# Form 5500

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

# Annual Return/Report of Employee Benefit Plan

This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), 6057(b), and 6058(a) of the Internal Revenue Code (the Code).

▶ **Complete all entries in accordance with the instructions to the Form 5500.**

OMB Nos. 1210-0110
1210-0089

**2012**

**This Form is Open to Public Inspection**

## Part I Annual Report Identification Information

For calendar plan year 2012 or fiscal plan year beginning 01/01/2012 and ending 12/31/2012

**A** This return/report is for:
- [ ] a multiemployer plan;
- [ ] a multiple-employer plan; or
- [X] a single-employer plan;
- [ ] a DFE (specify) ____

**B** This return/report is:
- [ ] the first return/report;
- [ ] the final return/report;
- [ ] an amended return/report;
- [ ] a short plan year return/report (less than 12 months).

**C** If the plan is a collectively-bargained plan, check here. . . . . ▶ [ ]

**D** Check box if filing under:
- [X] Form 5558;
- [ ] automatic extension;
- [ ] the DFVC program;
- [ ] special extension (enter description)

## Part II Basic Plan Information—enter all requested information

**1a** Name of plan
MALCOLM DRILLING CO., INC., PROFIT SHARING PLAN

**1b** Three-digit plan number (PN) ▶ 002

**1c** Effective date of plan 07/01/1976

**2a** Plan sponsor's name and address; include room or suite number (employer, if for a single-employer plan)

MALCOLM DRILLING CO., INC.

92 NATOMA STREET, SUITE #400
SAN FRANCISCO, CA 94106

92 NATOMA STREET, SUITE #400
SAN FRANCISCO, CA 94106

**2b** Employer Identification Number (EIN)
94-1671918

**2c** Sponsor's telephone number
415-901-4400

**2d** Business code (see instructions)
238900

**Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.**

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

| | | | |
|---|---|---|---|
| **SIGN HERE** | Filed with authorized/valid electronic signature. | 10/14/2013 | JOHN MALCOLM |
| | **Signature of plan administrator** | Date | Enter name of individual signing as plan administrator |
| **SIGN HERE** | | | |
| | **Signature of employer/plan sponsor** | Date | Enter name of individual signing as employer or plan sponsor |
| **SIGN HERE** | | | |
| | **Signature of DFE** | Date | Enter name of individual signing as DFE |

Preparer's name (including firm name, if applicable) and address; include room or suite number. (optional)

Preparer's telephone number (optional)

| | | |
|---|---|---|
| **3a** Plan administrator's name and address [X] Same as Plan Sponsor Name [ ] Same as Plan Sponsor Address | **3b** Administrator's EIN | |
| | **3c** Administrator's telephone number | |
| **4** If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report: | **4b** EIN | |
| **a** Sponsor's name | **4c** PN | |
| **5** Total number of participants at the beginning of the plan year | **5** | 211 |
| **6** Number of participants as of the end of the plan year (welfare plans complete only lines **6a, 6b, 6c,** and **6d**). | | |
| **a** Active participants | **6a** | 147 |
| **b** Retired or separated participants receiving benefits | **6b** | 4 |
| **c** Other retired or separated participants entitled to future benefits | **6c** | 43 |
| **d** Subtotal. Add lines **6a**, **6b**, and **6c** | **6d** | 194 |
| **e** Deceased participants whose beneficiaries are receiving or are entitled to receive benefits | **6e** | 3 |
| **f** Total. Add lines **6d** and **6e** | **6f** | 197 |
| **g** Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item) | **6g** | 197 |
| **h** Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested | **6h** | 3 |
| **7** Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item) | **7** | |

**8a** If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions:
2E

**b** If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:

**9a** Plan funding arrangement (check all that apply)

- **(1)** [ ] Insurance
- **(2)** [ ] Code section 412(e)(3) insurance contracts
- **(3)** [X] Trust
- **(4)** [ ] General assets of the sponsor

**9b** Plan benefit arrangement (check all that apply)

- **(1)** [ ] Insurance
- **(2)** [ ] Code section 412(e)(3) insurance contracts
- **(3)** [X] Trust
- **(4)** [ ] General assets of the sponsor

**10** Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

**a Pension Schedules**

- **(1)** [ ] **R** (Retirement Plan Information)
- **(2)** [ ] **MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary
- **(3)** [ ] **SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary

**b General Schedules**

- **(1)** [X] **H** (Financial Information)
- **(2)** [ ] **I** (Financial Information – Small Plan)
- **(3)** [ ] ___ **A** (Insurance Information)
- **(4)** [X] **C** (Service Provider Information)
- **(5)** [ ] **D** (DFE/Participating Plan Information)
- **(6)** [ ] **G** (Financial Transaction Schedules)

| SCHEDULE C (Form 5500) | Service Provider Information | OMB No. 1210-0110 |
|---|---|---|
| Department of the Treasury<br>Internal Revenue Service<br>Department of Labor<br>Employee Benefits Security Administration<br>Pension Benefit Guaranty Corporation | This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).<br>▶ **File as an attachment to Form 5500.** | **2012**<br>**This Form is Open to Public Inspection.** |

For calendar plan year 2012 or fiscal plan year beginning 01/01/2012 and ending 12/31/2012

| | |
|---|---|
| **A** Name of plan<br>MALCOLM DRILLING CO., INC., PROFIT SHARING PLAN | **B** Three-digit plan number (PN) ▶ 002 |
| **C** Plan sponsor's name as shown on line 2a of Form 5500<br>MALCOLM DRILLING CO., INC. | **D** Employer Identification Number (EIN)<br>94-1671918 |

## Part I Service Provider Information (see instructions)

You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, $5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

### 1 Information on Persons Receiving Only Eligible Indirect Compensation

**a** Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions).. . . . . ☐ Yes ☒ No

**b** If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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**2. Information on Other Service Providers Receiving Direct or Indirect Compensation.** Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, $5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

**(a)** Enter name and EIN or address (see instructions)

HEMMING MORSE, INC.

155 BOVET ROAD, SUITE #600
SAN MATEO, CA 94402

30-0702322

| (b) Service Code(s) | (c) Relationship to employer, employee organization, or person known to be a party-in-interest | (d) Enter direct compensation paid by the plan. If none, enter -0-. | (e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | (f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | (g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | (h) Did the service provider give you a formula instead of an amount or estimated amount? |
|---|---|---|---|---|---|---|
| 10 | AUDITOR | 9600 | Yes [ ] No [X] | Yes [ ] No [X] | 0 | Yes [ ] No [X] |

**(a)** Enter name and EIN or address (see instructions)

PENSION PLANNING SERVICE, INC,

48 PARK ROAD
BURLINGAME, CA 94010

94-1586677

| (b) Service Code(s) | (c) Relationship to employer, employee organization, or person known to be a party-in-interest | (d) Enter direct compensation paid by the plan. If none, enter -0-. | (e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | (f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | (g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | (h) Did the service provider give you a formula instead of an amount or estimated amount? |
|---|---|---|---|---|---|---|
| 13 | N/A | 7230 | Yes [ ] No [X] | Yes [ ] No [X] | 0 | Yes [ ] No [X] |

**(a)** Enter name and EIN or address (see instructions)

| (b) Service Code(s) | (c) Relationship to employer, employee organization, or person known to be a party-in-interest | (d) Enter direct compensation paid by the plan. If none, enter -0-. | (e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | (f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | (g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | (h) Did the service provider give you a formula instead of an amount or estimated amount? |
|---|---|---|---|---|---|---|
| | | | Yes [ ] No [ ] | Yes [ ] No [ ] | | Yes [ ] No [ ] |

**2. Information on Other Service Providers Receiving Direct or Indirect Compensation.** Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, $5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

**(a)** Enter name and EIN or address (see instructions)

| (b) Service Code(s) | (c) Relationship to employer, employee organization, or person known to be a party-in-interest | (d) Enter direct compensation paid by the plan. If none, enter -0-. | (e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | (f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | (g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | (h) Did the service provider give you a formula instead of an amount or estimated amount? |
|---|---|---|---|---|---|---|
| | | | Yes ☐ No ☐ | Yes ☐ No ☐ | | Yes ☐ No ☐ |

**(a)** Enter name and EIN or address (see instructions)

| (b) Service Code(s) | (c) Relationship to employer, employee organization, or person known to be a party-in-interest | (d) Enter direct compensation paid by the plan. If none, enter -0-. | (e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | (f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | (g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | (h) Did the service provider give you a formula instead of an amount or estimated amount? |
|---|---|---|---|---|---|---|
| | | | Yes ☐ No ☐ | Yes ☐ No ☐ | | Yes ☐ No ☐ |

**(a)** Enter name and EIN or address (see instructions)

| (b) Service Code(s) | (c) Relationship to employer, employee organization, or person known to be a party-in-interest | (d) Enter direct compensation paid by the plan. If none, enter -0-. | (e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | (f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | (g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | (h) Did the service provider give you a formula instead of an amount or estimated amount? |
|---|---|---|---|---|---|---|
| | | | Yes ☐ No ☐ | Yes ☐ No ☐ | | Yes ☐ No ☐ |

## Part I Service Provider Information (continued)

**3** If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received $1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

| **(a)** Enter service provider name as it appears on line 2 | **(b)** Service Codes (see instructions) | **(c)** Enter amount of indirect compensation |
|---|---|---|
| | | |
| **(d)** Enter name and EIN (address) of source of indirect compensation | **(e)** Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. | |
| | | |

| **(a)** Enter service provider name as it appears on line 2 | **(b)** Service Codes (see instructions) | **(c)** Enter amount of indirect compensation |
|---|---|---|
| | | |
| **(d)** Enter name and EIN (address) of source of indirect compensation | **(e)** Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. | |
| | | |

| **(a)** Enter service provider name as it appears on line 2 | **(b)** Service Codes (see instructions) | **(c)** Enter amount of indirect compensation |
|---|---|---|
| | | |
| **(d)** Enter name and EIN (address) of source of indirect compensation | **(e)** Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. | |
| | | |

## Part II Service Providers Who Fail or Refuse to Provide Information

**4** Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

| **(a)** Enter name and EIN or address of service provider (see instructions) | **(b)** Nature of Service Code(s) | **(c)** Describe the information that the service provider failed or refused to provide |
|---|---|---|
| | | |

| **(a)** Enter name and EIN or address of service provider (see instructions) | **(b)** Nature of Service Code(s) | **(c)** Describe the information that the service provider failed or refused to provide |
|---|---|---|
| | | |

| **(a)** Enter name and EIN or address of service provider (see instructions) | **(b)** Nature of Service Code(s) | **(c)** Describe the information that the service provider failed or refused to provide |
|---|---|---|
| | | |

| **(a)** Enter name and EIN or address of service provider (see instructions) | **(b)** Nature of Service Code(s) | **(c)** Describe the information that the service provider failed or refused to provide |
|---|---|---|
| | | |

| **(a)** Enter name and EIN or address of service provider (see instructions) | **(b)** Nature of Service Code(s) | **(c)** Describe the information that the service provider failed or refused to provide |
|---|---|---|
| | | |

| **(a)** Enter name and EIN or address of service provider (see instructions) | **(b)** Nature of Service Code(s) | **(c)** Describe the information that the service provider failed or refused to provide |
|---|---|---|
| | | |

## Part III Termination Information on Accountants and Enrolled Actuaries (see instructions)

(complete as many entries as needed)

| | | |
|---|---|---|
| **a** | Name: | **b** EIN: |
| **c** | Position: | |
| **d** | Address: | **e** Telephone: |

Explanation:

| | | |
|---|---|---|
| **a** | Name: | **b** EIN: |
| **c** | Position: | |
| **d** | Address: | **e** Telephone: |

Explanation:

| | | |
|---|---|---|
| **a** | Name: | **b** EIN: |
| **c** | Position: | |
| **d** | Address: | **e** Telephone: |

Explanation:

| | | |
|---|---|---|
| **a** | Name: | **b** EIN: |
| **c** | Position: | |
| **d** | Address: | **e** Telephone: |

Explanation:

| | | |
|---|---|---|
| **a** | Name: | **b** EIN: |
| **c** | Position: | |
| **d** | Address: | **e** Telephone: |

Explanation:

# SCHEDULE H (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

# Financial Information

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code).

▶ **File as an attachment to Form 5500.**

OMB No. 1210-0110

**2012**

**This Form is Open to Public Inspection**

For calendar plan year 2012 or fiscal plan year beginning 01/01/2012 and ending 12/31/2012

**A** Name of plan
MALCOLM DRILLING CO., INC., PROFIT SHARING PLAN

**B** Three-digit plan number (PN) ▶ 002

**C** Plan sponsor's name as shown on line 2a of Form 5500
MALCOLM DRILLING CO., INC.

**D** Employer Identification Number (EIN)
94-1671918

## Part I Asset and Liability Statement

**1** Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

| Assets | | (a) Beginning of Year | (b) End of Year |
|---|---|---|---|
| **a** Total noninterest-bearing cash | 1a | | |
| **b** Receivables (less allowance for doubtful accounts): | | | |
| **(1)** Employer contributions | 1b(1) | 1085384 | 1149233 |
| **(2)** Participant contributions | 1b(2) | | |
| **(3)** Other | 1b(3) | | |
| **c** General investments: | | | |
| **(1)** Interest-bearing cash (include money market accounts & certificates of deposit) | 1c(1) | 770778 | 5135972 |
| **(2)** U.S. Government securities | 1c(2) | | |
| **(3)** Corporate debt instruments (other than employer securities): | | | |
| **(A)** Preferred | 1c(3)(A) | | |
| **(B)** All other | 1c(3)(B) | | |
| **(4)** Corporate stocks (other than employer securities): | | | |
| **(A)** Preferred | 1c(4)(A) | | |
| **(B)** Common | 1c(4)(B) | 15193375 | 10525487 |
| **(5)** Partnership/joint venture interests | 1c(5) | | |
| **(6)** Real estate (other than employer real property) | 1c(6) | 0 | 0 |
| **(7)** Loans (other than to participants) | 1c(7) | 0 | 0 |
| **(8)** Participant loans | 1c(8) | 0 | 0 |
| **(9)** Value of interest in common/collective trusts | 1c(9) | | |
| **(10)** Value of interest in pooled separate accounts | 1c(10) | | |
| **(11)** Value of interest in master trust investment accounts | 1c(11) | | |
| **(12)** Value of interest in 103-12 investment entities | 1c(12) | | |
| **(13)** Value of interest in registered investment companies (e.g., mutual funds) | 1c(13) | 0 | 0 |
| **(14)** Value of funds held in insurance company general account (unallocated contracts) | 1c(14) | | |
| **(15)** Other | 1c(15) | | |

| | | (a) Beginning of Year | (b) End of Year |
|---|---|---|---|
| **1d** Employer-related investments: | | | |
| **(1)** Employer securities | 1d(1) | | |
| **(2)** Employer real property | 1d(2) | | |
| **e** Buildings and other property used in plan operation | 1e | | |
| **f** Total assets (add all amounts in lines 1a through 1e) | 1f | 17049537 | 16810692 |
| **Liabilities** | | | |
| **g** Benefit claims payable | 1g | | |
| **h** Operating payables | 1h | | 2600 |
| **i** Acquisition indebtedness | 1i | | |
| **j** Other liabilities | 1j | | |
| **k** Total liabilities (add all amounts in lines 1g through1j) | 1k | | 2600 |
| **Net Assets** | | | |
| **l** Net assets (subtract line 1k from line 1f) | 1l | 17049537 | 16808092 |

## Part II Income and Expense Statement

**2** Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

| Income | | (a) Amount | (b) Total |
|---|---|---|---|
| **a Contributions:** | | | |
| **(1)** Received or receivable in cash from: **(A)** Employers | 2a(1)(A) | 1149233 | |
| **(B)** Participants | 2a(1)(B) | | |
| **(C)** Others (including rollovers) | 2a(1)(C) | | |
| **(2)** Noncash contributions | 2a(2) | | |
| **(3)** Total contributions. Add lines **2a(1)(A), (B), (C),** and line **2a(2)** | 2a(3) | | 1149233 |
| **b Earnings on investments:** | | | |
| **(1)** Interest: | | | |
| **(A)** Interest-bearing cash (including money market accounts and certificates of deposit) | 2b(1)(A) | 682 | |
| **(B)** U.S. Government securities | 2b(1)(B) | | |
| **(C)** Corporate debt instruments | 2b(1)(C) | | |
| **(D)** Loans (other than to participants) | 2b(1)(D) | | |
| **(E)** Participant loans | 2b(1)(E) | | |
| **(F)** Other | 2b(1)(F) | | |
| **(G)** Total interest. Add lines **2b(1)(A)** through **(F)** | 2b(1)(G) | | 682 |
| **(2)** Dividends: **(A)** Preferred stock | 2b(2)(A) | | |
| **(B)** Common stock | 2b(2)(B) | 118423 | |
| **(C)** Registered investment company shares (e.g. mutual funds) | 2b(2)(C) | | |
| **(D)** Total dividends. Add lines **2b(2)(A)**, **(B)**, and **(C)** | 2b(2)(D) | | 118423 |
| **(3)** Rents | 2b(3) | | |
| **(4)** Net gain (loss) on sale of assets: **(A)** Aggregate proceeds | 2b(4)(A) | | |
| **(B)** Aggregate carrying amount (see instructions) | 2b(4)(B) | | |
| **(C)** Subtract line **2b(4)(B)** from line **2b(4)(A)** and enter result | 2b(4)(C) | | |
| **(5)** Unrealized appreciation (depreciation) of assets: **(A)** Real estate | 2b(5)(A) | | |
| **(B)** Other | 2b(5)(B) | 915831 | |
| **(C)** Total unrealized appreciation of assets. Add lines **2b(5)(A)** and **(B)** | 2b(5)(C) | | 915831 |

| | | (a) Amount | (b) Total |
|---|---|---|---|
| (6) Net investment gain (loss) from common/collective trusts | 2b(6) | | |
| (7) Net investment gain (loss) from pooled separate accounts | 2b(7) | | |
| (8) Net investment gain (loss) from master trust investment accounts | 2b(8) | | |
| (9) Net investment gain (loss) from 103-12 investment entities | 2b(9) | | |
| (10) Net investment gain (loss) from registered investment companies (e.g., mutual funds) | 2b(10) | | |
| c Other income | 2c | | |
| d Total income. Add all **income** amounts in column (b) and enter total | 2d | | 2184169 |
| **Expenses** | | | |
| e Benefit payment and payments to provide benefits: | | | |
| (1) Directly to participants or beneficiaries, including direct rollovers | 2e(1) | 2407662 | |
| (2) To insurance carriers for the provision of benefits | 2e(2) | | |
| (3) Other | 2e(3) | | |
| (4) Total benefit payments. Add lines **2e(1)** through **(3)** | 2e(4) | | 2407662 |
| f Corrective distributions (see instructions) | 2f | | |
| g Certain deemed distributions of participant loans (see instructions) | 2g | | |
| h Interest expense | 2h | | |
| i Administrative expenses: (1) Professional fees | 2i(1) | 9600 | |
| (2) Contract administrator fees | 2i(2) | 7230 | |
| (3) Investment advisory and management fees | 2i(3) | 0 | |
| (4) Other | 2i(4) | 1122 | |
| (5) Total administrative expenses. Add lines **2i(1)** through **(4)** | 2i(5) | | 17952 |
| j Total expenses. Add all **expense** amounts in column (b) and enter total | 2j | | 2425614 |
| **Net Income and Reconciliation** | | | |
| k Net income (loss). Subtract line **2j** from line **2d** | 2k | | -241445 |
| l Transfers of assets: | | | |
| (1) To this plan | 2l(1) | | |
| (2) From this plan | 2l(2) | | |

## Part III Accountant's Opinion

**3** Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

**a** The attached opinion of an independent qualified public accountant for this plan is (see instructions):

**(1)** [X] Unqualified **(2)** [ ] Qualified **(3)** [ ] Disclaimer **(4)** [ ] Adverse

**b** Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)? [ ] Yes [X] No

**c** Enter the name and EIN of the accountant (or accounting firm) below:

**(1)** Name: HEMMING MORSE CPA'S & CONSULTANTS **(2)** EIN: 30-0702322

**d** The opinion of an independent qualified public accountant is **not attached** because:

**(1)** [ ] This form is filed for a CCT, PSA, or MTIA. **(2)** [ ] It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

## Part IV Compliance Questions

**4** CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

| | | Yes | No | Amount |
|---|---|---|---|---|
| **a** Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.) | 4a | | X | |
| **b** Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.) | 4b | | X | |

| | | | Yes | No | Amount |
|---|---|---|---|---|---|
| c | Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.) | 4c | | X | |
| d | Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.) | 4d | | X | |
| e | Was this plan covered by a fidelity bond? | 4e | X | | 2000000 |
| f | Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty? | 4f | | X | |
| g | Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser? | 4g | | X | |
| h | Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser? | 4h | | X | |
| i | Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.) | 4i | X | | |
| j | Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.) | 4j | | X | |
| k | Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC? | 4k | | X | |
| l | Has the plan failed to provide any benefit when due under the plan? | 4l | | X | |
| m | If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.) | 4m | | X | |
| n | If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3. | 4n | | | |

**5a** Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?
If "Yes," enter the amount of any plan assets that reverted to the employer this year ☐ **Yes** ☒ **No** **Amount:**

**5b** If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

| **5b(1)** Name of plan(s) | **5b(2)** EIN(s) | **5b(3)** PN(s) |
|---|---|---|
| | | |
| | | |
| | | |

## Part V Trust Information (optional)

| **6a** Name of trust | **6b** Trust's EIN |
|---|---|
| | |

# MALCOLM DRILLING COMPANY INC.
# PROFIT SHARING PLAN AND TRUST

## FINANCIAL STATEMENTS

## December 31, 2012 and 2011

**MALCOLM DRILLING COMPANY INC. PROFIT SHARING PLAN AND TRUST**
**FINANCIAL STATEMENTS**
**December 31, 2012 and 2011**

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# INDEPENDENT AUDITOR'S REPORT

Investment Committee of
the Malcolm Drilling Company Inc.
Profit Sharing Plan and Trust

**Report on the Financial Statements**
We have audited the accompanying financial statements of Malcolm Drilling Company Inc. Profit Sharing Plan and Trust (the "Plan"), which comprise the statements of net assets available for benefits as of December 31, 2012 and 2011, and the related statements of changes in net assets available for benefits for the years then ended and supplemental schedule as indicated in the table of contents and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**
Plan management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Investment Committee of
the Malcolm Drilling Company Inc.
Profit Sharing Plan and Trust
(Continued)

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of Malcolm Drilling Company Inc. Profit Sharing Plan and Trust as of December 31, 2012 and 2011, and the changes in its net assets available for benefits for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Supplemental Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of Assets Held at Year-end referred to as "supplemental information," is presented for the purpose of additional analysis and is not a required part of the financial statements but is supplemental information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the Plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hemming Morse

San Francisco, California
October 9, 2013

**EXHIBIT A**

**MALCOLM DRILLING COMPANY INC. PROFIT SHARE PLAN AND TRUST**
**STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS**
**December 31, 2012 and 2011**

## ASSETS

| | 2012 | 2011 |
|---|---|---|
| **Investments (Notes 2B and 3)** | $ 14,742,894 | $ 15,558,178 |
| **Cash** | 918,565 | 405,976 |
| **Receivables:** | | |
| Employer (Note 1B) | 1,149,233 | 1,085,384 |
| Total assets | 16,810,692 | 17,049,538 |

## LIABILITIES

| | | |
|---|---|---|
| **Liabilities:** | 2,600 | - |
| Total liabilities | 2,600 | - |
| **Net Assets Available for Benefits** | $ 16,808,092 | $ 17,049,538 |

The accompanying notes are an integral part of the financial statements.

**EXHIBIT B**

**MALCOLM DRILLING COMPANY INC. PROFIT SHARING PLAN AND TRUST**
**STATEMENTS OF CHANGES IN NET ASSETS**
**AVAILABLE FOR BENEFITS**
**FOR THE YEARS ENDED December 31, 2012 and 2011**

| | 2012 | 2011 |
|---|---|---|
| **Additions:** | | |
| Employer contributions (Note 1B) | $ 1,149,233 | $ 1,085,384 |
| Investment income: | | |
| Realized and unrealized gain/(loss) on investments, net (Note 3) | 915,831 | (756,368) |
| Interest and dividends | 119,104 | 126,961 |
| | 1,034,935 | (629,407) |
| Total additions | 2,184,168 | 455,977 |
| **Deductions:** | | |
| Benefits paid to participants (Notes 1C and 2C) | 2,407,662 | 639,220 |
| Professional services: | | |
| Administrative fees | 17,952 | 18,217 |
| Total deductions | 2,425,614 | 657,437 |
| Net decrease in net assets available for benefits | (241,446) | (201,460) |
| **Net Assets Available for Benefits:** | | |
| Beginning of year | 17,049,538 | 17,250,998 |
| End of year | $ 16,808,092 | $ 17,049,538 |

The accompanying notes are an integral part of the financial statements.

**MALCOLM DRILLING COMPANY INC. PROFIT SHARING PLAN AND TRUST**
**NOTES TO THE FINANCIAL STATEMENTS**

## NOTE 1 - DESCRIPTION OF THE PLAN

The following brief description is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

### A. General:

The Malcolm Drilling Company Inc. Profit Sharing Plan and Trust (the "Plan") is a plan established in 1976, which covers employees that have reached the age of 21, have completed at least six months of service and are not covered by a collective bargaining agreement. In 2003, the Money Purchase Pension Plan merged into Profit Sharing Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA) and is exempt from federal and California taxes on income under the current provisions of the Internal Revenue Code and the California Revenue and Taxation code, respectively.

### B. Contributions:

Money Purchase:

The company has committed to contribute to each eligible participant 10% of the participant's compensation up to the IRS limitations on compensation.

Profit Sharing:

At the discretion of the employer, contributions are made annually to the plan. The employer is not obligated to make any contributions. For the years ended December 31, 2012 and 2011, there were no contributions made by the employer.

Contributions are credited to an individual account for each employee who is an eligible participant in the plan for the year the contribution is made.

### C. Distributions:

Distributions to a participant normally commence within a reasonable time after a participant's death, retirement, or termination of service. Distributions are made in a lump sum or periodic payment.

## NOTE 1 - DESCRIPTION OF THE PLAN - (Continued)

### D. Vesting:

The portion of a participant's account resulting from rollover contributions is fully vested and non-forfeitable. All accounts under the profit sharing provisions are 100% vested. For employer contributions for the money purchase pension plan provisions, a participant's vested interest at any given time is based on years of service with >1000 hours per year, and increases during continued participation in the Plan according to the following vesting schedule:

| | | | |
|---|---|---|---|
| 2 years | 20% | 5 years | 80% |
| 3 years | 40% | 6 years | 100% |
| 4 years | 60% | | |

Any forfeited amounts from the employer contribution account will be used to reduce the employer's employer contribution. Forfeitures in the amount of $26,894 and $44,597 were used to offset employers' contributions for the years ended December 31, 2012 and 2011.

### E. Participants' Accounts:

An individual profit sharing account and an individual money purchase pension account are maintained for each participant, which each includes the following components as of December 31:

1. Employee rollover contribution if allowable.

2. Employer contributions.

3. The participant's pro rata share of net investment income.

4. Deductions for benefits paid.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Basis of Accounting:

The Plan's financial statements are prepared on the accrual basis of accounting.

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

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

### B. Valuation of Investments:

Cash equivalents are based on cost which equals fair value. Common stock is stated at fair value based on closing market quotations at December 31.

### C. Benefits Payable to Terminated Participants:

The non-vested portion of an account balance is forfeited one year after termination.

Under the terms of the Plan Agreement, terminated participants whose vested benefit is $5,000 or less, may be distributed to the participant without the participant's consent. Participants whose benefit is more than $5,000, or has ever been greater than $5,000, can leave their account under the plan to continue participation in plan investments and/or to provide benefits upon retirement or death. Terminated vested participants have the option of withdrawing the accumulated benefits through several options offered by the plan.

### D. Uncertain Tax Positions:

The Plan has adopted guidance on accounting for uncertainty in income taxes issued by the Financial Accounting Standards Board. The Plan administrator believes that the Plan has not taken uncertain tax positions that require adjustment to the financial statements as a tax liability. Informational tax returns, for tax years for which the applicable statutes of limitations have not expired, are subject to examination by authorities.

## NOTE 3 - INVESTMENTS

### A. General:

Investment assets of the Plan are held by TD Ameritrade under the terms of an agreement.

The following information, included in the Plan's financial statements as of December 31, 2012 and 2011, was extracted from information prepared by the above financial institutions and furnished to the plan administrator.

| | 2012 | 2011 |
|---|---|---|
| | Fair Value | Fair Value |
| Cash equivalents | $ 4,217,407 | $ 364,803 |
| Common stock | 10,525,487 | 15,193,375 |
| | $ 14,742,894 | $ 15,558,178 |

**NOTE 3 – INVESTMENTS – (Continued)**

**A. General: - (Continued)**

The Plan's investments (including investments bought, sold, as well as held during the year) appreciated during the year 2012 and 2011 as follows:

| | 2012 | 2011 |
|---|---|---|
| Common stock | $ 915,831 | $ (756,368) |

Included in the investments are the following which individually represent 5% or more of net assets available for benefits as of December 31, 2012.

| | Fair Market Value |
|---|---|
| Apple Inc. | $ 1,064,346 |
| Berkshire Hathaway Inc. | 5,362,400 |
| Halliburton Co. | 1,734,500 |
| MGM Resorts International | 1,164,000 |
| TDAM MM Portfolio Investor Class | 4,217,407 |

**B. Fair Value Measurement:**

The Plan has adopted the Fair Value Measurement Topic of the Financial Accounting Standards Board Accounting Standards Codification No. 820 (ASC 820). In accordance with ASC 820, fair value is defined as the price that the Plan would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. As amended, ASC 820 permits entities to use Net Asset Value (NAV) as a practical expedient to measure fair value when the investment does not have a readily determinable fair value and the net asset value is calculated in a manner consistent with the investment company accounting. ASC 820 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value including such a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset of liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are assets that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad Levels listed below.

## NOTE 3 – INVESTMENTS – (Continued)

### B. Fair Value Measurement: – (Continued)

- Level 1 – quoted prices in active markets for identical investments
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Plan's own assumptions in determining the fair value of investments)

The following is a summary of the inputs used as of December 31, 2012 in valuing the Fund's investments carried at fair value:

| | Level 1 | Level 2 | Level 3 | Total 2012 |
|---|---|---|---|---|
| Cash equivalents | 4,217,407 | - | - | 4,217,407 |
| Common stock | 10,525,487 | - | - | 10,525,487 |
| Total | $ 14,742,894 | $ - | $ - | $ 14,742,894 |

## NOTE 4 – RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and amounts reported in the statements of net assets available for benefits.

## NOTE 5 – SUBSEQUENT EVENTS

The Plan has evaluated subsequent events through the audit opinion date of the financial statements. No material subsequent events have occurred since December 31, 2012 that required recognition or disclosure in the financial statements.

**MALCOLM DRILLING COMPANY INC. PROFIT SHARING PLAN AND TRUST**
**EMPLOYER IDENTIFICATION NUMBER 94-1671918, PLAN NUMBER 002**
**SCHEDULE H, ITEM 4i, SCHEDULE OF ASSETS HELD AT YEAR-END**

| (A) | (B) Identity of issue borrower, lessor or similar party | (C) Description of investment including maturity date, rate of interest, collateral pay or maturity value | (D) Cost | (E) Current Value |
|---|---|---|---|---|
| Money Market Fund: | | | | |
| | TD Ameritrade Money Market Fund | 4,217,407 - shares | ^ | $ 4,217,407 |
| Total Money Market Funds: | | | | 4,217,407 |
| Common Stock: | | | | |
| | Berkshire Hathaway Inc. | 40 - shares | ^ | 5,362,400 |
| | Apple Inc. | 2,000 - shares | ^ | 1,064,346 |
| | Halliburton Co. | 50,000 - shares | ^ | 1,734,500 |
| | Kinder Morgan | 5,000 - shares | ^ | 398,950 |
| | MGM Resorts | 100,000 - shares | ^ | 1,164,000 |
| | Microsoft Corp | 30,000 - shares | ^ | 801,291 |
| Total Common Stock: | | | | 10,525,487 |
| Total Investments: | | | | $ 14,742,894 |

^ Column (D), Cost, has been omitted, this was not prepared by brokers

Malcolm Drilling Co., Inc.

Statement of Position

Profit Sharing Plan

For the year ended December 31, 2012

| | | | |
|---|---|---|---|
| Assets | | | |
| Cash: | | | |
| Wells Fargo Checking | $ | 897,682.42 | |
| Comerica | | 20,882.69 | |
| Ameritrade | | 4,217,406.91 | |
| Total Cash | | | $ 5,135,972.02 |
| Accounts Receivable: | | | |
| Contribution Receivable | $ | 1,149,233.35 | |
| Total Receivables | | | 1,149,233.35 |
| Investments (at Market Value): | | | |
| Apple 2000 shrs. | $ | 1,064,345.80 | |
| Berkshire Hath. 40 shrs. | | 5,362,400.00 | |
| Haliburton 50000 shrs. | | 1,734,500.00 | |
| Kinder Morgan 5000 shrs. | | 398,950.00 | |
| MGM 100000 shrs. | | 1,164,000.00 | |
| Microsoft 30000 shrs. | | 801,291.00 | |
| Total Investments | | | 10,525,486.80 |
| Total Assets | | | $ 16,810,692.17 |
| Liabilites: | | | |
| Operating payable | | | -2,600.00 |
| Total Market Value of the Trust | | | $ 16,808,092.17 |