Subsidiaries determined on a consolidated basis in accordance with generally accepted accounting principles.

- 13.4. The term "Current Liabilities" means all Indebtedness maturing on demand or within one year from the date as of which Current Liabilities are to be determined and not renewable or extendable by the terms thereof at the option of the debtor beyond such year (including, without limitation, amounts payable within such year in respect of principal or premium, if any, on the Notes or on any other Indebtedness unless contingent and not then determinable) and such other liabilities as may be properly classified as Current Liabilities in accordance with generally accepted accounting principles. The term "Consolidated Current Liabilities of the Company and Subsidiaries" means the Current Liabilities of the Company and Subsidiaries determined on a consolidated basis in accordance with generally accepted accounting principles.
- 13.5. The term "Consolidated Working Capital of the Company and Subsidiaries" means the excess of Consolidated Current Assets over Consolidated Current Liabilities of the Company and Subsidiaries, after eliminating the interest of minority stockholders in Subsidiaries in such Consolidated Current Assets and Consolidated Current Liabilities.
- 13.6. The term "Funded Debt" means all Indebtedness other than Current Liabilities. The term "Consolidated Funded Debt of the Company and Subsidiaries" means Funded Debt of the Company and Subsidiaries, including the Notes, determined on a consolidated basis in accordance with generally accepted accounting principles.
- 13.7. The term "Consolidated Net Tangible Assets of the Company and Subsidiaries" means the excess of (a) the total of all assets appearing on a consolidated balance sheet of the Company and Subsidiaries prepared in accordance with generally accepted accounting principles, less the following:
- (1) reserves for depreciation and other asset valuation reserves;
 - (2) intangible assets such as good will, trade-marks, brands, trade names, patents and unamortized debt discount and expense;
 - (3) the excess of the purchase price paid for the assets or stock of any going concern acquired over the value assigned on the Company's books (or, if such concern is operated as a Subsidiary, on the consolidated balance sheet of the Company and Subsidiaries) to the assets or stock of such concern so acquired other than any items mentioned in clause (2) above;
 - (4) appropriate deduction for the interest of minority stockholders in Subsidiaries; and
 - (5) the amount, if any, at which capital stock of the Company appears as an asset;
- over (b) the amount at which Consolidated Current Liabilities appear on such consolidated balance sheet.
- 13.8. The term "Consolidated Net Worth of the Company and Subsidiaries" means the sum of the amounts appearing on a consolidated balance sheet of the Company and Subsidiaries prepared in accordance with generally accepted accounting principles as capital stock and as capital, paid-in and earned surplus and surplus reserves after deducting therefrom intangible assets such as good will, trade-marks, brands, trade names, patents and unamortized debt discount and expense and after making appropriate deduction for the interest of minority stockholders in Subsidiaries.
- 13.9. The term "Consolidated Net Income of the Company and Subsidiaries" means for any period the net income of the Company and Subsidiaries, after all proper charges and reserves, determined on a consolidated basis in accordance with generally accepted accounting principles, after making appropriate deduction for the interest of minority stockholders in Subsidiaries, provided that gains and losses on the sale or other disposition, not in the ordinary course of business, of investments and other capital assets shall be excluded.

SECTION 14. MODIFICATION OF AGREEMENT.

The provisions of this Agreement may be amended or compliance with this Agreement waived at any time by the written consent of holders of not less than 66 $\frac{2}{3}$ % in aggregate principal amount of the Notes at the time outstanding, provided that copies of such amendment are given the holders of Notes who do not participate in such consent and have filed their names and addresses with the Company, and provided further that no such consent shall be effective to (i) reduce the principal of or premium or interest on any of the Notes or to change any date fixed for the payment of any principal, premium or interest without the consent of the holder thereof, or (ii) reduce the aforesaid principal amount of the Notes, the consent of holders of which is required to amend or waive compliance with this Agreement, without the consent of the holders of all of the Notes then outstanding.

SECTION 15. EXPENSES; STAMP TAXES.

Whether or not the transaction herein contemplated shall be consummated, the Company will pay:

- (a) all costs and expenses of the issue of the Notes and of the Company's performance of and compliance with all agreements and conditions contained herein on its part to be performed or complied with;
- (b) the cost of delivering to your home office and insured to your satisfaction the Notes purchased by you at the Closing and any Notes delivered to you upon any exchange or delivery pursuant to Section 10 and of delivering the Notes to the Company insured to your satisfaction if delivered pursuant to Section 10; and
- (c) the reasonable fees and expenses and disbursements of your special counsel in connection with the subject matter of this Agreement.

The Company further agrees that if, under any law in effect on the closing date, or under any retroactive provision of any law subsequently enacted, it shall be determined that any Federal tax is payable in respect of the original issue of any of the Notes, then it will pay any such tax and penalties, if any, and will indemnify you against and save you harmless from any loss or damage resulting from or arising out of the nonpayment or delay in payment of any such tax. If any such tax or taxes shall be assessed or levied against you, or any other holder of any of the Notes, you, or such other holder, as the case may be, may notify the Company and make immediate payment thereof, together with interest or penalties in connection therewith, and shall thereupon be entitled to and shall receive immediate reimbursement therefor from the Company. Notwithstanding any other provision contained in this Agreement, the covenants and agreements of the Company in this Section 15 shall survive payment of the Notes.

SECTION 16. NOTICES.

All notices, requests, consents and other communications hereunder shall be in writing and shall be delivered or mailed by first class mail, postage prepaid

- (a) if to you, at your address as set forth at the beginning of this Agreement or at such other address as may be furnished to the Company by you in writing; or
- (b) if to any other holder of the Notes issued hereunder, at such address as has been furnished to the Company in writing by such holder; or
- (c) if to the Company, at 7010 Ardmore Street, Box 14484, Houston 21, Texas, or at such other address as the Company may furnish to you in writing.

SECTION 17. SURVIVAL OF REPRESENTATIONS AND WARRANTIES.

All representations and warranties contained herein or made in writing by or on behalf of the Company in connection with the transaction contemplated hereby shall survive the execution and delivery of

this Agreement and the sale and purchase of the Notes and payment therefor. All statements contained in any certificate or other instrument delivered by or on behalf of the Company pursuant hereto or in connection with the transaction contemplated hereby shall constitute representations and warranties by the Company hereunder.

SECTION 18. PARTIES IN INTEREST.

Except where the context otherwise provides, all the terms and provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto, whether so expressed or not, and, in particular, shall inure to the benefit of and be enforceable by the holders at the time of the Notes issued hereunder.

SECTION 19. COUNTERPARTS.

This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

If you are in agreement with the foregoing, please sign the form of acceptance on the enclosed counterpart of this letter, whereupon this letter shall become a binding contract between you and the Company. Please then return such counterpart to the Company.

Yours very truly,

CAMCO, INCORPORATED

By
President

The foregoing Agreement is hereby accepted as of the date thereof.

JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY

By.....

EXHIBIT A

CAMCO, INCORPORATED

5½% Notes due November 1, 1982

Boston, Massachusetts
, 19

\$.....

FOR VALUE RECEIVED, the undersigned, Camco, Incorporated, a Texas corporation (hereinafter referred to as the "Company"), hereby promises to pay to or order, the principal sum of \$ on November 1, 1982, with interest on the unpaid balance of such principal sum from the date hereof at the rate of 5½% per annum until the principal shall become due and payable (whether at maturity or at a date fixed for payment or prepayment or by acceleration or declaration or otherwise), payable semi-annually on the first days of May and November in each year, and with interest on any overdue principal (including any overdue prepayment of principal) and on any premium, if any be due and payable, and, to the extent legally enforceable, on any overdue installments of interest, at the rate of 6% per annum until paid, payable semi-annually as aforesaid or, at the option of the holder hereof, on demand.

Payments of principal, premium and interest shall be made in lawful money of the United States of America at the principal office of The First National Bank of Boston.

This Note is issued pursuant to a certain Note Agreement dated as of October , 1962, between the Company and the payee named above and, to the extent set forth in such agreement, the payee and each subsequent holder hereof is entitled to the benefits thereof. This Note is subject to prepayment, in whole or in part, in certain cases with a premium and in other cases without premium, all as specified in such agreement.

In case an Event of Default as defined in such agreement shall occur, the principal of this Note may become or may be declared due and payable in the manner and with the effect provided in such agreement.

The parties hereto, including the Company and all endorsers of this Note, hereby waive presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance or enforcement of this Note.

CAMCO, INCORPORATED

By
President

Box 14484
Houston 21, Texas
September 9, 1962

Mr. George H. W. Bush
Zapata Offshore Company
Houston Club Building
Houston, Texas

Dear George:

Half of our stock options, mine included, expired on September 1, and the rest expire on September 30, 1962. I suggest that all the existing options be canceled and the following five-year options be granted in their places.


<u>Suggested Stock Options</u>		
President	McGowen	10,000
Vice-Pres.	Pearce	4,000
Vice-Pres.	Edwards	4,000
Vice-Pres.	Greer	2,000
Vice-Pres.	Tausch	2,000
Vice-Pres.	Hughes	2,000
Vice-Pres.	Weier	2,000
Director	Bush	500
Director	Ellis	500
Director	Hoagland	500
		<hr/>
		27,500

$$387,500 \times .071 = 27,513$$

I will be in Venezuela the week of September 10th and would like to call a short luncheon meeting of the board during the week of September 17th to review these options.

Sincerely,

CAMCO, INCORPORATED


Harold E. McGowen, Jr.
President

HEM:mc

STOCK OPTIONS EXPIRING

President	McGowen	5,000
Vice-Pres.	Pearce	4,000
Vice-Pres.	Edwards	4,000
Vice-Pres.	Greer	1,000
Vice-Pres.	Tausch	1,000
Vice-Pres.	Hughes	500
Treasurer	Kimme	500
Chief Eng.	Moore	500
Director	Bush	500
Director	Ellis	500
Director	Hoagland	500
		<hr/>
		18,000 shares



I N C O R P O R A T E D

August 17, 1962


Mr. George H. W. Bush
Zapata Off-Shore Company
1701 Houston Club Building
Houston 2, Texas

Dear Mr. Bush:

We enclose copy of the minutes of the Board of Directors meeting held August 3, 1962, for your examination and file. The Exhibits A through G in the Bank Resolution are not enclosed since they are merely the formal bank resolutions covering the changing of the persons authorized to sign to include Mr. John Davis, the Chief Accountant, and to authorize one signature on checks of less than \$5,000.

Sincerely,

CAMCO, INCORPORATED


Charles H. Weier
Secretary

CHW:td

Enclosure 1

CAMCO, INCORPORATED

MINUTES OF THE SPECIAL MEETING OF THE BOARD OF DIRECTORS

Held August 3, 1962

A special meeting of the Board of Directors of Camco, Incorporated was held at the Petroleum Club in the Rice Hotel, Houston, Texas, at 12:00 A. M., August 3, 1962, pursuant to notice duly given.

The following directors were present and participated throughout the meeting:

Harold E. McGowen, Jr.
George H. W. Bush
Grover Ellis, Jr.
Paul R. Mills
Sam W. Pearce
William M. Edwards

Mr. Henry W. Hoagland was unable to attend the meeting.

Mr. Paul R. Mills acted as Chairman of the meeting and Mr. Charles H. Weier, Secretary, kept the minutes thereof.

The Chairman announced that a quorum was present and that the meeting was duly constituted. The minutes of the meeting of the Board of Directors held April 24, 1962, were approved in the amended form distributed to the members of the Board of Directors.

The President then presented the terms of a proposed \$1,500,000 long-term loan to the Company by John Hancock Mutual Life Insurance Company and the directors discussed the proposal of such insurance company as set forth in their letter of July 31, 1962, copy of which is on file with the Secretary. Upon motion duly made and seconded and by unanimous vote of all directors present, it was

RESOLVED, that the President be, and he hereby is, authorized and directed to conduct negotiations for a long-term loan of \$1,500,000 upon such terms and conditions as he shall deem to be to the best interests of Camco, Incorporated, subject only to final approval of said loan terms and conditions by this Board of Directors.

The President then pointed out that the provisions of the Company Profit-Sharing Plan provided for the election each year of an Administrative Committee to administer said plan. After some discussion and upon motion duly made and seconded and by unanimous vote of all directors present,

it was

RESOLVED, that the following individuals be, and they hereby are, elected as the members of the Administrative Committee of the Camco, Incorporated Profit-Sharing Plan to serve for the current fiscal year and until their successors shall have been duly elected and qualified:

Harold E. McGowen, Jr.
Sam W. Pearce
Charles H. Weier
Clarence E. Soucek
Walter A. Theeck

Thereafter, the President announced that it would be desirable to change the bank resolutions of Camco, Incorporated to provide for a single signature on checks of less than \$5,000 and two signatures on checks of \$5,000 or more. After some discussion and upon motion duly made and seconded and by unanimous vote of all directors present, it was

RESOLVED, that the Bank Resolutions identified as Exhibits A through G and inserted in the minute book following the minutes of this meeting be, and the same hereby are, adopted.

Thereupon the meeting passed to consideration of a dividend. The records stated that the Company had last paid a dividend of \$.10 in cash on September 15, 1961, to stockholders of record on August 28, 1961. After a discussion and upon motion duly made and seconded and by unanimous vote of all directors present, it was

RESOLVED, that a cash dividend of \$.10 per share be paid on September 14, 1962, to the holders of common stock of Camco, Incorporated of record at the close of business on August 28, 1962.

The Secretary was then instructed to order a list of stockholders from the Transfer Agent showing the holders of common stock of Camco, Incorporated at the close of business on August 28, 1962, and to publish the usual notice of the declaration of a dividend in the "Wall Street Journal."

The President then advised that it would be desirable to set the time and place and name the persons to vote the proxies for the annual meeting of shareholders as is prescribed by the By-Laws. Upon motion duly made and seconded and by unanimous vote of all directors present, it was

RESOLVED, that the annual meeting of the shareholders of Camco, Incorporated be held at 4:00 o'clock P.M., Central Standard Time, on Monday, October 8, 1962, in the Grand Ballroom of the Sheraton Lincoln Hotel, 777 Polk Avenue, Houston, Texas, for the purpose of electing directors and transacting such other business as may properly

come before the meeting; that the holders of common stock of Camco, Incorporated of record at the close of business on August 21, 1962, be the stockholders entitled to vote at such meeting; that the Secretary mail notices of said annual meeting not later than September 27, 1962, to said stockholders at their addresses as shown on the records of the Company, accompanied by a proxy naming Harold E. McGowen, Jr., Sam W. Pearce and Henry W. Hoagland, or any one of them, as the persons to vote such proxies; and that such notice and proxy be in such form as shall be approved by counsel to the Company.

The Secretary was then directed to order a list of holders of common stock of Camco, Incorporated as of the close of business on August 21, 1962, from the Transfer Agent.

The President then stated that the annual stockholder's meeting of Camco, Incorporated's subsidiaries would be held soon and that it was necessary to authorize someone to vote the shares of such corporations owned by Camco, Incorporated. After some discussion and upon motion duly made and seconded and by unanimous vote of all directors present, it was

RESOLVED, that Harold E. McGowen, Jr. be, and he hereby is, authorized and directed to vote on behalf of Camco, Incorporated at the next annual meeting of stockholders of Camco, Ltd. (Canada) all shares of stock of said Company owned by Camco, Incorporated with unlimited discretionary authority with respect to the election of directors, and all other matters which may come before the meeting, and

RESOLVED, that Harold E. McGowen, Jr. be, and he hereby is, authorized and directed to vote on behalf of Camco, Incorporated at the next annual meeting of stockholders of each of the following named corporations all shares of stock of said companies owned by Camco, Incorporated with unlimited discretionary authority with respect to the election of auditors and directors and fixing of remuneration of the auditors, receiving and considering the accounts, balance sheets, and reports of directors and auditors and all other matters which may come before the meeting.

Camco, Limited (Northern Ireland)
A-Z Export, S.A.
Camco Wire Line, C.A.
Camco de Mexico, S.A.
Servicios Tecnicos Camco de Colombia, S.A.
Servicios Petroleros de Linea, S.A.

Thereafter, it was proposed that the By-Laws of the Company be amended to provide that the President preside at the meetings of stockholders and after some discussion and upon motion duly made and seconded and by

unanimous vote of all directors present, it was

RESOLVED, that Section 6 of Article V of the By-Laws of Camco, Incorporated be, and it hereby is, amended to read as follows:

"The Chairman of the Board of Directors shall preside at meetings of the Board of Directors and act as a special representative of the Corporation at the pleasure of the Board of Directors and shall perform such other duties as the Board of Directors may from time to time direct."

FURTHER RESOLVED, that Section 7 of Article V of the By-Laws of Camco, Incorporated be, and it hereby is, amended to read as follows:

"The President shall be the Chief Executive Officer of the Corporation, shall be a member of the Executive Committee, shall have general and active management of the business of the Corporation and shall see that all orders and resolutions of the Board of Directors are carried into effect. He shall preside at all meetings of the stockholders and, in the absence of the Chairman of the Board of Directors, at all meetings of the Board of Directors."

There being no further business to come before the meeting, upon motion duly made and seconded, the meeting thereupon unanimously adjourned.

Respectfully submitted,

Charles H. Weier, Secretary

From the desk of . . . HAROLD E. McGOWEN, JR.

J

George,

The attached is for your information.

August 7, 1962

H.E.M.



I N C O R P O R A T E D

OFFICE OF THE PRESIDENT

August 7, 1962

Mr. Arthur B. Worthley, Jr., Assistant Treasurer
 John Hancock Mutual Life Insurance Company
 200 Berkeley Street
 Boston 17, Massachusetts

Dear Mr. Worthley:

We have received the loan proposal contained in your letter of July 31, 1962. To enable us to better understand this proposal, we will appreciate your comments on the following points in question.

1. At the time we discussed your proposal, dated June 15, 1962, my notes show an oral agreement that the ratio of net tangible assets to pro forma long-term debt would be 250%. Your proposal of July 31, 1962, sets this ratio at 300%. Based on our Balance Sheet of June 30, 1962, our Pro Forma Net Tangible Assets are \$6,650,000 and our Pro Forma Long-Term Debt is \$1,902,000 including present long-term debt of \$402,000 of which more than \$250,000 will be paid off in the next four years. Since a ratio of 300% would unduly restrict any future long-term borrowing, we prefer that this ratio be returned to 250% as we originally agreed and that the loan agreement further provide that any long-term loans which are subordinated to Insurance Company and Bank long-term loans be excluded from consideration in the computation of such ratio. I also understood that we orally agreed that the \$200,000 long-term debt due James Berry for the purchase of A-Z Export, S.A., described in my letter to you of August 2, 1962, was not to be included in the computation of this ratio.
2. In paragraph 8 of your proposal of July 31, 1962, it is stated that "the pro forma interest charges on long-term debt which would be outstanding after the new indebtedness has been issued would be covered on the average at least seven times over the last five years and at least seven times in one of the last two years." I am in doubt as to how

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John Hancock Mutual Life Insurance Company
Boston 17, Massachusetts
August 7, 1962
Page 2

this clause should be interpreted and, in particular, the word covered needs clarification. It seems to us that such charges should be covered by net profit before taxes plus depreciation allowed, but if the charges are to be covered by net profits before taxes only then the ratio of 7 to 1 appears to be impossible to live with. Interest payments on present long-term debt for the next fiscal year will approximate \$22,000 and on a pro forma basis are \$104,500. Because of Camco's growth history we could not, at this time, meet a requirement of a 7 to 1 ratio and even a 6 to 1 ratio would allow little room for future borrowings if they became desirable. We request that you explain "covered" and reduce this ratio to the 6 1/2 to 1 basis discussed and use net profit before taxes plus depreciation allowed. Here again long-term debt which is subordinated to Insurance Company and Bank long-term loans should be excluded from consideration in the computation of this ratio. The depreciation allowed for the last five fiscal years is:

1958	\$190,000
1959	215,000
1960	292,000
1961	317,000
1962 (approximate)	<u>356,000</u>
Average	\$274,000

By your computations, Camco had a ratio of 9.9 at the present time, and from this it was agreed that a 6 1/2 or 7 ratio would give Camco the latitude for additional financing. How did you arrive at this ratio of 9.9?

3. The loan proposal dated July 31, 1962, provides for maintenance of Working Capital at a ratio of 135% of long-term debt. The proposal of June 15, 1962, requires a ratio of 125% and we request that the 125% ratio be used.

4. In paragraph 11 reference is made to purchase money mortgages and conditional sales contracts covering the purchase of trucks and automobiles. Since we also purchase and operate boats, barges and airplanes, we request that this clause be broadened to cover all transportation equipment used by Camco.

John Hancock Mutual Life Insurance Company

Boston 17, Massachusetts

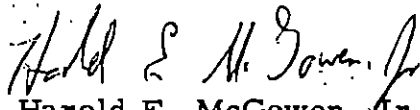
August 7, 1962

Page 3

We will greatly appreciate your response to the above inquires and wish to assure you that any additional information you may require from us will receive our prompt attention.

Sincerely,

CAMCO, INCORPORATED



Harold E. McGowen, Jr.
President

HEMcGJr:td

AGENDA
MEETING OF THE BOARD OF DIRECTORS
OF CAMCO, INCORPORATED
August 3, 1962

1. Consideration of annual election of Administrative Committee of the Profit Sharing Plan.

Proposed members: Harold E. McGowen, Jr.
Sam W. Pearce
Charles H. Weier
Clarence E. Soucek
Walter A. Theeck

2. Consideration of change in authorization to sign checks on Camco accounts requiring one signature on checks of less than \$5,000 and two signatures on checks of \$5,000 or over.

Proposed signers: Harold E. McGowen, Jr.
Charles H. Weier
Clarence E. Soucek
George A. Kimmey
John Davis

3. Consideration of the declaration of a dividend. (Last dividend paid by Camco was a cash dividend of 10¢ per share paid on September 15, 1961, to the holders of record of August 28, 1961.)
4. Consideration of following proposed resolution:

RESOLVED, that the annual meeting of Camco, Incorporated be held at 4:00 o'clock P.M. Central Standard Time, on Monday, October 8, 1962, at a location selected by the President of the Company for the purpose of electing directors and transacting such other business as may properly come before the meeting; that the holders of common stock of Camco, Incorporated of record at the close of business on August 22, 1962, be the stockholders entitled to vote at such meeting; that the Secretary mail notices of the annual meeting not later than September 27, 1962, to said stockholders at their addresses as shown on the records of the Company, accompanied by a proxy naming Harold E. McGowen, Jr., Sam W. Pearce, and Henry W. Hoagland, or any one of them as the persons to vote such proxies; and that such notice and proxy be in such form as shall be approved by counsel to the Company.

5. Consideration of resolution authorizing Harold E. McGowen, Jr. to vote Camco, Incorporated's stock at the annual meetings of the following companies:

De Mexico
Services Camco - Columbia
Camco, Limited (Northern Ireland)
Camco, Ltd. (Canada)
A-Z Export, S.A.
Camco Wire Line, C.A.

6. Consideration of resolution amending By-Laws of Camco, Incorporated to provide that the President preside at meetings of the stockholders.

7. Consideration of resolution authorizing the President of the Company to conduct negotiations for a long-term loan not in excess of \$1,500,000.

From the desk of HAROLD E. McGOWEN, JR.

George:

Attached is the President's Message to the Stockholders for the Third Quarterly Report. Please make corrections, additions and/or deletions and advise me of them by telephone as soon as possible.

June 7, 1962

HGM
Howler #2 dated
has received?

Photocopy — George
Bush Handwriting

TO OUR STOCKHOLDERS:

The nine months ending April 30, 1962, bring gross sales to \$5,017,000 and net profits to \$205,000 as compared to gross sales of \$5,054,000 and net profits of \$288,000 for the same period of 1961. This net profit gives earnings of 53¢ per share for the 385,700 outstanding shares.

The third quarter ending April 30, 1962, yields gross sales of \$1,764,000 and net profits of \$125,000 as compared to gross sales of \$1,606,000 and net profits of \$64,000 for the same period a year ago. } good

On May 1, 1962, Camco, Incorporated acquired 85% of the outstanding stock of the Venezuelan company, A-Z Export, S.A. and its subsidiaries, Camco Wire Line, C.A. in Venezuela and Las Heras Equipos Petroleros, S.A. in Argentina. A-Z Export, S.A. was established in Venezuela in 1949 as a sales and service organization for equipment sales to all branches of the oil industry; drilling, production, pipe line and refinery. They now represent approximately 20 manufacturers of oil field equipment and show annual sales in excess of two and one-half million dollars. The assets of A-Z Export, S.A. include inventory, land, houses, vehicles, office equipment and warehouses in Maracaibo, Anaco and Las Morochas, Venezuela. Camco Wire Line, C.A. is a wire line company with operations similar to Camco, Incorporated. Its wire line trucks, tools and facilities are the same. Most of the 60 experienced personnel of A-Z Export, S.A. will be retained and management personnel will be transferred from Camco, Incorporated to Venezuela.

The new 28,000 square-foot manufacturing facilities in Houston are completed and are going into operation as the final quarter of 1962 begins. The factory was badly needed to carry into production the broadened product line resulting from the intense research and development program.

Sincerely,

Harold E. McGowen, Jr.
President

7. Prepayment Premiums (approximate)

1st year	Non-callable
2nd year	"
3rd year	"
4th year	"
5th year	"
6th year	6.000%
7th year	5.571
8th year	5.143
9th year	4.714
10th year	4.286
11th year	3.857
12th year	3.429
13th year	3.000
14th year	2.572
15th year	2.143
16th year	1.715
17th year	1.286
18th year	.858
19th year	.429
20th year	0

8A. Present Total Assets	\$7,660,000
Plus Proceeds of Long-Term Loan	<u>1,500,000</u>
	9,160,000
Less Present Intangible	<u>175,000</u>
	\$8,985,000
Less Present Current Liabilities	<u>2,335,000</u>
Pro-Forma Net Tangible Assets	\$6,650,000
Present Long-Term Debt	\$ 402,000
Proposed Long-Term Debt	<u>1,500,000</u>
	\$1,902,000

<u>Pro-Forma Net Tangible Assets</u>	<u>6,650,000</u>	
<u>Pro-Forma Long Term Debt</u>	<u>1,902,000</u>	350%

Present long-term debt capacity	on 3 to 1 ratio	2.5 X 1 ratio
	\$2,217,000	\$2,660,000
Pro-Forma Long-Term Debt	<u>1,901,000</u>	<u>1,901,000</u>
Additional authorized Long-Term Debt	\$ 316,000	\$ 759,000

Further increases in Net Tangible Assets will permit additional long-term borrowings in the ratio of \$1 of such long-term borrowings for each \$3 and \$2.50 respectively, of increased net tangible assets.

B. Interest payments on present long-term debt for the next year (diminishing each year thereafter are approximately \$ 22,000

Interest on proposed long-term loan for first year (diminishing each year thereafter is 82,500

Pro-Forma interest for next fiscal year \$104,500
X 7

Required coverage at 7 to 1 ratio \$731,500

Required coverage at 6 to 1 ratio \$627,000

8B. (Continued)

Net Profit before Taxes for last five years:

1958	\$ 516,000	
1959	561,000	
1960	765,000	
1961	820,000	
1962 (estimated)	<u>600,000</u>	
	\$3,262,000	
	÷ 5	
	7 to 1 ratio	6 to 1 ratio
Average	\$652,000	\$652,000
Required Coverage	<u>731,500</u>	<u>627,000</u>
Excess coverage	(\$ 79,500)	\$ 25,000
Additional Borrowing Capacity	--	\$ 64,000

Presuming Net Profits for fiscal years 1963 and 1964 are equal to fiscal year 1961 then the 5-year history at the end of fiscal year 1964 will be as follows:

1960	\$ 765,000	
1961	820,000	
1962	600,000	
1963	820,000	
1964	<u>820,000</u>	
	\$3,825,000	
	÷ 5	
Average	\$ 765,000	
	7 to 1 ratio	6 to 1 ratio
Average	\$765,000	\$765,000
Required Coverage	<u>700,000</u>	<u>600,000</u>
Excess Coverage	\$ 65,000	\$165,000
Additional Borrowing Capacity	\$170,000	\$500,000

9. Present Current Assets	\$4,940,000
Plus Proceeds of Proposed Loan	<u>1,500,000</u>
	6,440,000
Less Current Liabilities	<u>2,335,000</u>
Pro-Forma Working Capital	4,105,000
Maximum authorized Long-Term Debt would be	\$4,105,000
	<u>÷ 135%</u>
Pro-Forma Long-Term Debt	= <u>\$3,041,000</u>
Additional Long-Term Debt Authorized	<u>1,901,000</u>
	\$1,140,000
10. Sales price of automotive fleet	\$223,135
Annual rental of automotive fleet	\$100,000

John Hancock
MUTUAL LIFE INSURANCE COMPANY

200 BERKELEY STREET • BOSTON 17 • MASSACHUSETTS

ARTHUR B. WORTHLEY, Jr.
Assistant Treasurer

July 31, 1962

Mr. Harold E. McGowen, Jr., President
Camco, Incorporated
7010 Ardmore Street
Box 11484
Houston 21, Texas

Dear Harold:

It was a pleasure for my associates and me to meet and talk with you last Thursday. I hope that you had a safe and pleasant trip back to Houston.

Enclosed is a revision and expansion of the terms of the Notes which I believe is in accordance with our discussion last week. If the terms which we are suggesting in this outline are satisfactory to you, I will be glad to recommend this Note Issue to our Committee as soon as we have received your approval of them, as well as the additional information which we have requested for use in preparing our formal report. If you or any of your associates have any questions regarding the suggested terms for the Notes, please telephone or write me so that I may try to explain or clarify them further.

I look forward to hearing from you in the near future so that, if you would like to have us do so, I may present this matter to our Committee of Finance before I go on vacation at the end of August.

Sincerely,

Arthur

Arthur B. Worthley, Jr.

AEW:sz
Enclosure

cc Mr. Henry Hoaglund

FOUNDED 1852

John Hancock
100 YEARS

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MUTUAL LIFE INSURANCE COMPANY

200 BERKELEY STREET • BOSTON 17 • MASSACHUSETTS

BOND DEPARTMENT

July 31, 1962

CAMCO, INCORPORATED

Proposed Terms for Note Issue

- 1. Issue: \$1,500,000
- 2. Rate: 5½%
- 3. Maturity: 1982
- 4. Takedown: The Notes will be issued and sold within 90 days after purchase has been authorized by the Committee of Finance.

- 5. Application of Proceeds: Proceeds from the sale of the Notes will be applied approximately as follows:

Increase Working Capital	\$1,200,000
Capital Expenditures	300,000
TOTAL	<u>\$1,500,000</u>

- 6. Prepayments:
 - a) Required--a principal payment of \$75,000 per year commencing approximately one year from the date of issue will be made.
 - b) Optional--Camco will have the privilege of prepaying without premium up to an additional \$75,000 in each of any five years prior to the maturity of the Notes. This privilege is noncumulative. In other words, if no Notes are retired under this provision during the first fifteen years, Camco would not be permitted to increase the \$75,000 prepayment permitted under this provision during the remaining life of the Issue. Likewise, if Camco elects to prepay less than \$75,000 of Notes under this provision in any year, the difference between \$75,000 and the amount prepaid may not be carried forward to a future year.

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7. Redemption Provisions:

- a) During the first five years after issue, the Notes will be non-callable for any reason, except for the fixed and optional prepayments referred to in Section 6 above, and in the event of the condemnation or destruction of property.
- b) The Notes may not be redeemed or prepaid during the second five years from date of issue from the proceeds of the sale of notes, bonds, or other long-term indebtedness which carries a lower rate of interest than the Notes.
- c) Except for the restriction in Section 6b above, the Notes may be called and prepaid after the first five years on any interest date at the principal amount thereof plus a premium which will be 6% in the sixth year. This premium will scale down approximately equally over the life of the Issue to 0 in the year prior to maturity.

8. Additional Long-Term Debt:

i. but amount to
1. can't flow on
carriage?

Additional long-term debt may be issued by Camco, provided that, after such indebtedness has been issued, the pro forma ratio of net tangible assets (total assets minus intangible assets and current liabilities) to pro forma long-term debt would be at least 300%, and provided further that the pro forma interest charges on long-term debt which would be outstanding after the new indebtedness has been issued would be covered on the average at least seven times over the last five years and at least seven times in one of the last two years.

9. Working Capital:

Working capital (current assets minus current liabilities) will be maintained at the greater of \$2,000,000 or 135% of long-term debt.

10. Proceeds from the Sale of Assets:

Net proceeds from insurance and the sale of property (land, buildings, equipment and other fixed assets) in the United States and Ireland having a value for any one sale in excess of \$25,000 will be deposited in a segregated or escrow account. Such proceeds if not used within one year after the receipt thereof for the construction or acquisition of other fixed assets, will be applied to the redemption of the Notes. Such redemption from the proceeds of insurance or the taking of property by eminent domain will be without premium;

Photocopy — George
Bush Handwriting

Photo Copy Preservation

redemption from the proceeds of the sale of property will be at the applicable premium specified in Section 7c above.

11. Negative Pledge:

No liens, other than those currently existing in the amount of \$, may be placed on the property of the Company without equally and ratably securing the Notes. Purchase money mortgages and conditional sales contracts covering the purchase of trucks and automobiles, not in excess of a total of \$300,000 at any one time outstanding and not in excess of 66 2/3% of the value of the property, will be excluded from this restriction.

12. Dividend Restriction:

Dividends may be paid out of accumulated earnings subsequent to July 31, 1961.

13. Other Provisions:

Other terms will be similar to those customary in financing of this type.

CAMCO, INCORPORATED AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEET
 JUNE 30, 1962

CURRENT ASSETS:

ASSETS

CASH		254,326
Capital Grant from U. K.		3,914
Notes Receivable		3,936
Accounts Receivable - Trade		1,452,858
Accounts Receivable - Miscellaneous		30,900
Inventories--		
Total Direct Material	1,233,152	
Work in Process	320,012	
Finished Goods	<u>1,536,968</u>	
Prepayments		<u>3,090,132</u>
		104,034
Total Current Assets		4,940,100

PROPERTY, PLANT AND EQUIPMENT

	<u>COST</u>	<u>RESERVE</u>	<u>BOOK VALUE</u>
Buildings	679,731	82,204	597,527
Land	139,756	---	139,756
Air Conditioning	32,607	19,915	12,692
Sprinkler System	10,832	1,905	8,927
Jigs, Patterns, Molds	67,766	45,586	22,180
Automotive Equipment	59,283	33,226	26,057
Shop Equipment	1,183,160	534,891	648,269
Wireline Equipment	507,842	220,536	287,306
Office Equipment	189,285	99,976	89,309
Leasehold Improvements	58,949	24,262	34,687
Aircraft	120,017	47,496	72,521
Display	24,511	13,560	10,951
Assets - A-Z Export Consolidated	234,926	---	234,926
Construction in Progress	<u>359,709</u>	---	<u>359,709</u>
Total	<u>3,668,374</u>	<u>1,123,557</u>	2,544,817

PATENTS AND COPYRIGHTS

		184,160
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LESS: RESERVE FOR AMORTIZATION

		<u>39,599</u>	144,561
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OTHER ASSETS

			<u>30,683</u>
			<u>7,660,161</u>

CURRENT LIABILITIES:

LIABILITIES ✓

Notes Payable - Current		1,552,746
Accounts Payable - Trade		221,445
Accounts Payable - Other		96,037
Taxes Payable, Payroll		44,089
Taxes Payable, Sales		10,961
Taxes Payable, Ad Valorem		18,875
Taxes Payable, Franchise and Other		2,651
Royalties Payable		49,893
Accrued Salaries and Commissions		114,054
Other Accrued Expenses		38,271
Federal Income Taxes Payable--		
Previous Year's Liability	318,462	
Current Year's Estimate	184,029	
Current Year's Payments (Dr.)	<u>(316,366)</u>	
Total Current Liabilities		<u>186,125</u>

NOTES PAYABLE, LONG TERM

		2,335,147
--	--	-----------

ACCRUED EMPLOYEES INDEMNITIES

		401,670
--	--	---------

INTEREST OF MINORITY SHAREHOLDERS

		97,358
--	--	--------

Total Liabilities

		<u>158,487</u>
--	--	----------------

DEFERRED INCOME

		2,992,662
--	--	-----------

CAPITALIZATION:

Capital Stock Outstanding		7,853
---------------------------	--	-------

Capital Surplus		388,512
Earned Surplus		1,915,243
Net Income to Date	2,058,329	
	<u>297,562</u>	<u>2,355,891</u>

Photo Copy Preservation

4,659,646
7,660,161

CAMCO, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF EARNINGS
JUNE 30, 1962

	Camco Inc	Camco Canada Ltd	Camco Ltd	Camco de Mexico	Camco de Colombia	A-Z Export Consolidated	Intercompany Eliminations	Consolidated	Percent
CURRENT MONTH									
SALES:									
Products	359,139	11,376	55,329	36,568	---	163,275	43,253	582,434	76.2
Wireline Service	106,817	25,678	---	---	412	23,723	---	156,630	20.5
Other Revenues	27,293	---	4,531	---	47	20,472	27,340	25,003	3.3
Total	493,249	37,054	59,860	36,568	459	207,470	70,593	764,067	100.0
Less Trade Discounts	33,363	35	9,457	1,012	---	---	11,609	32,258	4.2
Net Sales	459,886	37,019	50,403	35,556	459	207,470	58,984	731,809	95.8
Cost of Sales	156,000	6,517	25,934	18,180	---	76,041	58,984	223,688	29.3
Gross Profit	303,886	30,502	24,469	17,376	459	131,429	---	508,121	66.5
Less Operating Expense	281,585	18,991	18,274	5,292	2,524	109,019	---	435,685	57.0
Net Operating Profit (Loss)	22,301	11,511	6,195	12,084	(2,065)	22,410	---	72,436	9.5
Other Income (Expense)	(6,601)	(86)	(309)	142	72	1,993	---	(4,789)	(.6)
Net Income Before Taxes	15,700	11,425	5,886	12,226	(1,993)	24,403	---	67,647	8.9
Provision for Income Taxes	7,850	5,712	3,164	6,890	---	---	---	23,616	3.1
Net Income After Taxes	7,850	5,713	2,722	5,336	(1,993)	24,403	---	44,031	5.8
Less Minority Interest	---	---	---	---	---	4,880	---	4,880	.6
Net Income, After Minority Interest	7,850	5,713	2,722	5,336	(1,993)	19,523	---	39,151	5.2
YEAR TO DATE									
SALES:									
Products	3,974,872	113,798	554,681	395,069	---	318,105	294,662	5,061,863	77.2
Wireline Service	1,162,110	195,299	---	---	412	40,886	---	1,398,707	21.3
Other Revenues	216,452	---	31,355	4,523	1,074	60,051	217,526	95,929	1.5
Total	5,353,434	309,097	586,036	399,592	1,486	419,042	512,188	6,556,499	100.0
Less Trade Discounts	383,610	1,472	84,757	26,167	---	---	56,748	439,258	6.7
Net Sales	4,969,824	307,625	501,279	373,425	1,486	419,042	455,440	6,117,241	93.3
Cost of Sales	1,701,333	63,830	278,569	174,503	---	173,688	455,440	1,936,483	29.5
Gross Profit	3,268,491	243,795	222,710	198,922	1,486	245,354	---	4,180,758	63.8
Less Operating Expenses	3,047,885	208,794	167,198	105,750	4,505	186,938	---	3,721,070	56.8
Net Operating Profit	220,606	35,001	55,512	93,172	(3,019)	58,416	---	459,688	7.0
Other Income (Expense)	32,839	(8,834)	(3,441)	(79)	131	16,212	---	36,828	.6
Net Income Before Taxes (Loss)	253,445	26,167	52,071	93,093	(2,888)	74,628	---	496,516	7.6
Provision for Income Taxes	103,721	13,083	27,988	39,237	---	---	---	184,029	2.8
Net Income After Taxes (Loss)	149,724	13,084	24,083	53,856	(2,888)	74,628	---	312,487	4.8
Less Minority Interest	---	---	---	---	---	14,925	---	14,925	.2
Net Income, After Minority Interest	149,724	13,084	24,083	53,856	(2,888)	59,703	---	297,562	4.6



I N C O R P O R A T E D

April 26, 1962


Mr. George H. W. Bush
Zapata Off-Shore Company
1701 Houston Club Building
Houston 2, Texas

Dear Mr. Bush:

Enclosed you will find a copy of the minutes of the meeting of the Board of Directors of Camco, Incorporated held April 24, 1962.

Yours very truly,

CAMCO, INCORPORATED


Charles H. Weier
Secretary

CHW:td

Enclosure 1

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CAMCO, INCORPORATED

MINUTES OF THE SPECIAL MEETING OF THE BOARD OF DIRECTORS

Held April 24, 1962

A special meeting of the Board of Directors of Camco, Incorporated was held at the office of the Company at 7010 Ardmore Street, Houston, Texas, at 2:00 o'clock P.M., April 24, 1962, pursuant to notice duly given.

The following directors were present and participated throughout the meeting:

Harold E. McGowen, Jr.
Henry W. Hoagland
George H. W. Bush
Grover Ellis, Jr.
Paul R. Mills
Sam W. Pearce

Mr. William M. Edwards was unable to attend the meeting.

Mr. Paul R. Mills acted as Chairman of the meeting and Mr. Charles H. Weier, Secretary, kept the minutes thereof.

The Chairman announced that a quorum was present and that the meeting was duly constituted. The minutes of the meeting of the Board of Directors held February 19, 1962, were approved in the amended form distributed to the members of the Board of Directors.

The directors then examined and reviewed the financial information requested at the February 19, 1962, meeting of the Board of Directors regarding the purchase of the controlling interest of A-Z Export, S.A. After some discussion and upon motion duly made and seconded and by unanimous vote of all directors present it was

RESOLVED, that the proper officers of this Company be, and they hereby are, authorized and directed to purchase the following shares of stock of A-Z Export, S.A. from the individuals indicated at the prices shown, to wit:

Granville Berry

35,510 shares of Class "B" stock for \$34,878 payable in dollars on delivery of the certificates representing

said stock or at such deferred time or times as the President of Camco, Incorporated may determine to be for the best interests of said Company.

William Thomas

22,154 shares of Class "B" stock for \$21,760 payable in dollars on delivery of the certificates representing said stock or at such deferred time or times as the President of Camco, Incorporated may determine to be for the best interests of said Company.

James Berry

800,000 shares of Class "A" stock and 429,059 shares of Class "B" stock substantially in accordance with the terms of the proposed contract by and between James E. Berry and Camco, Incorporated dated April 24, 1962, presented at this meeting, a copy of which shall be placed in the minute book following the minutes of this meeting.

RESOLVED, that the President of Camco, Incorporated be, and he hereby is, authorized to make such changes in the above contract as in his opinion are to the best interests of the Company, and

RESOLVED, that the officers of the Company be, and they hereby are authorized and directed to do each and every act or thing necessary or incidental to the purchase of said stock and the carrying out of the intent of this resolution and the terms and conditions of said contract.

The directors then passed to consideration of the acquisition or retirement of the remaining shares of stock of A-Z Export, S.A. outstanding. It was the concensus of opinion of the directors that further acquisition of A-Z Export, S.A. stock should be by A-Z Export, S.A. at prices not exceeding \$1/share and not exceeding a total of \$50,000.

The President then discussed the problems of the Company in operating in Colombia and explained that relations with VOLCO, its former agent there had necessitated the setting up of our own sales agency in Colombia. He stated that a wholly-owned Colombian subsidiary had been formed as a vehicle for such sales agency under the name of Servicios Tecnicos Camco de Colombia, S.A. Upon motion duly made and seconded and by unanimous vote of all directors present it was

RESOLVED, that the formation of Servicios Tecnicos Camco

de Colombia, S.A., a wholly-owned Colombian subsidiary of Camco, Incorporated be, and it hereby is, ratified, approved and confirmed, and

RESOLVED, that the officers of the Company are authorized to invest \$15,000 in said Company, and

RESOLVED, that the officers of the Company are hereby authorized and directed to do each and every act or thing necessary or incidental to the organization of said Company and capitalization thereof within the intent of this resolution.

The President then discussed the sale and lease-back of the Company's autos and wire line trucks to Don McMillian Leasing Company for the sum of \$223,135.73. After some discussion and upon motion duly made and seconded and by unanimous vote of all directors present it was

RESOLVED, that the sale of 50 autos and 21 wire line trucks to Don McMillian Leasing Company for the sum of \$223,135.73 is ratified, approved and confirmed, and

RESOLVED, that the leasing of the above autos and trucks from Don McMillian Leasing Company in accordance with the terms of the contract executed by said Leasing Company and Camco, Incorporated and dated April 23, 1962, and the execution of said contract is ratified, approved and confirmed.

There being no further business to come before the meeting, upon motion duly made and seconded, the meeting thereupon unanimously adjourned.

Respectfully submitted,



Charles H. Weier
Secretary

April 26, 1962

Mr. Harold E. McGowen
CAMCO
7010 Ardmore
Houston, Texas

Dear Mac:

I thought you might be interested in the attached letter from Tom Rhodes who works with Southeastern Drilling Company, a large drilling company operating abroad. These are his comments on the Revenue Bill of '62 and I thought Chuch Wier might find them of interest in the light of our discussion Tuesday.

Best regards,

George H. W. Bush

GHWB/vf
Enc.



I N C O R P O R A T E D

OFFICE OF THE PRESIDENT

April 5, 1962

Mr. George H. W. Bush
Zapata Off-Shore Company
1701 Houston Club Building
Houston 2, Texas

Dear Mr. Bush:

This is to advise you that the meeting of the Board of Directors of Camco, Incorporated scheduled for April 17, 1962, has been postponed to April 24, 1962, at 4:00 P.M. at the home office of Camco, Incorporated, 7010 Ardmore, Houston.

Sincerely,

CAMCO, INCORPORATED

A handwritten signature in cursive script, which appears to read "Thelma M. Dusek".

Thelma M. Dusek
Secretary to
Mr. Harold E. McGowen, Jr.

td



I N C O R P O R A T E D

OFFICE OF THE PRESIDENT

March 27, 1962

Mr. George H. W. Bush
Zapata Off-Shore Company
1701 Houston Club Building
Houston 2, Texas

Dear Mr. Bush:

This is to advise you that a meeting of the Board of Directors of Camco, Incorporated will be held on Tuesday, April 17, 1962, at 4:00 P.M., at the home office of Camco, 7010 Ardmore, Houston.

Sincerely,

CAMCO, INCORPORATED

A handwritten signature in cursive script, reading "Thelma M. Dusek".

Thelma M. Dusek
Secretary to
Mr. Harold E. McGowen, Jr.
President

td



I N C O R P O R A T E D

March 14, 1962

Mr. George H. W. Bush
Zapata Off-Shore Company
1701 Houston Club Building
Houston 2, Texas

Dear Mr. Bush:

We enclose herewith the corrected Minutes of the Meeting of the Board of Directors of Camco, Incorporated held February 19, 1962. Please dispose of the copy of the minutes previously forwarded to you.

Sincerely,

CAMCO, INCORPORATED

A handwritten signature in cursive script, appearing to read "Charles H. Weier".

Charles H. Weier
Secretary

CHW:td

Enclosure 1

CAMCO, INCORPORATED

MINUTES OF THE SPECIAL MEETING OF THE BOARD OF DIRECTORS

Held February 19, 1962

A special meeting of the Board of Directors of Camco, Incorporated was held at the office of the Company at 7010 Ardmore Street, Houston, Texas, at 4:00 o'clock P.M., February 19, 1962, pursuant to notice duly given.

The following directors were present and participated throughout the meeting:

Harold E. McGowen, Jr.
Henry W. Hoagland
George H. W. Bush
Grover Ellis, Jr.
Paul R. Mills
Sam W. Pearce

Mr. William M. Edwards was unable to attend the meeting. Mr. James Kerr attended the meeting at the invitation of the Board of Directors.

Mr. Paul R. Mills acted as Chairman of the meeting and Mr. Charles H. Weier, Secretary, kept the minutes thereof.

The Chairman announced that a quorum was present and that the meeting was duly constituted. The minutes of the meeting held November 1, 1961, were approved in the form distributed to the members of the Board of Directors.

The directors then considered the acquisition of the stock of A-Z Export, S.A. owned by James Berry, Granville Berry and William Thomas, totaling 800,000 shares of Class A stock (all such shares outstanding) and 508,723 shares of Class B stock (out of 670,000 such shares outstanding) and representing 78.5% of the proprietary interest and 89% of the voting rights of said company. Mr. Harold McGowen presented an oral report of the activities and operating procedures and opportunities of A-Z Export, S.A. and its subsidiaries, Camco Wireline, C.A. and Las Heras Equipos Petroleros, S.A., and provided the directors with various financial statements and prepared reports on these companies' operations, inventories and problem areas requiring correction, copies of which reports are on file with the Secretary of the Company. Mr. McGowen stated that although these companies had an operating loss record, examination of their records and review of their operations showed that some of their past errors had been corrected and that sufficient progress had been made to the extent that it was

believed that these companies had operated at a break-even point for the last calendar quarter of 1961. Mr. McGowen further stated that with proper management by Camco, these companies could and would be operated at a substantial profit of approximately \$100,000 per year within one year of acquisition. A general discussion ensued and several directors requested that additional confirming financial information be obtained and presented to them before actual purchase of the said stock of A-Z Export, S.A. Upon motion duly made and seconded and by unanimous vote of all directors present, it was

RESOLVED, that, subject to the conditions hereafter set forth, Camco, Incorporated shall, and hereby does, agree to purchase the following shares of stock of A-Z Export, S.A. from the individuals indicated at the prices shown, to wit:

Granville Berry

35,510 shares of Class B for \$34,878 payable on delivery of the certificates representing said stock.

William Thomas

22,154 shares of Class B for \$21,760 payable on delivery of the certificates representing said stock.

James Berry

800,000 shares of Class A for \$78,576 payable on delivery of the certificates representing said stock.

429,059 shares of Class B for \$271,424 and 10,572 shares of common stock of Camco, Incorporated at an agreed valuation of \$14-3/16/share, payable as follows:

\$21,424 on delivery of the certificates representing said stock.

3000 shares of common stock of Camco, Incorporated on delivery of the A-Z Export, S.A. stock certificates.

Five notes, each for \$50,000 and bearing interest at 5-1/2%/annum and maturing on the 1st, 2nd, 3rd, 4th, and 5th anniversary dates of the actual purchase of said stock, respectively.

7,572 shares of common stock of Camco, Incorporated

delivered on the 1st anniversary date of the actual purchase of said A-Z Export, S.A. stock.

BE IT FURTHER RESOLVED, that, subject to the other provisions of this resolution, the officers of the Company be, and they hereby are, authorized and directed to do each and any act or thing necessary or incidental to the purchase of said stock and the carrying out of the intent of this resolution, and

BE IT FURTHER RESOLVED, that prior to the purchase of said stock, the directors of the Company shall be provided with the following additional financial information, to wit:

A. Audit Reports for the years 1957, 1958, 1959, 1960, and 1961 with public auditor's certificates attached for A-Z Export, S.A.

B. A letter from Price Waterhouse stating the extent they have reviewed the records of Camco Wireline, C.A. in their audit of A-Z Export, S.A. for the years 1960 and 1961.

C. Consolidated Balance Sheets and Operating Statements of A-Z Export, S.A. and Camco Wireline, C.A. for the years 1960 and 1961.

D. Operating Statements for the last calendar quarter of 1961 of A-Z Export, S.A. and Camco Wireline, C.A. prepared by Price Waterhouse and accompanied by a letter from them indicating any non-reoccurring income or expense items therein and also indicating their opinion as to the reliability of these figures.

E. Pro forma operating statements for the years 1962 and 1963 for A-Z Export, S.A. and Camco Wireline, C.A. prepared by Camco, Incorporated personnel, together with an explanation of the economies to be effected and the additional business to be produced to effect such results.

BE IT FURTHER RESOLVED, that the foregoing authority to purchase said stock is not effective unless the operating statement prepared under "D" above shows that A-Z Export, S.A. and Camco Wireline, C.A. combined operated at at least a break-even point for the last calendar quarter of 1961, and unless the audits furnished under "A" above confirm the figures furnished the Board at its meeting on February 19, 1962.

Thereafter, Mr. Mills pointed out to the directors that his Agreement of February 1, 1958, with Camco, Incorporated provided that he retain "effective voting control" of 37,500 shares of Camco, Incorporated

common stock, \$1 par value. Mr. Mills stated that he desired to dispose of a portion of his stock holdings to his children and requested that such limitation be reduced. Upon motion duly made and seconded and by unanimous vote of all directors present, it was

RESOLVED, that the Agreement dated February 1, 1958, by and between Paul R. Mills and Camco, Incorporated, be, and the same hereby is, amended by reducing the number of shares of Camco, Incorporated common stock at \$1 par value over which said Paul R. Mills is required to retain effective voting control from 37,500 shares to 30,000 shares.

There being no further business to come before the meeting, upon motion duly made and seconded the meeting thereupon unanimously adjourned.

Respectfully submitted,

Charles H. Weier
Secretary

GHW/3

NOTES FOR FILE

WENSA - Sales were \$75,000 per month average for last six months. Net profits were \$6,000 per month. \$8,400 per month was paid to absentee directors living in U.S. Indebtedness, \$160,000 for equipment purchased to start company. Originally paid \$210,000 for assets and business. Has 25 wireline reel units, 4 launches, 40 bombs, 17 vehicles, 6 wireline operators.

Name of Manager - J. Ray Pace. Phone number in Dallas, Texas, is DA 8-1140, office of Father, J. Ray Pace, Sr. Three absentee owners - Jim Biles, Tyler, Texas, phoned LY 3-7478; Bud Grove, Tyler, Texas, phone LY 3-1275; Dudley Vice, Tyler, Texas, phone LY 3-9235. Pace is on 5-year contractual deal whereby if he works 5 years, he ends up with 25% of company.

A-Z EXPORT, S.A. - Present business is \$150,000 per month in sales. Their present net profit is running between \$15,000 and \$20,000 per month. Should wind up fiscal year ended December 31, 1961, with \$60,000 net profit. They have been losing money for the past 3 years and this is the first year they have made a profit. The total loss for last 3 years was \$300,000. A loss carried forward can be used in Venezuela. A question is whether it can be used in case of merger with Camco. A-Z has approximately \$250,000 in receivables at present. Present payroll runs \$30,000 per month. Their accounts are: Camco, Brown Oil Tools, Bowen-Itco, Barton Meters, Texsteam, Smith Oil Tool Bits, Ideco, Kimray, Chicksan, British Wire Reel, Le Grand (England), A-Z International.

On A-Z's payroll there are 6 Americans in Western Venezuela and 3 Americans in Eastern Venezuela; 12 Venezuelans in Eastern Venezuela and 40 Venezuelans in Western Venezuela for a total payroll of \$30,000 per month. Also have in the West, 5 good cars, 2 pickup trucks, one two-ton truck, and 5 pickups in Camco Wireline, C.A. In Eastern Venezuela, they have 4 cars, 2 pickups, and one truck. The payroll consisting of James Berry, Bill Thomas, Granville Berry, located in Venezuela, Bob Adams in Houston, and Sandy Lamb in London will total well over \$100,000 per year and expenses. All of these men could be eliminated. One manager should be located in Venezuela. This man should cost around \$25,000 per year.

A-Z also owns two houses in Maracaibo, Venezuela, one of which is being used as a warehouse and office. These houses are near the lake and docking facilities. Across the lake in Las Morochas they have a good office plus two good houses with furniture and a small machine shop with 3 lathes and one mill. This land is on a 99-year lease from Shell at approximately \$50.00 per year. In Eastern Venezuela, they have an office and warehouse, shop building, and 4 nice houses one of which would cost \$45,000.00 in States, and one duplex for families. This property can take care of 6 American families. This land is fenced and is held under lease from Meneg on a 20-year renewable lease for \$50.00 per year.

A-Z's communication setup in Venezuela is excellent - radios between all branches.

A-Z owns 88% of Camco Wireline, a wireline service company operating in Lake Maracaibo. This company at present is doing \$25,000 per month in business and is making approximately \$2,000 in profit. This company would compete directly with the above detailed WENSA. This company has not been doing more business or making more profit because of mismanagement of affairs. The manager has been discharged within the last 60 days. This company has approximately 15 wireline units and about 24 bombs and one boat.

A-Z also has an agreement with VOLCO in Colombia so that VOLCO handles some of the oil field accounts with a split in commissions. We are quite dissatisfied with VOLCO and prior to this discussion intended to terminate this Agency. We have made tentative arrangements to place our own man in Colombia and take over this account so that the purchase of A-Z would be a perfect platform to work from, and would help defray expenses for a man in Colombia on Camco's payroll.

A-Z also owns a company in Argentina named Las Heras. This operation broke even last year. It consists of one American located in Buenos Aires and an Argentine running a warehouse and shop in Comodoro Rivadavia. The total amount of business is unknown. It was stated that this operation broke even last year. We think that this company has great possibilities of expansion.

Taxes in Venezuela - total amount is 28% on maximum profits; range goes below that at lesser profits. It is my understanding that at the present time all profits can be brought out of Venezuela. It is also my understanding that insurance can be obtained to cover the risk of such a venture. This insurance would be for political risk.

The total inventory in Camco products in Venezuela is at present \$300,000. \$60,000 was depreciated last year in obsolete goods. There are also two wireline trucks valued at \$20,000 each in Venezuela now.

Jim Berry owns approximately 70% of stock and wants \$500,000 for his share. The remaining 30% purchased at the same value would amount to \$215,000, making a total purchase price of \$715,000. The total assets of the company were set by Jim Berry at \$2 million. This includes vehicles, houses, furniture, inventory, and machine tools.

The auditors for A-Z is Price, Waterhouse. We will have a statement for last year in our hands within the next 10 days and possibly a statement for the 11 months of this year shortly thereafter.

Harold E. McGowen, Jr.

HEMcGJr:td

January 2, 1962

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CHW/B

AMOTT, BAKER & CO.

Incorporated

MEMBERS NEW YORK STOCK EXCHANGE
MEMBERS AMERICAN STOCK EXCHANGE

1420 Walnut Street, Philadelphia 2, Pa.

TELEPHONE PENNYPACKER 5-6936

MAIN OFFICE
150 BROADWAY
NEW YORK 38, N. Y.

November 1, 1961

file

Mr. Harold E. McGowen, Jr., President
Camco, Inc.
P. O. Box 14487
Houston 21, Tex.

Dear Mr. McGowen:

We have exchanged views previously relative to the importance of widening the stockholders' base, in order to pave the way for the future expansion of the Company on a sound financial basis. Consequently, I am somewhat surprised to realize that the directors have failed to take any action relative to a stock dividend.

The splendid presentation of the Company affairs in the annual report indicates that you, personally, are aware of the importance of maintaining sound stockholder relationships with management. I would question whether any of your other directors fully appreciate how important this subject may be to an expanding company.

The principal reason why institutional investors will not interest themselves in Camco is the very limited supply of stock in the hands of the public. Consequently, it is necessary for management to hold the interest of existing stockholders. The success of any company depends upon a friendly relationship between management at one corner of an equilateral triangle, labor at a second corner, and stockholders at the third corner.

As we all know, the stockholders have received but nominal cash dividends. Certainly, no one would be justified in buying Camco stock unless he could see an opportunity for capital growth. Your stock was sold to the public two years ago at \$17 a share, just about the present market. In the meantime, it has sold as high as \$24 a share and as low as \$10 a share. Those who bought the stock at \$17 two years ago have not received any capital growth, nor adequate compensation for the use of their money. Those who bought the stock at higher levels have become disgruntled and, as they have sold their holdings, some of us have secured new stockholders for the Company to take their places, but that becomes increasingly difficult.

Quite properly, the board of directors has set aside 16,800 shares of stock for key officials under option at a price considerably under the present market. We are heartily in accord with this, but I am not in accord with the failure to give recognition to the rights of stockholders. I would like to place considerably more stock with my clients,

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Mr. Harold E. McGowen, Jr.

November 1, 1961

but am afraid to do so until the directors recognize the necessity of awakening to the importance of this subject.

Obviously, the Company should not be increasing its cash dividends at a time when funds are needed for expansion; nor is the Company justified in selling additional stock to the public at a price which does not reflect the true value of the stock based upon the Company's increasing earning power and increased asset value.

A stock dividend does not dilute the equity of any stockholder. It merely gives him an additional certificate in recognition of his increased pro-rata interest in the company's real worth. A stock dividend is not taxable to the recipient. The cost to the company is only the cost of having the additional certificates issued and distributed.

Full recognition must be given to the management for its scientific approach to engineering and research problems and to the method in which it carries through. Equal recognition must be given to the fact that one of these days, in the not too distant future, the Company will require working capital to take advantage of a rapidly increasing product demand. At such time it should be in a position to market stock on a basis which will not dilute the interests of the stockholders.

I do not want to see any wild speculation in Camco stock. I do want to see the issue recognized as a sound situation possessing a solid growth potential backed up by capable management. I would like to see the same scientific approach given to financial planning on behalf of the Company as is given to research and development and manufacturing and sales.

My recommendation would be that the directors declare not less than a twenty percent stock dividend. In my opinion, it would be even better for the Company to purchase 2,500 shares of stock and then for the directors to declare a twenty-five percent stock dividend. This would result in a total of 479,000 shares outstanding, with 21,000 shares being retained to provide for outstanding options. As, doubtless, these options will be exercised, the result would become 500,000 shares authorized and outstanding. Then, at the next stockholders' meeting, the authorized capital should be increased. One of your directors might say that some shares should be retained to be used in connection with a possible acquisition. The answer to that is that it would be unwise to use stock for that purpose, in view of the fact that the market value is at a substantial discount from the actual value of the stock, giving recognition to the value of patents and non-capitalized Research and Development.

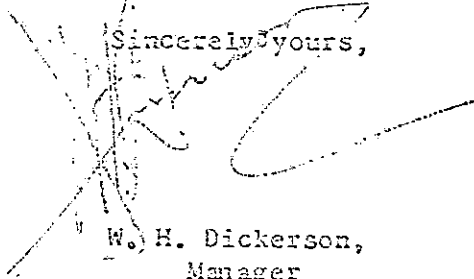
I do hope that this matter may be reconsidered, in order that you may

Mr. Harold E. McGowan, Jr.

November 1, 1961

receive greater support from members of the investment fraternity who have shown an interest in Camco.

Sincerely yours,



W. H. Dickerson,
Manager
AMOTT, BAKER & CO., INC.

WHD:lc

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HOPPER, SOLIDAY & CO.

MEMBERS PHILADELPHIA-BALTIMORE STOCK EXCHANGE

INVESTMENT SECURITIES

1420 WALNUT STREET

PHILADELPHIA 2

DAVID S. SOLIDAY
WM. E. SHMIDHEISER
THOMAS W. L. CAMERON

LIMITED
H. BOARDMAN HOPPER

PENNYPACKER 5-4075

October 24, 1961

Mr. Harold E. McGowen, Jr.,
President and Director
Camco, Incorporated
7010 Ardmore Street
Post Office Box 14484
Houston 21, Texas

Dear Harold:

Thank you very much for your truly outstanding hospitality. From first touchdown at New Orleans to our departure from Houston, it was a rich experience. Dave, Pete and myself could not have been more graciously treated or more thoroughly exposed to the strengths and depth of Camco's people, products, service and plans.

Forgive my delay in expressing my appreciation for all your kindness to us, but I have been talking with other investment people interested in Camco before writing to you. I went to New York and met with some of them last Friday.

At the risk of sounding omniscient or impertinent, I would like to present a capsule analysis of my overall reactions to Camco and my recommendation for action by your company in the special sphere of my own interests and experience.

It is my belief that through the catalyst of your own aggressiveness, engineering genius, thoroughness and inspirational qualities you have built Camco into a company with:

a.) an outstandingly hard driving, balanced, first rate organization from officer group right through to the field. Without question the breadth and depth of your engineering and sales personnel is the most impressive feature of Camco to an outside observer.

b.) a finally full basic line of oil service tools, the cornerstone of your world-wide patent umbrella on key

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Mr. Harold E. McGowen, Jr.

Page 2

October 24, 1961

lines, is now the foundation for more and more sales per field employee as you can now offer more products and services per well to your customers.

c) a hard won but twice proved world-wide reputation within the vast but hardpressed oil industry as a company that came from nowhere to top dog in the fields of gas lift and wire line service.

I believe the very speed and complexity of building your outstandingly complete product line, and the depth of your sustained sales and service effort in your far flung geographic coverage has brought you to your one but crucial problem - the absolute necessity for installing rigorous and completely systematic internal cost, inventory, and rate of return controls. This area seems to me to be the finally limiting factor to the growth of many exciting companies. Therefore, I was particularly pleased to meet Mr. Weier and discuss his plans and progress. His experience and the success of his function in Camco seem key to your transition from an outstanding growth potential to major industrial stature. I congratulate you and the board for your steps in this direction.

In my own sphere of action I would like to make further comments and recommendations. In this area my remarks are made not only as a friend and admirer of your progress but with the authority of the representation of substantially over 30,000 shares represented through Hopper, Soliday and its accounts, and after consulting with many investment firms whom we have enjoyed introducing to Camco with your generous cooperation. My remarks are made with full respect for your board's responsibilities and the professional capabilities represented on it.

I submit the viewpoint of an interested stock market professional. My remarks will be based on the attainment of certain objectives with which I believe you and the board will view with enthusiasm.

1) The major business of Camco is to maximize net profits per share of the company while building the company into an even bigger, stronger company.

2) Camco's status should be known by the present stockholders and the various segments of the investment community. You are obviously spending generous sums of money and time in company reports, plant visits by investment people and other means of communication.

Mr. Harold E. McGowen, Jr.

Page 3

October 24, 1961

3) It is desirable that present stockholders should remain loyal owners of the company.

I am naturally very pleased that since my visit August 28 a year ago you have shown Camco to seven Eastern investment people, become listed in Standard & Poor, increased your stockholders sufficiently to qualify in the National listings in the papers, sent your report to A.R.D. stockholders, and continued cultivating New York financial people. However, the fact of the matter remains that despite the major rise from 11 at the end of August, 1960 Camco is now just back to its 1959 issue price of 17.

Why has Camco stock not been a stock market success since the Lee Higginson, Smith Barney underwriting in 1957?

Obviously the collapse of interest and the stagnation of earnings in oil and oil service equities with the resultant drop in price earnings ratios is the major reason.

I believe we both agree, however, that Camco should not be considered side by side with these other oil companies now due to several factors, including:

- a) your outstanding comparative sales and earnings progress since 1959, particularly in net earnings per share after taxes.
- b) your continued aggressive development of patented products and your sales and service effort which has so enriched your competitive position vis. a vis Otis, etc.
- c) the growth potential of secondary recovery of oil versus the growth of the entire oil industry.

Despite this progress, the fact remains that the average stockbroker whose clients have been burnt badly once (high 20's to the ten level, 19 to 10 again) are not likely to invest in Camco again no matter how well you perform. It would be extremely interesting for you, I am sure, to check how many of your 1957 stockholders are still with you.

Therefore, more new people like Edgar Scott and Peter Shea, who have not been burnt, must be made aware of your outstanding record and promise for the future. This you are doing. I will endeavor to continue sending selective investment representatives of stature.

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2nd village after Wicks is
Fennett -
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Bush Handwriting

Mr. Harold E. McGowen, Jr. Page 4

October 24, 1961

The problem is more complicated than just adding new stockholders. Once won, you must keep them as long term investors. As you know, many stockbrokers will turn their clients out of Camco (or any other stock) when some profit has been made unless some really excellent reason makes them stay with you. Your present stockholders must be kept happy until the real explosion in earnings takes place next year when the new plant will enable Magnaset and other new products expansion, as your packer and plunger lines are established, and the caliper starts bringing in revenue.

It is not just a problem of keeping "contented" stockholders. Their loyalty is essential to attaining a most important objective. It is extremely desirable that your stock sell on a price earnings multiple comparable with other companies of comparable earnings rates and similar growth potential whatever their industry. As you have said, this will enable you to consider possible future acquisitions on more favorable terms, and will make an absolute difference when you do new permanent financing.

While I am obviously committed to Camco as a major long term interest, not everyone is, or there would be no stock around at all.

Frankly several of the gentlemen who visited you in Texas are deeply disappointed in your decision not to initiate a stock dividend policy. They, and I, feel that your board without benefit of direct stockbrokerage representation is not fully aware of the really beneficial effect this move could have to consolidate stockholders interest that their stockbrokers aroused when initially recommending Camco. Most stockholders far from the board room cannot realize the drive and plans which are so obvious in Houston - they need something tangible to hold them. We urge you to reflect on this point.

The job of the investment bankers who will raise your funds in the future will be largely tailored by the type of continuing daily market support that some people take for granted.

It is of course obvious, but perhaps sometimes overlooked, that the proudly considered market value of the large blocks of stock are valued solely by the daily fluctuations of the market place.

We believe that the cost of a stock dividend would be modest to the company. We cannot believe that anyone's interest

Mr. Harold E. McGowen, Jr.

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October 24, 1961

could in any way be diluted or damaged by such a move. On the contrary, we believe an increased number of shares would be extremely beneficial to wider individual and institutional interest in Camco stock.

Therefore, we formally and positively recommend the payment of a stock dividend at your next directors' meeting.

We have talked many times about Camco stockholders but of necessity in generalities. Frankly, I believe this is just like talking about the oil industry as one lump. Obviously the vitality and problems of the segments vary widely and must be handled differently.

Therefore, I recommend that a complete and continuing factual breakdown of your stockholders list would help you to further crystallize your own estimate of your stockholder relations and enable more refined and professionally sound decisions for all types of Camco holders.

I suggest that:

1) you break your list down by:

- a) states
- b) size of shareholdings - all above 5,000, 1,000, 500, 100, etc.
- c) institutional and nominee holdings

2) you continually check which brokerage firms are active in the stock.

3) a continuing daily chronological list of new stockholders be kept. As stockholders drop away it would be extremely interesting to check with this list to determine how long is the term of your average stockholders interest.

These controls will clearly show you whether your stock is moving into weaker or stronger hands, and at what rate.

Just by glancing over the stockholders list for a few minutes at the annual meeting certain obvious steps suggested themselves. For example:

1) since 186,540 shares are held in a small number of brokers and nominees names you have a very important and ready

Mr. Harold E. McGowen, Jr.

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October 24, 1961

means of cementing the majority of your holders through a few sophisticated people. For example, with 14,711 shares of stock in Merrill, Lynch's name, it seems important to me that you give them the complete treatment including visiting their office in New York City, meeting their analyst in charge of the stock, having him over the properties and then keeping him continually informed. If you think this is a good idea, let me find out the key people and open the doors for you.

2) since there are certain obvious concentrations of stockholders, for example - Pennsylvania, it might be wise to address the local financial analyst societies, such as: Philadelphia and Pittsburgh. By polishing your movies and using your already prepared product displays, this could be an inexpensive and very effective method of consolidating an already established beach head. Further centers such as N.Y.C., Minnesota, and Texas would emerge in a complete breakdown, I am sure.

These controls would be simple to set up, would require very little of Miss Dusek's time to maintain, and I repeat - give you invaluable information as to who your currently working friends are, and who should be reencouraged.

In conclusion, we are deeply committed to you and your company. We look forward with pleasure to increasing our interest.

I congratulate you on the substantial progress you are making in financial relations. I suggest strongly that this progress could be cemented with present stockholders and stockbrokers by a tangible stock dividend capitalizing your progress and could be advanced by further pinpointing your future efforts through deeper stockholder list analysis.

Please give my regards to that corps of driving profit makers.

Sincerely,

Thomas W. L. Cameron

TWLC:mal

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HOPPER, SOLIDAY & CO.

MEMBERS PHILADELPHIA-BALTIMORE STOCK EXCHANGE

INVESTMENT SECURITIES

1420 WALNUT STREET

PHILADELPHIA 2

DAVID S. SOLIDAY
WM. E. SHMIDHEISER
THOMAS W. L. CAMERON

LIMITED
H. BOARDMAN HOPPER

PENNYPACKER 5-4075

October 26, 1961

Mr. Harold E. McGowen, Jr.,
President and Director
Camco, Incorporated
7010 Ardmore Street
Post Office Box 14484
Houston 21, Texas


Dear Harold:

In my October 24th letter to you I should have included a paragraph expanding my suggestion that, "You continually check which brokerage firms are active in the stock."

Obviously the firms which trade Camco such as: Lee, Higginson, Smith, Barney and others are included in my statement but I meant to stress, not these wholesaling firms, but the brokerage firms which are recommending (retailing) Camco to their clients. The easiest way to run a check on these would be to take a running list of those companies to whom you forward newly registered stock certificates for final delivery to their individual clients.

As new firms show up as buyers, Miss Dusek could let me know, and I would make sure they were properly welcomed into the Camco brokerage fraternity.

Sincerely,


Thomas W. L. Cameron

TWLC:mal

ARTHUR ANDERSEN & Co.

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CAMCO, INCORPORATED

MEMORANDUM ON FINANCIAL
AND ACCOUNTING MATTERS

Houston, Texas
October, 1961

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During the course of our examination of the financial statements of Camco, Incorporated, for the year ended July 31, 1961, we made a review of accounting methods and procedures and internal controls. Our review was limited to the scope ordinarily undertaken in connection with an examination of financial statements and does not purport to constitute a detailed review of the company's accounting methods and procedures.

In general, the procedures and internal control seem adequate. The employees are conscientious and proficient resulting in the operations being conducted smoothly and in a businesslike manner.

The purpose of this memorandum is primarily to comment on the suggestions set forth in a similar memorandum we issued in October, 1958, and also to discuss generally certain areas in which we believe the internal control and accounting procedures of Camco can be strengthened and improved in a practical manner. We shall be pleased to discuss them in more detail if you desire.

Continued Study
of Production Control

The company has taken some very important steps toward developing a sound production control system within the last year or so. Perhaps the more important of which are (1) the recognition by management that something can be done to control rising inventory, and (2) the designation of one in

the executive group to be responsible therefor. It is noteworthy that already the investment in inventories has been reduced from last year, even though the company added several new products to its sales line during the year.

It appears that the production control system now being installed will eventually include adequate controls. We would like to suggest that the procedures being developed be selectively applied only to high value parts and materials. As we stated in our memorandum issued in October, 1958, low value parts and materials should be produced or purchased on estimated requirements since relatively small amount of working capital and carrying costs are expended on these items.

Several years ago our staff training movie "Production Control" was shown to the top management and certain key personnel. Since that time, there have been changes in this group and in the company's policies concerning production control. We would be most pleased to show this movie again to any group the management might designate.

Planning and
Supervision of
Physical Inventory

The weaknesses noted in our prior memorandum regarding the year-end inventory counts have largely been corrected. We feel that a satisfactory and efficient system was employed by the company at the time of the July 31, 1961, counts.

We noted that the inventory records maintained by certain of the agencies selling Camco products were less than adequate. We suggest that the agencies be requested to maintain satisfactory perpetual inventory records, including indications of the dates that the merchandise was received and sold. We also suggest that the agencies be requested to prepare monthly reconciliations between the quantities as shown by the perpetual records and the physical quantities.

Cost Accounting The company does not have a formal cost accounting system. The problem of a proper allocation of burden to manufactured items has not adequately been solved, and thus, the application to specific parts may not at times be consistent. We recommend that a standard cost system be adopted and be controlled by the general ledger.

We have discussed this matter with client personnel, and have been advised that there are plans for the adoption of a standard costing system for the fiscal year 1962 - 1963.

Defining and
Segregating Accounting
and Treasury Functions

The company does not have separate treasury and accounting departments. Certain functions normally handled by a treasury department are performed by the accounting department, such as the preparation of bank deposits, the maintenance of the cash receipt record, the disbursement of cash, and extension of credit. Certain other functions which are normally

the responsibility of a treasury department; such as the handling of insurance, taxes, contracts, and petty cash; are properly separated from the accounting department at Camco.

We feel that as the company grows larger and increases in the number of employees that consideration should be given to the transfer of treasury functions from the accounting department to a treasury department which is independent of the accounting department.

Cash Receipts The control over cash receipts has improved greatly since 1958. We note that the receptionist who opens the mail now prepares a list of incoming checks. The list is given to the chief accountant, but the checks are given to the accounts receivable clerk. We recommend that the accounts receivable clerk should be given a list of checks received, together with the remittance advices received, but that some other employee handle the checks and prepare the deposit slip.

In connection with cash receipts, we observed that the cash receipts were held open for several days at the close of each month to include all incoming checks dated in that month. We discussed this with company officials and were pleased to note that steps were taken to discontinue this practice.

Purchasing
and Cash Disbursing Our review reflected that adequate clerical checks are made in the accounting department of purchase invoices, but that no evidence of such check is made on

the invoices. We recommend that each invoice be stamped "clerical accuracy and extensions checked" and initialed by the accounts payable clerk.

The responsibility for matching receiving reports and purchase orders with invoices is now performed by the accounting department, rather than the purchasing department. We heartily approve this change.

Paid invoices are still not marked "paid" or canceled in anyway, but the I.B.M. system is so arranged that any duplicate payment of an invoice would be promptly noted.

Since our last memorandum, the accounts payable detail has been balanced periodically with the control. We concur with this practice.

Journal Entries The support and handling of journal entries has improved since our last review. Journal entries are made and approved by the chief accountant. While no formal approval of these are made by the treasurer, we have observed that the treasurer is aware of any unusual or significant entries. Certain journal entries are not adequately described. We recommend that remarks be made with the entries to provide an interested reviewer proper information as to the nature of the entry.

Officers' Commissions Commissions were authorized to be paid to certain officers at a meeting of the board of directors August 15, 1957, and at the meeting of March 17, 1958,

it was noted that these officers had voluntarily reduced their bonuses effective February 1, 1958. Since that time the president of the company has issued directives from time to time adjusting the rates to be paid, which are now either equal to or less than the original amount approved by the board. We recommend that the board be advised of the present rates and maximums in order that it can take proper action concerning such amounts.

Incentives We noted that the company has several plans to compensate personnel for increased sales and new inventions. The company might also consider giving some type of award for cost-reducing suggestions.

CAMCO, INCORPORATED

MINUTES OF ANNUAL MEETING OF BOARD OF DIRECTORS

Held October 9, 1961

The annual meeting of the Board of Directors of Camco, Incorporated ("Camco") was held in the auditorium of the First City National Bank on the first floor of the tower of said bank building, 1021 Main Street, Houston, Texas, at 5:30 o'clock P.M. on October 9, 1961, immediately following the adjournment of the annual meeting of the stockholders of Camco.

The following, having been elected directors of Camco at the annual meeting of stockholders, were present and participated in the meeting:

Paul R. Mills
Harold E. McGowen, Jr.
Henry W. Hoagland
George H. W. Bush
Grover Ellis, Jr.

Mr. Sam W. Pearce and Mr. William M. Edwards were unable to attend the meeting.

Mr. Paul R. Mills acted as Chairman of the meeting and Mr. Charles H. Weier acted as Secretary thereof.

The Chairman announced that a quorum was present and that the meeting was duly constituted. The reading of the minutes of the last meeting was waived and the minutes were approved in the form circularized to the members of the Board of Directors.

The Chairman then stated that nominations were in order for the election of officers of the Company. On nominations duly made and seconded and by unanimous vote of all directors present, the following persons were elected to the offices of Camco set forth following their respective names, to so same as provided by the bylaws of the Company, to wit:

Paul R. Mills - Chairman of the Board of Directors
Harold E. McGowen, Jr. - President
Sam W. Pearce - Senior Vice President
William M. Edwards - Vice President
Cecil B. Greer - Vice President of Sales
Gilbert H. Tausch - Vice President of Engineering & Research
Albert A. Hughes - Vice President of Production
Charles H. Weier - Vice President of Finance and Secretary
George A. Kimmey - Treasurer
Clarence E. Soucek - Assistant Secretary

Thereafter, on motion duly made and seconded and by unanimous vote of all directors present, it was

RESOLVED, that the principal executive officers of the Company be paid the same compensation for the fiscal year ending July 31, 1962, as was paid such officers for the fiscal year ended July 31, 1961.

On motion duly made and seconded and by unanimous vote of all directors present, it was


RESOLVED, that all actions taken on behalf of this Corporation by its officers from October 10, 1960, to October 9, 1961, be and hereby are ratified, approved and confirmed as the acts and deeds of this Corporation.

After some discussion, on motion duly made and seconded and by unanimous vote of all directors present, it was

RESOLVED, that the First City National Bank of Houston, Texas, be appointed the Transfer Agent of the capital stock of the Company, and

BE IT FURTHER RESOLVED, that the officers of the Company be authorized to take such action as may be necessary to effect the transfer of the Transfer Agent's records from the Bank of the Southwest National Association, present Transfer Agent, to the now designated Transfer Agent.

There being no further business, upon motion duly made and seconded and by unanimous vote, the meeting adjourned.



Charles H. Weier, Secretary.

CAMCO, INCORPORATED

MINUTES OF SPECIAL MEETING OF BOARD OF DIRECTORS

Held November 1, 1961

A special meeting of the Board of Directors of Camco, Incorporated ("Camco") was held at the office of the Company at 7010 Ardmore Street, Houston, Texas, at 4:00 o'clock P.M., November 1, 1961, pursuant to notice duly given.

The following directors were present and participated throughout the meeting:

Harold E. McGowen, Jr.
Henry W. Hoagland
George H. W. Bush
Grover Ellis, Jr.

Messrs. Paul R. Mills, Sam W. Pearce and William M. Edwards were unable to attend the meeting.

Mr. Harold E. McGowen, Jr. acted as Chairman of the meeting and Mr. Charles H. Weier, Secretary, kept the minutes thereof.

The Chairman announced that a quorum was present and that the meeting was duly constituted. The minutes of the meeting held October 9, 1961, were approved in the form distributed to the members of the Board of Directors.

The Board of Directors then considered the compensation of the officers and employees of the Company and upon motion duly made and seconded and by unanimous vote of all directors present, it was

RESOLVED, that the Christmas Bonus paid specified employees of Camco be limited to a sum equal to one week's normal compensation of each employee receiving same or \$150, whichever is the lesser.

After some further discussion regarding executive compensation, the matter was passed over without formal action with the understanding that the discussion would be continued at the next meeting of the Board of Directors.

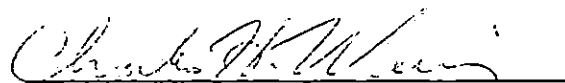
Mr. Harold E. McGowen, Jr. then requested consideration of the Company's policy regarding acquisition of additional land for future expansion of the Company's facilities. He stated that land values in the

vicinity of the present Houston plant had risen to \$20,000 to \$25,000 an acre. Mr. McGowen recommended that land acquisitions at the present plant location be limited to the acquisition of the two acres now authorized and that a study be made of the feasibility of acquiring a parcel of land of approximately 50 acres about 10 miles south of the present plant. After some discussion and without any formal action being taken, the directors present requested Mr. McGowen to make a study of suitable locations for expansion and the current cost of such land for future consideration of the Board of Directors.

Thereupon, the President presented for the approval of the Board of Directors the contract between Camco, Incorporated and American Construction Company, dated October 24, 1961, for construction of the new plant building at 7010 Ardmore Street, Houston, Texas, and upon motion duly made and seconded and by unanimous vote of all directors present, it was

RESOLVED, that the contract between Camco and American Construction Company, dated October 24, 1961, executed by Harold E. McGowen, Jr., President, regarding construction of a new shop building and other additions and rehabilitation at 7010 Ardmore, Houston, Texas, at a contract price of \$333,527.00, be, and the same hereby is, ratified, approved and confirmed.

There being no further business to come before the meeting, upon motion duly made and seconded and by unanimous vote of all directors present, the meeting adjourned.


Charles H. Weier, Secretary

CAMCO

CAMCO, INCORPORATED

DATA APPLICABLE TO COMPENSATION OF OFFICERS

Name	Title	Annual Salary	Present Bonus Arrangement	(1)-(5) Shares Under Stock Option	Salary Recd. Last Year	Commission Or Bonus Recd. Last Yr.	Total Salary & Bonus (Does not include Profit Sharing)
Harold E. McGowen, Jr.	President	— \$ 30,000.00	3.7% of Comsolidated Profits Before Taxes above first \$50,000. Limit of \$36,850 per year.	5,000	\$ 30,000.00	\$31,756.66	\$ 61,756.66
Sam W. Pearce	Senior VP	— 24,000.00	.25% of World-Wide Sales Limited to \$12,000 per year.	4,000*	24,000.00	12,000.00	36,000.00
W. M. Edwards	Vice Pres.	— 24,000.00	1.3% of Comsolidated Profits Before Taxes above first \$50,000. Limit of \$8,000 per year.	4,000	24,000.00	8,000.00	32,000.00
Charles H. Weier	Financial VP & Secretary	— 20,000.00	?	--	--	--	--
George A. Kimmey	Treasurer	— 13,200.00	Christmas Bonus	500	13,200.00	1,100.00	14,300.00
Gilbert H. Tausch	Engr. VP	— 24,000.00	1.175% of Profits After Taxes - No Limit. <i>Renewed each year</i>	1,000	24,000.00	5,000.00	29,000.00
Albert A. Hughes	Prod. VP	— 13,800.00	Christmas Bonus	500*	13,800.00	550.00	14,300.00
Cecil B. Greer	Sales VP	— 20,000.00	.1% of Sales in U.S., Mexico & Canada - Limited to \$8,000 per year.	1,000	20,000.00	6,789.00	26,789.00
Francé E. Soucek	Asst. Secy.	— 9,300.00	Christmas Bonus	---	9,300.00	775.00	10,075.00
Paul R. Mills	Board Chairman	— 10,000.00	None	---	10,000.00	--	10,000.00
TOTALS		<u>\$188,300.00</u>			<u>\$168,300.00</u>	<u>\$65,970.66</u>	<u>\$234,270.66</u>

Red Note - 7,500

* Exercised 1,000 shares on April 5, 1961 - remainder 3,000 shares.
 (1) James H. Howard, 500 - Exercised 500 shares March 23, 1961
 (2) Grover Ellis, Jr., 500 - Exercised 100 shares in February, 1961
 (3) Henry W. Hoagland, 500
 (4) Howard H. Moore, 500
 (5) George H. W. Bush, 500

Photocopy — George Bush Handwriting

Photocopy - Preservation

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2. Mozby reports. - who contacted.
3. Pauley Invoices

Photocopy — George
Bush Handwriting



I N C O R P O R A T E D

OFFICE OF THE PRESIDENT

October 13, 1961

Mr. George H. W. Bush
Zapata Off-Shore Company
1701 Houston Club Building
Houston 2, Texas

Dear Mr. Bush:

This is to advise you that a meeting of the Board of Directors of Camco, Incorporated, will be held on Tuesday, October 31, 1961, at 4:00 P.M., at the home office of Camco, 7010 Ardmore, Houston.

Sincerely,

CAMCO, INCORPORATED

Thelma M. Dusek
Secretary to
Mr. Harold E. McGowen, Jr.
President

td

Photocopy - Preservation

Handwritten notes: 5/2/8, 1/2/8, 1/2, 2, 7/2/8, 5/10, 3/5

September 12, 1961.

Mr. Harold E. McGowen
CAMCO, Inc.
7010 Ardmore
Houston, Texas

Dear Harold:

I read your proposed Stockholders' Letter with interest. It looks fine to me. In the third paragraph it mentions Jackson, Michigan, should this be Jackson, Mississippi?

Best regards,

George H. W. Bush

GHWB/vf

HAROLD E. McGOWEN

George:

Please let me have your comments
on the attached "Message to Stocholders".

August 31, 1961

HEM

OK /
George Bush

Photocopy -- George
Bush Handwriting

TO OUR STOCKHOLDERS:

Growth and expansion continue to be the two big activities in Camco. For the growth part, 1961 reports sales of \$6,974,000 and net earnings of \$420,000 as compared to sales of \$6,158,000 and net earnings of \$390,000 in 1960. This is a 13% increase in sales and a 8% increase in net earnings, giving \$1.09 per share on the 385,700 outstanding shares of stock. Of this \$1.09, 20¢ was paid in stockholder dividends.

There are three basic reasons for Camco's steady growth:

(1) increased sales efforts and outlets over the world, (2) manufacturing plants in foreign countries, and (3) a heavy research effort.

The opening of new distribution outlets increased sales, but two of these locations -- Farmington, New Mexico, and Jackson, Michigan (??) lost money. This was a major cause of our reduced rate of profits as compared to 1960. These two locations are now closed. Also, the sales obtained from our foreign effort did not come up to expectations, however, there is full evidence that our business abroad will greatly increase over the next few years. We believe that a strong foreign effort is absolutely necessary in order to insure complete market coverage for the future.

The location of manufacturing plants in Belfast, Northern Ireland, and in Mexico City allows us to take advantage of the steadily increasing demand for petroleum in foreign countries. Last year, the consumption of petroleum in the Free World outside the United States increased 12%, as

Page 2

compared to 3% for the United States. This trend will continue as the industrial expansion of the Free Foreign World continues and there are many indications that the pace may accelerate. Camco de Mexico, S. A. was built to comply with the growing nationalistic spirit that is forcing an increase in manufacturing in many foreign countries. This plant and its operations are very profitable. We feel that it could eventually serve the Common Market now forming in South America. Camco, Limited, Ireland, was organized to serve the Sterling Bloc. The plant is now producing a complete line of Camco products and is perfectly placed to serve the European Economic Community which England recently decided to join. In Northern Ireland, we have the advantages of a common language, common measurements, an abundance of labor and the will of the Irish to work.

To speed the development of foreign sales for this plant, we now have a trained, multi-lingual English engineer based in Belfast, Northern Ireland, and working in Europe, Asia, and Africa. As a further sales stimulus, we are sending, on temporary duty, four sales engineers from the United States to teach technical schools and introduce new products. A second English sales engineer is now training in the United States and will be sent to Ireland in February, 1962. We expect the Northern Ireland plant to be increasingly valuable in the coming years.

New products developed by our research have accounted for the majority of our last year's sales increase. The full market potential of

Page 3

these tools has not been reached. Magnaset is now a proved tool in the oil field and Camco's first application of electronics and electro-mechanical devices for the petroleum industry is a success. Following the development of the Magnaset electro-magnetic principle, we have produced a new invention. We are announcing a fourteen-channel, three-hour tape recorder, packaged to be run into an oil well at the end of the solid steel line carried by Camco's fleet of fifty-two trucks, boats, and skid units. This tape recorder will receive and record information from a radical new electronic-feeler caliper that will scan and accurately measure the amount of corrosion and erosion of metal from the inside of the tubing in a well. Obviously, this tool has possible applications in any industry that has piping problems. We have scheduled the caliper and recorder for initial sales in 1963.

We have increased and completed our plunger lift line by the purchase of the well-established National Supply Company's Plunger Division. Our research has developed a new pilot gas lift valve and a new concentric gas lift valve that are now in initial sales. These two valves, together with the plunger line, have increased our dominance in the gas lift industry.

In the past year, we have completed our 4,400 square foot research building and our 8,200 square foot Camco de Mexico manufacturing plant. We will begin building on a new 28,000 square foot brick and steel manufacturing plant addition at our Houston location this year. This plant addition is required for anticipated sales increases in 1961-1962. The company-owned Houston plant area will then total 12 acres of land and 66,000 square

Page 4

feet of plant.

Camco has acquired 18 new patents in the last year, bringing our total patent structure up to a total of 53. This increase is the result of our chosen path of growth by research.

Our employee relations continue to be good in Houston, Belfast, and Mexico City. The loyalty and support of Camco's employees is greatly appreciated.

Our outlook for the new year is a very healthy one and we anticipate an ever-expanding part in the petroleum industry accelerated by our improved sales coverage, multiple manufacturing plants, and increased product line.

The total consumption of oil by the Free World increased by 6% last year and this ever-increasing demand for the economical production of oil will continue to drive Camco sales upward. Our tools and services offer an efficient way to produce oil from old or new oil wells that have ceased to flow naturally. The petroleum industry has been showing increased earnings for 1961 over 1960 and our sales should reflect this trend.

Sincerely,

Harold E. McGowen, Jr.
President



I N C O R P O R A T E D

August 25, 1961

To the Stockholders of Camco, Incorporated

The annual stockholders meeting of Camco, Incorporated is to be held in the auditorium of the First City National Bank, first floor of the Tower in the Bank Building, 1021 Main Street, in the city of Houston, Texas, on Monday, October 9, 1961, at 4 P.M., Central Standard Time. At this meeting, a full report will be given on the activities of the Company during the fiscal year closed July 31, 1961.

The primary purpose of this annual meeting will be to elect seven directors for the coming year, 1961-1962. The enclosed proxy will, in the absence of special designation by the stockholder signing it, be used for the purpose of voting in favor of the election of the following persons for the board of directors of Camco, Incorporated:

- Paul R. Mills, *Chairman of the Board, Camco, Incorporated*
- Harold E. McGowen, Jr., *President, Camco, Incorporated*
- William M. Edwards, *Vice-President, Camco, Incorporated*
- Sam William Pearce, *Senior Vice-President, Camco, Incorporated*
- Henry W. Hoagland, *Vice-President, American Research and Development Corporation*
- Grover Ellis, Jr., *Vice-President, First City National Bank of Houston*
- George H. W. Bush, III, *President, Zapata Off-Shore Company*

It is our hope that you will attend the annual meeting. If you are unable to be present, please sign the enclosed proxy form and forward it to Camco at your earliest convenience.

Very truly yours,

CAMCO, INCORPORATED

Handwritten signature: Harold E. McGowen, Jr.

Harold E. McGowen, Jr.
President

Photocopy — George Bush Handwritten

*Vivian
please call this
to attention of
Camco office
Funt's ent!*

August 15, 1961

Mr. Harold E. McGowen, Jr.
CAMCO, Inc.
7010 Ardmore
Houston, Texas

Dear Mack:

I have read the minutes of the Special Meeting held August 9th and I am in agreement with all the action taken at that meeting.

Regarding the conflict of interest questionnaire, I think it is a good idea for both officers and directors.

Sorry to have missed the meeting. See you at the next one, if not sooner.

Best regards,

George H. W. Bush

GHWB/vf

CAMCO, INCORPORATED

- - -

MINUTES OF SPECIAL MEETING OF BOARD OF DIRECTORS

Held August 9, 1961

A special meeting of the Board of Directors of Camco, Incorporated ("Camco") was held at the Petroleum Club, Rice Hotel, Houston, Texas, at 12 noon on Wednesday, August 9, 1961, pursuant to notice duly given.

The following persons were present and participated throughout the meeting:

Paul R. Mills
Harold E. McGowen, Jr.
Sam W. Pearce
Grover Ellis, Jr.

Messrs. Henry W. Hoagland, George H. W. Bush and William M. Edwards were unable to attend the meeting. Messrs. Charles H. Weier and James H. Kerr, Jr. attended the meeting at the invitation of the Board.

Mr. Paul R. Mills acted as Chairman of the meeting and Mr. James H. Kerr, Jr. acted as Secretary of the meeting.

The Chairman announced that a quorum was present and that the meeting was duly constituted. The minutes of the meeting held June 21, 1961 were approved in the form distributed to the members of the Board.

The Chairman made a brief financial report and answered questions regarding estimated earnings for the fiscal year just ended and made estimates with respect to the coming year.

Mr. McGowen read to the meeting a statement addressed to the Board, dated July 7, 1961, from William M. Edwards and directed that it be copied in the minutes as follows:

"Due to the fact that I am at present serving as Managing Director of Camco Limited in Belfast, Northern Ireland, which fact makes it impractical because of my inaccessibility to Camco Incorporated to discharge the duties of Secretary of Camco Incorporated, please accept my resignation from the office of Secretary, to be effective at the convenience of the Board."

After a discussion, it was agreed to accept Mr. Edwards resignation as Secretary and that the minutes should reflect the Board's unanimous heartfelt thanks and appreciation to Mr. Edwards for his loyal and outstanding services as Secretary of Camco.

Upon nomination duly made and seconded and by unanimous vote, Mr. Charles H. Weier was elected to the offices of Financial Vice President and Secretary of Camco to serve until the next annual meeting and until his successors be duly elected and qualify.

The President recommended that the Board consider action on a dividend to stockholders. After a discussion, upon motion duly made, seconded and by unanimous vote, it was

RESOLVED, that a cash dividend of 10¢ per share be paid on September 15, 1961, to the holders of common stock of Camco of record at the close of business on August 28, 1961.

The Secretary was instructed to order a list of stockholders from the Transfer Agent showing the holders of common stock of Camco at the close of business on August 28, 1961, and to publish the usual notice of the declaration of a dividend in the Wall Street Journal.

The Chairman advised that it would be desirable to set the time and place and name the persons to vote the proxies for the annual meeting of shareholders as is prescribed by the by-laws. Upon motion duly made and seconded and by unanimous vote, it was

RESOLVED, that the annual meeting of Camco be held at 4 p.m., Central Standard Time, on Monday, October 9, 1961, in the auditorium of the First City National Bank of Houston, 1st floor of the Tower in the Bank Building, 1000 Main Street, Houston, Texas, for the purpose of

electing directors and transacting such other business as may properly come before the meeting; that the holders of common stock of Camco of record at the close of business on August 22, 1961, be the stockholders entitled to vote at such meeting; that the secretary mail notices of the annual meeting not later than September 28, 1961, to said stockholders at their addresses as shown on the records of Camco, accompanied by a proxy naming Harold E. McGowen, Jr., Henry W. Hoagland, and Grover Ellis, Jr. as the persons to vote such proxies; and that the notice and the proxy be in such form as shall be approved by Camco's counsel.

The Secretary was directed to order a list of holders of common stock of Camco as of the close of business on August 22, 1961.

The next matter considered was the advisability of obtaining questionnaires from directors, officers, and certain designated employees of information concerning their dealings with or holdings in enterprises doing business with Camco in order to determine whether any conflicts of interest may exist in Camco's business dealings with such business enterprises. After a discussion, upon motion duly made and seconded and by unanimous vote, it was

RESOLVED, that Arthur Andersen & Co. be authorized and directed to send a questionnaire for Camco to all officers and Jack A. McClelland, an employee, requesting information concerning their dealings with or holdings in enterprises doing business with Camco for the purpose of determining whether or not any conflict of interest may exist in Camco's business dealings with such business enterprises; and the President be authorized and directed to approve the form of such questionnaire and make additions to the employees to receive the same; and

RESOLVED, that the completed questionnaires be returned to Arthur Andersen & Co. for examination and analysis and that Arthur Andersen & Co. be requested to prepare a written report of its findings and submit the same to the President of Camco for review and a report to the Board of Directors; and

RESOLVED, that further study be given to the sending of a similar questionnaire to directors of Camco and that consideration of the same be had at the next meeting of the Board.

The Chairman stated that the annual general meetings of each, Camco, Limited (Northern Ireland) and Camco, Ltd. (Canada), are expected to be held on October 9, 1961, and that it is necessary to authorize proper persons to vote the shares of such corporations owned by Camco. After a discussion, upon motion duly made and seconded and by unanimous vote, it was

RESOLVED, that Harold E. McGowen, Jr., or Grover Ellis, Jr. be and each hereby is authorized to vote on behalf of Camco at the annual general meeting of Camco, Limited (Northern Ireland) to be held on October 9, 1961, at Houston, Texas, all shares of stock of Camco, Limited owned by Camco with unlimited discretionary authority with respect to the election of auditors and directors and fixing of remuneration of the auditors, receiving and considering the accounts, balance sheets and reports of directors and auditors, and all other matters which may come before the meeting; and

RESOLVED, that Harold E. McGowen, Jr. or Grover Ellis, Jr. be and each hereby is authorized to vote on behalf of Camco at the annual meeting of Camco, Ltd. (Canada) to be held on October 9, 1961, at Houston, Texas, all shares of stock of Camco, Ltd. owned by Camco with unlimited discretionary authority with respect to the election of directors, and all other matters which may come before the meeting.

There being no further business, on motion duly made and seconded, the meeting was adjourned.

James H. Kerr, Jr.,
Secretary of the Meeting

CAMCO, INCORPORATED

- - -

MINUTES OF REGULAR MEETING OF BOARD OF DIRECTORS

Held June 21, 1961

A regular meeting of the Board of Directors of Camco, Incorporated ("Camco") was held at 7010 Ardmore Street, Houston, Texas, at 4 p.m. on Wednesday, June 21, 1961, pursuant to notice duly given.

The following persons were present and participated throughout the meeting:

Paul R. Mills
Harold E. McGowen, Jr.
Sam W. Pearce
Henry W. Hoagland
George H. W. Bush

Messrs. Grover Ellis, Jr. and William M. Edwards were unable to attend the meeting.

Mr. Paul R. Mills acted as Chairman of the meeting and Mr. James H. Kerr, Jr. acted as Secretary of the meeting.

The Chairman announced that a quorum was present and that the meeting was duly constituted. The minutes of the meeting held at Belfast, Ireland on April 3, 1961, were read and approved.

The President made a financial report and said that sales were up and profits down slightly. He estimated total sales of \$6,700,000 to \$7,000,000 and profits between \$1 to \$1.15 per share for the current year. He also said that Camco's foreign business had decreased somewhat with a good up-turn in domestic business.

The President also reported the organization of Sepesa (Society de Petrolia de Lina, S.A.) to be owned 50% by Ernesto Ibarra and 50% by Camco de Mexico. Sepesa has purchased the Pemex wire line trucks to engage in wire line business. The trucks will be paid for by giving Pemex a 10% discount on all invoices. Sepesa will be managed by Camco de Mexico.

The next matter discussed was the new Company machine shop to be located west of the present machine shop. Drawings of the new plant were presented to the meeting, showing an all-cement building 140 ft. x 200 ft. in size, containing approximately 28,000 square feet. The cost of the building will be about \$5 per foot, exclusive of electrical fixtures, with a total cost estimated at \$275,000. After a discussion, upon motion duly made and seconded and by unanimous vote, it was

RESOLVED, that a new all-cement machine shop be constructed according to drawings before the meeting, 140 ft. x 200 ft. in size, containing approximately 28,000 square feet and costing approximately \$275,000; and the president be authorized to take such action, execute such contracts and to expend such funds as he shall deem necessary to cause the construction of such shop; and

RESOLVED, that the new plant be financed by a temporary loan not to exceed \$275,000 from a bank upon such terms and on such conditions as the president may determine.

The next matter considered was the sale of the unenrolled Oil Screw CAMCO NO. 6 (ex MISS PAT). After a discussion, upon motion duly made and seconded and by unanimous vote, it was

RESOLVED, that J. D. Collins, as agent for the corporation, be hereby authorized for and on behalf of said corporation to execute the following:

(1) Bill of Sale on the unenrolled Oil Screw CAMCO #6 (Ex MISS PAT) from the Corporation to Elvin Louviere of Golden Meadows, Louisiana, said vessel having USCG Certificate of Award No. 20C 1419, a length of 32', a beam of 11' 4" and a draft of 2' 8"; the consideration for said sale being Four Thousand Five Hundred and No/100 Dollars (\$4,500.00) cash, lawful money of the United States of America;

and

RESOLVED, that the said J. D. Collins be and he hereby is, authorized for and in behalf of the corporation to execute any and all other instruments or enter into any and all other agreements necessary to conclude the above sale evidenced

by the above document and all actions heretofore taken by the said J. D. Collins for this purpose are hereby ratified.

The next matter discussed was the purchase of two acres of land west of the present machine shop on which the new plant will be constructed and, after a discussion, upon motion duly made, seconded and by unanimous vote, it was

RESOLVED, that Camco purchase or cause to be purchased through Leslie Appelt the two acres of land lying west and adjoining the Camco present machine shops at a cost not to exceed \$40,000, and the president or any vice president be authorized to negotiate, sign contracts of purchase and take whatever other action may be necessary to consummate the sale of said property provided the same shall not cost more than \$40,000.

Mr. McGowen reported that negotiations had been completed for the employment of Mr. Charles H. Weier as secretary of Camco at a salary of \$20,000 per year. Mr. Weier's employment is expected to commence during September or October, 1961, at which time the directors would consider further his employment and election as an officer.

There being no further business, on motion duly made and seconded and by unanimous vote, the meeting adjourned.

Secretary of the Meeting



L I M I T E D

OUR REF.

YOUR REF.

Belfast, July 4, 1961.

Dear George:

Thank you for the fan letter regarding the Business Week article. I have received several of these from strangers, one from the Lincoln Electric Company wanting a design for the barbecuer which apparently appeared in the pictures.

Mack says he is sending copies of the magazine to me, but as of this date I have not seen the spread. I hope the photographer was able to do something with my normal unphotogenic self.

Pauline and I really enjoyed yours and Barbara's visit here and we hope you do find an excuse to come on over soon. Please be sure and let us know.

Sincerely,

A handwritten signature in cursive script that reads "Mac".

William M. Edwards

Mr. Geo. H.W. BUSH,
Zapata Off-Shore Company,
1701 Houston Club Building,
HOUSTON 2, Texas, U.S.A.

Photo Copy Preservation

June 28, 1961

Mr. William M. Edwards
Canco Limited
Carrmoney Road
Whitehouse
Belfast N. Ireland

Dear Mac:

I was delighted to see the BUSINESS WEEK article in the June 24th issue. The pictures of you are excellent and I think that this was a wonderful bit of publicity for Canco.

Barbara and I still talk about the pleasant time we had there in Ireland. Please give my very best regards to your wonderful associates. I hope I will find some excuse to get over there before too long.

Very truly yours,

George H. W. Bush

GHWB/vf

Mac: I assume you saw this BUSINESS WEEK article.

Photo Copy Preservation



OFFICE OF THE PRESIDENT

June 12, 1961

Mr. George H. W. Bush
Zapata Off-Shore Company
1701 Houston Club Building
Houston 2, Texas

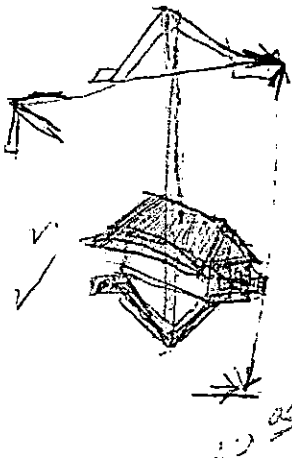
Dear Mr. Bush:

This is to advise you that a meeting of the Board of Directors of Camco, Incorporated, will be held Thursday, June 22, 1961, at 4:00 P.M., at the home office of Camco, 7010 Ardmore, Houston.

Sincerely,

CAMCO, INCORPORATED

Thelma M. Dusek
Secretary to
Mr. Harold E. McGowen, Jr.
President



April 17, 1961

Mr. W. M. Edwards
CAMCO Ltd.
Carrmoney Road - Whitehouse
Belfast, North Ireland

Dear Mac:

I returned to the office this morning and first thing I want to get off a letter to you thanking you for the wonderful time that you and Polly gave us in Belfast. We enjoyed every minute of our stay and you both were most thoughtful in making all the wonderful arrangements.

Please give my best regards to all the boys in the plant. It was a particular treat meeting them and I was mightily impressed by the quality of your personnel.

Thank you again for your hospitality.
Best of luck for the future.

Very truly yours,

George H. W. Bush

GHNB/vf

March 20, 1961

Mr. Harold E. McGowen, Jr.
CAMCO
7010 Ardmore
Houston, Texas

Dear Mac:

I am dictating this on a Sunday, having returned late Friday night and in light of the fact that I am planning to leave again tonight.

I am very sorry to have missed Friday's meeting and I hope it did not inconvenience you too much. I was unavoidable detained in Patterson, New Jersey, of all places. On my recent trip to New York I heard a great deal of favorable comment about the job you are doing with CAMCO. I'll tell you more about it when I see you. Best regards and sorry about the meeting.

Very truly yours,

George H. W. Bush

GHWB/vf



I N C O R P O R A T E D

OFFICE OF THE PRESIDENT

March 7, 1961

Mr. George H. W. Bush
Zapata Off-Shore Company
1701 Houston Club Building
Houston 2, Texas

Dear Mr. Bush:

This is to advise you that a meeting of the Board of Directors of Camco, Incorporated, will be held Friday, March 17, 1961, at 4:00 P.M., at the home office of Camco, 7010 Ardmore, Houston.

Sincerely,

CAMCO, INCORPORATED

A handwritten signature in cursive script that reads "Thelma M. Dusek".

Thelma M. Dusek
Secretary to
Mr. Harold E. McGowen, Jr.
President

td

February 23, 1961

Mr. Harold E. McGowen, Jr.
CAMCO, Inc.
P. O. Box 14484
Houston 21, Texas

Dear Mr. McGowen:

Your letter of February 21st with the copy
of the President's message arrived today.
Mr. Bush is out of the country at this time.
He is expected to return to the office
about March 3rd and will no doubt contact
you then.

Very truly yours,

Howard C. Duke
Assistant to the President

HCD/vf

March 3, 1961

Mr. Harold E. McGowen, Jr.
CAMCO, Inc.
P. O. Box 14484
Houston 21, Texas

Dear Mack:

I just returned to the office to find your letter of February 21st. The report is excellent and I am delighted to see the good showing that CAMCO made for the first half.

Vivian tells me that you are thinking of a Directors Meeting for the middle of this month. That will be fine with me.

Best regards,

George H. W. Bush

GHWB/vf
Enc.



I N C O R P O R A T E D

OFFICE OF THE PRESIDENT

February 21, 1961

Mr. George H. W. Bush
Zapata Off-Shore Company
1701 Houston Club Building
Houston 2, Texas

Dear George:

Enclosed you will find a copy of the President's message for the 1961 Semi-Annual Report. Please make suggestions and return immediately.

Sincerely,

CAMCO, INCORPORATED


Harold E. McGowen, Jr.
President

HEMcGJr:td

Enclosure 1

Photocopy - Preservation

January 23, 1961

Mr. Harold E. McGowen
CAMCO
7010 Ardmore
Houston, Texas

Dear Mr.:

Thank you for the Lee Higgins booklet on CAMCO.
It certainly was a good presentation.

By way of a very small correction, our company
does not have the word "Drilling" in its name.
Most people put the word in but actually it's
not there.

Excitement is already running high in the Bush
household about our forthcoming trip.

Very truly yours,

George H. W. Bush

GHWB/vf



I N C O R P O R A T E D

OFFICE OF THE PRESIDENT

January 20, 1961

Mr. George H. W. Bush
Zapata Off-Shore Company
1701 Houston Club Building
Houston 2, Texas

Dear George:

You may be interested in this. If you would like
to have more copies, please let me know.

Sincerely,

CAMCO, INCORPORATED


Harold E. McGowen, Jr.
President

HEMcGJr:td

Enclosure 1

SAN ANTONIO
201 N. ST. MARY'S STREET
CA. 7-9311 P. O. BOX 2480

DITTMAR & COMPANY, INC.

INVESTMENT SECURITIES

MEMBERS
NEW YORK STOCK EXCHANGE
AMERICAN STOCK EXCHANGE (ASSOCIATE)
MIDWEST STOCK EXCHANGE

DALLAS
1412 DALLAS FEDERAL
SAVINGS BLDG.
RIVERSIDE 1-9641

CAMCO, INCORPORATED

SUMMARY

Camco, Inc. is the leading producer of gas lift equipment used by the oil industry to increase oil production from wells which have ceased to flow naturally. At the present time, this equipment accounts for approximately 80% of total sales. From the Company's inception in 1946 until 1957, sales and earnings grew rapidly, but the recession in the oil industry caused a sharp drop in revenues and earnings in the 1957-58 fiscal year. Internal cost controls effected by a new management group reversed the earnings decline in 1959, although sales continued downward.

In fiscal 1960, through expanded selling efforts and new products, Camco's sales reached record levels, \$6,158,000, and earnings were second best in the Company's history, \$390,000, equal to \$1.02 per share. For 1961, we are estimating sales of about \$7,000,000 and record earnings of approximately \$1.25 per share, a 24% increase over 1960. This will be accomplished despite a relatively low rate of oil production in many areas of the world.

Management's current philosophy centers around three fundamentals: (1) tight control of all expenses; (2) substantial expenditures for research and the development of new products; (3) effective salesmanship of products and services in all areas where oil is produced, or will be produced.

Based on sales for products now existing, it is estimated that by 1964, Camco's sales will be around \$10,000,000. The Company hopes to attain an 8% profit margin after taxes, or \$800,000, equal to \$2.00 per share on the 400,000 shares to be outstanding. Currently selling at 14 times 1960 results, and 12 times estimated 1961 earnings, the common stock of Camco offers interesting speculative capital appreciation prospects. The 10¢ annual dividend provides a nominal .6% yield.

THE COMPANY

Camco, Inc., was organized in 1946 to manufacture and sell gas lift equipment to the oil industry. Since that time the Company has become the leading manufacturer of such equipment in the United States, and now accounts for over 40% of the industry business. Gas lift equipment now accounts for 80% of the Company's total business.

Gas lift equipment is used to stimulate the flow of oil in wells that have ceased to flow naturally. Although the technique of gas lift has been known for many years, it is only in the past decade that sales in this field have shown any significant growth. Essentially the process consists of forcing gas under pressure down the area between the tubing and the well casing and injecting it through pressure controlled valves into the tubing below the oil level, thus raising it to the surface. If an adequate gas supply is available, as is the case in many oil fields, the gas lift installation is the most economical form of artificial lift.

Initially the Company's product line consisted of many types of valves and mandrels which had to be permanently fixed in the tubing of the producing well. To change a valve was extremely costly, as all of the well's tubing had to be removed. During the 1946-51 period, when this was the Company's basic product sales grew rapidly reflecting the substantial increase in use of the gas lift method of oil production by the oil industry.

In 1951, Camco introduced a mandrel (valve receptacle) which could be inserted and retrieved by a wire line lowered into the well. Thus a worn out valve may be replaced without removing the tubing, resulting in a considerable saving to the well operator. Camco is the only producer of selective retrievable wire line gas lift mandrels which enable the well operator to change any particular valve regardless of location in the tubing without removing other valves between it and the surface. Other service companies purchase this item from Camco. This particular piece of equipment has been especially valuable in offshore production.

Until 1955 all of the Company's business had been derived from gas lift equipment. In that year, Camco moved into wire line tools of a wide range, to utilize its experience in the handling of wire line equipment. The Company developed the first hydraulically operated wire line truck and has moved vigorously into this field. Services performed include sand washing, bottom hole pressure readings, and permanent type well completions. These tools have been adapted for use under varying conditions, including use on offshore drilling rigs, and have found rapid acceptance in the oil industry.

The most important new product to be introduced by Camco since its retrievable gas lift equipment is the Magnaset electronic series of tools. These

devices utilize electronic equipment, the first time the Company has entered this field. Essentially, the Magnaset device allows the placing of up to six different tools inside the well tubing without removing the tubing. On a wire line the Magnaset device is lowered into the well, with the tool to be used attached. At a pre-selected spot in the tubing, the Magnaset device fires an explosive charge firmly fixing the tool to the tubing. In 1960, this new equipment accounted for less than 5% of total sales, but the outlook for future sales is promising.

Other tools introduced in recent years, and complimentary to the basic devices of the Company, are the Sliding Sleeve Mandrel, the Rubbercup Check, King Controller, B Controller, Storm Choke and Flexiseal Plunger. Whereas the Magnaset tool is owned by the Company, and leased or rented to the operator, the tools placed in the well are sold.

Camco has three plants, the home office and main plant located in Houston, Texas. A second plant in Belfast, Northern Ireland, and a recently established operation in Mexico. The main plant, in general, satisfies production requirements of the United States, Canada, and South America, while the plant in Northern Ireland handles the needs of Europe, the Middle East, Africa, and Asia. The plant in Mexico has been established to supply PEMEX, and possibly the South American market as its capacity is expanded. Research activities are conducted at Houston.

The Houston plant has a total area of 41,600 square feet, and a 4,400 square foot research laboratory is currently being constructed. The plant in Belfast has a total of 18,000 square feet, and the one in Mexico, 8,200 square feet. Net plant and equipment is carried at \$1,748,000, as compared to \$373,000 at the end of fiscal 1956.

Many of the Company's products are precision machined to close tolerances. Camco employs over 300 people, most of which are highly skilled machinists, with the balance devoted to research and development, office personnel, or sales. The Company's employees are non-union workers.

RESEARCH AND DEVELOPMENT

Under the new management, research and development of new products became one of the most important phases of Camco's operations. Since 1957, research expenditures have been substantially increased (the Company does not report actual expenditures) and in 1960 30% of sales came from products recently introduced. This does not include Magnaset, which has just begun to sell in volume.

Much of Camco's recent progress may be attributed to its R & D program. Emphasis is now being placed upon electronic tools which will find increasing use in the production of oil. The Company believes that it now has developed a basic research ability which will allow it to introduce one or more major tools each year over the next five years.

That the research program has been successful is attested to by the fact that in fiscal 1960, thirteen new patents were issued or were applied for. Camco now has thirty-four U. S. patents, as compared to only three in 1952.

Approximately 25% of 1960 sales came from products under patents expiring between 1965 and 1971. In addition, another 40% of sales were products manufactured under an exclusive license agreement which was recently extended for approximately 10 years.

MARKETING

Much of the recent success of Camco, in the face of a world wide recession in oil production, may be attributed to its expanded sales organization. Until 1957, Camco's sales efforts were concentrated in the Western Hemisphere, particularly the United States, Canada and Venezuela.

Management recognized the potential growth of oil production in other areas, and took steps to organize its own sales force and acquire sales agents in those areas not serviced previously. Sales and service are now available in all areas where oil is produced, with particular emphasis being placed in the following areas:

South America	Europe	North Africa
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At the end of fiscal 1960, Camco had 28 sales and service offices or agencies in the United States, Canada, and Mexico. Another 21 were located in other areas, with a high concentration in South America.

CAPITALIZATION (7-31-60)

Long Term Debt 4 3/4% Note		\$ 130,000
Common Stock \$1 par		
500,000 shares authorized		
384,000 shares outstanding	\$ 384,000	
Capital Surplus	1,861,000	
Earned Surplus	1,750,000	3,995,000
		\$ 4,125,000

Book value per share was \$10.40. There are options outstanding to purchase 15,500 shares of stock at \$10.75 per share until 1962. Of the shares outstanding, American Research and Development Corporation owns 85,000 shares, or 22%, and management an indicated 100,000 - 110,000 shares. There are approximately 1,200 shareholders.

MANAGEMENT

The management team is headed by Mr. Harold E. McGowen, Jr., who assumed control of the Company in 1957. Much of the Company's success since that time is the result of his able leadership. Mr. McGowen, 41, is a graduate engineer from Texas A & M, and has also attended the Harvard Business School.

The other operating management is young (average age near 40), aggressive and experienced. It is interesting to note that three of the officers are graduates of the Harvard Business School, acquiring business experience as well as technical ability.

OPERATING DATA

5 YEAR FINANCIAL SUMMARY

<u>Year</u> <u>7-30</u>	<u>Gross</u> <u>Sales</u>	<u>Net</u> <u>Before</u> <u>Taxes</u>	<u>% Of</u> <u>Sales</u>	<u>Depreciation</u>	<u>Earnings</u> <u>Per</u> <u>Share*</u>	<u>Price Range</u>
1960	\$6,158,000	\$765,000	12.4%	\$ 292,000	\$1.02	13 1/2 - 9
1959	5,193,000	561,000	10.8	215,000	.75	19 - 9 3/4
1958	5,382,000	516,000	9.6	190,000	.60	14 1/4 - 9 5/8
1957	5,836,000	962,000	16.5	192,000	1.50	29 - 13 1/4
1956	3,775,000	428,000	10.3	108,000	.70	14 1/2 - 8 1/4

* On shares outstanding at the end of the period.

From 1946 to 1957, Camco's growth paralleled that of the oil industry and the gas lift industry, with little regard being given to operating efficiencies. With the advent of the recession in oil production and a decline in sales, considerable

internal reorganization was necessary to restore profit margins. In less than three years this has been accomplished, while at the same time research and development expenditures have increased sharply.

For 1961, we are estimating sales at \$7,000,000 and earnings of \$1.25 per share. By 1964, with the products currently available for sale, Camco believes sales can rise to \$10,000,000 and earnings to approximately \$2.00 per share.

FINANCIAL

As of July 30, 1960, the Company had current assets of \$3,078,000, including cash of \$235,000. Current liabilities were \$1,014,000, and working capital was \$2,064,000, equal to 36% of net sales in 1960. Cash flow after common stock dividends amounted to \$644,000.

Any future expansion should easily be financed out of retained earnings, or if necessary, from borrowing, rather than through the sale of common stock.

COMPETITION

Camco is the leader in the gas lift equipment field, accounting for about 40% of total industry sales. This has been accomplished despite the fact that its three main competitors are organizations many times the size of Camco. This success is the result of superior research, patent protection, and intensive sales effort. There is no reason to assume that any of these factors will change, and Camco should be able to meet future competition profitably.

OUTLOOK

The world wide demand for petroleum, outside the United States, continues to grow at a rapid pace, particularly in Western Europe and South America. Camco is concentrating its sales effort in these areas and should benefit from their growth.

The superior services and new products which the Company is able to offer should result in a steadily upward trend in sales and profits. There are many oil fields throughout the world which can benefit from the economical gas lift method of oil production.

Research Department.

**1961
FIRST
QUARTERLY
REPORT
CAMCO
INCORPORATED**

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CAMCO, INCORPORATED
7010 Ardmore Street — Box 14484
Houston 21, Texas

STATEMENT OF INCOME

(Subject to Annual Audit)

For Three Months Ended October 31, 1960 and 1959

Camco, Incorporated and Wholly Owned Subsidiaries

	<u>1960</u>	<u>1959</u>
GROSS SALES	\$1,708,000	\$1,398,000
Less Trade and Cash Discounts.....	<u>133,000</u>	<u>110,000</u>
NET SALES	1,575,000	1,288,000
Less Cost of Goods Sold.....	<u>882,000</u>	<u>769,000</u>
GROSS PROFIT ON SALES	<u>693,000</u>	<u>519,000</u>
OPERATING EXPENSES		
Selling Expenses	298,000	192,000
General and Administrative Expenses....	<u>169,000</u>	<u>139,000</u>
	<u>467,000</u>	<u>331,000</u>
NET INCOME (BEFORE TAXES).....	226,000	188,000
Provision for Federal Income Taxes.....	<u>108,000</u>	<u>87,000</u>
NET INCOME (AFTER TAXES).....	<u>118,000</u>	<u>101,000</u>
NET INCOME PER SHARE (384,000 Shares)	\$ <u>.31</u>	\$ <u>.26</u>

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BUSINESS FOUNDED 1842

WOODCOCK, MOYER, FRICKE & FRENCH
INCORPORATED123 SO. BROAD STREET, PHILA. 5, PA.
KI 5-7200

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Field Trip ReportCAMCO INCORPORATED

(Traded Over-The-Counter)

Summary

Wherever oil wells have ceased to flow normally, the advanced and patented products of Camco come into play. Whether these wells have become 10% or 25% depleted makes little difference. The oil must be brought to the surface and Camco has found an economical and efficient means through gas lift equipment. Thus, Camco products and services are in demand all over the world. The company's fortunes are not directly tied to drilling activity. Accordingly, during the last recession in the oil business, out of which the petroleum industry is now emerging, Camco fared comparatively well.

In fact, as long as worldwide petroleum consumption continues to climb, Camco should prosper. Even more important are the ambitious aims of the able Camco management. Not satisfied with a growth record which is the envy of the oil well equipment industry, (sales have risen 1500% and profits have increased 21 fold since 1948), Camco management has embarked upon a product diversification and new product development program which is expected to increase sales and earnings substantially in coming years.

Fundamental Position

Camco was organized in 1946. The principal products were gas lift valves, surface controllers, and mandrels used for a conventional gas lift installation in the artificial lift production of oil. In 1951, the company secured an exclusive license to manufacture and sell a radically new design of mandrels. Harold E. McGowen President of Camco, and formerly a young engineer with Sid W. Richardson, Inc., invented and patented the "side pocket mandrel" which removes and replaces any valve by dropping a solid steel wire line inside the tubing with special tools attached to the wire. This can be done without the time and expense of pulling up the tubing or removing other valves between the one being worked on and the surface. Today, wire-line retrievable gas lift valves account for approximately \$2.6 million of annual sales volume.

In 1955, Camco entered the wire-line service field. Activities were broadened to include tools employed in a wide range of other oil well jobs including permanent type well completions, and various production services such as sand washing, bottom-hole pressure reading, etc. Camco's hydraulic-powered wire-line reel, electronically controlled, has been adapted to 40 trucks, 8 boats and barge-mounted skid units which are now operated in most of the leading oil areas of the U. S. and offshore, also in Canada, Mexico and South America. Camco also makes and sells many tools not connected with gas lift.

The Company's principal manufacturing plant and headquarters is located in Houston, Texas. Plants are also located in Mexico City and Belfast, Northern Ireland. The plant in Northern Ireland enjoys a tremendous cost advantage over competitors. All manufacturing facilities are being steadily expanded. The Houston plant is currently on a two-shift basis. The company prides itself on its fine staff of graduate sales engineers. Camco recently acquired a complete line of tools and patents from National Supply Company (Armco Steel) which will add about \$200,000 to annual sales.

New fully patented products recently introduced and now in production include the Rubbercup Check, the Improved Controller, the Gas-Powered Clock, the Storm Choke or Safety Valve (automatically shuts in the well tubing and prevents the well from blowing wild), the Flexiseal Plunger, and the Magnaset Nipple and the Hydratek Valve. The Magnaset Nipple and Locator Tool Series are finding a number of applications in addition to its use in wire-line operations. Magnaset is expected to add over \$3 million to Camco sales in the next two years, and be the center of a whole family of new and profitable tools. In addition to three dozen or more patents which the company owns, another thirty or so have been applied for.

When pressures in the oil reservoir have fallen to the point where a well will not produce by natural energy, some method of artificial lift must be employed.

MORE COMPLETE INFORMATION ON ANY SECURITIES MENTIONED HEREIN WILL BE PROVIDED ON REQUEST

OVER 100 CONTINUOUS YEARS OF SERVICE TO INVESTORS

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CAMCO INCORPORATED--Page 2

Since only approximately 25% of oil is raised by natural pressure, great urgency is expended to retrieve the additional 25% available through secondary recovery and gas lift. The gas lift process is accomplished by artificially injecting gas under pressure to re-energize the well fluids. It consists of forcing gas down into the casing annulus (the area between the well casing and tubing) and injecting it through pressure controlled valves into the tubing below the oil level, thus raising the oil to the surface. A properly designed gas lift installation is the most economical form of artificial lift when an adequate gas supply is readily available. Initial installation cost is about 1/10th the cost of competing pumps; production costs per barrel are about 1/3rd the cost of pumps. Continued maintenance is lower than for other methods of artificial lift.

Oil is power. Within the vastness that is the oil industry, secondary oil recovery is one of the exceptional growth sectors. Today one out of every six barrels of oil is produced by secondary recovery. Experts believe that one of every three barrels will be produced by this method within ten years. This is truly big business and oil company managements are earmarking increasingly large portions of their research and production budgets to this method of oil production. Camco serves this exploding segment of the oil industry with patented and indispensable tools and services which are dramatically cheaper and more efficient than its competition. Proof of Camco's services is Camco's customer list which numbers 350 major oil companies including Amerada, Atlantic Refining, Cities Service, Gulf Oil, Shell, Sun Oil and Texaco.

Finances & Capitalization

Attesting to the fact that this Texas based concern has been highly successful is the strong balance sheet. As of July 31, 1960, the end of the last fiscal year, current assets amounted to \$3.0 million, compared with current liabilities of \$1.0 million, a current ratio of 3 to 1. Property, plant and equipment is carried at \$2.7 million less \$1.7 million reserve for depreciation. Stockholders equity amounted to \$3.9 million or in excess of \$10 per share. Cash flow last year ran about \$700,000. Trucks and boats are written off in 3 years.

Capitalization consists of \$130,000 in long term debt and 384,000 shares of \$1 par value common stock outstanding. Almost 50% of the stock is closely held by Camco management, including 85,000 shares held by American Research and Development Corporation which is represented on the Board of Directors of Camco. ARD bought 10,000 of these shares for \$14.70 apiece in 1959. Further expansion will be financed out of internally generated cash and long term obligations.

Growth Record The following table depicts the company's progress over the past decade and includes an estimate for the current year.

Year 7/31	Gross Sales 000	Pre-Tax Margins %	Net Income 000	Earned Per Share*	Price Range	
					High	Low
1961 E	\$ 7,000	14.0	\$ 480	\$ 1.25	15 1/2	9 1/4#
1960	6,158	12.0	390	1.02	13 1/2	9 1/2
1959	5,193	10.8	287	0.75	19	11
1958	5,382	9.6	232	0.60	14 1/4	9 5/8
1957	5,836	16.5	450	1.50	29	13 1/4
1956	3,725	11.3	211	0.70	14 1/2	8 1/4
1955	2,758	9.2	125	0.55	10	8 1/8
1954	1,996	10.3	86	0.57		
1953	1,320	8.4	48	0.32		
1952	1,168	3.8	30	0.20	-	-
1951	933	9.0	39	0.26	-	-
1950	644	4.1	20	0.13	-	-

E - estimated

- Thus far in fiscal 1961

* - On 384,000 shares in 1958-60; 300,000 shares in 1956-57; 225,000 shares in 1955 and 150,000 shares in 1951-54.

Dividends of 10 cents per share have been paid in each of the past five years. This general policy is expected to continue as the major portion of earnings is plowed back into the company for research and development of new products and for plant expansion.

The Future

Under the inspiring leadership of the capable young (41) president, Harold E. McGowen, Jr., the able management team (average age is the high thirties) intends to keep adding product building blocks to the company's foundation in order to maintain

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CAMCO INCORPORATED--Page 3

and improve the leading position now enjoyed. An electronics division (solid state elements are already employed in some of the company's unique systems) for example, is being energized to work on problems found in the firm's specific area of endeavor. The aim is to strengthen this aspect in the company's affairs and have it pay its own way. Some of the company's activities parallel similar work being done in the missile and rocket field. While it is too early to say at this point, there does seem to be some likelihood that the company will try to take on certain specialized government work at a later date.

The primary purpose for the company to enter any given area of industry is to attain a leading position just as it enjoys in wire-line truck service, standard gas lift valves, magnaset and wire-line tools. Camco has compiled a number of firsts in its field since starting in business. Several new products will be introduced this year and subsequently announced to stockholders by October of 1961 in the Annual Report. One particular product, highly classified at this time, is of major significance. A paper on it will be submitted to the American Institute of Mechanical Engineers in March of 1961.

The company has plant capacity capable of producing \$7 million annual sales volume and this level should easily be reached this fiscal year. With only a small capital outlay this could be raised to \$10 million. Assuming that Camco does no better than hold its own in the industry business in gas lift, wire-line service and other tools it makes (a \$30 million annual volume assumed for total industry), a sales goal of \$10 million is a reasonable possibility over the next four years. On these sales and applying the 12.0% pre-tax margin of 1960, earnings of over \$1.60 per share on the present stock are projected (after taxes).

Conclusion

The common stock of Camco, Inc., currently available around its asset value and at less than fifteen times current estimated earnings is an attractive long term investment, in our opinion. Intrinsic appeal is further embellished by the fact that the common stock also sells at a comparatively low ratio in terms of current estimated cash earnings of over \$2.00 per share. Listing of the shares on the American Stock Exchange has been discussed but a decision has been put off to a later date, perhaps this time next year.

Richard M. Mahar
Research Department

December 5, 1960

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~~OVER 100 CONTINUOUS YEARS OF SERVICE TO INVESTORS~~

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November 18, 1960.

CAMCO, INC.

A Low-Priced, High Quality Speculation

What is quality? It's not size. It's not price. You can hear the solid sound of it when you slam the door of a truly well-made car; you can feel it sometimes in the material of a lovely dress. Wherever you find it, you know that that car, or that dress will outperform its more common contemporaries, and that its owner is indeed fortunate. I recently visited a small company in Houston, Texas, where the true ring of quality seemed to me unmistakable. This is CAMCO, INC., and it serves the oil industry. Through creativity, ingenuity and the most modern business methods, it is achieving rapid growth within a maturing industry, and it has already become the worldwide leader in gas lift recovery, despite competition from Dresser, Halliburton, U. S. Industries and others. Furthermore, it is small, has only 384,000 shares outstanding and its stock is inexpensive (at 14, it sells at 14 times last year's earnings and at 135% of 7/30/60 book value.)

Camco's activities are concentrated on providing services for the production of oil. Prior to 1958, this concentration was fortuitous; but since then it has been deliberate, because the depression which then settled on the oil industry has curtailed drilling and sharpened the competition in refining and marketing. Camco's management decided then that as long as final demand for oil kept rising (and it has) worldwide production would also rise, and their research programs were directed accordingly.

HISTORY

A little historical orientation is necessary. The company was organized in 1946 and gradually developed a small but profitable business as a supplier of valves, controllers and mandrels for use in gas lift production of oil. There are various ways of getting oil out of a well, once it has ceased flowing naturally. Pumping is one. Gas lift is another. It consists of forcing gas down into the casing of the well and injecting it through pressure-controlled valves into the tubing below the oil level. Properly designed, and in areas where sufficient gas is available, it is the most economical method of artificial lift, both as to installation and as to operation. It is particularly advantageous where there is a lot of water with the oil, or a lot of sand.

By 1950, Camco did \$580,000 in this business and netted \$20,000. Progress was hampered, however, by a problem common to the industry, and it was the solution to this problem which brought Mr. Harold E. McGowen, Jr., now president, into the organization. In simplest terms an oil well is a drilled hole, 1/2 to 3 miles deep. The hole is walled with a "casing," and this casing is perforated at the producing zone or zones to admit oil into the well. The bottom is cemented to prevent the oil's escape in that direction, and then a "tubing" is lowered into the well, through which the oil is forced to the surface. Gas lift recovery involves operating various valves at different depths along this tubing, to control the flow and pressures of the oil and gas. Whenever one of these valves failed or required repair, it was necessary to pull it back up to the surface, which meant putting a rig on the well and pulling 1/2 to 3 miles of tubing out of the ground, including all the valves which were higher than the troublesome one. You can imagine what a costly nuisance this became.

Mr. McGowen, a young engineer with Sid W. Richardson, Inc., invented and patented the "side pocket mandrel", which houses valves inside the tubing in pockets, in such a way that any valve can be removed and replaced by dropping a solid steel wireline inside the tubing with special tools attached to the wire. This can be done without pulling up the tubing or removing other valves between the troublesome one and the surface. Camco obtained an exclusive license under this patent (which still has 10 years to run) and later obtained the services of Mr. McGowen as well. It prospered. Gross sales rose 500% to \$2,758,000 in the next five years, and net income rose 625% to \$125,000.

In financing this rapid expansion, the company made a most fortunate connection. American Research & Development Corp. of Boston, lent money and then bought 75,000 shares of stock. From this relationship, however, Camco gained far more than financing. To it I attribute the facts that Mr. McGowen and other top management have since attended the advanced management course at Harvard Business School, that all management personnel go through university courses, that the company has adopted IBM systems of accounting, payroll, budgeting, forecasting, etc., that research has become a most important corporate activity. In short, the sophistication of this small company must be due, at least in part, to the influence of ARD.

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In 1955 Camco sold 75,000 shares of stock to the public at 10 and launched itself on the path of its great future potential. It introduced an electronically-controlled hydraulically-operated wire line reel mounted in a truck. This was a logical step, since its retrievable gas lift valves were serviced with wire line equipment. The unique thing is that at that time the wire line service industry was dominated by the Otis Engineering Corp., now a division of The Halliburton Co., and that its operators did their jobs purely by the "feel" of the line in their fingers. Picture the problem. One is trying to retrieve a tool or replace a valve or whatever by working with a steel wire through a pipe which is two or three inches in diameter and 1/2 to 3 miles long. Obviously, the only motions one can make with the working end of the wire, miles away in the tubing, are up and down. It can't be moved sidewise; it can't be rotated. When the company entered this field, its trucks revolutionized wire line operations, and Otis was forced to modernize its own equipment in order to compete.

The next five years, to July 31, 1960, are broken into two periods. Until 1958 and the aftermath of Suez, demand for gas lift valves etc., continued to boom, and 1957 was the company's greatest year. In addition to prosecuting this business a research program concentrated on building up a full line of wire line tools, and in October 1957, 84,000 more shares were sold to the public, this time at 17, to finance the company's expansion. Then recession came to the industry and gross sales dropped from \$5,836,000 in '57 to \$5,382,000 in '58 and \$5,193,000 in '59. Earnings dropped from \$1.50 per share in '57 to \$0.60 in '58. Management cut costs in its manufacturing facility very sharply, but moved to increase its sales and research departments. Its research effort was directed toward developing wire line tools, because these tools were used in servicing producing wells, and management reasoned that this would be the most stable and profitable area of the oil industry, as well as the most logical one for Camco. A mature well undergoes a major workover on an average of every three or four years, while lesser workovers occur every two years, and some sort of maintenance is usually required at least every six to nine months. Several new tools were introduced over the next two years, giving Camco's wireline service force a nearly complete line. The number of trucks was increased to 40, plus eight boats operating in the Gulf of Mexico. The result of this effort was that in the year ended last July, gross sales had surged to a new high of \$6,158,000, and earnings had recovered to \$1.02 per share. About 2/3 of sales were of gas lift equipment, while about \$2,000,000 was generated by wire line tools and service.

This good record was developed through energetic sales plus effective research. Meanwhile, a tremendous effort was underway to overcome a certain advantage enjoyed by Camco's major competitor in the wire line business. This involved the problem of locating and locking wire line equipment at the desired point within a well's tubing. The competitor has a patented method for accomplishing this mechanically. Camco developed and patented a method of doing the job magnetically, and its first "Magnaset" selector tools were marketed last year. Only small numbers of the tools have so far been made, but they will soon be in volume production and management believes that they will open the door for really important penetration of the wire line market within the next few years. In fact, the potential annual market for this one tool is believed to exceed \$3,000,000.

The Magnaset story is significant because it illustrates management's "modus operandi". The search for opportunity results in focus upon a particular problem. Research is brought to bear and a product developed to fill the need, often embodying some new technique. Thus Magnaset does magnetically what had formerly been done mechanically, and the wire line service trucks use electronics and hydraulics to replace manual dexterity.

OPERATIONS

Camco's office and manufacturing plant in Houston are located on a company-owned eleven acre site. Since the original installation in 1954 they have been enlarged three times, and a new research laboratory is currently under construction. There is a comprehensive long range development plan on one of the office walls, and next summer, when the lab has been completed, a further addition of the manufacturing plant will be started. (It is typical of management to have a long range plan for efficient expansion, divided into small enough steps so that growth can be financed without diluting the equity of which management and American Research together own 50%.) The shop, which is non-union, is neat but crowded and is currently operating on two shifts per day.

(3)

The Houston facility includes 41,600 square feet of floor space, to which the new research lab will add 4400 square feet. There is a \$130,000 4 3/4% mortgage on the building and the lab will be financed in part by a 5 1/2% mortgage held by the Prudential Life Insurance Co. Outside the United States, there is an 18,000 sq. ft. leased plant in Northern Ireland, from which much of the growing foreign market is supplied, and an 8,200 sq. ft. leased plant is being readied for production in Mexico. In these plants, Camco manufactures 11,000 parts for its products, many of which must operate in a highly corrosive environment at pressures up to and even above 10,000 lbs. per square inch and at temperatures up to 300 degrees Fahrenheit.

TEN YEAR STATISCAL SUMMARY

Year Ended	Gross		Op. Margin	Deprec. (000)	Net			*Price Range	Book Value
	Sales (000)	Op. Inc (000)			Income (000)	Earn(a) per sh.	Divd		
7/31/60	\$6,158	1,057	18.7%	292	\$390	\$1.02	\$0.10	14 - 9 1/2	10.40
59	5,193	776	16.6%	215	287	0.75	0.10	19 - 9 3/4	9.49
58	5,382	706	14.7%	190	232	0.60	0.10	14 1/4 - 9 5/8	8.84
57	5,836	1,154	22.3%	192	450	1.50	0.10	27 - 13 1/4	6.28
56	3,775	536	16.2%	108	211	0.70	0.10	14 1/2 - 8 1/4	4.88
55	2,758	321	13.2%	57	125	0.55	0.20	10 - 8 1/8	2.72
54	1,996	242	13.4%	27	86	0.50	0.10	-	-
53	1,520	-	-	-	48	0.30	0.10	-	-
52	1,168	-	-	-	30	0.20	Nil	-	-
51	933	-	-	-	39	0.26	Nil	-	-

* Calendar Year

(a) In 1958 and thereafter, 384,000 shares have been outstanding. In '56 and '57 there were 300,000 shares; in '55 there were 225,000 and prior to that 150,000 shares.

THE FUTURE

Camco's management has a taste for success. They are extremely conservative financially, but in their own words are willing "to dare anything within the limits of integrity" in the prosecution of their business. They plan to grow through the development of patented products useful in oil production. In the last eight years the number of company-owned patents has increased from three to three dozen, and this trend will continue. They are doing intensive research in their own labs on the applications of electronics to oil production problems and are supplementing their own capabilities in this area by engaging outside help. There are currently two important products in the laboratories, about one and two years away from public introduction, each of which could ultimately double the company's present size. There will be more such products in the future, if my judgment of the company is correct.

Coming down to the near term, it now looks as if fiscal '61 gross sales will amount to about \$7,200,000. Net income should approximate \$500,000, or \$1.30 per share, and the 10¢ dividend should either be raised slightly or supplemented by a stock dividend. The stock is selling at the lower end of its historical range, although the company's business has never been better nor its future brighter. There is real value behind the present price, and the management is frank to state its objective of achieving growth without diluting the equity of the present shareholders. All in all, I think this speculative stock has quality, and its owners will be fortunate.

Edgar Scott, Jr.

DIRECTORS: COLIN R. LOWRIE, F.A. (CHAIRMAN)
SIR WILLIAM SCOTT, C.B.E., LL.D.
DAVID ANDREW, O.B.E., J.P.
WILLIAM L. HENRY, B.Com., F.C.I.I. (MANAGING)

SECRETARY: H.M. DUNN, C.A., A.C.I.S.
SENIOR: G.F. CHIDDICK, F.A.A.
ACTUARIES: R.V. WOOD, F.A.A., F.F.A.

ASSOCIATED COMPANIES
NOBLE LOWRIE & PARTNERS LTD
LOWRIE ASSOCIATED PENSIONS LTD
ENGLISH PENSION TRUSTEES LTD
SCOTTISH PENSION TRUSTEES LTD
WELSH PENSION TRUSTEES LTD
IRISH PENSION TRUST LTD
AFRICAN PENSION TRUSTEES LTD
RHODESIAN PENSION TRUSTEES LTD
EAST AFRICAN PENSION TRUSTEES LTD
NOBLE LOWRIE PENSION SERVICE LTD
(AUSTRALIA & NEW ZEALAND)

58, Howard Street,
Belfast, 1.

REFERENCE

WJH/BB.

PRIVATE AND CONFIDENTIAL

2nd December, 1960.

Wm. M. Edwards, Esq.,
Carnoo, Limited,
Carnmoney Road,
Whitehouse,
BELFAST.

Dear Mr. Edwards,

This letter is being written as promised during the course of our conversation on the telephone this morning.

It is our usual practice in installing a Pension Scheme to obtain agreement to adoption of our recommendations as set out in a report prepared after examination of the particular problem involved. In your case, the relevant information is contained in the report dated 11th November 1960, of which I presume Mr. Harold E. McGowen, Jr., your President, has a copy.

Much of the work of preparing the Rules, arranging the Contract with the Assurance Company and clearing the scheme for taxation purposes with the Inland Revenue can be done only after the scheme has been installed, since it is necessary to tailor make each scheme to the needs of each client.

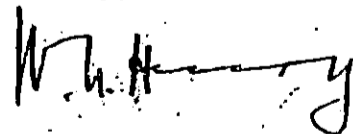
However, I appreciate that your Board, working at a distance as they are, may feel disinclined to take our services for granted in spite of the fact that that is the procedure always adopted. I am therefore preparing a preliminary draft of the Trust Deed and Rules, am obtaining a specimen of the Contract to be issued by the Assurance Company and will also send you a copy of the Assurance Company's accounts so that your Board can be satisfied also as to their standing.

It is almost impossible to cover every aspect of the plan at this stage and if, consequently, Mr. McGowen cares to let us have a note of any specific points upon which he would like to have further information, I shall be very pleased to supply it.

If Mr. McGowen or your Board are in any doubt as to our standing or trustworthiness, or our ability to guarantee in advance that the Scheme will be handled completely in accordance with your wishes and to your satisfaction, I would suggest that a word with Mr. F. D. Jacobs (Hughes Tool Company, Houston, Texas) who has had experience of our services, will set their minds at rest.

I hope to let you have the documents mentioned above not later than the end of next week.

Yours truly,



Managing Director.

TO: M. George Bush DATE: Dec. 8, 1962

Please Handle	<input type="checkbox"/>
Please Approve	<input type="checkbox"/>
Please Note & Return	<input type="checkbox"/>
For Your Information	<input checked="" type="checkbox"/>
Please See Me	<input type="checkbox"/>
Please Advise	<input type="checkbox"/>
Your File	<input type="checkbox"/>
Your Signature	<input type="checkbox"/>

REMARKS

FROM Carnes, Incorporated
Duck

Form No. 5/17 11/19/58

FARTHER ANDERSEN & CO.

ROMAN HOUSE
CRIPPLEGATE BUILDINGS
LONDON, E.C.2

December 5, 1960

D. E. Britchford, Esq.
Peat, Marwick, Mitchell & Co.
P. O. Box 123
Sandringham House
Nassau,
Bahamas

Dear Mr Britchford:

I must apologise for the delay in replying to your letter of November 1, which was referred to me as the partner in charge of our tax department in London. I was away from the office for a month through illness and certain matters, upon which the preliminary work had already been done, had to be held over for my review. In view of this delay, I am replying direct to you, rather than through Mr Kimney to whom I am sending a copy of this letter; a copy is also being sent to Mr W. M. Edwards, the managing director of Canco Limited, Belfast, Northern Ireland.

1. Pricing. We agree that the greatest care must be exercised in pricing sales from the English company to the Bahamas company in order to avoid the United Kingdom Revenue authorities invoking Section 469 of the Income Tax Act 1952. This Section provides, in this particular case, that where any property is sold at a price less than that "which it might have been expected to fetch if the parties to the transaction had been independent persons dealing at arm's length," the profits of the seller are computed as though the price had been the arm's length price.

We think that on the basis that the Bahamas company is wholly responsible for non-sterling sales, and bears the selling expenses relative thereto, the resulting "selling profit" should not be taxed in the United Kingdom, provided that a fair "manufacturing profit" still accrues to the English company.

2. Transfer of part of trade or business. There is no question but that under the proposed arrangements part of the trade of a body corporate resident in the United Kingdom will be transferred to a person not so resident, viz: the Bahamas company, and that the proposed transfer comes within the provisions of section 468 (1). The Treasury have, however, given general consent, in advance, to any such transfer, or transaction, where:-

(a) the body corporate resident in the United Kingdom (i.e. Camco Limited) is incorporated after the passing of the Act for the purpose of carrying on a new trade or business not theretofore carried on by any person;

and

(b) more than fifty per cent of the issued share capital of that body corporate in existence at the time of the transaction in question is then, and was when it was issued, in the beneficial ownership of persons not ordinarily resident in the United Kingdom.

Camco Limited was incorporated on October 6, 1953, for the purpose of carrying on a new trade, as distinct from taking over an existing business or trade, and it is and has always been the wholly owned subsidiary of Camco Incorporated, which is not ordinarily resident.

The proposed transfer of part of the trade of Camco Limited to the Bahamas company comes, therefore, within the general consent and no application to the Treasury will be necessary.

3. Salesmen based in the United Kingdom. We would imagine that the Bahamas company salesmen would work in the United Kingdom in connection with the purchase here of products for export from this country and that no sales contracts relative thereto would be concluded in this country. On this basis no United Kingdom tax complications would arise as regards the company.

We agree with you that the presence of the salesmen in the United Kingdom would not of itself affect the residence status of the Bahamas company which would, of course, be determined on the basis of where the actual management and control of the company was located i. e. Bahamas.

Care should be exercised to ensure that the English company cannot be regarded by the authorities here as an agent of the Bahamas company in the result that the latter will be deemed to be trading in this country. In order to safeguard this position, all orders in respect of sales to customers of the Bahamas company should emanate from that company and never from those customers direct.

We trust that we have covered all the points you had in mind, but please do not hesitate to let us know if we can be of any further assistance.

Very truly yours,
ARTHUR ANDERSEN & CO.

By

Retain

E. E. Maltby

cc:-

George A. Kline - Houston ✓
W. B. Dwyer - Belfast

Photo Copy Preservati

FULBRIGHT, CROOKER, FREEMAN, BATES & JAWORSKI

ATTORNEYS AT LAW
BANK OF THE SOUTHWEST BUILDING
HOUSTON 2, TEXAS

November 29, 1960

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Y

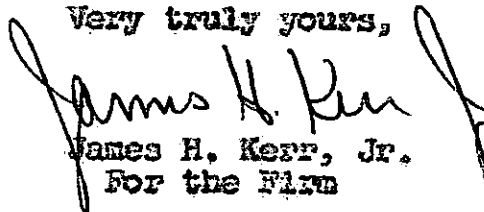
Members of the Board of Directors of
Camco, Incorporated

Dear Member:

I am enclosing for your information one copy each of the minutes of the Board meetings held on October 10, 1960 and November 26, 1960.

If you have any questions or comments, please do not hesitate to advise.

Very truly yours,


James H. Kerr, Jr.
For the Firm

JKK-Jr/af
enclosures

CAMCO, INCORPORATED

MINUTES OF ANNUAL MEETING OF BOARD OF DIRECTORS

Held October 10, 1960

The annual meeting of the Board of Directors of Camco, Incorporated ("Camco"), was held in the conference room of Fulbright, Crooker, Freeman, Bates & Jaworski, 8th Floor, Bank of the Southwest Building, Houston 2, Texas, at 5:30 p.m., October 10, 1960, immediately following the adjournment of the annual meeting of stockholders of Camco.

The following, having been elected directors of Camco at the annual meeting of stockholders, were present and participated in the meeting:

Paul R. Mills
Harold E. McGowen, Jr.
Sam W. Pearce
Grover Ellis, Jr.
Henry W. Hoagland
George H. W. Bush.

Mr. William M. Edwards was unable to attend the meeting.

Mr. Paul R. Mills acted as Chairman of the meeting and Mr. James H. Kerr, Jr., acted as Secretary thereof.

The Chairman announced that a quorum was present and that the meeting was duly constituted. The reading of the minutes of the last meeting was waived and the minutes were approved in the form circularized to the members of the Board.

The Chairman stated that nominations were in order for the election of officers. On nominations duly made and seconded and by unanimous vote, the following persons were elected to the offices of Camco indicated by their names to serve as provided in the bylaws:

<u>Name</u>	<u>Office</u>
Paul R. Mills	Chairman of the Board of Directors
Harold E. McGowen, Jr.	President
William M. Edwards	Vice President
Sam W. Pearce	Vice President
George A. Kimmey	Treasurer
William M. Edwards	Secretary
Clarence E. Soucek	Assistant Secretary
James H. Kerr, Jr.	Assistant Secretary

On motion duly made and seconded and by unanimous vote, it was

RESOLVED, that the principal executive officers of the Company be paid the same compensation for the fiscal year ending July 31, 1961, as was paid such officers for the fiscal year ended July 31, 1960.

The Chairman reported that since the allocation of options under Camco's 1957 Employee Restricted Stock Option Plan, it had become desirable to add new employees to such a plan. He said that a new plan, similar to the 1957 plan had been prepared by counsel and copies of the new plan were made available to the Board. After a discussion, upon motion duly made, seconded and by unanimous vote, it was

RESOLVED, that the 1960 Employee Restricted Stock Option Plan in the form before this meeting be and it hereby is approved and adopted in all respects and that a copy of such plan be identified as Exhibit A to these minutes and be placed in the minute book; and

RESOLVED, that 2,000 shares of Camco's authorized and unissued common stock be and it hereby is reserved for issuance pursuant to the 1960 Employee Restricted Stock Option Plan; and

RESOLVED, that allotment of shares under the 1960 Employee Restricted Stock Option Plan be made to the following employees in the amounts indicated at an option price of \$10.75 per share:

Cecil B. Greer	1,000 shares
Gilbert H. Tausch	1,000 shares
George A. Kimmey	500 shares
Albert A. Hughes	500 shares; and

RESOLVED, that the proper officers of Camco be and they hereby are authorized to execute for and on behalf of Camco stock option agreements with such employees as have been granted options by the Board under the 1960 Employers Restricted Stock Option Plan.

The Chairman then said that consideration should be given to granting to Mr. George H. S. Bush options to purchase Camco stock in the same amount and for the same price and under the same terms and provisions as the other directors who are not employees have been granted options for the purpose of permitting Mr. Bush to obtain a proprietary interest in Camco.

After full discussion, on motion duly made and seconded and by unanimous vote, it was

RESOLVED, that 500 shares of Camco's common stock be and it hereby is reserved for issuance under Stock Options to George H. W. Bush; and

RESOLVED, that options to purchase 500 shares at \$10.75 each of Camco's common stock be granted to Mr. George H. W. Bush pursuant to the stock option contract in the form before this meeting, a copy of which is attached to these minutes as Exhibit B.

Mr. McGowen reported to the Board on the negotiations with The National Supply Company for purchase of its patents on its plunger equipment and placed before the meeting a form of contract between Camco and The National Supply Company in draft form, setting forth the proposed agreement. After a discussion, upon motion duly made and seconded and by unanimous vote, it was

RESOLVED, that the agreement between Camco and The National Supply Company in the form before this meeting be approved, and the president or any vice president of Camco be and each of them hereby is authorized and directed to execute and deliver to The National Supply Company on behalf of and in the name of Camco under its corporate seal, attested by its secretary or any assistant secretary, an agreement substantially in the form presented to and approved at this meeting with such changes therein as may be approved by the officer of Camco executing the same, his execution thereof to be conclusive evidence of such approval.

Mr. McGowen reported that negotiations had been undertaken between Camco and Brown Oil Tool Company which would permit Camco to sell the Brown Oil Tool Company packers. The negotiations as reported were approved and Mr. McGowen was requested to continue such negotiations and report further to the Board.

The Board was brought up to date on the reports which had been received by the Company with respect to the organization of a subsidiary in the Bahamas, which would act as a holding company for the stock of certain of its foreign subsidiaries and the stock of another company to be organized in the Bahamas to act as an operating company and handle foreign sales except in the sterling area. After a thorough discussion, it was decided that the officers obtain additional information as to the cost of operating such subsidiaries and report again to the Board.

Mr. McGowen recommended that about 500 shares of Camco stock be purchased, 350 of which to be given to employees as part of their Christmas bonus and 150 to be held in reserve for gifts of 2 shares to each child born to an employee and, after a discussion, such recommendation was unanimously approved.

The Chairman stated that it would be to the best interests of Camco to authorize its president to negotiate and make loans and execute and deliver personal notes thereon for the benefit of Camco, and after a discussion, upon motion duly made and seconded, and by unanimous vote, it was

RESOLVED:

(1) That Harold E. McGowen, Jr., ~~is~~ President ~~of~~ of this company ^{As} hereby authorized to make applications for and

effect loans from time to time on behalf of this corporation from First City National Bank of Houston, Houston, Texas, and for such loans, in the name of this corporation, to make, execute and deliver the promissory note or notes, draft or drafts, bond or bonds, or other written obligation or obligations of this corporation, in such form, date and maturity and at such rate of interest as such officer or officers of this corporation may determine, and to affix the corporate seal to any such instrument whenever necessary or required;

(2) And that said officer or officers are hereby authorized in the name of this corporation to pledge as security for the repayment of any of such loan or loans, and any extension or renewals thereof, such assets of this corporation as may be agreed upon between such officer or officers of this corporation and First City National Bank of Houston;

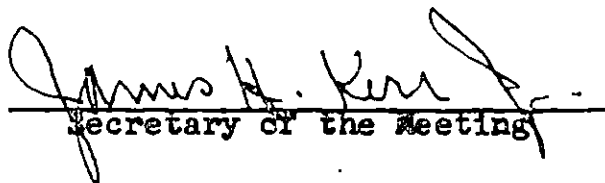
(3) And also on behalf of this corporation and in its name said officer or officers are hereby authorized to renew or extend any loan or loans from time to time and execute and deliver promissory notes, bonds or other obligations of this corporation therefor, or endorse such extension or extensions to any notes theretofore given;

(4) And also said officer or officers are hereby authorized to endorse, sign and rediscount from time to time with First City National Bank of Houston any of the Bills Receivable held or owned by this corporation and also to secure such rediscounted paper in the manner provided for securing loans made by said Bank or otherwise;

(5) And that said officer or officers are hereby authorized to make applications for Letters of Credit and in connection therewith execute any and all instruments which First City National Bank of Houston may require;

(6) BE IT FURTHER RESOLVED: That the authority hereinbefore given to said officer or officers shall remain irrevocable so far as First City National Bank of Houston is concerned until such bank be notified of the revocation of such authority and shall in writing acknowledge receipt of such notification.

There being no further business, upon motion duly made and seconded, and by unanimous vote, the meeting adjourned.


Secretary of the Meeting