

Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

STREICHER MOBILE FUELING INC

Form 10-K

September 28, 2004

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

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934

For the fiscal year ended: June 30, 2004

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 0-21825

STREICHER MOBILE FUELING, INC.  
(Exact name of registrant as specified in its charter)

Florida	65-0707824
(State or other jurisdiction	(I.R.S. Employer
of incorporation or organization)	Identification No.)

800 West Cypress Creek Road, Suite 580, Fort Lauderdale, Florida 33309  
(Address of principal executive offices) (Zip Code)

(954) 308-4200  
(Registrant's telephone number, including area code)

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

Common Stock, \$.01 Par Value  
Redeemable Common Stock Purchase Warrants

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

The aggregate market value of the voting stock held by non-affiliates was \$6,198,991. The aggregate market value was computed by reference to the last sale price of the registrant's Common Stock on the NASDAQ Stock Market on September 23, 2004.

As of September 23, 2004 there were 7,367,960 shares of the Registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

# Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

Certain Portions of Registrant's Proxy Statement relating to the 2004 Annual Meeting of Shareholders are incorporated by reference into Part III.

## TABLE OF CONTENTS

	PAGE
PART I. -----	
Item 1. Description of Business.....	1
Item 2. Description of Property.....	9
Item 3. Legal Proceedings.....	9
Item 4. Submission of Matters to a Vote of Security Holders.....	9
PART II. -----	
Item 5. Market for Common Equity and Related Shareholder Matters.....	10
Item 6. Selected Financial Data.....	10
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	13
Item 7A. Quantitative and Qualitative Disclosures About Market Risk.....	25
Item 8. Financial Statements and Supplementary Data.....	25
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.....	25
Item 9A. Controls and Procedures.....	26
PART III. -----	
Item 10. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act.....	27
Item 11. Executive Compensation.....	27
Item 12. Security Ownership of Certain Beneficial Owners and Management.....	27
Item 13. Certain Relationships and Related Transactions.....	27
Item 14. Principal Accounting Fees and Services.....	27
Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K.....	28

PART I

ITEM 1. DESCRIPTION OF BUSINESS

Streicher Mobile Fueling, Inc., a Florida corporation (the "Company") formed in 1996, provides mobile fueling and fuel management out-sourced services to businesses that operate fleets of vehicles and equipment of various sizes, including governmental agencies, utilities, trucking companies, bus lines, hauling and delivery services, courier services, construction companies and others. The Company's specialized truck fleet delivers fuel to customers' locations on a regularly scheduled or as needed basis, refueling vehicles and equipment and/or re-supplying fixed-site storage facilities. The Company's patented proprietary electronic fuel tracking control system is used to measure, record and track fuel dispensed to each vehicle and tank fueled at a customer location, allowing verification of the amount and type of fuel delivered and providing customers with customized fleet fuel data for management analysis and tax reporting.

The Company's mobile fueling services provide numerous advantages to its customers, including lower labor and administrative costs associated with fueling vehicles, centralized control over fuel inventories and usage, tax reporting benefits, elimination of costs and the risk of environmental liabilities associated with on-site fuel storage and dispensing facilities, lower risk of employee theft of fuel, emergency fuel availability, and the elimination of security risks associated with off-site fueling by employees.

The Company presently operates over 100 custom specialized mobile fueling trucks from 16 operating locations in California, District of Columbia, Florida, Georgia, Maryland, North Carolina, Pennsylvania, Tennessee, Texas and Virginia and continues to increase market penetration in its existing service areas and to develop its operations in new markets. During the 2004 fiscal year, the Company entered new markets in the District of Columbia, Maryland, North Carolina and Virginia, and in August 2004, the Company entered the Pennsylvania market. The Company intends to continue to enter other new markets where it believes that mobile fueling or fuel management business can be obtained at profitable margins. The Company is also actively seeking acquisitions to achieve additional growth.

THE MOBILE FUELING INDUSTRY

Traditionally, businesses and other entities that operate fleets of vehicles and equipment have met their fueling requirements by either maintaining their own supply of fuel in on-site storage tanks or fueling vehicles at retail stations and other third party facilities.

On-site storage tanks and fueling facilities can be expensive to construct and maintain, and expose the property owner and operator to potential liability associated with fuel leaks or spills. In addition, increasingly stringent federal and state environmental regulation of underground storage tanks may require businesses that maintain their own fuel supplies to spend significant amounts to remove, retrofit and/or to maintain underground and aboveground storage tanks to meet regulatory standards. The Company believes that many fleet operators currently utilizing on-site storage tanks will choose to meet their fueling requirements by other means, including mobile fueling, instead of investing in upgrading and/or maintaining existing facilities.

## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

The fueling of vehicles at retail stations and other third party facilities by fleet operators can result in a higher cost of operations due to inefficient use of employee time, the creation of significant unnecessary paperwork and employee fraud. While large users may be able to negotiate favorable fuel pricing from retail stations or other fuel suppliers, the labor cost incurred in connection with employee fueling of vehicles and the costs associated with management and administration of fuel purchases, can exceed the benefits associated with price discounts.

Specifically, mobile fueling and fuel management out-sourced services offer numerous benefits over traditional fueling methods:

- o REDUCES OPERATING COSTS AND INCREASES LABOR PRODUCTIVITY. Mobile fueling enables fleet operators to reduce operating costs, lowering payroll hours by eliminating the need for their employees to fuel vehicles either on-site or at local retail stations and other third party facilities. Overnight fueling prepares fleet vehicles for operation at the beginning of each workday, increasing labor productivity by allowing employees to use their vehicles during time that would otherwise be spent fueling and maximizing vehicle use as fueling is conducted during non-operating hours. The running fuel necessary to operate vehicles is reduced as fueling takes place at customer locations. Mobile fueling also reduces the administrative burden required to manage fuel programs and monitor vehicle utilization.
- o PROVIDES CENTRALIZED INVENTORY CONTROL AND MANAGEMENT. The Company's fuel management system provides fleet operators with a central management data source. Web-based comprehensive reports detail, among other things, the location, description, fuel type and daily and weekly fuel consumption of each vehicle or piece of equipment fueled by the Company. This eliminates customers' need to invest working capital to carry fuel supplies, allow customers to centralize their fuel inventory controls, track and analyze vehicle movement and fuel consumption for management and fuel tax reporting purposes.
- o PROVIDES TAX REPORTING BENEFITS. The ability of the Company's fuel management system to track fuel consumption to specific vehicles and fuel tanks provides tax benefits to customers who consume fuel in uses that are tax-exempt, such as for off-road vehicles, government-owned vehicles and fuel used to operate refrigerator units on vehicles. For such uses, the customers receive reports which provide them with the information required to substantiate such tax exemptions.
- o ELIMINATES EXPENSES AND LIABILITIES OF ON-SITE STORAGE. Fleet operators who previously satisfied their fuel requirements using on-site storage tanks can eliminate the capital and costs relating to installing, equipping and maintaining fuel storage and dispensing facilities, including the cost and price volatility associated with fuel inventories, complying with escalating environmental government regulations, and carrying increasingly expensive insurance. By removing on-site storage tanks and relying on mobile fueling, customers avoid potential liabilities to employees and equipment from fuel storage and handling. Mobile fueling eliminates customers' expensive and inefficient use of business space and the diminution of property values associated with environmental concerns.

## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

- o PREVENTS FUEL THEFT. Fleet operators that rely on employees to fuel vehicles, whether at on-site facilities or at retail stations, often experience shrinkage of fuel inventories or excess fuel purchases due to employee fraud. The Company's fuel management system eliminates the risk of employee theft by dispensing fuel only to authorized vehicles. Utilizing an independent contractor such as the Company for fueling services rather than allowing employees to purchase fuel at local retail stations also eliminates employee fraud due to credit card abuse.
  
- o PROVIDES EMERGENCY FUEL SUPPLIES AND SECURITY. Emergency preparedness, including fuel availability, is critical to the operation of utilities, delivery services and other fleet operators. The Company provides access to emergency fuel supplies at times and locations chosen by its customers, allowing customers to react more quickly and effectively to emergency situations, such as severe weather conditions and related disasters. Fueling by fleet operators at their own on-site storage facilities, and/or at retail and other third party locations may be limited due to power interruption, supply outages or access and other natural limitations. In addition, security concerns of fleet operators to terrorism, hijacking and sabotage is increasing. The mobile fueling of vehicles at the customers' facilities eliminates security risks to the fleet operators' employees and equipment associated with fueling at retail service stations and other third party facilities.

2

### MARKETING AND CUSTOMERS

The Company markets its mobile fueling services to customers operating all size fleets of vehicles and equipment in connection with their business, including governmental agencies, utilities, trucking companies, bus lines, hauling and delivery services, courier services, construction companies and others. While large fleet operators offer immediate market penetration on a regional basis, small fleet operators are equally important accounts because they provide geographic density which optimizes fuel delivery efficiency and minimizes cost. Once engaged to provide mobile fueling services, the Company is usually the exclusive service provider for the fueling of a customer's entire fleet or of a particular location of vehicles and equipment in a market.

The Company focuses its marketing efforts on fleet operators within established service areas. Fleet size and type, fuel requirements, fueling logistics and credit worthiness are factors in identifying potential new customers for the Company's services. Direct marketing is the primary method of developing new business. Referrals from existing customers and Company personnel are also important sources of potential business. In addition, the Company is actively developing new service markets. A minimum level of business commitments is required prior to the Company's entry into any new market. The ability to provide service to an existing customer in a new market and the identification of local new customers meeting the Company's criteria are strong considerations in a decision to enter any market.

The Company currently distributes diesel, gasoline and alternative fuels to approximately 800 customers. Revenue (excluding fuel taxes) from one large customer, the United States Postal Service, totaled \$9.5 million (14% of total revenue) and \$8.5 million (16% of total revenue) in the fiscal years ended June 30, 2004 and 2003, respectively. However, revenue from this customer was

## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

generated from a total of six and nine separate and non-interdependent written contracts of varying lengths of service and renewal options for the years ended June 30, 2004 and 2003, respectively. Although the Company has formal, length of service written contracts with certain of its larger customers, such agreements are not customary in the mobile fueling business and are not entered into by the Company with the majority of its customers. Most of the Company's customers can terminate the Company's mobile fueling services at any time and for any reason, and the Company can similarly discontinue service to any customer. The Company would discontinue service to a customer if changes in the service conditions or other factors cause the Company not to meet its minimum level of margins and rates, and the Company is unable to re-negotiate its arrangement with the customer.

The Company competes with other distributors of fuel, including several regional distributors and numerous small independent operators who provide mobile fueling services. The Company also competes with retail marketing where fleet operators have the option of fueling their own equipment at retail stations and other third-party service locations. The Company's ability to compete is dependent on numerous factors, including price, delivery dependability, credit terms, service locations, as well as the level of reporting and invoicing services provided.

### TRUCK FLEET AND OPERATIONS

The Company currently provides its mobile fueling and fuel management services from 26 locations in California, District of Columbia, Florida, Georgia, Maryland, North Carolina, Pennsylvania, Tennessee, Texas and Virginia. The Company delivers fuel utilizing its own fleet of over 100 custom mobile fueling trucks with multi-compartmented tanks whose fuel carrying capacities range from 2,800 to 4,400 gallons. Generally, each truck services between five and fifteen customer locations per night or day, on specified delivery routes, depending on customer size and fueling logistics. The fuel supply to be delivered is acquired daily at local third-party terminal storage facilities. Each truck is operated by a driver who also handles the actual fueling of the customers' vehicles ("fueler/operator").

### FUEL TRACKING AND REPORTING SYSTEM

The Company utilizes a patented proprietary fuel tracking and reporting management system in its mobile fueling operations. It owns all patents covering the system, the rights to which are registered with the United States Patent and Trademark Office. The Company believes its system to be the first and only one specifically designed to meet the demands and rigors of mobile fueling, and the only one certified for accuracy by The National Conference

on Weights and Measures. Data is derived from the Fuel Tracking Controller ("FTC") Computer which is installed on each truck and is linked to the Company's fueler/operator by a hand-held radio controlled scanning and transmitting device. The FTC Computer is programmed to control any variety of truck configurations, including single or multiple products and any number of pumps and hoses attached to the truck. The FTC fuel management system electronically records date, time, customer vehicle identification number, product type and volume of fuel delivered by the Company's trucks into each customer vehicle. For security and tracking purposes, the FTC Computer will not permit fuel to be dispensed from the Company's truck unless both the customer's fleet yard and the

## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

individual vehicle or piece of equipment to be fueled are electronically verified by the FTC Computer registration. All fueling transactions are recorded on the truck's FTC Computer, downloaded at the Company's service locations and transmitted to the Company's corporate headquarters where the data is assimilated into detailed service reports and invoices for the customer. This information can be delivered to the customer by a number of methods, including the internet, and data may also be delivered to the customer at his vehicle location at the time of fueling.

Because some service applications require both mobile fueling and the use by the customer of his own on-site storage tanks, the Company has adapted the FTC Computer to track the use by the customer of its own fixed-site tanks. Upon installation of an FTC Computer, the Company services and manages fuel delivery to a customer's on-site storage tank, providing reports detailing fuel dispensed from the tank into each of the customer's vehicles, either alone or in combination with the customer's mobile fueling use.

### FUEL SUPPLY

Diesel fuel and gasoline are commodities which are refined and distributed by numerous sources. The Company purchases the fuel delivered to its customers from multiple suppliers at daily market prices and in some cases qualifies for discounts. The Company monitors fuel prices and trends in each of its service markets on a daily basis and seeks to purchase its supply at the lowest prices and under the most favorable terms. Commodity price risk is mitigated since the Company purchases and delivers fuel supplies daily and generally utilizes cost-plus pricing when billing customers. The Company also handles the delivery of customer and third-party supplied fuel.

### EXECUTIVE OFFICERS

The executive officers of the Company as of June 30, 2004 are as follows:

Name	Age	Position and Office
Richard E. Gathright.....	50	President, Chief Executive Officer and Director
Michael S. Shore.....	36	Senior Vice President, Chief Financial Officer, Secretary and Treasurer
Gary G. Williams.....	48	Senior Vice President, Commercial Operations
Paul C. Vinger.....	34	Senior Vice President, Corporate Planning and Fleet Operations
Timothy W. Koshollek.....	40	Vice President, Marketing and Sales

MR. GATHRIGHT has been Chief Executive Officer and President of the Company since November 2000 and a Director since March 2001. He is responsible for the management of all business affairs of the Company, reporting directly to the Board of Directors. He was an advisor on operational and financial matters to the senior management of several domestic and international energy companies from January 2000 through October 2000. From September 1996 to December 1999, he was President and Chief Operating Officer of TransMontaigne Inc., a Denver-based publicly owned company providing logistical services to major energy companies and large industrial customers; a Director from April 1995 to December 1999; Executive Vice President from April 1995 to September 1996; and from December 1993 to April 1995 was President and Chief Operating Officer of a predecessor of TransMontaigne.

## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

From 1988 to 1993, he was President and Director of North American Operations for Aberdeen Petroleum PLC, a London-based public company engaged in international oil and gas operations, also serving on its Board of Directors. Prior to joining Aberdeen, he held a number of positions in the energy industry in the areas of procurement, operations and management of oil and gas assets.

MR. SHORE has been Senior Vice President, Chief Financial Officer, Secretary and Treasurer since February 2002. Prior to joining the Company, he was CEO and President of Shore Strategic and Financial Consulting, providing financial, management and information systems technology services to corporate clients in the United States and Latin America. From 1998 to 2000, he served as Director of Finance/Controller for the North American Zone Operations of the Paris-based Club Mediterranee. From 1996 to 1998, he was Vice President of Finance for Interfoods of America, Inc., the largest Popeyes Fried Chicken & Biscuits franchisee. From 1994 to 1996, he was the Manager of Accounting for Arby's, Inc. Mr. Shore began his professional career in 1990 with Arthur Andersen, LLP where he became a Senior Auditor.

MR. WILLIAMS has been Senior Vice President, Commercial Operations for the Company since February 2001, responsible for Marketing and Sales and Product Procurement. From 1995 to February 2001, he was Vice President of Marketing for the supply, distribution and marketing subsidiary of TransMontaigne Inc., managing wholesale marketing functions in the Mid-Continent, Southeast and Mid-Atlantic and serving on that company's senior risk management committee. From 1987 to 1995, he was Regional Manager for Kerr-McGee Refining Corporation, responsible for unbranded petroleum product sales in its southeastern United States 11 state marketing region. Prior to 1987, Mr. Williams held various positions in the product procurement, marketing and sales, and trucking sectors of the petroleum industry.

MR. VINGER has been Vice President, Corporate Planning and Operations for the Company since August 2001, managing fleet and field operations and responsible for corporate planning and analysis; and from December 2000 to August 2001, he was Director of Corporate Planning. He was Senior Analyst of Corporate Planning and Finance for TransMontaigne Inc., from September 1998 to December 2000, responsible for operations and acquisitions analyses and the management of supply scheduling and product allocations. From 1997 to 1998, he was a Manager of Terminal Operations for TransMontaigne Inc. responsible for petroleum product and chemical terminals. From 1994 to 1997, he was a Research Associate for E. I. Dupont. From 1991 to 2001, Mr. Vinger served to the rank of Captain in the United States Military.

MR. KOSHOLLEK has been Vice President, Marketing for the Company since March 1998. From October 1996 to March 1998, he was Vice President of Marketing and Operations for the Company and from 1994 to October 1996 served in the same position for Streicher Enterprises, Inc., the Company's predecessor. From 1992 to 1993, he was an owner and the General Manager of Premier Wholesale Seafood Exchange, Inc. From 1989 to 1992, he was the Operations Manager of Streicher Enterprises, Inc. responsible for its Southeast division fuel delivery operations. From 1986 to 1988, Mr. Koshollek was Sales and Maintenance Manager of Kay Yacht Management, Inc., responsible for new customer sales, set-up and maintenance programs.

### EMPLOYEES

At June 30, 2004, the Company had 165 full-time employees.



## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

### GOVERNMENTAL REGULATION

The Company's operations are affected by numerous federal, state and local laws, regulations and ordinances, including those relating to protection of the environment and worker safety. Various federal, state and local agencies have broad powers under these laws, regulations and ordinances. In particular, the operation of the Company's mobile fueling fleet and its transportation of diesel fuel and gasoline are subject to extensive regulation by the U.S. Department of Transportation ("DOT") under the Federal Motor Carrier Safety Act ("FMCSA") and the Hazardous Materials Transportation Act ("HMTA"). The Company is subject to regulatory and legislative changes that can affect the economics of the industry by requiring changes in operating practices or influencing the demand for, and the cost of providing, its services. On January 4, 2004, new federal safety rules took effect reducing the number of hours truck drivers can be on duty, including any time spent fueling their trucks or equipment. The

5

Company believes that the changes mandated under the new rules will increase the attractiveness of using mobile fueling services. Fleet operators may decide to use their drivers' time more effectively by delivering their product or services rather than spending time fueling vehicles. In addition, the Company depends on the supply of diesel fuel and gasoline from the oil and gas industry and, therefore, is affected by changing taxes, price controls and other laws and regulations generally relating to the oil and gas industry. The Company cannot determine the extent to which its future operations and earnings may be affected by new legislation, new regulations or changes in existing regulations.

The technical requirements of these laws and regulations are becoming increasingly expensive, complex and stringent. These laws may impose penalties or sanctions for damages to natural resources or threats to public health and safety. Such laws and regulations may also expose the Company to liability for the conduct of or conditions caused by others, or for acts of the Company that were in compliance with all applicable laws at the time such acts were performed. Sanctions for noncompliance may include revocation of permits, corrective action orders, administrative or civil penalties and criminal prosecution. Certain environmental laws provide for joint and several liability for remediation of spills and releases of hazardous substances. In addition, the Company may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances, as well as damage to natural resources.

Although the Company believes that it is in substantial compliance with existing laws and regulations, there can be no assurance that substantial costs for compliance will not be incurred in the future. There could be an adverse affect upon the Company's operations if there were any substantial violations of these rules and regulations. Moreover, it is possible that other developments, such as stricter environmental laws, regulations and enforcement policies thereunder, could result in additional, presently unquantifiable, costs or liabilities to the Company.

### CERTAIN FACTORS AFFECTING FUTURE OPERATING RESULTS

The following important factors have affected, and may in the future continue to affect, the Company's business, results of operations and financial condition, and could cause the Company's operating results to differ materially

## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

from those expressed in any forward-looking statements made by or on behalf of the Company elsewhere in this report.

**NO ASSURANCES OF FUTURE PROFITABILITY; LOSSES FROM OPERATIONS; NEED FOR CAPITAL.** The Company incurred net losses for the fiscal years ended June 30, 2004, 2003 and 2002. In order for the Company to earn profits in the future, it needs to increase volumes at profitable margins, control costs and generate sufficient cash flow to support its working capital and debt service requirements. There is no assurance that management will be able to accomplish its business plan, or that it will be able to continue to raise capital at terms which are acceptable to the Company, to support working capital requirements or debt service shortfalls during any business downturns. At June 30, 2004, the Company's working capital was \$2.5 million compared to a working capital deficit of \$2.4 million on June 30, 2003. The \$4.9 million increase principally relates to the August 2003 debt refinancing that yielded net proceeds of \$2.8 million and the reduction of the current portion of long-term debt of \$2.0 million due to the two-year principal moratorium. While in the fourth quarter ending June 30, 2004, net margin per gallon improved to 11.9 cents per gallon versus 2004 annual average net margin per gallon of 9.9 cents, there is no assurance that this trend will continue in the future. In the event of adverse market conditions in the mobile fueling industry, negative customer reactions to new or existing marketing strategies, or negative economic conditions generally, margins may fail to improve further or even diminish.

**TRADING MARKET FOR THE COMPANY'S COMMON STOCK.** The Company's common stock is thinly traded which could make it difficult for shareholders to sell shares at a predictable price or at all. In addition, there may be volatility in the market price of the Company's common stock due to factors beyond the Company's control. The Company's quarterly operating results, changes in general conditions in the economy, the financial markets or other developments affecting the Company could cause the market price of the Company's common stock to fluctuate, making it difficult for shareholders to sell shares at predictable prices or times.

6

**GROWTH DEPENDENT UPON EXPANSION; RISKS ASSOCIATED WITH EXPANSION INTO NEW MARKETS.** A significant component of the Company's future growth strategy will be to expand the Company's business into new service locations. The Company intends to expand into additional major and secondary metropolitan areas. Expansion will largely be dependent on the Company's ability to demonstrate the benefits of mobile fueling to potential new customers; successfully establish and operate new locations; hire, train and retain qualified management, operating, marketing and sales personnel; finance capital expenditures and working capital requirements; secure reliable sources of product supply on a timely basis and on commercially acceptable credit terms; and successfully manage growth by effectively supervising operations, controlling costs and maintaining appropriate quality controls. The Company's growth will depend upon its ability to achieve greater penetration in existing markets and to successfully enter new markets. The Company may also seek to expand through the acquisition of existing companies or their operations and customer bases. During the fiscal year ended June 30, 2004, the Company commenced operations in new markets in the District of Columbia, Maryland, North Carolina and Virginia. In August 2004, the Company entered the Pennsylvania market. There can be no assurance that the Company will be able to successfully continue to expand its operations beyond these recently entered new markets.

## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

ACQUISITION AVAILABILITY; INTEGRATING ACQUISITIONS. The Company's future growth strategy may also involve the acquisition of other mobile fueling companies, wholesale fuel or petroleum lubricant distributors or related entities and businesses in existing and new markets. There can be no assurance that the Company will be able to locate or make suitable acquisitions on acceptable terms or that any future acquisitions would be effectively and profitably integrated into the Company's operations. Acquisitions involve risks that could adversely affect the Company's operating results, including management commitment; integration of the operations and personnel of the acquired business; future write downs of acquired intangible assets; and possible loss of key personnel of the acquired business.

DEPENDENCE ON KEY PERSONNEL. The future success of the Company will be largely dependent on the continued services and efforts of Richard E. Gathright, the Company's President and Chief Executive Officer, and other key executive personnel. The loss of the services of Mr. Gathright or other key executive personnel could have a material adverse effect on the Company's business and prospects. The Company's success and plans for future growth will also depend on its ability to attract and retain additional qualified management, operating, marketing, sales and financial personnel. There can be no assurance that the Company will be able to hire or retain such personnel on terms satisfactory to the Company. Mr. Gathright and the Company have recently extended his existing employment agreement so that it now expires October 31, 2005. The Company has also entered into written employment agreements with certain other executive personnel.

FUEL PRICING; EFFECT ON PROFITABILITY. Diesel fuel and gasoline are commodities which are refined and distributed by numerous sources. The Company purchases the fuel delivered to its customers from multiple suppliers at daily market prices and in some cases qualifies for certain discounts. The Company monitors fuel prices and trends in each of its service markets on a daily basis and seeks to purchase its supply at the lowest prices and under the most favorable terms. Commodity price risk is mitigated since the Company purchases and delivers its fuel supply daily and generally utilizes cost-plus pricing when billing its customers. If the Company cannot continue to utilize cost-plus pricing when billing its customers, margins would likely decrease and a loss could be incurred. The Company has not engaged in derivatives or futures trading to hedge fuel price movements.

RISKS ASSOCIATED WITH CUSTOMER CONCENTRATION; ABSENCE OF WRITTEN AGREEMENTS. Although the Company provides services to an extensive number of customers, a significant portion of its revenue is generated from a few of its larger customers. While the Company does have formal, length of service written contracts with some of these larger customers, such agreements are not customary in the mobile fueling business and have not been entered into by the Company with the majority of its customers. As a result, most of the Company's customers can terminate the Company's mobile fueling services at any time and for any reason, and the Company can similarly discontinue service to any customer. The Company may discontinue service to a customer if changes in the service conditions or other factors cause the Company not to meet its minimum level of margins and rates, and the pricing or delivery arrangements cannot be re-negotiated. As a result of this customer concentration and absence of written agreements, the Company's business, results of operations and financial condition could be materially adversely affected if one or more of its large customers were lost or if the Company were to experience a high rate of service terminations.

## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

MANAGEMENT OF GROWTH. The Company's future growth strategy is dependent on effective operational, financial and other internal systems, and the ability to attract, train, motivate, manage and retain its employees. If the Company is unable to manage growth effectively, results of operations will be adversely affected.

COMPETITION. The Company competes with other mobile fueling service providers, including several regional, and numerous small, independent operators who provide these services. The Company also competes with retail marketing where fleet operators have the option of fueling their own equipment at retail stations and other third-party service locations such as cardlock facilities. The Company's ability to compete is dependent on numerous factors, including price, delivery dependability, credit terms, service locations, and reporting and invoicing services. There can be no assurance that the Company will be able to continue to compete successfully as a result of these or other factors.

OPERATING RISKS MAY NOT BE COVERED BY INSURANCE. The Company's operations are subject to all of the operating hazards and risks normally incidental to handling, storing and transporting diesel fuel and gasoline, which are classified as hazardous materials. The Company maintains insurance policies in such amounts and with such coverages and deductibles as the Company believes are reasonable and prudent. However, there can be no assurance that such insurance will be adequate to protect the Company from liabilities and expenses that may arise from claims for personal and property damage arising in the ordinary course of business or that such levels of insurance will be maintained by the Company or will be available at economical prices.

GOVERNMENTAL REGULATION. See the discussion of governmental regulations and their impact on the Company in the "Governmental Regulation" section above.

CHANGES IN ENVIRONMENTAL REQUIREMENTS. The Company expects to derive future business by converting fleet operators currently utilizing underground fuel storage tanks for their fueling needs to mobile fueling. The owners of underground storage tanks have been required to remove or retrofit those tanks to comply with technical regulatory requirements pertaining to their construction and operation. If other more economical means of compliance are developed or adopted by owners of underground storage tanks, the opportunity for the Company to market its services to such owners may be adversely affected.

8

### ITEM 2. DESCRIPTION OF PROPERTY

The following table sets forth certain information concerning the property and facilities that are owned or leased by the Company for use in its operations:

Description	Location	Lease Expiration With All Options
-----	-----	-----
Office	Gardena, California	7/15/05
Truck yard/parking	Gardena, California	3/31/05

## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

Corporate offices	Ft. Lauderdale, Florida	2/28/05
Truck yard and office	Ft. Myers, Florida	90 days to 90 days
Truck yard and office	Port Everglades, Florida	2/28/05
Truck yard and office	Jacksonville, Florida	8/31/15
Truck yard and office	Baltimore, Maryland	Month to Month
Truck yard and office	Melbourne, Florida	Month to Month
Truck yard and office	Orlando, Florida	6/1/05
Office	Tampa, Florida	Month to month
Truck yard	Tampa, Florida	N/A
Truck yard and office	Doraville, Georgia	11/1/05
Truck yard and office	Charlotte, North Carolina	Month to month
Truck yard/parking	Greensboro, North Carolina	Month to Month
Truck yard and office	Kingsport, Tennessee	Month to Month
Truck yard/parking and office	Chattanooga, Tennessee	Month to Month
Truck yard and office	Houston, Texas	3/31/05
Truck yard and office	Ft. Worth, Texas	12/31/04
Truck parking	Harrisburg, Pennsylvania	Month to Month

- 
- (1) Leased.  
(2) Property owned by the Company.

### ITEM 3. LEGAL PROCEEDINGS

On December 15, 2003, the National Labor Relations Board filed an application for enforcement of its October 31, 2003 order requiring the Company to bargain with the International Brotherhood of Teamsters, Local 385, AFL-CIO as the exclusive bargaining representative of the 14 full-time and regular part-time truck drivers employed by the Company at its Orlando, Florida facility, and alleging unfair labor practices in connection with that refusal to bargain [NLRB v. Streicher Mobile Fueling, Inc., No. 03-16340-AA, U.S. Court of Appeals (11th Cir.)] The Company has answered the application, denying that the union was properly certified and denying any unfair labor practices. The Company is vigorously defending the matter on various grounds, including the union's use of a misleading sample ballot during the certification process. Briefing has been completed and the Court has scheduled oral argument for December 2004. The Company believes that the outcome of this issue will not be material to the results of operations or financial condition.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the security holders, through the solicitation of proxies or otherwise, during the three months ended June 30, 2004.

## PART II

### ITEM 5. MARKET FOR COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

The Company's common stock, par value \$.01 ("common stock") and Redeemable Common Stock Purchase Warrants ("warrants") have traded in the National Association of Securities Dealers Automated Quotation System ("NASDAQ") Small-Cap Market under the symbols "FUEL" and "FUELW", respectively, since December 11, 1996, the date of the Company's initial public offering. The

## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

following table sets forth, for the periods indicated, the high and low bid prices for the common stock and warrants, as reported by NASDAQ.

	Common Stock		Warrants	
	High	Low	High	Low
Year Ended June 30, 2004				
1st quarter	\$ 1.36	\$ 0.80	\$ 0.19	\$ 0.08
2nd quarter	\$ 1.55	\$ 1.01	\$ 0.29	\$ 0.03
3rd quarter	\$ 3.30	\$ 1.03	\$ 0.35	\$ 0.15
4th quarter	\$ 2.40	\$ 1.20	\$ 0.26	\$ 0.01
Year Ended June 30, 2003				
1st quarter	\$ 1.33	\$ 0.80	\$ 0.08	\$ 0.06
2nd quarter	\$ 1.40	\$ 0.72	\$ 0.13	\$ 0.01
3rd quarter	\$ 1.09	\$ 0.73	\$ 0.11	\$ 0.02
4th quarter	\$ 1.07	\$ 0.62	\$ 0.27	\$ 0.04
Year Ended June 30, 2002				
1st quarter	\$ 1.63	\$ 1.10	\$ 0.14	\$ 0.06
2nd quarter	\$ 1.40	\$ 0.96	\$ 0.08	\$ 0.03
3rd quarter	\$ 1.30	\$ 0.98	\$ 0.11	\$ 0.06
4th quarter	\$ 1.37	\$ 1.00	\$ 0.11	\$ 0.07

On June 30, 2004, the closing bid price of the common stock was \$1.27 per share and the closing bid price of the warrants was \$0.17 per warrant. As of June 30, 2004, there were approximately 45 holders of record of the Company's common stock and approximately 537 beneficial owners of the Company's common stock.

The Company has never declared or paid any dividends on its common stock. The payment of dividends, if any, is within the discretion of the Board of Directors and will depend upon the Company's earnings, its capital requirements and financial condition and other relevant factors. The Board of Directors does not intend to declare dividends in the foreseeable future, but instead intends to retain any future earnings for use in the Company's business operations.

### ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data of the Company and its consolidated subsidiaries are qualified in their entirety by, and should be read in conjunction with, the Consolidated Financial Statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations." The selected financial table below is for each of the fiscal years ended June 30, 2004, 2003 and 2002, the transition period ended June 30, 2001, and the fiscal years ended January 31, 2001, and 2000. Except for the unaudited financial and statistical information section, and the unaudited selected financial data for the fiscal year ended June 30, 2001 which is presented for 12-month comparison information only, the selected financial data is derived from the audited Consolidated Financial Statements of the Company for the fiscal years ended June 30, 2004, 2003 and 2002, the transition period ended June 30, 2001, and the fiscal years ended January 31, 2001 and 2000.

Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

(in thousands, except net margin per gallon and per share data)

	Fiscal Years Ended June 30,				Five-month Transition Period Ended June 30, 2001
	2004	2003	2002	2001	
-----					
Selected Income Statement Data: (unaudited)					
-----					
Total revenue	89,997	72,194	60,849	79,486	29,510
Gross profit	4,298	4,023	4,591	2,520	740
Operating profit (loss)	661	(693)	209	(1,273)	(1,386)
Beneficial conversion of debt to equity interest expense	-	-	(241)	-	-
Net (loss) income	(698)	(1,581)	(1,162)	(2,774)	(1,951)
-----					

Share Data:

Basic net income (loss) per share	(.10)	(0.22)	(0.20)	(0.84)	(0.47)
Diluted net income (loss) per share	(.10)	(0.22)	(0.20)	(0.84)	(0.47)
Basic weighted average common shares outstanding (`000)	7,261	7,221	5,698	3,315	4,194
Diluted weighted average common shares outstanding (`000)	7,261	7,221	5,698	3,315	4,194

Selected Balance Sheet Data:

Cash and cash equivalents	2,708	211	815	6	6
Accounts receivable, net	8,280	6,113	6,382	8,669	8,669
Bank line of credit payable	4,919	4,410	4,680	6,905	6,905
Long term debt (including current portion)	5,558	4,478	5,152	8,182	8,182
Shareholders' equity	5,348	4,111	5,676	3,332	3,332
Total Assets	20,018	16,011	18,560	22,194	22,194

Financial and Statistical Information:

EBITDA (1)	1,983	737	1,712	223	(748)
Working Capital (deficit) (4)	2,472	(2,430)	(1,576)	(3,093)	(3,093)
Net Margin (2)	5,428	5,426	6,049	3,946	1,354
Net Margin per gallon (in dollars) (3)	0.099	0.115	0.122	0.073	0.062
Total Gallons (000's)	54,594	47,294	49,500	54,102	21,800

Non-GAAP Measure Reconciliation

## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

### EBITDA Calculation:

Net income (loss)	(698)	(1,581)	(1,162)	(2,774)	(1,951)
Add back:					
Interest expense	1,361	915	1,175	1,571	590
Beneficial conversion of debt to equity interest expense	-	-	241	-	-
Depreciation and amortization expense	1,320	1,403	1,458	1,426	613
EBITDA	1,983	737	1,712	223	(748)

- (1) EBITDA = Earnings before interest, taxes, depreciation and amortization.  
(2) Net Margin = Gross profit plus cost of sales depreciation  
(3) Net margin per gallon = Net Margin / Total Gallons  
(4) Working Capital (deficit) = current assets - current liabilities  
(5) Operating profit, net income and EBITDA for fiscal year ended June 30, 2004, includes a \$757,000 gain on extinguishment of debt

11

### UNAUDITED QUARTERLY SELECTED FINANCIAL DATA FOR FISCAL YEAR ENDED JUNE 30, 2004 AND 2003

(in thousands, except net margin per gallon and per share data)

Selected Income Statement Data:	June 30, 2004				YTD 2004	Q1	Q2
	Q1	Q2	Q3	Q4			
Total revenue	19,417	21,136	22,906	26,539	89,997	17,079	17,2
Gross profit	822	1,074	976	1,426	4,298	1,393	7
Operating profit (loss)	487	(20)	(120)	314	661	313	(6
Net income (loss)	206	(382)	(465)	(57)	(698)	103	(8

### Per Share Data:

Basic net income (loss) per share	0.03	(0.05)	(0.06)	(0.01)	(0.10)	0.01	(0.
Diluted net income (loss) per share	0.03	(0.05)	(0.06)	(0.01)	(0.10)	0.01	(0.
Basic weighted average common shares outstanding (`000)	7,248	7,248	7,248	7,301	7,261	7,214	7,2
Diluted weighted average common shares outstanding (`000)	7,505	7,248	7,248	7,301	7,261	7,223	7,2

### Selected Balance Sheets Data:

Cash and cash equivalents	2,086	2,037	2,454	2,708	2,708	314	
Accounts receivable, net	6,119	6,997	7,657	8,280	8,280	7,689	7,0
Bank line of credit payable	3,541	4,412	4,855	4,919	4,919	5,542	5,5
Long term debt (including							



## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

current portion)	5,344	5,424	5,481	5,558	5,558	4,647	4,4
Shareholders' equity	6,200	5,815	5,336	5,348	5,348	5,784	4,9
Total Assets	17,932	18,796	19,725	20,018	20,018	18,947	18,0

### Financial and Statistical Information:

EBITDA	824	313	211	635	1,983	677	(2
Working Capital (Deficit)	2,155	2,157	2,053	2,472	2,472	(1,798)	(2,1
Net Margin	1,107	1,359	1,259	1,703	5,428	1,737	1,1
Net Margin per gallon (in dollars)	0.083	0.099	0.095	0.119	0.099	0.146	0.0
Total Gallons (000's)	13,273	13,746	13,314	14,261	54,594	11,892	11,4

### Non-GAAP Measure Reconciliation

#### EBITDA Calculation:

Net income/(loss)	206	(382)	(465)	(57)	(698)	103	(8
Add back:							
Interest expense	284	362	345	370	1,361	232	2
Depreciation and amortization:							
Cost of sales	285	285	283	277	1,130	310	3
Sales, general, and administrative	49	48	48	45	190	32	
	---	---	---	---	---	---	---
EBITDA	824	313	211	635	1,983	677	(2

- (1) EBITDA = Earnings before interest, taxes, depreciation and amortization.
- (2) Net Margin = Gross profit plus cost of sales depreciation
- (3) Net margin per gallon = Net Margin / Total Gallons
- (4) Working Capital (deficit)= current assets - current liabilities
- (5) June 30, 2004, first quarter operating profit, net income and EBITDA includes a \$757,000 ga

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Company's audited consolidated financial statements and related notes included elsewhere in this Form 10-K.

#### FORWARD LOOKING STATEMENTS

This report, including but not limited to this Item 7 and the footnotes to the financial statements found in Section F, contains "forward looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements concern expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. Statements preceded by, followed by, or that include the words "believes," "expects," "anticipates," or similar expressions are generally considered to be forward-looking statements.

## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

The forward-looking statements, include the following:

- o The Company's beliefs regarding its position in the mobile fueling industry
- o The Company's strategies, plans and objectives and expectations concerning its future operations, cash flow, margins, revenue, profitability, liquidity and capital resources
- o The Company's efforts to improve operational, financial and management controls, reporting systems and procedures

The forward-looking statements reflect the Company's current view about future events and are subject to risks, uncertainties and assumptions. The Company cautions readers of this report that certain important factors may have affected, and could in the future affect, its actual results and could cause actual results to differ significantly from those expressed in any forward-looking statement. The following important factors, in addition to factors discussed elsewhere in this report and in Item 1 under the caption "Certain Risk Factors Affecting Future Operating Results," could prevent the Company from achieving its goals, and cause the assumptions underlying the forward-looking statements and the actual results to differ materially from those expressed in or implied by those forward-looking statements:

- o future net losses
- o adverse consequences relating to the Company's outstanding debt
- o the Company's ability to pay interest and principal on its bank line of credit, August 2003 promissory notes and pay its accounts payable and other liabilities when due
- o the Company's ability to comply with financial covenants contained in its \$10 million bank line of credit
- o the Company's ability to obtain, if necessary, waivers of covenant violations of its debt agreements
- o significant provisions for bad debts on the Company's accounts receivable
- o fluctuations in demand for the Company's mobile fueling services resulting from changed economic conditions
- o the Company's ability to acquire sufficient trade credit from fuel suppliers and other vendors
- o competitive pricing for the Company's services at acceptable net margins

### OVERVIEW

The Company generates substantially all of its revenue from providing mobile fueling and fuel management services. Revenue is comprised principally of

## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

delivery service charges and the related sale of diesel fuel and gasoline. Cost of sales is comprised principally of direct operating expenses and the cost of fuel. Included in both revenue and cost of sales are federal and state fuel taxes, which are collected by the Company from its customers, when required, and remitted to the appropriate taxing authorities.

The Company provides mobile fueling and fuel management services at a competitive rate for these services plus the cost of fuel and procurement based on market prices. Revenue levels vary depending on the upward or downward movement of fuel prices in each market. Although dramatic fuel price changes can affect customers' demand for fuel or impact the fuel usage costs of the Company's delivery trucks, the Company's gross profit on sales is not directly affected by fuel price fluctuations since the Company passes on fuel price changes to its customers and charges for its services on a per gallon basis based on a targeted rate per hour. While there may be a perceived correlation between customer resistance to payment of higher service charges, or margin, to the Company when fuel prices rise sharply, as they have in recent years, the Company is essentially marketing labor savings, fuel theft reduction and other services which reduce or limit the overall cost of fuel supply, and the Company believes that higher fuel prices do not have a long-term effect on its margins. During the fiscal year ended June 30, 2004, market prices for fuel were significantly higher than the fiscal years ended June 30, 2003 and 2002. Delivered volumes in the current twelve-month period increased primarily due to the addition of new accounts and market expansion.

The Company believes that significant opportunities exist to increase the size of its mobile fueling and fuel management services business and the volumes of fuel sold and delivered in conjunction with it. The Company's marketing and sales function responsibility is to grow the Company's business. This growth is dependent upon a number of business and economic factors, including the success of the Company's sales and marketing and other business strategies; the availability of sufficient acceptable margin mobile fuel service business in new and existing markets; the retention of qualified personnel to provide the level of service required by customers; the generation of acceptable cash flow from operating activities; the sufficiency of debt or equity capital to meet the Company's financing requirements; and changes in market conditions in the related transportation or petroleum industries, some of which factors are beyond the Company's control.

(All amounts in thousands of dollars, except share and volume d

	3 Months Ended (Unaudited)		Increase		6/30/2004	6/
	6/30/2004	6/30/2003	(Decrease)	(Decrease)		
Total revenues	26,539	18,360	8,179	45 %	89,997	
Gross profit	1,426	997	429	43 %	4,298	
Operating profit (loss) 1	314	(102)	416	408 %	661	
Net loss 1	(57)	(325)	268	82 %	(698)	
EBITDA 1, 2	635	249	386	155 %	1,983	
Basic and diluted net						
loss per share	(0.01)	(0.04)	0.03	75 %	(0.10)	
Weighted avg shares						
outstanding	7,300,548	7,231,888	68,660	1 %	7,261,372	7
Depreciation and						

Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

amortization 3	322	349	(27)	(8) %	1,320
Total assets	20,018	16,011	4,007	25 %	20,018
Shareholders' equity	5,348	4,111	1,237	30 %	5,348
Volume (gallons in thousands)	14,261	12,430	1,831	15 %	54,594
Avg net margin per gallon (in cents) 4	11.9	10.8	1.1	10 %	9.9

1 Includes \$757,000 gain on extinguishment of debt during the first quarter ended September 30, 2003

2 EBITDA is defined as earnings before interest, taxes, depreciation and amortization and is a non-GAAP measure

3 Depreciation and amortization included in cost of sales was \$277,000, \$299,000, \$1,130,000 and \$1,130,000 for the periods noted

4 Net margin per gallon equals Gross profit plus cost of sales depreciation and amortization divided by volume

14

5 Non-GAAP Measure Reconciliation EBITDA Reconciliation Table:

	3 Months Ended				6/30/2004
	6/30/2004	6/30/2003	Increase (Decrease)	Increase (Decrease)	
Net income (loss)	(57)	(325)	268	82%	(698)
Add back:					
Interest expense	370	225	145	64%	1,361
Depreciation and amortization:					
Cost of sales	277	302	(25)	(8) %	1,130
Sales, general, and administrative	45	47	(2)	(4) %	190
EBITDA	635	249	386	155%	1,983

The \$17.8 million, or 24.7% increase in revenue from the year ended June 30, 2004, from the year ended June 30, 2003 was principally due to a 15.4% increase in net new business and a 12-cent per gallon higher average product fuel price as well as an increase in gallons of fuel sold in fiscal 2004 to 54.6 million gallons from 47.3 million gallons in fiscal 2003. The increase in gross profit was principally due to the \$173,000 net impact of the 15% increase in net new business offset by a lower net margin per gallon of 1.6 cents per gallon and a \$102,000 reduction in cost of sales depreciation. The \$698,000 net loss for fiscal 2004 was \$883,000 lower than the \$1,581,000 loss for fiscal 2003 principally as a result of the gain of \$757,000 for extinguishment of debt in connection with the Company's August 2003 refinancing.

During the fiscal year ending June 30, 2004, the Company added approximately 7.3 million gallons of net new business, representing a 15% increase over the fiscal year ending June 30, 2003. The net margin generated from the increase in annual volume principally offset the overall 1.6 cents per gallon decrease in the annual net margin per gallon of 9.9 cents from 11.5 cents in the prior year. This lower annual net margin per gallon related to the higher direct operating costs, including personnel training and equipment relocation expense, attributable to the Company's expansion in existing markets and into

## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

new markets and the lower average annual service charge per gallon originally caused by the aggressive price-cutting of a now defunct competitor.

In the fourth quarter ending June 30, 2004, net margin per gallon improved to 11.9 cents per gallon representing a 20% increase over the fiscal year ending 2004 annual average net margin per gallon of 9.9 cents. This increase resulted from the Company's ability to lower its operating costs and the continued market place acceptance of overall higher margins for the service provided by the Company. Although this recent trend is positive, it is still lower than the net margin per gallon level of 14.6 cents achieved in the fourth quarter of the year ended June 30, 2002; and there is no assurance that the net margin improvement trend will continue in the future and margins may even diminish.

Earnings before interest, taxes, depreciation and amortization, "EBITDA," improved \$1,246,000 and \$386,000 respectively, in both the comparable fiscal years and fourth quarters ending June 30, 2004 and 2003. The fiscal year increase related principally to the \$757,000 gain on extinguishment of debt and higher operating profit and the fourth quarter increases attributable to \$357,000 related to the 1.1-cent increase in the net margin per gallon. EBITDA is determined before providing for debt service payments and capital expenditures. EBITDA is a key indicator used by management and the financial community to gauge financial performance of the actual operations of a business without considering the impact of non-cash charges for equipment aging, its debt financing expenses, and income taxes. EBITDA isolates actual financial performance of operations independent of the utilization of its capital resources, level of debt financing and the tax situation of the business owning those operations.

The Company believes that pricing for mobile fueling services will continue to increase as below cost pricing of mobile fueling services declines and existing and potential customers recognize that these services represent a net cost savings when compared to other refueling alternatives.

### CAPITAL RESOURCES AND LIQUIDITY

At June 30, 2004 and 2003, the Company had total cash and cash availability on its bank line of credit of \$3,818,000 and \$390,000, respectively. The increase in the Company's cash and cash availability was principally due to the infusion of cash from the August 2003 refinancing (described below) which resulted in cash net proceeds of \$2.8 million.

In August 2003, the Company raised \$6.925 million from the issuance of five-year 10% promissory notes (the "August 2003 refinancing" and the "August 2003 promissory notes") and 2,008,250 five-year warrants to purchase the Company's common stock at \$1.00 per share (the "August 2003 warrants"). The August 2003 promissory notes are collateralized by a first priority security interest in the Company's specialized fueling truck fleet and related equipment and by the patents on its proprietary fuel management system. The liquidity impact of this financing transaction was the repayment of all outstanding equipment and subordinated debt; the generation of

15

\$2.8 million of additional working capital for business expansion; and a \$2.8 million improvement in cash flow resulting from a moratorium of principal payments during the first two years of the five-year term of the August 2003 promissory notes.

The August 2003 refinancing significantly strengthened the Company's financial position, enabling it to achieve a stronger balance sheet as well as to improve cash flow as a result of the two-year moratorium on principal

## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

payments under the August 2003 promissory notes. The Company believes that this enhanced its business credibility with present and prospective customers, fuel suppliers, trade creditors, other lenders and the investment community, and its ability to compete more effectively.

During the quarter ended September 30, 2003, the Company recorded a pre-tax gain of \$757,000 from the prepayment of the outstanding balance owed to its former principal equipment lender. In addition, it recorded an increase in shareholders' equity of \$1.87 million for the value of the 2,008,250 warrants issued in connection with the August 2003 refinancing. In April 2004, 62,500 of these warrants were exercised resulting in a \$62,500 increase in cash and shareholders' equity, respectively. In September 2004, 50,000 warrants were exercised, resulting in a \$50,000 increase in cash and shareholders' equity, respectively.

The Company's debt agreements have covenants establishing certain financial requirements and operating restrictions. The Company's failure to comply with any covenant or material obligation contained in these debt agreements, absent a waiver or forbearance from the lenders, would result in an event of default which could accelerate debt repayment terms under the debt agreements. Due to cross-default provisions contained in its debt agreements, an event of default under one agreement could accelerate repayment terms under the other agreements, which would have a material adverse effect on the Company's liquidity and capital resources.

The Company's mobile fueling business requires it to employ substantial working capital for fuel, labor and equipment costs prior to receiving payments from customers. The fuel purchased by the Company for resale to customers generally must be paid for within 10 to 15 days of purchase, with labor costs and taxes paid bi-weekly and equipment related costs generally paid within 30 days. The Company invoices customers both daily and weekly and generally collects its accounts within 30 to 45 days. Days of sales outstanding at June 30, 2004 and 2003 was 28 days and 30 days, respectively.

During the fiscal year ending June 30, 2004, the Company had cash used in operating activities of \$738,000 compared to cash provided by operating activities of \$445,000 in the prior year, representing a change of \$1.2 million. This use of working capital relates to the increase in accounts receivable over accounts payable of \$1.0 million. The higher receivable balance at June 30, 2004, compared to June 30, 2003, was due to the 15% increase in net new business and the overall higher fuel prices of 12 cents per gallon, notwithstanding overall improvements in collections and days sales outstanding.

The Company's material financial commitments, other than fuel purchases, payroll and general expenses, primarily relate to maintaining its bank line of credit and servicing its August 2003 promissory notes. The Company is required to make semi-annual interest payments at a rate of 10% per annum on its August 2003 promissory notes which began December 31, 2003. Beginning August 28, 2005, the Company will be required to make six \$692,500 semi-annual principal payments, with a balloon payment of \$2,770,000 due August 28, 2008.

The Company's liquidity and ability to meet its financial obligations is dependent on, among other things, its generation of cash flow from operating activities; obtaining or maintaining sufficient trade credit from vendors; complying with its debt covenants; and/or raising any required additional capital through the issuance of debt or equity securities or additional borrowings.

The Company believes the additional working capital obtained from the August 2003 refinancing, and the two-year principal payment moratorium on the August 2003 promissory notes will satisfy its anticipated liquidity requirements for the foreseeable future, although it may seek additional sources of financing

## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

if a cash flow deficiency were to arise in the future. There is no assurance that additional financing would be available to the Company on acceptable terms, or at all. If the Company does not comply with the covenants in its debt agreements, or if adequate

16

funds are not available to finance operations or to pay debt service obligations as they become due, the Company may be required to significantly alter its operations.

At June 30, 2004, the Company had cash and cash equivalents of \$2,708,000 as compared to \$211,000 at June 30, 2003. The Company had \$1,097,000 available on its bank line of credit as of June 30, 2004.

### CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table summarizes the Company's contractual obligations and commitments as of the fiscal year ended June 30, 2004.

PAYMENTS DUE BY PERIOD					
Contractual Obligations	Total	Less than 1 Year	1-3 Years	4 Years	
Long-term debt	\$ 6,925,000	\$ -0-	\$ 4,155,000	\$ 2,770,000	\$
Operating leases for real estate and equipment	563,000	365,000	92,000	15,000	
Employment Agreement	314,000	210,000	104,000	--	
Bank line of credit	4,919,000	4,919,000	--	--	
Total	\$ 12,721,000	\$ 5,494,000	\$ 4,351,000	\$ 2,785,000	\$

The contractual obligations and commitments should be read in conjunction with the notes to the Company's consolidated financial statements. To highlight the table above:

- o The long-term debt principal payments commence on August 28, 2005, payable in six semi-annual payments of \$692,500 with a \$2,770,000 balloon due August 28, 2008. Anticipated interest payments associated with the long-term debt obligation are not included in the table above.
- o The payment obligations shown in the table for real estate and equipment operating leases are lower in future years due to the short-term nature of the current contracted operating leases. Currently the largest operating lease payment is for the corporate offices located in Fort Lauderdale, Florida. The lease term for those offices ends in February of 2005. The table above only reflects the corporate office lease payments due through the end of the current lease. While there can be no assurance, the Company presently expects to enter into a new lease during the next few months with either a new lessor or the current lessor at a similar lease rate per square foot

## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

and an estimated lease payment of \$170,000-\$250,000 per year dependent on square footage. The length of any such lease term is not presently known. The table above only reflects the corporate office lease payments due through the end of the current lease term.

- o The Company has a \$10,000,000 bank line of credit security agreement until September 25, 2005 with a financial institution that is collateralized by accounts receivables. The line of credit balance fluctuates daily and therefore can differ significantly from the June 30, 2004 balance shown above. The line of credit bears interest at variable interest rates but the table above does not reflect any anticipated future payments of interest. The Company anticipates renewing this bank line of credit with the same or an alternative financial institution under similar terms and conditions. While there can be no assurance that the Company will be able to renew this bank line of credit or that any such renewal will be on terms acceptable to the Company, any such new bank line of credit will likely extend past the present termination date when it is renewed. Lastly, due to the lock box arrangement the Company has with its bank related to this line of credit the amount is shown due in the less than one-year column and not when it matures.
- o The table above includes the employment contract anticipated costs of the Company's Chief Executive Officer including \$14,000 of payroll taxes and health insurance costs.

17

### \$10 MILLION CREDIT FACILITY

The Company has a three-year \$10 million credit facility with a national financial institution, which permits the Company to borrow up to 85% of the total amount of eligible accounts receivable. Interest is payable monthly (5.75% at June 30, 2004) and outstanding borrowings under the line are secured by substantially all of the Company's assets other than its truck fleet and related equipment. The maturity date of the line of credit is September 25, 2005. In addition, the credit facility may be extended by the mutual consent of the Company and the lender after September 25, 2005.

In August 2003, the Company and its line of credit lender amended the loan and security agreement for the credit facility in connection with the Company's August 2003 refinancing which (1) released the lender's lien on patents, patent rights and patent applications; (2) increased the unused line of credit fee by .50%; (3) revised the effective book net worth covenant to include the August 2003 promissory notes in its calculation; (4) established a covenant to maintain a minimum cumulative quarterly fixed charge coverage ratio as defined in the amended loan agreement; (5) established a covenant for the Company to maintain a minimum excess availability of \$500,000; and (6) eliminated the loan prepayment fee. The Company utilized a portion of the proceeds of the August 2003 refinancing to pay down the line of credit. The proceeds that were used to pay down the outstanding line of credit balance are available to the Company for future working capital purposes.

As of June 30, 2004 and 2003, the Company had outstanding borrowings of \$4.9 and \$4.4 million, respectively, under its \$10 million bank line of credit. Based on eligible receivables outstanding at June 30, 2004, the Company had \$1.1 million of cash availability on the line of credit, and was in compliance with



## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

all financial covenants required by the loan and security agreement.

Management believes, that though there is no assurance, the Company's line of credit and cash on hand should provide the working capital needed to maintain and grow its business and to accomplish its business plan. If additional financing is required, there can be no assurance that the Company will be able to obtain such financing from its present line of credit or another lender at acceptable terms, or at all. Since the Company's borrowings under its line of credit bear interest at variable interest rates and represent a large portion of the Company's outstanding debt, the Company's financial results could be materially affected by significant increases or decreases in interest rates.

### DEBT SECURITIES

#### AUGUST 2003 PROMISSORY NOTES

On August 29, 2003, the Company closed a \$6.925 million offering to institutions and other accredited lenders consisting of five-year 10% promissory notes and five-year warrants to purchase a total of 2,008,250 shares of the Company's common stock at \$1.00 per share. The August 2003 promissory notes are collateralized by a first priority security interest in its specialized fueling truck fleet and related equipment and by patents on its proprietary fuel management system. The August 2003 promissory notes provide for (1) no principal payments until August 28, 2005; (2) six \$692,500 semi-annual principal payments commencing on August 28, 2005 through February 28, 2008; (3) a balloon payment of \$2,770,000 at maturity on August 28, 2008; (4) semi-annual interest payments on June 30 and December 31, which payments commenced on December 31, 2003; and (5) the Company's right to call after August 1, 2005 at 105% of par plus accrued but unpaid interest. The net cash proceeds from the financing was \$2.8 million, after payment of related fees and expenses and repayment of all outstanding equipment and subordinated debt. In connection with the issuance of the August 2003 promissory notes, the Company negotiated a settlement with its former primary equipment lender and received a \$757,000 cash discount by prepaying the \$2,204,800 outstanding balance on August 29, 2003. The transaction costs, including commissions, professional fees and other costs, totaled \$824,000 and are being amortized over the five-year term of the notes. The \$757,000 cash discount was accounted for as a gain on extinguishment of debt in the first quarter of fiscal 2004.

The issuance of the two million warrants from the August 2003 refinancing resulted in the Company recording an increase to shareholders' equity of \$1.87 million; a \$1.61 million debt discount; and an increase to

18

deferred debt costs of \$257,000 for the warrants related to the broker commissions. The Company is amortizing as interest expense the debt discount and deferred debt costs over the five-year term of the notes.

The \$1.61 million debt discount is a non-cash discount related to the issuance of the warrants and does not reduce the amount of cash payments required to be made by the Company for the outstanding balance of \$6.925 million owed at June 30, 2004.

#### REPAYMENT OF DEBT SECURITIES

## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

The Company also used a portion of the proceeds of the August 2003 refinancing to repay outstanding subordinated convertible and non-convertible promissory notes totaling \$1,033,600. The repaid debt securities are detailed below:

JANUARY 2002 CONVERSION OF SUBORDINATED DEBT - total outstanding and repaid \$283,600

- o In January 2002, certain holders of the convertible subordinated promissory notes converted an aggregate of \$2.617 million to unregistered shares of the Company's common stock at a conversion price of \$1.24 per share, for a total of 2,110,322 shares of common stock. The notes converted contained conversion rates ranging from \$1.35 to \$1.50 per share. The holders of the remaining \$283,600 of convertible subordinated promissory notes issued by the Company who did not convert their notes in January 2002 waived any conversion price adjustment. With the consent of the holder, interest on two of these notes may be paid in the Company's common stock, with the stock value based on the average closing price of the stock during the most recent quarter. In September 2002, the maturity dates of these non-converted notes were extended to August 31, 2004.

SUBORDINATED PROMISSORY NOTES - total outstanding and repaid \$750,000

- o On December 23, 2002, the Company issued a \$150,000 short-term promissory note to a shareholder. The note was due on January 31, 2003, with interest at 5% over the prime interest rate. On January 21, 2003 the Company and the holder of the note substituted the note for a \$150,000 subordinated promissory note due on January 31, 2005, bearing interest at an annual rate of 9%. With the consent of the holder, interest on the note may be paid in unregistered shares of the Company's common stock, with the stock value based on the closing bid price of the stock for the five trading days before the last day of the quarter in which the interest is due but in no event less than the closing bid price at the time of issuance or the average of the closing bid prices for the five trading days prior to such time, whichever is lower.
- o On January 21, 2003, the Company issued \$300,000 of subordinated promissory notes to two shareholders. The notes are due on January 31, 2005 and bear interest at an annual rate of 9%. With the consent of the holders, interest on the notes may be paid in the Company's common stock, with the stock value based on the closing bid price of the stock for the five trading days before the last day of the quarter in which the interest is due but in no event less than the closing bid price at the time of issuance or the average of the closing bid prices for the five trading days prior to such time, whichever is lower.
- o On May 12, 2003, the Company issued \$300,000 of subordinated promissory notes to certain shareholders. The notes bear interest at an annual rate of 14% and are payable on demand. The Company repaid \$235,500 of these notes with the proceeds of the May 20, 2003 private placement issuance of subordinated promissory notes and common stock purchase warrants. The exercise price of the warrants is \$0.86 per share.
- o On May 20, 2003, the Company issued \$235,500 of subordinated promissory notes to officers, directors and certain shareholders. The notes are due on November 19, 2003 and bear interest at an annual rate of 14%. With the consent of the holders, the Company may elect to pay interest on the

notes in shares of the Company's common stock, with the stock value based on the most recent closing bid price of the stock at the time the notes were executed or for the five trading days before such date, whichever is lower. The Company also issued warrants to purchase 82,425 shares of common stock exercisable at \$0.86 per share in connection with the notes. The warrants issued are exercisable for a period of three (3) years from and after the date on which the notes are repaid or otherwise surrendered to the Company, but in no event later than November 19, 2006.

#### WARRANTS EXERCISED

In April 2004, certain note holders of the May 20, 2003 and August 2003 debt issuances exercised 69,500 warrants for \$68,520, of which 62,500 warrants were related to the \$1.00 warrants issued in conjunction with the August 2003 refinancing and 7,000 warrants related to the \$0.86 warrants issued in the May 20, 2003 debt issuance. Additionally in September 2004 50,000 warrants related to the August 2003 debt issuances were exercised. Total warrants exercised from these two debt issuances generated \$118,520 of additional cash and shareholders' equity .

#### NEW ACCOUNTING STANDARDS AND CRITICAL ACCOUNTING POLICIES AND ESTIMATES

##### RECENT ACCOUNTING PRONOUNCEMENTS

FASB Staff Position 150-3, "Effective Date, Disclosures, and Transition for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests under FASB Statement No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity," (FSP 150-3) defers the effective date for certain mandatorily redeemable financial instruments issued by a non-SEC registrant from fiscal periods beginning after December 15, 2003 to fiscal periods beginning after December 15, 2004 and defers indefinitely for those entities the classification, measurement, and disclosure provisions of Statement 150 for other mandatorily redeemable financial instruments. The FSP also defers the effective date of Statement 150 for certain mandatorily redeemable noncontrolling interests of all entities. FSP 150-3 is not expected to have a significant impact upon the Company.

##### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company has identified the policies outlined below as critical to its business operations and an understanding of the results of operations. The listing is not intended to be a comprehensive list of all accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by accounting principles generally accepted in the United States, with no need for management's judgment in their application. The impact and any associated risks related to these policies on business operations are discussed throughout Management's Discussion and Analysis of Financial Condition and Results of Operations where such policies affect reported and expected financial results. For a detailed discussion on the application of these and other accounting policies, see Note 2 in the Notes to the Consolidated Financial Statements in Item 8 on Form 10-K. Note that the preparation of this Form 10-K requires management to make estimates and assumptions that affect the reported

## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. There can be no assurance that actual results will not differ from those estimates.

### Revenue Recognition

The Company recognizes revenue at the time services are performed which is when the fuel is delivered and the customer takes ownership and assumes risk of loss. Collections are reasonably assured at the time of delivery.

### Accounts Receivable and Allowance for Doubtful Accounts

The Company performs ongoing credit evaluations of its customers and adjusts credit limits based upon payment history and the customers' current credit worthiness, as determined by a review of their current credit information. Management continuously monitors collections and payments from customers and maintains a provision for estimated credit losses based upon historical experience and any specific customer collection issues that are identified. While such credit losses have historically been within expectations and the provisions established, the Company cannot assure that it will continue to experience the same credit loss rates that have occurred in the past. The Company's accounts receivable as of June 30, 2004 and 2003 were \$8.3 and \$6.1 million, respectively, net of an

20

allowance for doubtful accounts of \$426,000 and \$530,000. The increase relates to higher prices and more volume being delivered with improvements in collections as previously discussed.

### Property and Equipment

The Company records property and equipment at cost and depreciates that cost over the estimated useful life of the asset on a straight-line basis. Ordinary maintenance and repairs are expensed as incurred and improvements that significantly increase the useful life of property and equipment are capitalized.

### Impairment of Long-Lived Assets

The Company tests property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The conditions that would trigger an impairment assessment of property, plant and equipment would include, but not be limited to, a significant, sustained negative trend in operating results or cash flows; a decrease in demand for the Company's services; a change in the competitive environment; and other industry and economic factors. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to future net cash flows expected to be generated by the asset. If such assets are deemed to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets based on the projected net cash flows discounted at a rate commensurate with the risk of the assets.

### Income Taxes

## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

In connection with the preparation of the Company's financial statements, income taxes are required to be estimated. This process involves estimating actual current tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included on the balance sheet. The likelihood that deferred tax assets will be recovered from future taxable income is assessed and to the extent that recovery is not likely, a valuation allowance is established. To the extent a valuation allowance is established or an increase in the allowance is recorded in a period, a tax is provided in the statement of operations. Management judgment is required in determining the provision for income taxes, the deferred tax assets and liabilities and any valuation allowance recorded against net deferred tax assets. A valuation allowance of approximately \$3.5 million was recorded as of June 30, 2004, due to uncertainties related to utilizing some of the deferred tax assets, primarily consisting of certain net operating losses carried forward, before they expire. The valuation allowance is based on estimates of taxable income and the period over which deferred tax assets will be recoverable. In the event that actual results differ from these estimates, or these estimates are adjusted in future periods, it may be necessary to establish an additional valuation allowance which could materially impact the Company's financial position and results of operations. The net deferred tax asset as of June 30, 2004 was zero, net of the valuation allowance.

### RESULTS OF OPERATIONS:

COMPARISON OF YEAR ENDED JUNE 30, 2004 TO YEAR ENDED JUNE 30, 2003

#### REVENUES

Revenues increased \$17.8 million, or 24.7%, in the year ended June 30, 2004 compared to the year ended June 30, 2003. This increase was principally due to a 15.4 % increase in net new business and a 12-cent per gallon higher average product fuel price. The Company sold 54.6 million gallons of fuel in the year ended June 30, 2004, compared to the 47.3 million gallons in the year ended June 30, 2003, a 7.3 million gallon increase of net new business. The increase in fuel product prices was directly attributable to the volatility of world fuel market and economic conditions, including higher crude oil prices and greater global fuel demand.

21

#### GROSS PROFIT

The increase in gross profit was principally due to the \$173,000 net impact of the 15% increase in net new business offset by a lower net margin per gallon of 1.6 cents per gallon. The remaining increase related to an \$102,000 reduction in depreciation included in cost of sales attributable to the Company's specialized equipment fleet. Net margin per gallon was 9.9 cents for the year ended June 30, 2004 compared to 11.5 cents for the prior year. The decrease in net margin per gallon related to the residual effect of the aggressive price-cutting of the Company's former competitor which has ceased operations.

#### SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses decreased approximately

## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

\$321,000, or 6.8%, in the year ended June 30, 2004 compared to the year ended June 30, 2003. This decrease primarily resulted from a reduction in the provision for bad debt expense of \$317,000; lower insurance expense of \$68,000; and a decrease in sales and marketing payroll costs of \$40,000; which were offset by increases in financial consulting, audit and tax preparation fees of \$91,000.

### INTEREST EXPENSE

As a result of the August 2003 refinancing, the components of interest expense has changed. The table below shows the interest expense (in thousands) recorded for the twelve months ending June 30, 2004 and 2003:

	Year Ended June 30,	
	2004	2003
Stated Rate Interest Expense:		
Bank line of credit	\$ 246	\$ 389
Long term debt	623	428
Subordinated debt	20	47
Other	44	--
	933	864
Non-Cash Interest Amortization:		
Amortization of deferred debt costs	187	51
Amortization of debt discount	241	--
	428	51
	-----	-----
Total interest expense	\$ 1,361	\$ 915
	=====	=====

The interest expense increase of \$446,000 for the year ended June 30, 2004 was primarily due to the non-cash interest amortization related to the August 2003 refinancing as well as the increase in long term debt outstanding offset by the lower average balance on the Company's bank line of credit during the year.

### INCOME TAXES

The Company recorded no income tax expense for the years ended June 30, 2004. The net operating loss carryforward at June 30, 2004 was \$14.3 million.

### NET LOSS

The \$698,000 net loss for fiscal 2004 was \$883,000 lower than the \$1,581,000 loss for fiscal 2003 principally as a result of the gain of \$757,000 for extinguishment of debt in connection with the Company's August 2003 refinancing as well as a \$173,000 improvement in gross profit and a \$321,000 reduction in sales, general and administrative expense offset by an increase of \$446,000 in additional interest expense.

### EBITDA-NON-GAAP MEASURE

Earnings before interest, taxes, depreciation, and amortization ("EBITDA") was \$1,983,000 for the year ended June 30, 2004 compared to \$737,000 for the

## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

year ended June 30, 2003, an increase of \$1,246,000. The increase was primarily due to the \$757,000 gain on extinguishment of debt included in the current year's net loss and

22

the \$377,000 increase in non-cash interest expense related to the amortization of debt discount and deferred debt costs associated with the August 2003 financing. The components of EBITDA for the years ended June 30, 2004 and 2003 are as follows:

	2004	2003
	-----	-----
Net loss	\$ (698,000)	\$ (1,581,000)
Add back:		
Interest expense	1,361,000	915,000
Depreciation and amortization expense	1,320,000	1,403,000
	-----	-----
EBITDA	\$ 1,983,000	\$ 737,000
	=====	=====

### COMPARISON OF YEAR ENDED JUNE 30, 2003 TO YEAR ENDED JUNE 30, 2002

#### REVENUES

Revenue increased \$11.3 million, or 18.6%, in the year ended June 30, 2003 compared to the year ended June 30, 2002. The increase in revenue resulted from extraordinary increases in the wholesale price of diesel fuel and gasoline, offset by a decline in gallons delivered. The Company delivered 47.3 million gallons of fuel to its customers in the year ended June 30, 2003, a decrease of 4.4% compared to the 49.5 million gallons delivered in the year ended June 30, 2002. The decrease in gallons was due to reduced demand by certain customers arising from depressed economic conditions throughout the year; modifications of certain customers' mobile fueling programs in response to substantially increased fuel prices; termination of unprofitable mobile fueling service accounts; and elimination of bulk delivery services in northern California. The discontinued bulk delivery service in northern California accounted for 5.6 million gallons of the total 49.5 million gallons delivered in the prior fiscal year ending June 30, 2002. Notwithstanding the aforementioned, the Company delivered 3.4 million or 7.7% more mobile fueling gallons than the prior fiscal year.

#### GROSS PROFIT

Gross profit decreased approximately \$568,000, or 12.4%, in the year ended June 30, 2003 compared to the year ended June 30, 2002. The average net margin per delivered gallon of fuel in the year ended June 30, 2003 decreased to 11.5 cents compared to 12.2 cents in the year ended June 30, 2002. The decrease in gross profit was due to increases in the cost of fuel used to operate the Company's delivery fleet of \$99,000; higher fixed costs associated with an increase in property and liability insurance of \$214,000; and decreases in other service charges revenue of \$82,000. The remaining decrease is attributable to the Company's largest competitor driving down service margins during the current

## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

year, which resulted in the Company lowering prices it charges to some of its customers.

### SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses increased approximately \$334,000, or 7.6%, in the year ended June 30, 2003 compared to the year ended June 30, 2002. The increase in these expenses primarily resulted from an increase in professional fees of \$169,000; an increase in insurance expense of \$193,000; an increase in sales and marketing costs of \$37,000; an increase in temporary labor expense of \$60,000; and an increase in depreciation expense of \$57,000; offset by a decrease in provision for bad debts of \$161,000.

### INTEREST EXPENSE

Interest expense decreased approximately \$260,000, or 22.1%, in the year ended June 30, 2003 compared to the year ended June 30, 2002 as a result of lower interest rates on variable rate debt and decreased borrowings resulting from the scheduled repayment of existing equipment debt; reduced bank line of credit advances; and conversion of subordinated debt to equity.

23

The Company incurred in January 2002 in connection with the conversion of its convertible subordinated promissory notes to equity, a non-cash charge related to accounting for convertible securities with beneficial conversion features. This charge was \$241,000 and recorded as a beneficial conversion of debt to equity interest expense in the year ended June 30, 2002.

### INCOME TAXES

The Company recorded no income tax expense for the years ended June 30, 2003 or 2002. The Company has net operating loss carryforwards of \$13.0 million at June 30, 2003.

### NET LOSS

The \$1,581,000 net loss for fiscal 2003 was \$419,000 higher than the \$1,162,000 loss for fiscal 2002 principally as a result of a \$568,000 decrease in gross profit, an increase of \$334,000 in sales, general and administrative expense offset by a \$260,000 decrease in interest expense.

### EBITDA NON-GAAP MEASURE

Earnings before interest, taxes, depreciation, and amortization ("EBITDA") was \$737,000 for the year ended June 30, 2003, a decrease of \$975,000 from \$1,712,000 for the year ended June 30, 2002. The decrease was primarily due to the higher net loss during fiscal year ended June 30, 2003, offset by reduced interest expense in the current year. The components of EBITDA for the years ended June 30, 2003 and 2002 are as follows:

	2003	2002
	-----	-----
Net loss	\$ (1,581,000)	\$ (1,162,000)



## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

Add back:			
Interest expense		915,000	1,175,000
Beneficial conversion of debt to equity interest expense		--	241,000
Depreciation and amortization expense		1,403,000	1,458,000
		-----	-----
EBITDA	\$	737,000	\$ 1,712,000
		=====	=====

### COMPARISON OF YEAR ENDED JUNE 30, 2002 TO YEAR ENDED JUNE 30, 2001

#### REVENUES

Revenue decreased \$18.6 million, or 23.4%, for the year ended June 30, 2002 compared to the year ended June 30, 2001. The decrease in revenue resulted from a substantial decrease in the wholesale price of diesel fuel and gasoline as well as a decline in gallons delivered. The Company delivered 49.5 million gallons of fuel to its customers in the year ended June 30, 2002, a decrease of 8.5% compared to the 54.1 million gallons delivered in the year ended June 30, 2001. The decrease in gallons delivered resulted primarily from the elimination of non-profitable markets and accounts, as well as volume declines of certain customers whose levels of business activity have been adversely impacted by the current economic downturn.

#### GROSS PROFIT

Gross profit increased approximately \$2.1 million, or 82.2%, in the year ended June 30, 2002 compared to the year ended June 30, 2001. The average net margin per delivered gallon of fuel in the year ended June 30, 2002 improved to 12.2 cents compared to 7.3 cents in the year ended June 30, 2001. The increase in gross profit was due to the results of the business initiatives started February 2001, yielding reduced direct operating expenses, improved margins on existing accounts and new, higher-margin accounts.

#### SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses increased approximately \$589,000, or 15.5%, in the year ended June 30, 2002 compared to the year ended June 30, 2001. The increase in these expenses primarily resulted from increases in payroll costs associated with the reestablishment of a marketing and sales department and program (including direct marketing) which had been previously eliminated, together with the restructuring of the

24

management, operations, and information technology departments and related personnel; increases in insurance expense and legal fees; and an increase in the allowance for doubtful accounts.

#### INTEREST EXPENSE

Interest expense decreased approximately \$396,000, or 25.2%, in the year ended June 30, 2002 compared to the year ended June 30, 2001 as a result of lower interest rates on variable rate debt and decreased borrowings, primarily due to repayment of existing equipment debt, credit facility and the conversion of the subordinated promissory notes to equity.

## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

The Company incurred, in connection with the conversion of its convertible subordinated promissory notes to equity in January 2002, a non-cash charge related to accounting for convertible securities with beneficial conversion features. This charge was \$241,000 and classified as beneficial conversion of debt to equity interest expense for the year ended June 30, 2002.

### INCOME TAXES

The Company recorded no income tax expense for the years ended June 30, 2002 or 2001. The Company has net operating loss carryforwards of \$12.2 million at June 30, 2002.

### NET LOSS

The \$1,162,000 net loss for fiscal 2002 was \$1,612,000 lower than the \$2,774,000 loss for fiscal 2001 principally as a result of a \$2,100,000 increase in gross profit and a decrease of \$396,000 in interest expense offset by an increase of \$589,000 in sales, general and administrative expense.

### EBITDA-NON-GAAP MEASURE

EBITDA increased by \$1.5 million to \$1.7 million for the year ended June 30, 2002 from \$223,000 for the year ended June 30, 2001. The increase was primarily due to higher net margins and operating profit. The components of EBITDA for the years ended June 30, 2002 and 2001 are as follows:

	2002	2001
	-----	-----
		(unaudited)
Net loss	\$ (1,162,000)	\$ (2,774,000)
Add back:		
Interest expense	1,175,000	1,571,000
Beneficial conversion of debt to equity interest expense	241,000	--
Depreciation and amortization expense	1,458,000	1,426,000
	-----	-----
EBITDA	\$ 1,712,000	\$ 223,000
	=====	=====

### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's exposure to market risk is limited primarily to the fluctuating interest rates associated with variable rate debt outstanding to finance working requirements. This debt bears interest at the United States prime interest rate plus a fixed markup and is subject to change based upon interest rate changes in the United States. The Company does not currently use, and has not historically used, derivative instruments to hedge against such market interest rate risk. Increases or decreases in market interest rates could have a material impact on the financial condition, results of operations and cash flows of the Company. The interest on the Company's \$6.925 subordinated convertible promissory notes is fixed for the life of the notes at 10% per annum. The interest on the Company's bank line of credit of up to \$10,000,000 is variable and may increase or decrease with future changes in interest rates but interest rates are not the only factor which could affect interest expense on the bank line of credit. For example, interest expense on the bank line of credit for fiscal 2004 was \$246,000, \$143,000 lower than the \$389,000 in fiscal 2003, on account of the pay down of the line with the proceeds of the August 2003 refinancing and improved collections offset by an increase in the average

## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

fuel prices and gallons sold. If the Company's bank line of credit average outstanding balance was \$2.5 million, an increase of 1% in the variable interest rate would result in additional interest expense of \$25,000 per annum.

### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements of the Company required by Form 10-K are attached following Part III of this report, commencing on page F-1.

### ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

25

### ITEM 9A. CONTROLS AND PROCEDURES

As of the end of the period reported on in this report, the Company has undertaken an evaluation under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective, in all material respects, with respect to the recording, processing, summarizing and reporting, within the time periods specified in the SEC's rules and forms, of information required to be disclosed in the reports that are filed or submitted under the Exchange Act.

There have been no significant changes in the Company's internal controls during the quarter ended June 30, 2004, or in other factors that could significantly affect internal controls subsequent to the date of the evaluation described above.

26

## PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

The information required by this item is incorporated by reference from the Company's Definitive Proxy Statement in connection with its 2004 Annual Meeting of Shareholders to be filed with the Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this report.

### ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference from the Company's Definitive Proxy Statement in connection with its 2004 Annual Meeting of Shareholders to be filed with the Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this

## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

report.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is incorporated by reference from the Company's Definitive Proxy Statement in connection with its 2004 Annual Meeting of Shareholders to be filed with the Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this report.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is incorporated by reference from the Company's Definitive Proxy Statement in connection with its 2004 Annual Meeting of Shareholders to be filed with the Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this report.

### ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is incorporated by reference from the Company's Definitive Proxy Statement in connection with its 2004 Annual Meeting of Shareholders to be filed with the Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this report.

27

### Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

#### (a) Exhibits

Exhibits -----	Description -----
3.1	Restated Articles of Incorporation (17)
3.2	Amended and Restated Bylaws (18)
4.1	Form of Common Stock Certificate (1)
4.2	Form of Redeemable Common Stock Purchase Warrant (1)
4.3	Underwriters' Purchase Option Agreement between the Registrant and Argent Securities, Inc. (1)
4.4	Warrant Agreement between the Registrant and American Stock Transfe
10.1	Employment Agreement, dated November 1, 2000 between the Registrant Stanley H. Streicher (2) (6)
10.2	Registrant's 1996 Stock Option Pla
10.3	\$10,000,000 Amended and Restated Loan Agreement, dated May 25, 1999 Bank Atlantic and First Amendment, dated December 22, 1999, to Amen
10.4	Amended and Restated \$10,000,000 Promissory Note, dated May 9, 2001

Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

	Registrant and Bank Atlantic (7)
10.5	Registrant's 2000 Stock Option Plan (2) (8)
10.6	Employment Agreement, dated October 26, 2000 between the Registrant
10.7	Second Amendment, dated May 9, 2001, to Amended and Restated Loan A
10.8	Promissory Note, dated July 7, 2000, between the Registrant and C.
10.9	Form of Convertible Subordinated Promissory Note (12)
10.10	Streicher Mobile Fueling, Inc. 2001 Directors Stock Option Plan (13)
10.11	Agreement dated April 1, 2002 between Stanley H. Streicher, individ ("Supreme"), a company wholly owned by Mr. Streicher and the Compan Supreme of certain debts owned to the Company by Supreme (14)
10.12	Loan and Security Agreement with Congress Financial Corporation dat
10.13	First Amendment to Loan and Security Agreement with Congress Financ March 31, 2003 (17)

28

10.14	Indenture with The Bank of Cherry Creek dated August 29, 2003 (17)
10.15	Security Agreement with The Bank of Cherry Creek dated August 29, 2
10.16	Second Amendment to Loan and Security Agreement with Congress Finan August 29, 2003 (19)
23.1	Consent of KPMG LLP (16)
31.1	Certificate of Chief Executive Officer pursuant to Section 302 of t
31.2	Certificate of Chief Financial Officer pursuant to Section 302 of t
32.1	Certificate of Chief Executive Officer and Chief Financial Officer The Sarbanes-Oxley Act of 2002 (16)

- 
- (1) Incorporated by reference to the exhibit of the same number filed with the Company's Registration Statement on Form SB-2 (No. 333-11541)
  - (2) Management Contract or Compensatory Plan
  - (3) Incorporated by reference to the exhibit of the same number filed by the Company with Form 10-K for the fiscal year ended January 31, 1998.
  - (4) Incorporated by reference to the exhibit of the same number filed by the Company with Form 10-K for the fiscal year ended January 31, 1999.

## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

- (5) Incorporated by reference to the exhibit of the same number filed by the Company with Form 10-K for the fiscal year ended January 31, 2000.
- (6) Incorporated by reference to the exhibit of the same number filed by the Company with Form 10-K for the fiscal year ended January 31, 2001.
- (7) Incorporated by reference to Exhibit 10.5 filed by the Company with Form 10-K for the fiscal year ended January 31, 2001.
- (8) Incorporated by reference to Exhibit 10.6 filed by the Company with Form 10-K for the fiscal year ended January 31, 2001.
- (9) Incorporated by reference to Exhibit 10.7 filed by the Company with Form 10-K for the fiscal year ended January 31, 2001.
- (10) Incorporated by reference to Exhibit 10.8 filed by the Company with Form 10-K for the fiscal year ended January 31, 2001.
- (11) Incorporated by reference to Exhibit 10.9 filed by the Company with Form 10-K for the fiscal year ended January 31, 2001.
- (12) Incorporated by reference to Exhibit 10.10 filed by the Company with Form 10-K for the fiscal year ended January 31, 2001.
- (13) Incorporated by reference to Exhibit A of the Proxy Statement filed by the Company for the Annual Meeting of Shareholders held on July 19, 2001
- (14) Incorporated by reference to Exhibit 99.1 of the Form 8-K dated June 12, 2002 filed by the Company
- (15) Incorporated by reference to Exhibit 99.1 of the Form 8-K dated September 30, 2002 filed by the Company

29

- (16) Filed herewith.
- (17) Incorporated by reference to the exhibit of the same number filed by the Company with Form 10-K for the fiscal year ended June 30, 2003.
- (18) Incorporated by reference to the exhibit of the same number filed by the Company with Form 10-Q for the period ended December 31, 2003.
- (19) Incorporated by reference to Exhibit 10.1 filed by the Company with Form 10-Q for the period ended September 30, 2003.

(b) Financial Statement Schedule

(c) Reports on Form 8-K

The Company filed a Form 8-K dated May 14, 2004, under Item 12, reporting the issuance of a press release covering the operating results for the third quarter ending March 31, 2004.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: September 28, 2004

STREICHER MOBILE FUELING, INC.

By: /s/ Richard E. Gathright

-----  
Richard E. Gathright, Chief  
Executive Officer and President

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name -----	Title -----	Date -----
By:/s/ Richard E. Gathright ----- Richard E. Gathright	Chairman of the Board, Chief Executive Officer and President (Principal Executive Officer)	September 28,
By:/s/ Michael S. Shore ----- Michael S. Shore	Senior Vice President - Chief Financial Officer (Principal Financial and Accounting Officer)	September 28,
By:/s/ Wendell R. Beard ----- Wendell R. Beard	Director	September 28,
By:/s/ Larry S. Mulkey ----- Larry S. Mulkey	Director	September 28,
By:/s/ Richard N. Hamlin ----- Richard N. Hamlin	Director	September 28,
By:/s/ C. Rodney O'Connor ----- C. Rodney O'Connor	Director	September 28,
By:/s/ Robert S. Picow ----- Robert S. Picow	Director	September 28,
By:/s/ W. Greg Ryberg ----- W. Greg Ryberg	Director	September 28,

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
Report of Independent Registered Public Accounting Firm.....	F-2
Consolidated Balance Sheets as of June 30, 2004 and 2003.....	F-3
Consolidated Statements of Operations for the Years Ended June 30, 2004, 2003 and 2002.....	F-4
Consolidated Statements of Shareholders' Equity for the Years Ended June 30, 2004, 2003 and 2002.....	F-5
Consolidated Statements of Cash Flows for the Years Ended June 30, 2004, 2003 and 2002.....	F-6
Notes to Consolidated Financial Statements.....	F-8

F-1

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders  
Streicher Mobile Fueling, Inc.:

We have audited the accompanying consolidated balance sheets of Streicher Mobile Fueling, Inc. and subsidiaries as of June 30, 2004 and 2003, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended June 30, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.



## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Streicher Mobile Fueling, Inc. and subsidiaries as of June 30, 2004 and 2003, and the results of their operations and their cash flows for each of the years in the three year period ended June 30, 2004 in conformity with United States generally accepted accounting principles.

KPMG LLP

Fort Lauderdale, Florida  
September 13, 2004

F-2

STREICHER MOBILE FUELING, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
JUNE 30, 2004 AND 2003  
( in 000's, except share and per share data)

ASSETS	June 30, 2004	June 30, 2003
Current assets:		
Cash and cash equivalents.....	\$ 2,708	\$ 211
Restricted cash.....	13	78
Accounts receivable, net .....	8,280	6,113
Inventories .....	183	168
Prepaid expenses and other current assets.....	400	387
	11,584	6,957
Property and equipment, net.....	7,602	8,741
Deferred debt costs .....	770	186
Other assets .....	62	75
Note receivable from related party .....	--	52
	\$ 20,018	\$ 16,011
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank line of credit payable .....	\$ 4,919	\$ 4,410
Current portion of long-term debt.....	--	1,965
Accounts payable and other liabilities .....	4,193	3,012
	9,112	9,387
Long-term liabilities:		
Promissory Notes.....	6,925	--
Unamortized debt discount, net.....	(1,367)	--
Equipment debt, excluding current portion.....	--	1,779
Subordinated promissory notes.....	--	734

Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

Long term debt, net .....	5,558	2,513
Total liabilities.....	14,670	11,900
Commitments and contingencies .....		
Shareholders' equity:		
Common stock, par value \$.01 per share; 50,000,000 shares authorized; 7,317,960 and 7,234,168 issued and outstanding at June 30, 2004 and 2003, respectively.....	73	72
Additional paid-in capital.....	13,392	11,458
Accumulated deficit.....	(8,117)	(7,419)
Total shareholders' equity.....	5,348	4,111
Total liabilities and shareholders' equity.	\$ 20,018	\$ 16,011

See accompanying notes to consolidated financial statements.

F-3

STREICHER MOBILE FUELING, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED JUNE 30, 2004, 2003 AND 2002  
(in 000's, except share and per share data)

	Fiscal Year June 30, 2004	Fiscal Year June 30, 2003	Fiscal Year June 30, 2002
Fuel sales and service revenues..	\$ 67,663	\$ 53,579	\$ 43,538
Fuel taxes.....	22,334	18,615	17,311
Total revenues.....	89,997	72,194	60,849
Cost of fuel sales and service...	63,365	49,556	38,947
Fuel taxes.....	22,334	18,615	17,311
Total cost of sales.....	85,699	68,171	56,258
Gross profit.....	4,298	4,023	4,591
Selling, general and administrative expenses.....	4,394	4,716	4,382
Gain on extinguishment of debt...	757	--	--

Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

Operating income (loss).....	661	(693)	209
Interest expense.....	(1,361)	(915)	(1,175)
Interest and other income.....	2	27	45
Beneficial conversion of debt to equity interest expense .....	--	--	(241)
	-----	-----	-----
Loss before income taxes....	(698)	(1,581)	(1,162)
Income tax expense.....	--	--	--
Net loss.....	\$ (698)	\$ (1,581)	\$ (1,162)
	=====	=====	=====
Basic and diluted net loss per share.....	\$ (.10)	\$ (.22)	\$ (.20)
	=====	=====	=====
Basic and diluted weighted average common shares outstanding.....	7,261,372	7,221,070	5,698,147
	=====	=====	=====

See accompanying notes to consolidated financial statements.

F-4

STREICHER MOBILE FUELING, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED JUNE 30, 2004, 2003 AND 2002  
(in 000's, except share data)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount			
BALANCE, June 30, 2001....	4,367,537	\$ 44	\$ 7,964	\$ (4,676)	\$ 3,333
Net loss.....	--	--	--	(1,162)	(1,162)
Net proceeds from private placement of stock.....	666,666	7	573	--	583
Issuance of stock in lieu of debt.....	67,226	--	91	--	91
Conversion of note payable to equity.....	2,110,322	21	2,814	--	2,835
	-----	-----	-----	-----	-----
BALANCE, June 30, 2002....	7,211,751	72	11,442	(5,838)	5,677
Net loss.....	--	--	--	(1,581)	(1,581)
Cost associated with extension of warrants...	--	--	(9)	--	(9)

Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

Issuance of stock in lieu of debt.....	22,417	--	25	--	2
BALANCE, June 30, 2003....	7,234,168	\$ 72	\$ 11,458	\$ (7,419)	\$ 4,11
Net loss.....	--	--	--	(698)	(69
Issuance of stock in lieu of debt.....	14,292	--	14	--	1
Exercise of warrants.....	69,500	1	68	--	6
Issuance of warrants.....	--	--	1,866	--	1,86
Cost associated with extension of warrants...	--	--	(14)	--	(1
BALANCE, June 30, 2004....	7,317,960	\$ 73	\$ 13,392	\$ (8,117)	\$ 5,34

See accompanying notes to consolidated financial statements.

F-5

STREICHER MOBILE FUELING, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2004, 2003 AND 2002  
(in 000's, except supplemental disclosure and share data)

	Fiscal Year June 30, 2004	Fiscal Year June 30, 2003	Fiscal Year June 30, 2002
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss.....	\$ (698)	\$ (1,581)	\$ (1,162)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Loss on asset disposal.....	--	--	9
Depreciation and amortization:			
Cost of sales.....	1,130	1,232	1,318
Sales, general and administrative.....	190	171	140
Amortization of deferred debt cost.....	195	47	108
Amortization of debt discount.....	241	--	--
Gain on extinguishment of debt.....	(757)	--	--
Interest expense from beneficial conversion of debt to equity.....	--	--	241
(Decrease) increase in allowance for doubtful accounts.....	(54)	263	637
Changes in operating assets and liabilities:			
Decrease (increase) in restricted cash...	65	167	(21)
Decrease (increase) in accounts receivable.....	(2,225)	118	1,650
Decrease (increase) in inventories, prepaid expenses and other assets.....	(21)	43	35

Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

(Increase) decrease in accounts payable and other liabilities.....	1,196	(15)	(456)
Net cash (used in) provided by operating activities.....	(738)	445	2,499
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment.....	(175)	(248)	(152)
Proceeds from disposal of equipment.....	112	4	276
Decrease (increase) note receivable from related party.....	52	148	443
Net cash (used in) provided by investing activities.....	(11)	(96)	567
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of promissory notes.....	6,925	--	--
Net repayments on bank line of credit payable.....	509	(270)	(2,225)
Net proceeds (costs) from issuance of common stock and common stock warrants.....	55	(9)	700
Repayments on subordinated promissory notes....	(522)	(155)	--
Repayment of subordinated debt.....	(1,034)	--	--
Principal payments on long-term debt.....	(2,687)	(1,424)	(2,114)
Proceeds from the issuance of subordinated promissory notes.....	--	905	--
Proceeds from the issuance of subordinated debt.....	--	--	1,700
Change in bank overdraft.....	--	--	(318)
Net cash provided by (used in) financing activities.....	3,246	(953)	(2,257)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	2,497	(604)	809
CASH AND CASH EQUIVALENTS, beginning of period.....	211	815	6
CASH AND CASH EQUIVALENTS, end of period.....	\$ 2,708	211	\$ 815

See accompanying notes to consolidated financial statements.

F-6

STREICHER MOBILE FUELING, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2004, 2003 AND 2002  
(in 000's, except supplemental disclosure and per share data)

(Continued)

Fiscal Year                      Fiscal Year                      Fiscal Year

Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

	June 30, 2004	June 30, 2003	June 30, 2002
	-----	-----	-----
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for-			
Interest.....	\$ 826	\$ 880	\$ 1,193
	-----	-----	-----
Income taxes.....	\$ --	\$ --	\$ --
	-----	-----	-----

SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES:

FISCAL YEAR ENDED JUNE 30, 2004:

In connection with the Company issuance of the August 2003 refinancing;  
Recorded \$1.61 million of unamortized debt discount and \$824,000  
deferred debt costs Issuance of 14,292 shares of common stock in lieu  
of payments on convertible promissory notes

FISCAL YEAR ENDED JUNE 30, 2003:

Issuance of \$25,000 of common stock in lieu of payment of interest on  
subordinated convertible promissory notes  
Transfer of \$112,000 of fixed assets to account receivable from third party  
relating to disposal of vehicle

FISCAL YEAR ENDED JUNE 30, 2002:

Conversion of \$2,617,000 of subordinated convertible promissory notes into  
common stock resulting in a non-cash charge to interest expense  
of \$241,000  
Issuance of \$91,000 of common stock in lieu of payment on subordinated  
convertible promissory notes Transfer of \$60,000 of fixed assets to note  
receivable from related party

See accompanying notes to consolidated financial statements.

F-7

STREICHER MOBILE FUELING, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) NATURE OF OPERATIONS

Streicher Mobile Fueling, Inc., a Florida corporation (the "Company") was formed in 1996.

## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

The Company provides mobile fueling and fuel management out-sourced services to businesses that operate all size fleets of vehicles and equipment, including governmental agencies, utilities, trucking companies, bus lines, hauling and delivery services, courier services, construction companies and others. The Company's specialized truck fleet delivers fuel to customers' locations on a regularly scheduled or as needed basis, refueling vehicles and equipment and/or re-supplying fixed-site storage facilities. The Company's patented proprietary electronic fuel tracking control system is used to measure, record and track fuel dispensed to each vehicle and tank fueled at a customer location, allowing verification of the amount and type of fuel delivered and providing customers with customized fleet fuel data for management analysis and tax reporting. At June 30, 2004, the Company had operations in California, District of Columbia, Florida, Georgia, Maryland, North Carolina, Tennessee, Texas and Virginia. In August 2004, the Company opened an additional market in Pennsylvania.

The Company generates substantially all of its revenue from mobile fueling and fuel management services. Revenue is comprised principally of delivery service charges and the related sales of diesel fuel and gasoline. Cost of sales is comprised principally of direct operating expenses, the cost of fuel and depreciation of the fleet. Included in both revenue and cost of sales are federal and state fuel taxes, which are collected by the Company from its customers, when required, and remitted to the appropriate taxing authority. The delivery service charges are at a negotiated rate and the cost of fuel is based on market prices. Revenue and cost of fuel will vary depending on the upward or downward movement of fuel prices in each market.

In the mobile fueling business, the majority of deliveries are made on workdays, Monday through Friday, to coincide with customers' fuel service requirements. Thus, the number of workdays in any given month will impact the quarterly financial performance of the Company. In addition, a downturn in customer demand generally takes place on and/or in conjunction with national holidays, resulting in decreased volumes of fuel delivered. This downturn may be offset during the fiscal year by emergency mobile fueling services and fuel deliveries to certain customers resulting from impending or actual severe meteorological or geological events, including hurricanes, tropical storms, ice and snow storms, forest fires and earthquakes.

### (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of Presentation

The consolidated financial statements include the accounts of Streicher Mobile Fueling, Inc. and its wholly owned subsidiary, Streicher Realty, Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

#### (b) Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents in the accompanying consolidated balance sheets is \$2,708,000 and \$211,000 as of June 30, 2004 and 2003, respectively. The Company has cash deposited with a financial institution above the FDIC insurance coverage limit.

STREICHER MOBILE FUELING, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(c) Restricted Cash

Restricted cash at June 30, 2004 and 2003 consists of \$13,000 and \$78,000, respectively, in collections on customer accounts receivable, which were deposited in a restricted account and used to repay advances made to the Company on its bank line of credit.

(d) Accounts Receivable

Accounts receivable are due from customers within a broad range of industries and are generally unsecured. Additionally, accounts receivable are composed of refunds from state and federal governments for fuel taxes which are not billable to certain customers, yet have been paid to vendors by the Company. The Company provides for credit losses based on management's evaluation of collectibility using current and historical performance of each customer and from state and federal governments from whom refunds are expected. At June 30, 2004 and 2003, the Company days sales outstanding was 28 and 30 days.

A roll-forward of the activity in the allowance for doubtful accounts for the indicated periods is as follows:

	Fiscal Year June 30, 2004	Fiscal Year June 30, 2003	Fiscal Year June 30, 2002
Balance - beginning of period	\$ 530,000	\$ 509,000	\$ 78,000
(Decrease) increase in provision for bad debts	(54,000)	263,000	637,000
Write-offs, net of recoveries	(50,000)	(242,000)	(206,000)
Balance - end of period	\$ 426,000	\$ 530,000	\$ 509,000

(e) Inventories

Inventories, consisting primarily of diesel fuel and gasoline, are stated at the lower of cost or market and include federal and state fuel taxes payable to vendors. Cost is determined using the first-in, first-out method.

(f) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Ordinary maintenance and repairs are expensed as incurred. Improvements which significantly increase the



## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

value or useful life of property and equipment are capitalized. Property and equipment are depreciated or amortized using the straight-line method over the asset's estimated useful lives. Property and equipment balances and the estimated useful lives were as follows at the indicated dates:

F-9

### STREICHER MOBILE FUELING, INC. AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	June 30,		Estimat L
	2004	2003	
Fuel trucks, tanks and vehicles	14,395,000	14,450,000	5 - 2
Machinery and equipment	346,000	302,000	3 - 5
Furniture and fixtures	262,000	260,000	5 - 1
Leasehold improvements	22,000	22,000	Lesser of le
Software	351,000	270,000	3 y
Land	67,000	67,000	
	15,443,000	15,371,000	
Less: Accumulated depreciation and amortization	(7,841,000)	(6,630,000)	
Property and equipment, net	7,602,000	8,741,000	

In accordance with Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," the Company capitalizes certain costs used in the development of internal use software. These costs include the costs associated with coding, software configuration, upgrades and enhancements. The amount capitalized at June 30, 2004 and 2003 relating to internal use software is \$343,000 and \$252,000, respectively.

(g) **Income Taxes**

Income taxes are accounted for under the asset and liability method, in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109). Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

(h) Revenue Recognition

The Company recognizes revenue at the time services are performed which is when the fuel is delivered and the customer takes ownership and assumes risk of loss. Collections are reasonably assured at the time of delivery.

(i) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These assumptions, if not realized, could 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

F-10

(j) Fair Value of Financial Instruments

The Company's financial instruments, primarily consisting of cash and cash equivalents, accounts receivable, accounts payable, bank line of credit payable, promissory notes, equipment debt and long-term debt, approximate fair value due to their short-term nature or interest rates that approximate current market rates.

(k) Debt Issuance Cost and Debt Discount

The Company is amortizing as interest expense its debt discount and debt issuance costs over the respective term of the debt issued under the effective interest method. Accumulated amortization of the debt discount at June 30, 2004 was \$241,000.

(l) Net Loss Per Share

Net loss per share is determined by dividing net loss by the weighted average common shares outstanding. Common stock equivalents, consisting of employee stock options and common stock warrants, in the amount of 4,675,402, 2,604,477 and 2,516,852 for the years ended June 30, 2004, 2003 and 2002, respectively, were antidilutive and were not included in the computation of net loss per share in those fiscal years.

(m) Impairment or Disposal of Long-Lived Assets

The Company accounts for long-lived assets in accordance with the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This Statement requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated

## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(n) Stock Options

SFAS 123, "Accounting for Stock Based Compensation," as amended by SFAS 148, "Accounting for Stock Based Compensation-Transition and Disclosure", allows entities to choose between a fair value based method of accounting for employee stock options or similar equity instruments and the intrinsic value based method of accounting prescribed by Accounting Principles Board Opinion 25 (APB 25), "Accounting for Stock Issued to Employees." Entities electing to account for employee stock options or similar equity instruments under APB 25 must make pro forma disclosures of net income and earnings per share as if the fair value method of accounting had been applied. The Company has elected to apply the provisions of APB 25 in the preparation of its consolidated financial statements and provide pro forma disclosure of net income and earnings per share as required under SFAS 123 (dollars in thousands, except share data).

F-11

### STREICHER MOBILE FUELING, INC. AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Fiscal Year Ended June 30,		
	2004	2003	2002
Net loss - as reported	\$ (698)	\$ (1,581)	\$ (1,581)
Stock-based employee compensation expense not included in reported net loss, net of tax	(194)	(556)	(556)
Net loss - pro forma	\$ (892)	\$ (2,137)	\$ (2,137)
Basic and diluted net loss per share - as reported	\$ (.10)	\$ (.22)	\$ (.22)
Basic and diluted net loss per share - pro forma	\$ (.12)	\$ (.30)	\$ (.30)
Risk free interest rate	3%	3%	3%
Dividend yield	0%	0%	0%
Expected volatility	100%	100%	100%
Expected life	10 years	10 years	10 years

The full impact of calculating compensation cost for stock

## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

options (fixed awards) is not reflected in the pro forma loss amounts presented because compensation cost is reflected over the prorata vesting period of the options.

- (o) Recent Accounting Pronouncements  
FASB Staff Position 150-3, "Effective Date, Disclosures, and Transition for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests under FASB Statement No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity," (FSP 150-3) defers the effective date for certain mandatorily redeemable financial instruments issued by a non-SEC registrant from fiscal periods beginning after December 15, 2003 to fiscal periods beginning after December 15, 2004 and defers indefinitely for those entities the classification, measurement, and disclosure provisions of Statement 150 for other mandatorily redeemable financial instruments. The FSP also defers the effective date of Statement 150 for certain mandatorily redeemable noncontrolling interests of all entities. FSP 150-3 is not expected to have a significant impact upon the Company.
- (p) Reclassifications  
Certain prior period amounts have been reclassified to conform to the current year presentation.

### (3) BANK LINE OF CREDIT PAYABLE

The Company has a three-year \$10 million credit facility with a national financial institution, which permits the Company to borrow up to 85% of the total amount of eligible accounts receivable. Interest is payable monthly (5.75% at June 30, 2004) and outstanding borrowings under the line are secured by substantially all Company assets other than its truck fleet and related equipment. The maturity date of the line of credit is September 25, 2005. In addition, the credit facility may be extended by the mutual consent of the Company and the bank after September 25, 2005.

F-12

## STREICHER MOBILE FUELING, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In August 2003, the Company and its bank line of credit lender amended the loan and security agreement for the credit facility in connection with the Company's August 2003 refinancing which (1) released the lender's lien on patents, patent rights and patent applications; (2) increased the unused line of credit fee by .50%; (3) revised the effective book net worth covenant to include the August 2003 promissory notes in its calculation; (4) established a covenant to maintain a minimum cumulative quarterly fixed charge coverage ratio as defined in the amended loan agreement; (5) established a covenant for the Company to maintain a minimum excess availability of \$500,000; and (6) eliminated the loan prepayment fee.

As of June 30, 2004 and 2003, the Company had outstanding borrowings of \$4.9 and \$4.4 million, respectively, under its \$10 million bank lines of credit.

## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

Based on eligible receivables outstanding at June 30, 2004, the Company had \$1.1 million of cash availability on the bank line of credit, and was in compliance with all financial covenants required by the loan and security agreement.

### (4) LONG-TERM DEBT

Long-term debt consists of the following:

	June 30,	
	-----	
	2004	-----
Promissory Notes (10% interest due semi-annually, December 31 and June 30); principal beginning August 28, 2005, semi-annually on August 28 February 28; balloon of \$2,770,000 at maturity and on August 28, 2008	\$ 6,925,000	\$
Convertible subordinated debt (issued in April and September 2001)	--	
Subordinated Promissory Notes (issued January 21, 2003)	--	
Subordinated Promissory Notes (issued January 21, 2003)	--	
Subordinated Promissory Notes (issued May 12, 2003)	--	
Subordinated Promissory Note (issued May 20, 2003)	--	
Equipment debt (10.18% weighted average interest rate at June 30, 2003 and 2002) due in monthly installments with varying maturities through October 2005	--	
Less: current portion	--	
Long-term debt, excluding current portion	\$ 6,925,000	\$
	=====	

F-13

### STREICHER MOBILE FUELING, INC. AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Future principal payments on long-term debt are due as follows as of June 30, 2004:

Year Ended June 30,		
-----		
2005	\$	--

## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

2006	1,385,000
2007	1,385,000
2008	1,385,000
2009	2,770,000
	-----
Total	\$ 6,925,000
	=====

During August and September 2003, the Company repaid all the remaining long-term and current portions of equipment debt, convertible subordinated debt and promissory notes outstanding at June 30, 2003 from the proceeds of the August 2003 refinancing. The former equipment lender was repaid in full. The Company received a \$757,000 cash discount from the lender in consideration of the prepayment of the equipment debt. The current notes are collateralized by a first priority security interest in the Company's specialized fueling truck fleet and related equipment and by the patents on its proprietary fuel management system.

### AUGUST 2003 PROMISSORY NOTES

On August 29, 2003, the Company closed a \$6.925 million offering to institutions and other accredited lenders consisting of five-year 10% promissory notes and five-year warrants to purchase a total 2,008,250 shares of the Company's common stock at \$1.00 per share. The August 2003 promissory notes are collateralized by a first priority security interest in its specialized fueling truck fleet and related equipment and by patents on its proprietary fuel management system. The August 2003 promissory notes provide for (1) no principal payments until August 28, 2005; (2) six \$692,500 semi-annual principal payments commencing on August 28, 2005 through February 28, 2008; (3) a balloon payment of \$2,770,000 at maturity on August 28, 2008; (4) semi-annual interest payments on June 30 and December 31 which commenced on December 31, 2003; and (5) the Company's right to call after August 1, 2005 at 105% of par plus accrued but unpaid interest. The net cash proceeds from the financing was \$2.8 million, after payment of related fees and expenses and repayment of all outstanding equipment and subordinated debt. In connection with the issuance of the August 2003 promissory notes, the Company negotiated a settlement with its former primary equipment lender and received a \$757,000 cash discount by prepaying the \$2,204,800 outstanding balance on August 29, 2003. The transaction costs related to these promissory notes included commissions, professional fees and other costs, totaling \$824,000 and are being amortized over the five-year term of the notes.

The \$1.61 million debt discount is a non-cash discount related to the issuance of the warrants and does not reduce the amount of cash payments required to be made by the Company for the outstanding balance of \$6.925 million owed at June 30, 2004.

### JANUARY 2002 CONVERSION OF SUBORDINATED DEBT

In January 2002, certain holders of the convertible subordinated promissory notes converted an aggregate of \$2.617 million to unregistered shares of the Company's common stock at a conversion price of \$1.24 per share, for a total of 2,110,322 shares of common stock. The notes converted contained conversion rates ranging from \$1.35 to \$1.50 per share. The holders of the remaining \$283,600 of convertible subordinated promissory notes issued by the Company in April and September 2001 who did not convert their notes in January 2002 waived any conversion price adjustment. With the consent of the holder, interest on two of these notes may be paid in the Company's common stock, with the stock value based on the average closing price of the stock during the most recent quarter. In September 2002, the maturity dates of these non-converted notes were extended to August 31, 2004.

STREICHER MOBILE FUELING, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SUBORDINATED PROMISSORY NOTES

On December 23, 2002, the Company issued a \$150,000 short-term promissory note to a shareholder. The note was due on January 31, 2003, with interest at 5% over the prime interest rate. On January 21, 2003 the Company and the holder of the note substituted the note for a \$150,000 subordinated promissory note due on January 31, 2005, bearing interest at an annual rate of 9%. With the consent of the holder, interest on the note may be paid in unregistered shares of the Company's common stock, with the stock value based on the closing bid price of the stock for the five trading days before the last day of the quarter in which the interest is due but in no event less than the closing bid price at the time of issuance or the average of the closing bid prices for the five trading days prior to such time, whichever is lower.

On January 21, 2003, the Company issued \$300,000 of subordinated promissory notes to two shareholders. The notes are due on January 31, 2005 and bear interest at an annual rate of 9%. With the consent of the holders, interest on the notes may be paid in the Company's common stock, with the stock value based on the closing bid price of the stock for the five trading days before the last day of the quarter in which the interest is due but in no event less than the closing bid price at the time of issuance or the average of the closing bid prices for the five trading days prior to such time, whichever is lower.

On May 12, 2003, the Company issued \$300,000 of subordinated promissory notes to certain shareholders. The notes bear interest at an annual rate of 14% and are payable on demand. The Company repaid \$235,500 of these notes with the proceeds of the May 20, 2003 private placement issuance of subordinated promissory notes and common stock purchase warrants. The exercise price of the warrants is \$0.86 per share.

On May 20, 2003, the Company issued \$235,500 of subordinated promissory notes to officers, directors and certain shareholders. The notes are due on November 19, 2003 and bear interest at an annual rate of 14%. With the consent of the holders, the Company may elect to pay interest on the notes in shares of the Company's common stock, with the stock value based on the most recent closing bid price of the stock at the time the notes were executed or for the five trading days before such date, whichever is lower. The Company also issued warrants to purchase 82,425 shares of common stock exercisable at \$0.86 per share in connection with the notes. The warrants issued are exercisable for a period of three (3) years from and after the date on which the notes are repaid or otherwise surrendered to the Company, but in no event later than November 19, 2006.

The Company's debt agreements have covenants establishing certain financial requirements and operating restrictions. The Company's failure to comply with any covenant or material obligation contained in these debt agreements, absent a waiver or forbearance from the lenders, would result in an event of default which could accelerate debt repayment terms under the debt agreements. Due to cross-default provisions contained in its debt agreements, an event of default under one agreement could accelerate repayment terms under the other agreements, which would have a material adverse effect on the Company's

## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

liquidity and capital resources.

### (5) WARRANTS AND UNDERWRITER'S OPTION

#### (a) Public Offering Warrants

The Company issued 1,150,000 common stock warrants in conjunction with its initial public offering in December 1996. Each warrant entitles the holder to purchase one share of common stock at a exercise price of \$6.90 per share. In October 2003, the Company extended the expiration date of the warrants from December 11, 2003 to December 11, 2004. The common stock underlying the warrants has been registered with the Securities and Exchange Commission. As of June 30, 2004, none of these warrants have been exercised.

F-15

### STREICHER MOBILE FUELING, INC. AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The number of shares of common stock that may be purchased upon exercise of the warrants will be adjusted if the Company makes a dividend distribution to its shareholders or subdivide, combine or reclassify its outstanding shares of common stock. In addition, the exercise price of the warrants will be adjusted, subject to certain exceptions, if the Company issues additional common stock or rights to acquire common stock at a price per share that is less than the current market price per share of common stock. For this purpose, the term "current market price" means the average of the daily closing prices for the twenty consecutive trading days ending three days prior to the issuance or record date. The exercise price of the warrants will also be adjusted if the Company consolidates or merges and make a distribution to its shareholders of assets or evidences of indebtedness (other than cash or stock dividends).

The Company may redeem the warrants, at a redemption price of \$0.01 per warrant, at any time upon thirty days' prior written notice, if the average closing bid price of its common stock equals or exceeds \$10.50 per share for twenty consecutive trading days.

The Company may further extend the exercise period of the warrants at any time. If the Company does so, it will give written notice of the extension to the warrant holders prior to the expiration date in effect at the time of the extension. Also, the Company may reduce the exercise price of the warrants for limited periods or through the end of the exercise period if its Board of Directors deems it appropriate. The Company has not made any determination at this time as to a further extension of the exercise period or a reduction in the exercise price of the warrants.

#### (b) Underwriter's Option

In connection with the initial public offering the Company sold the underwriter an option to purchase up to 100,000 shares of common stock at \$9.30 per share and warrants at an exercise price of



## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

\$.19375 to purchase an additional 100,000 shares, at an exercise price of \$9.30 per share. The underwriter's option was extended concurrent with the warrants and currently expires on December 11, 2004. The exercise price of the warrants subject to the underwriter's option and the number of shares of common stock covered by these warrants, are subject to adjustment on similar terms as the Company's other outstanding warrants. As of June 30, 2004, none of these warrants have been exercised.

### (c) May 2003 Warrants

On May 20, 2003, the Company issued \$235,500 of subordinated promissory notes to officers, directors and certain shareholders. The notes were due on November 19, 2003 and bear interest at an annual rate of 14%. The Company also issued non-detachable warrants to purchase 82,425 shares of common stock exercisable at \$0.86 per share in connection with the notes. The Company repaid these notes in September 2003 with the proceeds of the August 2003 refinancing. As of June 30, 2004, 7,000 of these warrants were exercised and the remaining 75,425 are exercisable.

The number of shares of common stock that may be purchased upon exercise of the warrants will be adjusted if the Company makes a dividend distribution to its shareholders or subdivide, combine or reclassify its outstanding shares of common stock. The exercise price of the warrants will also be adjusted if the Company consolidates or merges.

F-16

## STREICHER MOBILE FUELING, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### (d) August 2003 Warrants

As a result of the August 2003 refinancing, the Company raised \$6.925 million and issued 2,008,250 five-year warrants to purchase the Company's common stock at \$1.00 per share. As of June 30, 2004, 62,500 warrants were exercised. Additionally, in September 2004 there were 50,000 shares exercised.

## (6) STOCK OPTIONS

### (a) Employee Stock Options

The Company has adopted two stock option plans (the "1996 Plan" and the "2000 Plan") under which options to purchase shares of the Company's common stock may be granted to employees. The purpose of the 1996 Plan and the 2000 Plan is to provide an incentive to attract, motivate and retain qualified competent employees whose efforts and judgment are important to the Company's success through the encouragement of the ownership of stock by such persons.

Under the 1996 Plan 500,000 shares of common stock are reserved for

## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

issuance upon exercise of options granted. Under the 2000 Plan, 1,000,000 shares of common stock are reserved for issuance upon the exercise of options, with the amount reserved being increased each year by ten percent of the total shares subject to the 2000 Plan at the end of the previous calendar year. Options to purchase 0 shares of stock are outstanding under the 1996 Plan and options to purchase 362,000 shares of stock are available to be granted under the 2000 Plan. The Board of Directors has determined that no additional options will be granted under the 1996 Plan.

Options granted under the 1996 Plan and the 2000 Plan expire no later than ten years from the date of grant. Options granted under the 1996 Plan and the 2000 Plan are not exercisable after the period or periods provided in the respective option agreements. The following table summarizes stock option activity for both plans for the periods indicated:

F-17

### STREICHER MOBILE FUELING, INC. AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	1996 and 2000 Plans	Weighted Average Exercise Price
	-----	-----
Options outstanding as of January 31, 1999.....	210,052	\$ 3.49
	=====	=====
Granted.....	159,000	\$ 5.49
Cancelled.....	(32,200)	\$ 4.60
Exercised.....	(60,300)	\$ 3.44
	-----	-----
Options outstanding as of January 31, 2000.....	276,552	\$ 4.55
	=====	=====
Granted.....	738,000	\$ 1.50
Cancelled.....	(13,200)	\$ 5.16
Exercised.....	(2,200)	\$ 3.69
	-----	-----
Options outstanding as of January 31, 2001.....	999,152	\$ 2.30
	=====	=====
Granted.....	240,000	\$ 1.50
Cancelled.....	(35,700)	\$ 2.68
Exercised.....	--	\$ --
	-----	-----
Options outstanding as of June 30, 2001.....	1,203,452	\$ 2.13
	=====	=====
Granted.....	190,000	\$ 1.32
Cancelled.....	(379,000)	\$ 2.31
Exercised.....	--	\$ --
	-----	-----

Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

Options outstanding as of June 30, 2002.....	1,014,452	\$	1.89
	=====		=====
Granted.....	--	\$	--
Cancelled.....	(27,000)	\$	2.08
Exercised.....	--	\$	--
	-----		-----
Options outstanding as of June 30, 2003.....	987,452	\$	1.88
	=====		=====
Granted.....	120,000	\$	1.30
Cancelled.....	(22,500)	\$	3.95
Exercised.....	--	\$	--
	-----		-----
Options outstanding as of June 30, 2004.....	1,084,952	\$	1.77
	=====		=====
Exercisable.....	896,952	\$	1.87
	=====		=====
Available for future grant (2000 Plan only).....	362,000		
	=====		

F-18

STREICHER MOBILE FUELING, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes information about stock options outstanding under both plans as of June 30, 2004:

Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Shares Exercisable	Weighted Average Exercise Price
-----	-----	-----	-----	-----	-----
\$1.07 to \$1.74	969,000	6.95	1.44	781,000	1.44
\$3.37 to \$4.13	89,952	3.31	3.75	89,952	3.75
\$6.56 to \$7.63	26,000	5.12	7.40	26,000	7.40
	-----			-----	
	1,084,952			896,952	
	=====			=====	

TOTALS

(b) Director Stock Options

The Company adopted effective as of May 2001 a separate stock option plan for non-employee members of the Company's Board of Directors (the "Directors Plan"). The purpose of the Directors Plan is to provide an additional incentive to attract and retain qualified

## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

competent directors upon whose efforts and judgment are important to the Company's success through the encouragement of the ownership of stock by such persons.

Under the Directors Plan, 250,000 shares of common stock are reserved for issuance upon the exercise of options granted. Each non-employee who serves as a member of the Company's board of directors as of the effective date of the Directors Plan, and each non-employee who is elected or otherwise appointed as one of the Company's directors thereafter, will receive a fully vested option to purchase 20,000 shares of stock. On the last day of each fiscal quarter while the Directors Plan is in effect, each non-employee director will receive an additional grant of an option to purchase 625 shares of stock. Further, in accordance with the Directors Plan, additional options may be granted to non-employee directors from time to time. Options to purchase 219,375 shares of common stock are currently outstanding under the Directors Plan and 30,625 shares of stock are available to be granted in the future.

Options granted under the Directors Plan expire no later than ten years from the date of grant and are with limited exceptions exercisable as of the grant date.

The following table summarizes the stock option activity under the Directors' Plan for the periods indicated:

F-19

### STREICHER MOBILE FUELING, INC. AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Directors Plan -----	Weighted Exercisi -----
Options outstanding as of January 31, 2001.....	--	\$
Granted.....	100,000	\$
Cancelled.....	--	\$
Exercised.....	--	\$
	-----	-----
Options outstanding as of June 30, 2001.....	100,000	\$
	=====	=====
Granted.....	52,500	\$
Cancelled.....	--	\$
Exercised.....	--	\$
	-----	-----
Options outstanding as of June 30, 2002.....	152,500	\$
	=====	=====
Granted.....	53,125	\$
Cancelled.....	(20,625)	\$
Exercised.....	--	\$
	-----	-----
Options outstanding as of June 30, 2003.....	185,000	\$

Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

Granted.....	=====	34,375	\$
Cancelled.....		--	\$
Exercised.....		--	\$
	-----		
Options outstanding as of June 30, 2004.....		219,375	\$
	=====		
Exercisable		219,375	\$
	=====		
Available for future grant		30,625	
	=====		

The following table summarizes information about the Directors stock options outstanding under the Plan as of June 30, 2004:

Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Shares Exercisable	Weighted Average Exercise Price
-----	-----	-----	-----	-----	-----
\$ .92 to \$1.11	12,500	8.38	1.02	12,500	1.02
\$1.21 to \$1.36	40,000	8.48	1.27	40,000	1.27
\$1.40 to \$1.85	166,875	7.19	1.58	166,875	1.58
	-----			-----	
	219,375			219,375	
	=====			=====	
TOTALS					

(7) SIGNIFICANT CUSTOMERS

Revenue (excluding fuel taxes) from one significant customer, the United States Postal Service, totaled \$9.5 million or 14%, \$8.5 million or 16%, and \$8.4 or 19% of total revenue in the fiscal years ended June 30, 2004, 2003 and 2002, respectively. However, revenue from this customer was generated from a total of 6 and 9 separate and independent written contracts of varying lengths of service and renewal options for the years ended June 30, 2004 and 2003, respectively.

F-20

(8) RELATED PARTY TRANSACTIONS

Beginning July 2002, the Company suspended further payments of salary to Stanley H. Streicher, the Company's former chairman, under his November 7, 2000, employment agreement because of an unpaid note receivable. As of December 31, 2003, the Company had set off all the remaining outstanding balance due. Additionally, Mr. Streicher's November 7, 2000 employment contract expired on October 31, 2003 and was not extended or renewed.

Each of the: (a) convertible subordinated promissory notes which were converted in January 2002; (b) December 23, 2002 short-term promissory

## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

note; (c) January 21, 2003 subordinated promissory notes; and (d) May 12, 2003 promissory notes were issued to a director or other affiliates of the Company. In addition, a portion of the May 20, 2003 subordinated promissory notes and related warrants were issued to officers, directors and other affiliates of the Company. These notes are more fully described in Note 6.

### (9) INCOME TAXES

The actual tax benefit of the Company for the years ended June 30, 2004, 2003 and 2002 differs from the statutory Federal tax rate of 34% due to the following:

	Fiscal Year June 30, 2004	Fiscal Year June 30, 2003	Fiscal Year June 20
	-----	-----	-----
Expected benefit for income taxes at the statutory Federal income tax rate of 34%	\$ 237,000	\$ 538,000	\$ 395
Net operating loss carryforward adjustment	133,000	-	
Change in tax rate	172,000	-	
State income taxes, net of federal benefit	59,000	37,000	42
Other	14,000	13,000	(59)
Nondeductible expenses	(12,000)	(9,000)	(102)
Deferred tax valuation allowance	(603,000)	(579,000)	(276)
	-----	-----	-----
Benefit (provision) for income taxes	\$ --	\$ --	\$
	=====	=====	=====

Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their income tax bases, and operating loss carryforwards

The tax effects of temporary differences and operating loss carryforwards that give rise the significant portions of the deferred tax assets and liabilities at June 30, 2004 and 2003 are presented below:

F-21

	June 30,	
	----- 2004	----- 2003
	-----	-----
Deferred tax assets:		
Net operating loss carryforwards	\$ 5,684,000	\$ 4,880,000
Asset basis adjustment for Reorganization	257,000	275,000
Allowance for doubtful accounts	170,000	200,000

Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

Accrued expenses	42,000	32,000
Contributions carryover	2,000	3,000
	-----	-----
Total gross deferred tax assets	6,155,000	5,390,000
Less: valuation allowance	(3,466,000)	(2,863,000)
	-----	-----
Total deferred tax assets	2,689,000	2,527,000
	=====	=====
Deferred tax liabilities:		
Property and equipment	(2,666,000)	(2,438,000)
Software development costs	(23,000)	(89,000)
	-----	-----
Total deferred tax liabilities	(2,689,000)	(2,527,000)
	=====	=====
Net deferred tax assets	\$ --	\$ --
	=====	=====

Realization of deferred tax assets is dependent upon generating sufficient taxable income in future periods. Management believes that these net operating loss and credit carryforwards may expire unused and will not meet the "more likely than not" criteria of SFAS No. 109, and, accordingly has established a valuation allowance for the excess of deferred tax assets over deferred tax liabilities.

The net change in the valuation allowance for the years ended June 30, 2004, 2003 and 2002 was an increase of \$603,000, \$579,000, \$276,000, respectively. All increases to the valuation allowance during these periods were recorded through the provision for taxes. As of June 30, 2004, the Company has net operating loss carryforwards of approximately \$14.3 million which will begin to expire in the year 2011.

(10) COMMITMENTS AND CONTINGENCIES

(a) Operating Leases

The Company leases real property and equipment under operating leases that expire at various times through the year 2015. Future minimum lease payments under non-cancelable operating leases as of June 30, 2004 are:

Year ended June 30,	Operating Lease Payments
-----	-----
2005	365,000
2006	56,000
2007	21,000
2008	15,000
2009	15,000
Thereafter	91,000
	-----
	563,000
	=====

## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

The Company was obligated to Mr. Streicher under two operating leases covering property utilized for division truck yards and offices, one of which expired in April 2002. While the second lease does not expire until August of 2015, Mr. Streicher sold the property covered by it to an unrelated third party in April 2003. In conjunction with the sale, Mr. Streicher assigned the lease to the purchaser of the property extinguishing any further obligation of the Company to Mr. Streicher under it. Rent expense paid to Mr. Streicher by the Company for the lease of its former corporate offices and the two division facilities was \$0, \$12,000 and \$30,000 for the fiscal years ended June 30, 2004, 2003 and 2002.

(b) Governmental Regulation

Numerous federal, state and local laws, regulations and ordinances, including those relating to protection of the environment and worker safety, affect the Company's operations. Various federal, state and local agencies have broad powers under these laws, regulations and ordinances. In particular, the operation of the Company's mobile fueling fleet and its transportation of diesel fuel and gasoline are subject to extensive regulation by the U.S. Department of Transportation ("DOT") under the Federal Motor Carrier Safety Act ("FMCSA") and the Hazardous Materials Transportation Act ("HMTA"). The Company is subject to regulatory and legislative changes that can affect the economics of the industry by requiring changes in operating practices or influencing the demand for, and the cost of providing, its services. On January 4, 2004, new federal safety rules took effect reducing the number of hours truck drivers can be on duty, including any time spent fueling their trucks or equipment. In addition, the Company depends on the supply of diesel fuel and gasoline from the oil and gas industry and, therefore, is affected by changing taxes, price controls and other laws and regulations generally relating to the oil and gas industry. The Company cannot determine the extent to which its future operations and earnings may be affected by new legislation, new regulations or changes in existing regulations.

Complying with the technical requirements of these laws and regulations is becoming increasingly expensive, complex and stringent. These laws may impose penalties or sanctions for damages to natural resources or threats to public health and safety. Such laws and regulations may also expose the Company to liability for the conduct of or conditions caused by others, or for acts of the Company that were in compliance with all applicable laws at the time such acts were performed. Sanctions for noncompliance may include revocation of permits, corrective action orders, administrative or civil penalties and criminal prosecution. Certain environmental laws provide for joint and several liability for remediation of spills and releases of hazardous substances. In addition, the Company may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances, as well as damage to natural resources.

In the opinion of management, the Company is in substantial compliance with existing laws and regulations, although there can be no assurance that substantial costs for compliance will not be incurred in the future. Moreover, it is possible that other developments, such as stricter environmental laws, regulations and enforcement policies thereunder, could result in additional, presently unquantifiable, costs or liabilities to the Company.



## Edgar Filing: STREICHER MOBILE FUELING INC - Form 10-K

### (c) Employment Agreements

The Company entered into an employment agreement with Richard E. Gathright on October 26, 2000 pursuant to which Mr. Gathright serves as President and Chief Executive Officer of the Company. The agreement has a term of three years, commencing on October 26, 2000, provides for an annual base salary of \$300,000, participation, with other members of management, in a bonus program, whereby up to 10% of the Company's pretax profits will be set aside for bonus

F-23

payments, and the grant of 500,000 options to purchase shares of the Company's common stock at a price of \$1.50 per share. The agreement further provides that it may be terminated by the Company at any time and for any reason. If the agreement is terminated by the Company without cause, Mr. Gathright shall be due the greater of all base salary payable through the term of the agreement or eighteen months base salary. If the agreement is terminated for cause, as defined, Mr. Gathright will not be entitled to the severance payments specified. On September 25, 2003, the Company and Mr. Gathright amended the terms of the agreement extending it from three to four years. Additionally, this Agreement was extended an additional year expiring October 31, 2005.

The Company has also entered into written employment agreements with certain other Company officers. The agreements vary in terms up to one year and automatically renew for successive periods unless notice of termination and severance are given by the Company prior to a renewal period.

### (d) Absence of Written Agreements

Most of the Company's customers do not have written agreements with the Company and can terminate the Company's mobile fueling services at any time and for any reason. If the Company were to experience a high rate of terminations, the Company's business and financial performance could be adversely affected.

### (e) Litigation

The Company may be subject to legal proceedings and claims which arise in the ordinary course of its business. In the opinion of management, after consulting with legal counsel, no litigation or claims exist that should have a material effect on the consolidated financial position or results of operations of the Company as of June 30, 2004.

F-24