

STATE OF ARKANSAS
SECURITIES DEPARTMENT

IN THE MATTER OF

ORDER PROVIDING A
SECURITIES
EXEMPTION FROM
REGISTRATION PURSUANT TO
ARK. CODE ANN. § 23-42-504(a)(12)

HANOVER COMPRESSOR COMPANY and
GKH INVESTMENTS, L.P.

NO. 04-80004757-OR002

FINDINGS OF FACT

1. On January 7, 2004 and February 12, 2004, Hanover Compressor Company and GKH Investments, L.P. ("Hanover") submitted letters through their attorneys, Hughes, Hubbard & Reed, L.L.P., requesting that the Arkansas Securities Commissioner (the "Commissioner") issue an opinion on the transfer of stock in Hanover to a Federal Court Appointed Claims Agent, Gilardi & Company (the "Claims Agent").
2. Hanover submitted documentation of the settlement of a series of derivative lawsuits, primarily in Federal District Court (the "Settlement"), and, as a significant portion of that Settlement, it is contemplated that stock of Hanover (the "Settlement Shares") will be transferred to an escrow agent, Milberg, Weiss, Bershad, Hynes & Lerach, L.L.P. (the "Escrow Agent"), which will forward the Settlement Shares to the Claims Agent to be exchanged for claims of certain current or former shareholders (the "Class") in accordance with the terms of the Court Approved Settlement.
3. Hanover will transfer the Settlement Shares to the Escrow Agent in reliance on a U.S. Securities and Exchange Commission (the "SEC") No Action Letter dated January 27, 2004 and also on Section 3(a)(10) of the federal Securities Act of 1933. The Court, subsequent to a hearing, held the Settlement "Fair" to the class of participants involved in the consolidated lawsuit and approved the settlement.
4. Hanover has represented that the Settlement Shares are equal or senior to those already listed on the New York Stock Exchange (the "NYSE"), that the Settlement Shares will also be listed on the NYSE prior to their distribution by the Claims Agent, and that they will only be distributed by the Claims Agent in exchange for bona fide outstanding claims. Other requirements of the NYSE have been, and continue to be, met in accordance with SEC requirements.
5. Hanover has requested that it be allowed to issue and transfer the Settlement Shares as contemplated by the Settlement without registration of the Settlement Shares or licensing of the officers or employees of Hanover under the Arkansas Securities Act, Ark. Code Ann. §§23-42-501 and 23-42-301.

CONCLUSIONS OF LAW

1. Ark. Code Ann. §23-42-504(a)(12) provides that the Commissioner may by order exempt any transaction from the registration provisions of the Act if he determines that registration is not necessary or appropriate in the public interest or for the protection of investors.
2. Ark. Code Ann. §23-42-102(2)(B)(i)(b) provides that the definition of "Agent" does not include an individual effecting transactions exempted by §23-42-504 of the Act.
3. It is not necessary in the public interest or for the protection of investors that the Settlement Shares be registered pursuant to the Act.

OPINION

In determining whether it is reasonable to grant a discretionary exemption under Ark. Code Ann. §23-42-504(a)(12), the Commissioner must consider the weight of the facts on which the exemption is based against the probability that those facts will remain constant throughout the term of the transaction. In this case, the representations of Hanover demonstrate that Hanover has been required to comply with provisions of the U.S. District Court, the SEC and NYSE and must continue to so comply.

Furthermore, finding this transaction as exempt from the registration provisions of the Act is consistent with the policy and purposes of the Act in that it does not compromise investor protection. The U.S. District Court has determined the Settlement to be fair and equitable to all parties. It is not necessary in the public interest or for the protection of the investing public to require registration of the Settlement Shares.

ORDER

IT IS THEREFORE ORDERED that the issuance and transfer of the Settlement Shares by Hanover Compressor Company, GKH Investments, L.P. and GKH Partners, L.P. in accordance with the Settlement described herein, shall be exempted from the registration provisions of the Act pursuant to Ark. Code Ann. §23-42-504(a)(12). This Order does not exempt any person from the antifraud provisions of the Act.

WITNESS MY HAND AND SEAL this 4th day of March 2004.



MICHAEL B. JOHNSON
ARKANSAS SECURITIES COMMISSIONER