AVID TECHNOLOGY, INC.
Form 8-K
March 24, 2017

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

FORM 8-K

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

Date of Report (Date of earliest event reported): March 23, 2017

AVID TECHNOLOGY, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	1-36254	04-2977748
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

75 Network Drive, Burlington, Massachusetts 01803
(Address of Principal Executive Offices) (Zip Code)

(978) 640-6789
(Registrant's Telephone Number, Including Area Code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 7.01 Regulation FD Disclosure.

On March 23, 2017, the Company held a call with investors (the “Earnings Call”), discussing its financial results for the fiscal year and fiscal quarter ended December 31, 2016. The presentation used by the Company during the Earnings Call, (the "Earnings Release Presentation") is furnished herewith as Exhibit 99.1.

Non-GAAP and Operational Measures. The attached Earnings Release Presentation includes non-GAAP operating expenses, non-GAAP revenue, non-GAAP gross margin, non-GAAP adjusted EBITDA, and non-GAAP adjusted free cash flow. Non-GAAP operating income (loss), non-GAAP operating expenses, non-GAAP gross margin and non-GAAP net income per share exclude restructuring costs, stock based compensation, amortization and impairment of intangibles as well as other unusual items such as costs related to the restatement, M&A related activity, efficiency program and impact of significant legal settlements. Avid defines non-GAAP revenue as GAAP revenue plus revenue eliminated through the application of purchase accounting which requires acquired deferred revenue to be recorded at fair value rather than the amount paid by customers. Avid defines adjusted EBITDA as non-GAAP operating income (loss) excluding depreciation and all amortization expense. Avid defines non-GAAP adjusted free cash flow as GAAP operating cash flow less capital expenditures and excludes from free cash flow payments or receipts related to M&A, significant legal settlements, restructuring, restatement or other non-operational or non-recurring events. The attached Earnings Release Presentation also includes forward-looking non-GAAP financial measures, including Adjusted EBITDA, non-GAAP Operating Expenses, non-GAAP Revenue and Adjusted Free Cash Flow. Reconciliations of these forward-looking non-GAAP financial measures were not included in the attached Earnings Release Presentation due to the high variability and difficulty in making accurate forecasts and projections of some of the excluded information, together with some of the excluded information not being ascertainable or accessible at this time. As a result, the Company is unable to quantify certain amounts that would be required to be included in the most directly comparable GAAP financial measure without unreasonable efforts.

These non-GAAP measures reflect how Avid manages its businesses internally. Avid’s non-GAAP measures may vary from how other companies present non-GAAP measures. Non-GAAP financial measures are not based on a comprehensive set of accounting rules or principles. This non-GAAP information supplements, and is not intended to represent a measure of performance in accordance with, disclosures required by generally accepted accounting principles, or GAAP. Non-GAAP financial measures should be considered in addition to, not as a substitute for or superior to, financial measures determined in accordance with GAAP.

The attached Earnings Release Presentation also includes operational measures, such as bookings, recurring revenue bookings and revenue backlog. Definitions of these measures are included in the supplemental financial and operational data sheet available on our investor relations webpage at ir.avid.com.

Limitation on Incorporation by Reference. The information furnished in Item 7.01, including the Earnings Release Presentation attached hereto as Exhibit 99.1, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Cautionary Note Regarding Forward-Looking Statements. Except for historical information contained in this Form 8-K, and the Earnings Release Presentation attached as Exhibit 99.1 hereto, the Form 8-K and Earnings Release Presentation contains forward-looking statements that involve certain risks and uncertainties that could cause actual results to differ materially from those expressed or implied by these statements. Please refer to the cautionary notes in the Earnings Release Presentation regarding these forward-looking statements.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit Number	Description
99.1	Earnings Release Presentation, dated March 23, 2017

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

	AVID TECHNOLOGY, INC. (Registrant)
	By: /s/ Brian E. Agle
Date: March 23, 2017	Name: Brian E. Agle
	Title: Senior Vice President and CFO

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[a] Represents the full write-down of the Company’s equity method investment in INOVA Geophysical of $30.7 million, in addition to the Company’s share of charges related to excess and obsolete inventory and customer bad debts of $3.5 million. For a discussion of the Company’s impairment of its equity method investment, see Footnote 15 “Equity Method Investments” of the Footnotes to Consolidated Financial Statements contained elsewhere in this Annual Report on Form 10-K.

[b] Includes an impairment of the goodwill on the Company’s Marine Systems reporting unit and an impairment of certain intangible assets. For a discussion of the impairment of the goodwill, see Footnote 10 “Goodwill.” For a discussion of the impairment of the intangible asset, see Footnote 9 “Details of Selected Balance Sheet Accounts.”

[c] Includes outstanding receivables from INOVA Geophysical of $5.5 million.

2013 Restructuring

In the third quarter of 2013, the Company initiated a restructuring of its Systems segment. This restructuring involved the closing of certain manufacturing facilities and a reduction of headcount in those and other facilities.

As of September 30, 2013, the Company had reduced its employee headcount in its Systems segment by 31% of the total Systems full-time employee headcount. Of the total amount expensed in 2013, $3.7 million is included in cost of sales, with the remaining $1.9 million included in operating expenses.

F-15

Table of Contents

During 2013, the Company recognized the following pre-tax charges related to its Systems segment restructuring activity (in thousands):

	Facility charges	Severance charges	Asset write-downs and other	Total
Cost of goods sold	$647	$3,729	$21,351	$25,727
Operating expenses	$—	$1,873	$383	$2,256
Consolidated total	$647	$5,602	$21,734	$27,983

Impairment of Multi-client Data Library

During 2014, the Company wrote down the multi-client data library, primarily associated with Arctic and onshore North American programs, by $100.1 million after it was determined that estimated future cash flows would not be sufficient to recover the carrying value due to then current market conditions. The reductions in exploration spending, discussed above, have had an impact on the Company's results of operations for 2014, especially those of its Solutions segment. Sales of Arctic programs have been specifically impacted by recent events in Russia. The decline in crude oil prices, as well as U.S. and European Union sanctions against Russia related to its actions in Ukraine, have both contributed to the devaluation of the Russian ruble putting significant pressure on the Company's Russian-based customers and negatively impacting the appeal of seismic data located in Russia to potential non-Russian buyers. In North America, the land seismic market continues to experience softness. E&P customer spending in the natural gas shale plays has been limited due to associated gas being produced from unconventional oil wells in North America increasing natural gas supplies putting downward pressure on U.S. natural gas prices.

This impairment of the Company's multi-client data library was recorded because the net capitalized costs exceeded the fair value of the multi-client data library as measured by estimated future cash flows. The fair values of the individual libraries were measured using valuation techniques consistent with the income approach, converting future cash flows to a single discounted amount. Significant inputs used to determine the fair values of the libraries included estimates of: (i) revenues; (ii) future costs including royalties; and (iii) an appropriate discount rate. In order to estimate future cash flows, the Company considered historical cash flows, existing and future contracts and changes in the market environment and other factors that may affect future cash flows. To the extent applicable, the assumptions the Company used are consistent with forecasts that it is otherwise required to make (for example, in preparing its earnings forecasts). The use of this method involves inherent uncertainty. The Company has determined that the fair value measurements of this nonfinancial asset are level 3 in the fair value hierarchy.

In 2013, the Company wrote down the multi-client data library by $5.5 million primarily due to cost overruns, which resulted in costs exceeding the sales forecast, triggering the impairment.

(3) Segment and Geographic Information

The Company evaluates and reviews its results based on four segments: Solutions, Systems, Software and Ocean Bottom Services. The Company measures segment operating results based on income (loss) from operations. In addition, the Company has an equity ownership interest its INOVA Geophysical joint venture. See Footnote 15 "Equity Method Investments" for the summarized financial information for INOVA Geophysical.

Table of Contents

A summary of segment information follows (in thousands):

	Years Ended December 31, 2015	2014	2013
Net revenues:			
Solutions:			
New Venture	$48,294	$98,649	$154,578
Data Library	63,326	66,180	111,998
Total multi-client revenues	111,620	164,829	266,576
Data Processing	45,630	113,075	120,808
Total	$157,250	$277,904	$387,384
Systems:			
Towed Streamer	$15,016	$43,995	$66,991
Ocean Bottom Equipment	—	—	7,307
Other	21,253	44,422	48,134
Total	$36,269	$88,417	$122,432
Software:			
Software Systems	$24,764	$36,203	$35,418
Services	3,230	3,790	3,933
Total	$27,994	$39,993	$39,351
Ocean Bottom Services	$—	$103,244	$—
Total	$221,513	$509,558	$549,167
Gross profit (loss):			
Solutions	$13,508	$(24,345) [a]	$111,108
Systems	10,829	29,829 [b]	19,999
Software	17,937	28,835	28,206
Ocean Bottom Services	(34,271)	27,904	—
Total	$8,003	$62,223	$159,313
Gross margin:			
Solutions	9%	(9)%	29%
Systems	30%	34%	16%
Software	64%	72%	72%
Ocean Bottom Services	—%	27%	—%
Total	4%	12%	29%
Income (loss) from operations:			
Solutions	$(28,916)	$(80,653) [a]	$61,146
Systems	(2,735)	(23,521) [b]	(9,957)
Software	9,748	20,212	23,602
Ocean Bottom Services	(40,756)	19,070	—
Corporate and other	(37,973)	(53,037)	(58,395)
Income (loss) from operations	(100,632)	(117,929)	16,396
Interest expense, net	(18,753)	(19,382)	(12,344)
Equity in losses of investments	—	(49,485)	(42,320)
Other income (expense)	98,275	79,860	(182,530)
Loss before income taxes	$(21,110)	$(106,936)	$(220,798)

[a] Includes a charge of $100.1 million to write down the multi-client data library, impacting gross profit (loss), in addition to charges for the impairment of intangible assets and severance-related charges within the Solutions segment.

[b] Includes a charge of $21.9 million to write down goodwill, impacting income (loss) from operations, in addition to charges for write-downs of inventory and receivables and severance-related charges within the Systems segment.

Table of Contents

	Years Ended December 31,		
	2015	2014	2013
Depreciation and amortization (including multi-client data library):			
Solutions	$51,014	$80,138	$99,774
Systems	1,678	1,860	2,665
Software	1,191	989	699
Ocean Bottom Services	6,158	6,517	—
Corporate and other	2,270	2,526	1,736
Total	$62,311	$92,030	$104,874

	December 31,	
	2015	2014
Total assets:		
Solutions	$243,067	$265,505
Systems	60,064	84,465
Software	38,097	38,479
Ocean Bottom Services	35,792	56,637
Corporate and other	61,396	172,171
Total	$438,416	$617,257

A summary of total assets by geographic area follows (in thousands):

	December 31,	
	2015	2014
Total assets by geographic area:		
North America	$229,175	$347,419
Europe	84,392	117,622
Middle East	75,390	96,532
Latin America	35,349	36,529
Other	14,110	19,155
Total	$438,416	$617,257

Intersegment sales are insignificant for all periods presented. Corporate assets include all assets specifically related to corporate personnel and operations, a majority of cash and cash equivalents. Depreciation and amortization expense is allocated to segments based upon use of the underlying assets.

A summary of net revenues by geographic area follows (in thousands):

	Years Ended December 31,		
	2015	2014	2013
Net revenues by geographic area:			
North America	$74,634	$130,224	$150,160
Europe	72,577	100,188	198,977
Asia Pacific	19,135	49,881	52,672
Latin America	16,406	111,078	54,008
Middle East	14,571	39,142	63,157
Africa	13,182	75,507	16,474
Commonwealth of Independent States	11,008	3,538	13,719
Total	$221,513	$509,558	$549,167

Net revenues are attributed to geographic areas on the basis of the ultimate destination of the equipment or service, if known, or the geographic area imaging services are provided. If the ultimate destination of such equipment is not known, net revenues are attributed to the geographic area of initial shipment.

Table of Contents

(4) Long-term Debt and Lease Obligations

	December 31,	
Obligations (in thousands)	2015	2014
Senior secured second-priority notes	175,000	175,000
Equipment capital leases	9,762	15,059
Other debt obligations	1,558	535
Total	186,320	190,594
Current portion of long-term debt and lease obligations	(7,912)	(7,649)
Non-current portion of long-term debt and lease obligations	$178,408	$182,945

Revolving Credit Facility

In August 2014, ION and its material U.S. subsidiaries, ION Exploration Products (U.S.A.), Inc., I/O Marine Systems, Inc. and GX Technology Corporation (collectively, the “Subsidiary Borrowers”), entered into a credit facility (the “Credit Facility”).

The terms of the Credit Facility are set forth in a revolving credit and security agreement dated as of August 22, 2014, among the borrowers, the lenders party thereto and PNC Bank, National Association (“PNC”), as agent for the lenders. The Credit Facility provided a maximum amount of revolving line of credit of $80.0 million, subject to a borrowing base for revolving credit borrowings, calculated using a formula based on eligible receivables, eligible inventory and other amounts.

The obligations of the Company under the Credit Facility are secured by a first-priority security interest in 100% of the stock of the Subsidiary Borrowers and 65% of the equity interests in ION International Holdings L.P. and by substantially all other assets of the borrowers.

On August 4, 2015, the Company and the Subsidiary Borrowers amended the terms of the Credit Facility pursuant to a First Amendment to Revolving Credit and Security Agreement dated effective as of August 4, 2015 (the “First Amendment”). The First Amendment contemplated, among other things, (i) PNC becoming the sole lender under the Credit Facility, (ii) the reduction of the maximum amount of the revolving line of credit under the Credit Facility from $80.0 million to $40.0 million, (iii) the elimination of the requirement that the Company not exceed a maximum senior secured leverage ratio, (iv) the amendment of the borrowing base formula under the Credit Facility and (v) the removal of the accordion features under the Credit Facility.

Prior to the First Amendment, the revolving credit and security agreement contemplated maximum credit facilities of up to $175.0 million in the aggregate, consisting of (i) a revolving facility of up to $125.0 million, to which the lenders had committed $80.0 million (with availability under such revolving facility subject at all times to a borrowing base and other conditions to borrowing) and up to an additional $45.0 million of which was subject to the implementation of certain accordion provisions and (ii) an uncommitted term facility in an aggregate amount of up to $50.0 million on terms to be mutually agreed at a later date and subject to receiving commitments of lenders to such term facility.

The borrowing base under the First Amendment will increase or decrease monthly using an amended formula based on certain eligible receivables, eligible inventory and other amounts, including a percentage of the net orderly liquidation value of the Company's multi-client data library (not to exceed $15.0 million for the multi-client data library data component). At December 31, 2015, the borrowing base under the Credit Facility was $40.0 million, and there was no outstanding indebtedness under the Credit Facility.

The Credit Facility, as amended, contains covenants that, among other things, restrict the Company, subject to certain exceptions, from incurring additional indebtedness (including capital lease obligations), granting or incurring additional liens on the Company’s properties, pledging shares of the Company’s subsidiaries, entering into certain merger or other change-in-control transactions, entering into transactions with the Company’s affiliates, making certain sales or other dispositions of the Company’s assets, making certain investments, acquiring other businesses and entering into sale-leaseback transactions with respect to the Company’s property.

Table of Contents

In addition, the terms of our Credit Facility contain covenants that restrict the Company from paying cash dividends on it's common stock, or repurchasing or acquiring shares of it's common stock, unless (i) there is no event of default under the Credit Facility, (ii) there is excess availability under the Credit Facility greater than $20.0 million (or, at the time that the borrowing base formula amount is less than $20.0 million, the borrowers' level of liquidity (as defined in the revolving credit and security agreement) is greater than $20.0 million) and (iii) the agent receives satisfactory projections showing that excess availability under the Credit Facility for the immediately following period of ninety (90) consecutive days will not be less than $20.0 million (or, at the time that the borrowing base formula amount is less than $20.0 million, the borrowers' level of liquidity is greater than $20.0 million). The aggregate amount of permitted cash dividends and stock repurchases may not exceed $10.0 million in any fiscal year or $40.0 million in the aggregate from and after the closing date of the Credit Facility.

The Credit Facility, as amended, requires that ION and the Subsidiary Borrowers maintain a minimum fixed charge coverage ratio of 1.1 to 1.0 as of the end of each fiscal quarter during the existence of a covenant testing trigger event. The fixed charge coverage ratio is defined as the ratio of (i) ION's EBITDA, minus unfunded capital expenditures made during the relevant period, minus distributions (including tax distributions) and dividends made during the relevant period, minus cash taxes paid during the relevant period, to (ii) certain debt payments made during the relevant period. A covenant testing trigger event occurs upon (a) the occurrence and continuance of an event of default under the Credit Facility or (b) the failure to maintain a measure of liquidity greater than (i) $5.0 million for five consecutive business days or (ii) $4.0 million on any given business day. Liquidity, as defined in the Credit Facility, is the Company's excess availability to borrow ($40.0 million at December 31, 2015) plus the aggregate amount of unrestricted cash held by ION, the Subsidiary Borrowers and their domestic subsidiaries.

At December 31, 2015 the Company was in compliance with all of the covenants under the Credit Facility.

The Credit Facility, as amended, contains customary event of default provisions (including a "change of control" event affecting ION), the occurrence of which could lead to an acceleration of the Company's obligations under the Credit Facility as amended.

Senior Secured Second-Priority Notes

In May 2013, the Company sold $175.0 million aggregate principal amount of 8.125% Senior Secured Second-Priority Notes due 2018 ("Notes") in a private offering pursuant to an Indenture dated as of May 13, 2013. The Notes are senior secured second-priority obligations of the Company, are guaranteed by certain of the Company's U.S. subsidiaries, and mature on May 15, 2018. Interest on the Notes accrues at the rate of 8.125% per annum and will be payable semiannually in arrears on May 15 and November 15 of each year during their term. In May 2014, the holders of the Notes exchanged their Notes for a like principal amount of registered Notes with the same terms.

On or after May 15, 2015, the Company may on one or more occasions redeem all or a part of the Notes at the redemption prices set forth below, plus accrued and unpaid interest and special interest, if any, on the Notes redeemed during the 12-month period beginning on May 15th of the years indicated below:

Date	Percentage
2015	104.063%
2016	102.031%
2017 and thereafter	100.000%

The Notes are initially jointly and severally guaranteed on a senior secured basis by each of the Company's current material U.S. subsidiaries: GX Technology Corporation, ION Exploration Products (U.S.A.), Inc. and I/O Marine Systems, Inc. (the "Notes Guarantors"). The Notes and the guarantees are secured, subject to certain exceptions and permitted liens, by second-priority liens on substantially all of the assets that secure the indebtedness under the Credit Facility, as amended (see "– Revolving Credit Facility" above). The indebtedness under the Notes is effectively junior to the Company's obligations under the Credit Facility to the extent of the value of the collateral securing the Credit Facility, and to any other indebtedness secured on a first-priority basis to the extent of the value of the Company's assets subject to those first-priority security interests.

The Notes contain certain covenants that, among other things, limit or prohibit the Company's ability and the ability of its restricted subsidiaries to take certain actions or permit certain conditions to exist during the term of the Notes, including among other things, incurring additional indebtedness, creating liens, paying dividends and making other distributions in respect of the Company's capital stock, redeeming the Company's capital stock, making investments or certain other restricted payments, selling certain kinds of assets, entering into transactions with affiliates, and effecting mergers or consolidations, in aggregate not to exceed at any one time $25.0 million. These and other restrictive covenants contained in the Indenture are subject to certain exceptions and qualifications.

Table of Contents

These and other restrictive covenants contained in the Indenture are subject to certain exceptions and qualifications. All of the Company's subsidiaries are currently restricted subsidiaries. As of December 31, 2015, the Company was in compliance with these covenants.

Equipment Capital Leases

The Company has entered into capital leases that are due in installments for the purpose of financing the purchase of computer equipment through 2019. Interest accrues under these leases at rates of up to 9.4% per annum, and the leases are collateralized by liens on the computer equipment. The assets are amortized over the lesser of their related lease terms or their estimated productive lives and such charges are reflected within depreciation expense.

A summary of future principal obligations under long-term debt and equipment capital lease obligations follows (in thousands):

Years Ended December 31,	Long-Term Debt	Capital Lease Obligations	Other Financing
2016	$ —	$6,354	$1,558
2017	—	3,129	—
2018	175,000	250	—
2019	—	29	—
2020	—	—	—
Thereafter	—	—	—
Total	$ 175,000	$9,762	$1,558

(5) Net Income (Loss) per Common Share

Basic net income (loss) per common share is computed by dividing net (loss) applicable to common shares by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per common share is determined based on the assumption that dilutive restricted stock and restricted stock unit awards have vested and outstanding dilutive stock options have been exercised and the aggregate proceeds were used to reacquire common stock using the average price of such common stock for the period. The total number of shares issuable under anti-dilutive options at December 31, 2015, 2014 and 2013 were 560,797, 599,068 and 550,567, respectively. All outstanding stock options for the twelve months ended December 31, 2015, 2014 and 2013 were anti-dilutive. The total number of shares issuable under anti-dilutive options above have been retroactively adjusted to reflect the one-for-fifteen reverse stock split completed on February 4, 2016.

Prior to September 30, 2013, there were 27,000 shares outstanding of the Company's Series D Cumulative Convertible Preferred Stock ("Series D Preferred Stock"). On September 30, 2013, the holder of all of the outstanding shares of Series D Preferred Stock converted those shares into 404,338 shares of common stock. The number of shares of common stock received as a result of the conversion of the Series D Cumulative Convertible Preferred Stock has been retroactively adjusted to reflect the one-for-fifteen reverse stock split completed on February 4, 2016. The effects of the outstanding shares of all Series D Preferred Stock were anti-dilutive for the year ended December 31, 2013.

(6) Income Taxes

The sources of income (loss) before income taxes are as follows (in thousands):

	Years Ended December 31,		
	2015	2014	2013
Domestic	$21,065	$(162,151)	$(221,185)
Foreign	(42,175)	55,215	387
Total	$(21,110)	$(106,936)	$(220,798)

Table of Contents

Components of income taxes are as follows (in thousands):

	Years Ended December 31,		
	2015	2014	2013
Current:			
Federal	$(4,715)	$(678)	$4,113
State and local	41	(42)	485
Foreign	1,274	21,722	16,278
Deferred:			
Federal	2,726	1,004	4,012
Foreign	4,718	(1,424)	832
Total income tax expense	$4,044	$20,582	$25,720

A reconciliation of the expected income tax expense on income (loss) before income taxes using the statutory federal income tax rate of 35% for 2015, 2014 and 2013 to income tax expense follows (in thousands):

	Years Ended December 31,		
	2015	2014	2013
Expected income tax expense at 35%	$(7,389)	$(37,428)	$(77,279)
Foreign tax rate differential	1,769	(10,481)	(2,348)
Foreign tax differences	4,104	6,444	16,808
State and local taxes	41	(42)	485
Nondeductible expenses	578	(1,584)	(58)
Goodwill impairment	—	9,444	—
Expired Capital Loss	15,950		
Valuation allowance:			
Valuation allowance on equity in losses of INOVA Geophysical	—	17,644	7,871
Valuation allowance on expiring capital losses	(15,950)	—	—
Valuation allowance on operations	4,941	36,585	80,241
Total income tax expense	$4,044	$20,582	$25,720

F-22

Table of Contents

The company has adopted ASU 2015-17 on a prospective basis as of December 31, 2015. Prior year amounts have not been retrospectively adjusted. See Footnote 20 “Recent Accounting Pronouncement” of Footnotes to the Consolidated Financial Statements.

The tax effects of the cumulative temporary differences resulting in the net deferred income tax asset (liability) are as follows (in thousands):

	December 31, 2015	December 31, 2014
Current deferred:		
Deferred income tax assets:		
Accrued expenses	$—	$6,495
Allowance accounts	—	7,076
Total current deferred income tax asset	—	13,571
Valuation allowance	—	(12,612)
Net current deferred income tax asset	—	959
Deferred income tax liabilities:		
Unbilled receivables	—	(6,865)
Total net current deferred income tax liability	$—	$(5,906)
Non-current deferred:		
Deferred income tax assets:		
Accrued expenses	$2,976	$—
Allowance Accounts	6,739	—
Net operating loss carryforward	95,640	61,227
Capital loss carryforward	2,434	18,385
Equity method investment	58,820	58,820
Basis in identified intangibles	5,978	9,263
Basis in research and development	7,051	3,819
Contingency accrual	7,700	43,319
Tax credit carryforwards and other	12,138	11,515
Total non-current deferred income tax asset	199,476	206,348
Valuation allowance	(194,255)	(192,652)
Net non-current deferred income tax asset	5,221	13,696
Deferred income tax liabilities:		
Unbilled receivables	(6,516)	—
Basis in property, plant and equipment	(3,439)	(5,082)
Total net non-current deferred income tax liability	$(4,734)	$8,614

During 2013 the Company established a valuation allowance on the substantial majority of U.S. net deferred tax assets due to the significant charges taken during the year and the related inability to rely on projections of future income. As of December 31, 2015, the Company has a full valuation allowance on all net U.S. deferred tax assets. The valuation allowance was calculated in accordance with the provisions of ASC 740-10, “Accounting for Income Taxes,” which requires that a valuation allowance be established or maintained when it is “more likely than not” that all or a portion of deferred tax assets will not be realized. The Company will continue to record a valuation allowance for the substantial majority of its deferred tax assets until there is sufficient evidence to warrant reversal.

At December 31, 2015, the Company had U.S. net operating loss carryforwards of approximately $204.9 million, expiring in 2034, and net operating loss carryforwards outside of the U.S. of approximately $90.1 million, the majority of which expires beyond 2027. At December 31, 2015, the Company also had $5.8 million of U.S. capital loss carryforwards. The majority of these capital loss carryforwards expire in 2017.

As of December 31, 2015, the Company has approximately $1.3 million of unrecognized tax benefits and does not expect to recognize any significant increases in unrecognized tax benefits during the next twelve-month period. Interest and penalties, if any, related to unrecognized tax benefits are recorded in income tax expense. During 2015, 2014 and 2013, the aggregate changes in the Company's total gross amount of unrecognized tax benefits are summarized as follows (in thousands):

Table of Contents

	Years Ended December 31,		
	2015	2014	2013
Beginning balance	$1,957	$2,219	$1,834
Increases in unrecognized tax benefits – prior year positions	—	—	—
Increases in unrecognized tax benefits – current year positions	75	263	385
Decreases in unrecognized tax benefits – prior year position	(782)	(525)	—
Ending balance	$1,250	$1,957	$2,219

The Company's U.S. federal tax returns for 2012 and subsequent years remain subject to examination by tax authorities. The Company is no longer subject to IRS examination for periods prior to 2011, although carryforward attributes that were generated prior to 2011 may still be adjusted upon examination by the IRS if they either have been or will be used in a future period. In the Company's foreign tax jurisdictions, tax returns for 2010 and subsequent years generally remain open to examination

As of December 31, 2015, the Company considered the outside book-over-tax basis difference in its foreign subsidiaries to be in the amount of approximately $72.2 million. United States income taxes have not been provided on this difference as it is the Company's intention to reinvest the undistributed earnings of its foreign subsidiaries indefinitely. The Company's U.S. operations are expected to be fully supported by existing cash balances and U.S.-generated cash flows. These foreign earnings could become subject to additional tax if remitted, or deemed remitted, to the United States as a dividend; however, it is not practicable to estimate the additional amount of taxes payable.

(7) Legal Matters

WesternGeco

In June 2009, WesternGeco L.L.C. ("WesternGeco") filed a lawsuit against the Company in the United States District Court for the Southern District of Texas, Houston Division. In the lawsuit, styled WesternGeco L.L.C. v. ION Geophysical Corporation, WesternGeco alleged that the Company had infringed several method and apparatus claims contained in four of its United States patents regarding marine seismic streamer steering devices.

The trial began in July 2012. A verdict was returned by the jury in August 2012, finding that the Company infringed the claims contained in the four patents by supplying its DigiFIN® lateral streamer control units and the related software from the United States and awarded WesternGeco the sum of $105.9 million in damages, consisting of $12.5 million in reasonable royalty and $93.4 million in lost profits.

In June 2013, the presiding judge entered a Memorandum and Order, denying the Company's post-verdict motions that challenged the jury's infringement findings and damages amount. In the Memorandum and Order, the judge also stated that WesternGeco is entitled to be awarded supplemental damages for the additional DigiFIN units that were supplied from the United States before and after trial that were not included in the jury verdict due to the timing of the trial. In October 2013, the judge entered another Memorandum and Order, ruling on the number of DigiFIN units that are subject to supplemental damages and also ruling that the supplemental damages applicable to the additional units should be calculated by adding together the jury's previous reasonable royalty and lost profits damages awards per unit, resulting in supplemental damages of $73.1 million.

In April 2014, the judge entered another Order, ruling that lost profits should not have been included in the calculation of supplemental damages in the October 2013 Memorandum and Order and reducing the supplemental damages award in the case from $73.1 million to $9.4 million. In the Order, the judge also further reduced the damages award in the case by $3.0 million to reflect a settlement and license that WesternGeco entered into with a customer of the Company that had purchased and used DigiFIN units that were also included in the damage amounts awarded against the Company.

In May 2014, the judge signed and entered a Final Judgment in the amount of $123.8 million. Also, the Final Judgment included an injunction that enjoins the Company, its agents and anyone acting in concert with it, from supplying in or from the United States the DigiFIN product or any parts unique to the DigiFIN product, or any instrumentality no more than colorably different from any of these products or parts, for combination outside of the United States. The Company has conducted its business in compliance with the district court's orders in the case, and the Company has reorganized its operations such that it no longer supplies the DigiFIN product or any parts unique to the DigiFIN product in or from the United States.

Table of Contents

The Company and WesternGeco each appealed the Final Judgment to the United States Court of Appeals for the Federal Circuit in Washington, D.C. On July 2, 2015, the Court of Appeals reversed in part the Final Judgment, holding the district court erred by including lost profits in the Final Judgment. Lost profits were $93.4 million and prejudgment interest on the lost profits was approximately $10.9 million of the $123.8 million Final Judgment. Pre-judgment interest on the lost profits portion will be treated in the same way as the lost profits. Post-judgment interest will likewise be treated in the same fashion. On July 29, 2015, WesternGeco filed a petition for rehearing en banc before the Court of Appeals. On October 30, 2015, the Court of Appeals denied WesternGeco's petition for rehearing en banc. WesternGeco has up to 90 days to determine whether or not it will file a writ of certiorari requesting that the U.S. Supreme Court review the Court of Appeals' decision. On January 14, 2016, WesternGeco filed a motion to extend until February 26, 2016 the period of time it has to file a writ of certiorari requesting that the U.S. Supreme Court review the Court of Appeals' decision. WesternGeco has also filed a motion requesting that the district court enforce the approximately $22.0 million in royalty damages without regard to whether or not WesternGeco files a writ of certiorari with the U.S. Supreme Court. The Company has opposed the motion and it has not yet been scheduled for a hearing.

As previously disclosed, the Company had taken a loss contingency accrual of $123.8 million. As a result of the reversal by the Court of Appeals, as of June 30, 2015, the Company reduced the loss contingency accrual to its current amount of $22.0 million. The Company's assessment of its potential loss contingency may change in the future due to developments in the case and other events, such as changes in applicable law, and such reassessment could lead to the determination that no loss contingency is probable or that a greater or lesser loss contingency is probable. Any such reassessment could have a material effect on the Company's financial condition or results of operations.

Prior to the reduction in damages by the Court of Appeals, the Company arranged with sureties to post an appeal bond at the trial court. The appeal bond is uncollateralized, but the terms of the appeal bond arrangements provide the sureties the contractual right for as long as the bond is outstanding to require the Company to post cash collateral. The Company has received a request for $11 million in collateral, and is in negotiations with the sureties regarding the request. The appeal bond will remain outstanding during the pendency of appeals.

Other

The Company has been named in various other lawsuits or threatened actions that are incidental to its ordinary business. Litigation is inherently unpredictable. Any claims against the Company, whether meritorious or not, could be time-consuming, cause the Company to incur costs and expenses, require significant amounts of management time and result in the diversion of significant operational resources. The results of these lawsuits and actions cannot be predicted with certainty. Management currently believes that the ultimate resolution of these matters will not have a material adverse impact on the financial condition, results of operations or liquidity of the Company.

(8) Other Income (Expense)

A summary of other income (expense) follows (in thousands):

	Years Ended December 31,		
	2015	2014	2013
Reduction of (accrual for) loss contingency related to legal proceedings (Footnote 7)	$101,978	$69,557	$(183,327)
Gain on sale of a product line[1]	—	6,522	—
Gain on sale of cost method investments[2]	—	5,463	3,591
Other income (expense)	(3,703)	(1,682)	(2,794)
Total other income (expense)	$98,275	$79,860	$(182,530)

(1) In 2014, the Company sold its Source product line for $14.4 million, net of transaction fees, recording a gain of approximately $6.5 million before taxes. The historical results of this product line have not been material to the Company's results of operations.

(2) Includes the 2014 sale of the Company's cost method investment in a privately-owned U.S.-based technology company for total proceeds of approximately $16.5 million, of which $14.1 million was due and paid at closing.

Table of Contents

(9) Details of Selected Balance Sheet Accounts

Accounts Receivable

A summary of accounts receivable follows (in thousands):

	December 31, 2015	December 31, 2014
Accounts receivable, principally trade	$49,284	$121,957
Less allowance for doubtful accounts	(4,919)	(7,632)
Accounts receivable, net	$44,365	$114,325

Inventories

A summary of inventories follows (in thousands):

	December 31, 2015	December 31, 2014
Raw materials and purchased subassemblies	$34,949	$41,461
Work-in-process	8,478	18,221
Finished goods	13,769	21,284
Reserve for excess and obsolete inventories	(24,475)	(29,804)
Total	$32,721	$51,162

The Company provides for estimated obsolescence or excess inventory in amounts equal to the difference between the cost of inventory and market based upon assumptions about future demand for the Company's products and market conditions and risk of obsolescence. For 2015, the reserve for excess and obsolete inventories decreased primarily due to the disposal of reserved inventory partially offset by the increase in the Company's reserve for excess and obsolete inventories by less than $0.1 million.

Property, Plant, Equipment and Seismic Rental Equipment

A summary of property, plant, equipment and seismic rental equipment follows (in thousands):

	December 31, 2015	December 31, 2014
Buildings	$24,181	$25,343
Machinery and equipment	152,358	144,864
Seismic rental equipment	1,904	2,166
Furniture and fixtures	4,334	4,064
Other	31,821	16,481
Total	214,598	192,918
Less accumulated depreciation	(142,571)	(123,078)
Property, plant, equipment and seismic rental equipment, net	$72,027	$69,840

Total depreciation expense, including amortization of assets recorded under capital leases, for 2015, 2014 and 2013 was $24.6 million, $25.1 million and $14.8 million, respectively.

Intangible Assets

A summary of intangible assets, net, follows (in thousands):

	December 31, 2015		
	Gross Amount	Accumulated Amortization	Net
Customer relationships	$37,469	$(32,659)	$4,810
Total	$37,469	$(32,659)	$4,810

Table of Contents

	December 31, 2014		
	Gross Amount	Accumulated Amortization	Net
Customer relationships	$40,234	$(33,446)	$6,788
Intellectual property rights	3,350	(3,350)	—
Total	$43,584	$(36,796)	$6,788

In 2014, the Company wrote down the book value of certain relationships in its Solutions segment by $1.4 million. Total amortization expense for intangible assets for 2015, 2014 and 2013 was $1.9 million, $2.5 million and $3.8 million, respectively. A summary of the estimated amortization expense for the next five years follows (in thousands):

Years Ended December 31,	
2016	$1,675
2017	$1,452
2018	$1,225
2019	$458

Accrued Expenses

A summary of accrued expenses follows (in thousands):

	December 31,	
	2015	2014
Compensation, including compensation-related taxes and commissions	$19,126	$33,386
Accrued multi-client data library acquisition costs	1,600	6,458
Deferred income tax liability	—	5,900
Income tax payable	—	8,865
Other	13,561	10,655
Total	$34,287	$65,264

Other Long-term Liabilities

A summary of other long-term liabilities follows (in thousands):

	December 31,	
	2015	2014
Accrual for loss contingency related to legal proceedings (Footnote 7)	$22,000	$123,770
Deferred lease liabilities	13,394	13,416
Facility restructuring accrual	3,006	4,667
Deferred income tax liability	4,734	—
Other	1,231	1,951
Total	$44,365	$143,804

(10) Goodwill

On December 31, 2015, the Company completed the annual reviews of the carrying value of goodwill in its Solutions and Software reporting units and noted no impairments. The quantitative assessment indicated that the fair values of its Solutions and Software reporting units exceeded their carrying values.

In 2014, the Company recorded an impairment charge of $21.9 million related to its goodwill in its Marine Systems reporting unit. For goodwill testing purposes, the litigation contingency accrual of $123.8 million as of December 31, 2014 was assigned to this reporting unit. Based on this accrual and the recording of a valuation allowance on substantially all of the Company's net deferred tax assets, this reporting unit's carrying value was negative as of December 31, 2014. The negative carrying value required the Company to perform step 2 of the impairment test on Marine Systems; the test determined that the goodwill associated with the Marine Systems reporting unit was impaired. The Company also recorded a $1.4 million impairment of certain intangible assets related to customer relationship within the Solutions segment at December 31, 2014.

Table of Contents

The following is a summary of the changes in the carrying amount of goodwill for the years ended December 31, 2015 and 2014 (in thousands):

	Solutions	Software	Marine Systems	Total
Balance at January 1, 2014	$2,943	$25,949	$26,984	$55,876
Reduction due to sale of product line[1]	—	—	(5,100)	(5,100)
Impairment of goodwill	—	—	(21,884)	(21,884)
Impact of foreign currency translation adjustments	—	(1,504)	—	(1,504)
Balance at December 31, 2014	2,943	24,445	—	27,388
Impact of foreign currency translation adjustments	—	(1,114)	—	(1,114)
Balance at December 31, 2015	$2,943	$23,331	$—	$26,274

[1] In connection with the Company's sale of its Source product line in the second quarter of 2014, the Company reduced goodwill associated with the Marine Systems reporting unit.

(11) Stockholders' Equity and Stock-based Compensation

Stock Option Plans

The Company has adopted stock option plans for eligible employees, directors and consultants, which provide for the granting of options to purchase shares of common stock. As of December 31, 2015, there were 560,797 outstanding options under the Company's stock option plans, and 97,003 shares available for future grant and issuance. The option and share numbers have been retroactively adjusted to reflect the one-for-fifteen reverse stock split completed on February 4, 2016.

The options under these plans generally vest in equal annual installments over a four-year period and have a term of ten years. These options are typically granted with an exercise price per share equal to or greater than the current market price and, upon exercise, are issued from the Company's unissued common shares. In August 2006, the Compensation Committee of the Board of Directors of the Company approved fixed pre-established quarterly grant dates for all future grants of options.

Stock Repurchase Program

On November 4, 2015, the Company's board of directors approved a stock repurchase program authorizing a Company stock repurchase, from time to time from November 10, 2015 through November 10, 2017, up to $25 million in shares of the Company's outstanding common stock. The stock repurchase program may be implemented through open market repurchases or privately negotiated transactions, at management's discretion. The actual timing, number and value of shares repurchased under the program will be determined by management at its discretion and will depend on a number of factors including the market price of the shares of our common stock and general market and economic conditions, applicable legal requirements and compliance with the terms of our outstanding indebtedness. The repurchase program does not obligate us to acquire any particular amount of common stock and may be modified or suspended at any time and could be terminated prior to completion. Since the program's inception on November 10, 2015 through February 5, 2016, the Company had repurchased 435,792 shares it's common stock under the repurchase program at an average price per share of $6.45. The number of shares repurchased and the average price per repurchased share has been retroactively adjusted to reflect the one-for-fifteen reverse stock split completed on February 4, 2016. On February 5, 2016, the closing sale price for our common stock was $6.21 on the NYSE.

Reverse Stock Split and Increase in Authorized Shares

On February 1, 2016, the Company's stockholders approved an increase in the number of authorized shares of common stock from 200 million to 400 million, or 13.3 million to 26.7 million retroactively adjusted to reflect the one-for-fifteen reverse stock split.

On February 4, 2016, the Company completed a one-for-fifteen reverse stock split, and the Company's common stock began trading on a reverse-split adjusted basis on February 5, 2016. On February 5, 2016, the closing sale price for the Company's common stock was $6.21 on the NYSE. All numbers of shares of common stock and per share common stock data in the accompanying consolidated financial statements and related notes have been retroactively adjusted to reflect this stock split for all periods presented. Unless otherwise noted, all numbers of shares of preferred stock and per share preferred stock data in the accompanying consolidated financial statements and related notes are not adjusted to reflect the stock split of our common stock.

As a result of the reverse stock split, the number of issued and outstanding shares was adjusted and the number of shares underlying outstanding stock options and the related exercise prices were adjusted. Following the effective date of the reverse stock split, the par value of the Company's common stock remained at $0.01 per share, and the number of authorized shares was reduced from 400,000,000 to 26,666,667, adjusted to reflect a one-for-fifteen reverse stock split. The prices and share,

Table of Contents

restricted and option figures presented in the table below have been retroactively adjusted to reflect the one-for-fifteen reverse stock split completed on February 4, 2016.
Transactions under the stock option plans are summarized as follows:

	Option Price per Share	Outstanding	Vested	Available for Grant
January 1, 2013	$42.00-$245.85	528,556	306,082	195,928
Increase in shares authorized	—	—	—	248,666
Plan Expiration	—	—	—	(5,283)
Granted	57.90-99.60	119,220	—	(119,220)
Vested	—	—	70,360	—
Exercised	42.00-87.15	(47,171)	(47,171)	—
Cancelled/forfeited	45.00-231.45	(50,038)	(23,573)	46,821
Restricted stock granted out of option plans	—	—	—	(47,663)
Restricted stock forfeited or cancelled for employee minimum income taxes and returned to the plans	—	—	—	15,513
December 31, 2013	42.45-245.85	550,567	305,698	334,762
Plan Expiration	—	—	—	(4,452)
Granted	37.05-62.55	115,760	—	(115,760)
Vested	—	—	92,750	—
Exercised	45.00	(1,900)	(1,900)	—
Cancelled/forfeited	45.00-231.45	(65,358)	(38,158)	14,453
Restricted stock granted out of option plans	—	—	—	(48,503)
Restricted stock forfeited or cancelled for employee minimum income taxes and returned to the plans	—	—	—	2,968
December 31, 2014	37.05-245.85	599,069	358,390	183,468
Granted	34.2	53,328	—	(53,328)
Vested	—	—	79,779	—
Cancelled/forfeited	37.05-231.45	(91,600)	(53,864)	12,358
Restricted stock granted out of option plans	—	—	—	(45,652)
Restricted stock forfeited or cancelled for employee minimum income taxes and returned to the plans	—	—	—	157
December 31, 2015	$34.2-$245.85	560,797	384,305	97,003

Stock options outstanding at December 31, 2015 are summarized as follows:

Option Price per Share	Outstanding	Weighted Average Exercise Price of Outstanding Options	Weighted Average Remaining Contract Life	Vested	Weighted Average Exercise Price of Vested Options
$34.20 - $57.90	171,479	$ 47.10	6.2 years	75,914	$51.81
$61.05 - $95.85	237,647	$ 77.85	6.4 years	158,587	$82.85
$97.95 - $149.55	90,148	$ 116.40	5.1 years	88,281	$116.78
$151.35 - $245.85	61,523	$ 215.48	2.8 years	61,523	$215.48
Totals	560,797	$ 89.74	6.2 years	384,305	$105.80

Table of Contents

Additional information related to the Company's stock options follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (000's)
Total outstanding at January 1, 2015	599,069	$94.50		6.7 years	
Options granted	53,328	$34.20	$16.65		
Options exercised	—	$—			
Options cancelled	(37,736)	$68.88			
Options forfeited	(53,864)	$102.79			
Total outstanding at December 31, 2015	560,797	$89.74		6.0 years	$—
Options exercisable and vested at December 31, 2015	384,305	$105.80		5.0 years	$—

The total intrinsic value of options exercised during 2015, 2014 and 2013 was less than $0.1 million, $0.1 million and $2.0 million, respectively. During 2015 there was no cash received from option exercises under all share-based payment arrangements, and the Company received $0.1 million and $2.5 million, in 2014 and 2013 respectively. The weighted average grant date fair value for stock option awards granted during 2015, 2014 and 2013 was $16.65, $36.15 and $37.80 per share, respectively. The figures presented in this paragraph and two tables above have been retroactively adjusted to reflect the one-for-fifteen reverse stock split completed on February 4, 2016.

Restricted Stock and Restricted Stock Unit Plans

The Company has issued restricted stock and restricted stock units under the Company's 2013 Long-Term Incentive Plan and other applicable plans. Restricted stock units are awards that obligate the Company to issue a specific number of shares of common stock in the future if continued service vesting requirements are met. Non-forfeitable ownership of the common stock will vest over a period as determined by the Company in its sole discretion, generally in equal annual installments over a three-year period. Shares of restricted stock awarded may not be sold, assigned, transferred, pledged or otherwise encumbered by the grantee during the vesting period.

The status of the Company's restricted stock and restricted stock unit awards for 2015 follows:

	Number of Shares/Units
Total nonvested at January 1, 2015	66,447
Granted	45,652
Vested	(29,287)
Forfeited	(9,185)
Total nonvested at December 31, 2015	73,627

At December 31, 2015, the intrinsic value of restricted stock and restricted stock unit awards was approximately $0.6 million. The weighted average grant date fair value for restricted stock and restricted stock unit awards granted during 2015, 2014 and 2013 was $34.20, $59.70 and $61.20 per share, respectively. The total fair value of shares vested during 2015, 2014 and 2013 was $0.6 million, $2.1 million and $2.4 million, respectively. The restricted stock unit and weighted average grant date fair value calculations presented in this paragraph have been retroactively adjusted to reflect the one-for-fifteen reverse stock split completed on February 4, 2016.

Table of Contents

Employee Stock Purchase Plan

In June 2010, the Company adopted an Employee Stock Purchase Plan ("ESPP") to replace the prior ESPP, which terminated on December 31, 2008. The ESPP allows all eligible employees to authorize payroll deductions at a rate of 1% to 10% of base compensation (or a fixed amount per pay period) for the purchase of the Company's common stock. Each participant is limited to purchase no more than 33 shares per offering period or 66 shares annually. Additionally, no participant may purchase shares in any calendar year that exceeds $10,000 in fair market value based on the fair market value of the stock on the offering commencement date. The purchase price of the common stock is the lesser of 85% of the closing price on the first day of the applicable offering period (or most recently preceding trading day) or 85% of the closing price on the last day of the offering period (or most recently preceding trading day). Each offering period is six months and commences on February 1 and August 1 of each year. The ESPP is considered a compensatory plan under ASC 718, and the Company recorded compensation expense of approximately $0.1 million, $0.2 million and $0.2 million during 2015, 2014 and 2013, respectively. The expense represents the estimated fair value of the look-back purchase option. The fair value was determined using the Black-Scholes option pricing model and was recognized over the purchase period. The total number of shares of common stock authorized and available for issuance under the ESPP is 51,341. The maximum number of shares of common stock that may be purchased for each offering period is 6,667 (13,333 annually). The share numbers in this paragraph have been retroactively adjusted to reflect the one-for-fifteen reverse stock split completed on February 4, 2016.

Stock Appreciation Rights Plan

The Company has adopted a stock appreciation rights plan which provides for the award of stock appreciation rights ("SARs") to directors and selected key employees and consultants. The awards under this plan are subject to the terms and conditions set forth in agreements between the Company and the holders. The exercise price per SAR is not to be less than one hundred percent of the fair market value of a share of common stock on the date of grant of the SAR. The term of each SAR shall not exceed ten years from the grant date. Upon exercise of a SAR, the holder shall receive a cash payment in an amount equal to the spread specified in the SAR agreement for which the SAR is being exercised. In no event will any shares of common stock be issued, transferred or otherwise distributed under the plan. On March 1, 2015, the Company issued 207,207 SAR awards to 16 individuals with an exercise price of $34.20. The SAR awards number and exercise price have been retroactively adjusted to reflect the one-for-fifteen reverse stock split completed on February 4, 2016. The vesting of these SARs is achieved through both a market condition and a service condition. The market condition is achieved, in part or in full, in the event that during the four-year period beginning on the date of grant the 20-day trailing volume-weighted average price of a share of common stock is (i) greater than 120% of the exercise price for the first 1/3 of the awards, (ii) greater than 125% of the exercise price for the second 1/3 of the awards and (iii) greater than 130% of the exercise price for the final 1/3 of the awards. The exercise condition restricts the ability of the holders to exercise awards until certain service milestones have been reached such that (i) no more than 1/3 of the awards may be exercised, if vested, on and after the first anniversary of the date of grant, (ii) no more than 2/3 of the awards may be exercised, if vested, on and after the second anniversary of the date of grant and (iii) all of the awards may be exercised, if vested, on and after the third anniversary of the date of grant.

Pursuant to ASC 718, "Compensation – Stock Compensation," the stock appreciation rights are considered liability awards and as such, these amounts are accrued in the liability section of the balance sheet. The Company calculated the fair value of each SAR award on the date of grant using a Monte Carlo simulation model. The following assumptions were used:

	December 31, 2015
Risk-free interest rates	2.19%
Expected lives (in years)	3.3
Expected dividend yield	—%
Expected volatility	69.38%

Additionally, as of December 31, 2015, the Company had outstanding 9,333 SAR awards to one individual with an exercise price of $45.00 The Company recorded less than $0.1 million, annually, of share-based compensation expense during 2015, 2014 and 2013, related to employee stock appreciation rights. Pursuant to ASC 718, the stock appreciation rights are considered liability awards and as such, these amounts are accrued in the liability section of the balance sheet.

Valuation Assumptions

The Company calculated the fair value of each stock option on the date of grant using the Black-Scholes option pricing model. The following assumptions were used for each respective period:

Table of Contents

	Years Ended December 31,		
	2015	2014	2013
Risk-free interest rates	1.38%	1.6% – 1.7%	0.9% – 1.8%
Expected lives (in years)	4.5	5.5	5.5
Expected dividend yield	—%	—%	—%
Expected volatility	59.32%	65.9% – 70.5%	62.1% – 70.6%

The computation of expected volatility during 2015, 2014 and 2013 was based on an equally weighted combination of historical volatility and market-based implied volatility. Historical volatility was calculated from historical data for a period of time approximately equal to the expected term of the option award, starting from the date of grant. Market-based implied volatility was derived from traded options on the Company's common stock having a term of six months. The Company's computation of expected life in 2015, 2014 and 2013 was determined based on historical experience of similar awards, giving consideration to the contractual terms of the stock-based awards, vesting schedules and expectations of future employee behavior. The risk-free interest rate assumption is based upon the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the option.

Stock-based Compensation Expense

The following table summarizes stock-based compensation expense for the years ended December 31, 2015, 2014 and 2013 as follows (in thousands):

	Years Ended December 31,		
	2015	2014	2013
Stock-based compensation expense	$5,486	$8,707	$7,476
Tax benefit related thereto	(1,826)	(2,908)	(2,469)
Stock-based compensation expense, net of tax	$3,660	$5,799	$5,007

(12) Supplemental Cash Flow Information and Non-cash Activity

Supplemental disclosure of cash flow information follows (in thousands):

	Years Ended December 31,		
	2015	2014	2013
Cash paid during the period for:			
Interest	$15,441	$16,582	$9,576
Income taxes	8,163	16,124	15,872
Non-cash items from investing and financing activities:			
Purchase of computer equipment financed through capital leases	1,178	12,153	6,455
Leasehold improvement paid by landlord	—	—	5,000
Conversion of the Company's investment in a convertible note to equity	—	3,151	6,765
Transfer of inventory to property, plant and equipment	15,936 (a)	10,149	1,422
Investment in multi-client data library financed through trade payables	8,939	—	—
Purchases of property, plant, and equipment and seismic rental equipment financed through accounts payable	—	472	909
Sale of rental equipment financed with a note receivable	—	—	3,636

(a) This transfer of inventory to property, plant, equipment and seismic rental equipment relates to ocean bottom seismic equipment manufactured by the Company to be deployed in the acquisition of ocean bottom seismic data.

During the twelve months ended December 31, 2015, the Company purchased approximately $19.2 million of property, plant, equipment and seismic rental equipment, including approximately $15.3 million related to the manufacture of ocean bottom seismic equipment that will be used by the Ocean Bottom Services segment.

(13) Operating Leases

Lessee. The Company leases certain equipment, offices and warehouse space under non-cancelable operating leases. Rental expense was $11.8 million, $12.9 million and $12.4 million for 2015, 2014 and 2013, respectively.

F-32

Table of Contents

A summary of future rental commitments over the next five years under non-cancelable operating leases follows (in thousands):

Years Ending December 31,		
2016	$12,154	(a)
2017	9,156	
2018	9,005	
2019	8,973	
2020	9,209	
Total	$48,497	

[a] Includes $2.7 million of vessel leases for 2016.

(14) Acquisition of OceanGeo

In February 2013, the Company acquired a 30% ownership interest in OceanGeo B.V. ("OceanGeo"). OceanGeo specializes in seismic acquisition operations using ocean bottom cables deployed from vessels leased by OceanGeo. In October 2013, the Company reached agreement with its joint venture partner in OceanGeo, Georadar Levantamentos Geofisicos S/A ("Georadar"), for the Company to have the option to increase its ownership percentage in OceanGeo from 30% to 70%, subject to certain conditions.

To further assist OceanGeo in acquiring backlog, in October 2013, the Company also agreed to loan OceanGeo additional funds for working capital, as necessary, up to a maximum of $25.0 million. Prior to obtaining a controlling interest in OceanGeo, the Company advanced a total of $18.9 million to OceanGeo.

In January 2014, the Company acquired an additional 40% interest in OceanGeo, through the conversion of certain outstanding amounts loaned to OceanGeo by the Company into additional equity interests of OceanGeo, bringing the Company's total equity interest in OceanGeo to 70% and giving the Company control over OceanGeo. The Company has included in its results of operations, the results of OceanGeo from the date of the Company's acquisition of a controlling interest.

In July 2014, the Company paid $6.0 million to Georadar for the remaining 30% of OceanGeo, increasing its equity interest in OceanGeo to 100%. Since the initial investment in early 2013 up to the time the Company increased its interest to 100%, the Company has invested approximately $40.5 million to OceanGeo.

The Company acquired OceanGeo as part of its strategy to expand the range of service offerings it can provide to oil and gas exploration and production customers and to put its Calypso® ocean bottom seismic acquisition technology to work in a service model to meet the growing demand for ocean bottom seismic services.

The acquisition of OceanGeo was accounted for by the acquisition method, whereby the assets acquired and liabilities assumed were recorded at their fair values as of the acquisition date based on an income approach. The estimated fair value of the assets acquired and liabilities assumed approximated the purchase price and therefore no goodwill or bargain purchase was recognized. In connection with the acquisition, the Company incurred $1.3 million in acquisition-related transaction costs related to professional services and fees. These costs were expensed as incurred and were included in other income (expense), net in the Company's condensed consolidated statement of operations for the twelve months ended December 31, 2014. The following table summarizes the fair value assigned to the assets acquired and liabilities assumed, as well as the noncontrolling interest, at the acquisition date (in thousands):

During 2015, OceanGeo crew remained idle, resulting in a lack of revenue generation in fourth quarter 2015. OceanGeo is actively pursuing several tenders for long-term work in 2016.

Table of Contents

Estimated Fair Value of Assets Acquired and Liabilities Assumed:	January 29, 2014
Cash and cash equivalents	$609
Accounts receivable	9,247
Prepaid expenses and other current assets	1,433
Property, plant, equipment and seismic rental equipment, net	18,474
Other assets	2,227
Total identifiable assets	31,990
Accounts payable and accrued liabilities	(13,464)
Bank loans	(6,135)
Other liabilities	(1,026)
Net assets	11,365
Noncontrolling interest	(3,410)
Total consideration	$7,955

The following summarized unaudited pro forma consolidated income statement information for 2014 and 2013, assumes that the OceanGeo acquisition had occurred as of the beginning of the periods presented. The Company has prepared these unaudited pro forma financial results for comparative purposes only. These unaudited pro forma financial results may not be indicative of the results that would have occurred if the Company had completed the acquisition as of the beginning of the periods presented or the results that may be attained in the future. Amounts presented below are in thousands, except for the per share amounts:

Pro forma Consolidated ION Income Statement Information (Unaudited)	Years Ended December 31, 2014	2013
Net revenues	$518,742	$580,834
Loss from operations	$(114,346)	$(19,300)
Net loss	$(126,492)	$(262,974)
Net loss applicable to common shares	$(127,226)	$(268,330)
Basic and diluted net loss per common share [a]	$(11.70)	$(25.39)

(a) The basic and diluted net loss per common share calculations have been retroactively adjusted to reflect the one-for-fifteen reverse stock split completed on February 4, 2016.

(15) Equity Method Investments

The Company owns a 49% interest in a land seismic equipment business with BGP. BGP is a subsidiary of China National Petroleum Corporation (“CNPC”) and is a global geophysical services contracting company. The joint venture company, organized under the laws of the People’s Republic of China, is named INOVA Geophysical Equipment Limited (“INOVA Geophysical”). BGP owns the remaining 51% interest in INOVA Geophysical. INOVA Geophysical is managed through a Board of Directors consisting of four members appointed by BGP and three members appointed by the Company.

At December 31, 2014, the Company fully impaired its investment in INOVA as it determined that the decline in fair value below cost basis was other-than-temporary. This impairment was the result of the land seismic market having softened significantly due to reduced E&P company spending in the North American natural gas shale plays and reduced seismic activity in Russia and other regions due to lower crude oil prices. The Company recorded a charge of $30.7 million, impairing its equity investment in INOVA and its share of INOVA’s accumulated other comprehensive loss, reducing both balances to zero. The Company accounts for its 49% interest in INOVA Geophysical as an equity method investment. As of December 31, 2015, the carrying value of this investment remains zero. The Company no longer records it’s equity in losses or earnings and has no obligation, implicit or explicit, to fund any expenses of INOVA Geophysical.

(16) Fair Value of Financial Instruments

Authoritative guidance on fair value measurements defines fair value, establishes a framework for measuring fair value and stipulates the related disclosure requirements. The Company follows a three-level hierarchy, prioritizing and defining the types of inputs used to measure fair value.

F-34

Table of Contents

Due to their highly liquid nature, the amount of the Company's other financial instruments, including cash and cash equivalents, accounts and unbilled receivables, short term investments, accounts payable and accrued multi-client data library royalties, represent their approximate fair value.

The carrying amounts of the Company's long-term debt as of December 31, 2015 and 2014 were $186.3 million and $190.6 million, respectively, compared to its fair values of $107.6 million and $162.6 million as of December 31, 2015 and 2014, respectively. The fair value of the long-term debt was calculated using Level 1 inputs, including an active market price.

(17) Benefit Plans

The Company has a 401(k) retirement savings plan, which covers substantially all employees. Employees may voluntarily contribute up to 60% of their compensation, as defined, to the plan. Effective June 1, 2000, the Company adopted a company matching contribution to the 401(k) plan. The Company matched the employee contribution at a rate of 50% of the first 6% of compensation contributed to the plan. Company contributions to the plans were $1.4 million, $1.8 million and $1.7 million, during 2015, 2014 and 2013, respectively.

(18) Selected Quarterly Information — (Unaudited)

A summary of selected quarterly information follows (in thousands, except per share amounts):

	Three Months Ended			
Year Ended December 31, 2015	March 31	June 30	September 30	December 31
Service revenues	$20,080	$23,323	$53,515	$63,562
Product revenues	20,498	13,472	13,159	13,904
Total net revenues	40,578	36,795	66,674	77,466
Gross profit (loss)	(15,788)	(10,135)	11,108	22,818
Income (loss) from operations	(46,689)	(40,689)	(12,874)	(380)
Interest expense, net	(4,625)	(4,607)	(4,854)	(4,667)
Other income (expense)	(3,219)	101,600	(346)	240
Income tax expense	983	532	2,082	447
Net (income) loss attributable to noncontrolling interests	252	297	(227)	(290)
Net income (loss) applicable to ION	$(55,264)	$56,069	$(20,383)	$(5,544)
Net income (loss) per share:				
Basic	$(5.04)	$5.11	$(1.86)	$(0.51)
Diluted	$(5.04)	$5.11	$(1.86)	$(0.51)

	Three Months Ended			
Year Ended December 31, 2014	March 31	June 30	September 30	December 31
Service revenues	$110,696	$89,767	$71,923	$112,552
Product revenues	34,002	31,713	34,617	24,288
Total net revenues	144,698	121,480	106,540	136,840
Gross profit (loss)	56,854	38,228	29,223	(62,082)
Income (loss) from operations	19,671	3,785	(5,349)	(136,036)
Interest expense, net	(4,797)	(4,934)	(5,048)	(4,603)
Equity in losses of Investments	(1,688)	(1,781)	(5,558)	(40,458)
Other income (expense)	68,526	6,066	(622)	5,890
Income tax expense	5,263	653	8,345	6,321
Net (income) loss attributable to noncontrolling interests	(470)	(1,295)	381	650
Net income (loss) applicable to ION	$75,979	$1,188	$(24,541)	$(180,878)
Net income (loss) per share:				
Basic	$6.96	$0.11	$(2.24)	$(16.51)
Diluted	$6.95	$0.11	$(2.24)	$(16.51)

F-35

Table of Contents

(19) Certain Relationships and Related Party Transactions

For 2015, 2014 and 2013, the Company recorded revenues from BGP of $6.3 million, $6.5 million and $8.0 million, respectively. Receivables due from BGP were $0.3 million and $1.1 million at December 31, 2015 and 2014, respectively. BGP owned approximately 14.8% of the Company's outstanding common stock as of December 31, 2015.

Mr. James M. Lapeyre, Jr. is the Chairman of the Board on ION's board of directors and a significant equity owner of Laitram, L.L.C. (Laitram), and he has served as president of Laitram and its predecessors since 1989. Laitram is a privately-owned, New Orleans-based manufacturer of food processing equipment and modular conveyor belts.

Mr. Lapeyre and Laitram together owned approximately 7.4% of the Company's outstanding common stock as of December 31, 2015.

The Company acquired DigiCourse, Inc., the Company's marine positioning products business, from Laitram in 1998. In connection with that acquisition, the Company entered into a Continued Services Agreement with Laitram under which Laitram agreed to provide the Company certain bookkeeping, software, manufacturing and maintenance services. Manufacturing services consist primarily of machining of parts for the Company's marine positioning systems. The term of this agreement expired in September 2001 but the Company continues to operate under its terms. In addition, from time to time, when the Company has requested, the legal staff of Laitram has advised the Company on certain intellectual property matters with regard to the Company's marine positioning systems. During 2015, the Company paid Laitram and its affiliates a total of approximately $0.8 million, which consisted of approximately $0.7 million for manufacturing services, and $0.1 million for reimbursement for costs related to providing administrative and other back-office support services in connection with the Company's Louisiana marine operations. For the 2014 and 2013 fiscal years, the Company paid Laitram and its affiliates a total of approximately $2.4 million and $4.2 million, respectively, for these services. In the opinion of the Company's management, the terms of these services are fair and reasonable and as favorable to the Company as those that could have been obtained from unrelated third parties at the time of their performance.

In July 2013, the Company agreed to lend up to $10.0 million to INOVA Geophysical, and received a promissory note issued by INOVA Geophysical to the order of the Company, which was scheduled to mature on September 30, 2013. The maturity date of the promissory note was extended to December 31, 2014. The loan was made by the Company to support certain short-term working capital needs of INOVA Geophysical. The indebtedness under the note accrues interest at an annual rate equal to the London Interbank Offered Rate plus 650 basis points or 15%, in the event of a default. In 2013, the Company advanced the full principal amount of $10.0 million to INOVA Geophysical under the promissory note. INOVA Geophysical has repaid a total of $6.0 million, of which $4.0 million remained outstanding at December 31, 2015. The term of the note has not been extended past December 31, 2014, when the note went into default and INOVA has advised the Company that it is not currently able to repay the outstanding amount. In December 2014 the Company, wrote down the book value of this receivable to zero.

(20) Recent Accounting Pronouncements

Revenue Recognition — In May 2014, the FASB and the International Accounting Standards Board ("IASB") jointly issued new accounting guidance for recognition of revenue. This new guidance replaces virtually all existing U.S. GAAP and IFRS guidance on revenue recognition. The new guidance is effective for fiscal years beginning after December 15, 2016. This new guidance applies to all periods presented. Therefore, when the Company issues its financial statements on Forms 10-Q and 10-K for periods included in its year ended December 31, 2017, its comparative periods that are presented from the years ended December 31, 2015 and 2016, must be retrospectively presented in compliance with this new guidance. Early adoption is not allowed for U.S. GAAP. The new guidance requires companies to make more estimates and use more judgment than under current accounting guidance. The Company is currently evaluating (i) the two allowed adoption methods to determine which method it plans to use for retrospective presentation of comparative periods and (ii) whether the implementation of this new guidance will have a material impact on the Company's consolidated financial position or results of operations for the periods presented.

Reporting Discontinued Operations — In April 2014, the FASB issued amendments to guidance for reporting discontinued operations and disposals of components of an entity. The amended guidance requires that a disposal representing a strategic shift that has (or will have) a major effect on an entity's financial results or a business activity classified as held for sale should be reported as discontinued operations. The amendments also expand the disclosure requirements for discontinued operations and add new disclosures for individually significant dispositions that do not qualify as discontinued operations. The amendments are effective prospectively for fiscal years, and interim reporting periods within those years, beginning after December 15, 2014 (early adoption is permitted only for disposals that have not been previously reported). The implementation of the amended guidance is not expected to have a material impact on the Company’s consolidated financial position or results of operations.

Table of Contents

Balance Sheet Classification of Deferred Taxes — In November 2015, the FASB issued amendments to guidance for reporting deferred tax assets and liabilities in ASU 2015-17. The amended guidance requires the Company to classify all deferred tax assets and liabilities as noncurrent on the balance sheet instead of separating deferred taxes into current and noncurrent amounts. Also, companies will no longer allocate valuation allowances between current and noncurrent deferred tax assets because those allowances also will be classified as noncurrent. As of December 31, 2015 the Company elected to early adopt on a prospective basis as permitted within the guidance. Prior year amounts have not been retrospectively adjusted.

Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern — In August 2014, the FASB issued ASU No. 2014-15 that requires management to evaluate whether there are conditions and events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the financial statements are issued and, if so, to disclose that fact. The ASU requires management to make this evaluation for both the annual and interim reporting periods, if applicable. Management is also required to evaluate and disclose whether its plans alleviate that doubt. The ASU is effective for annual periods ending after December 15, 2016 and interim periods within annual periods beginning after December 15, 2016.

Disclosure of Presentation of Debt Issuance Costs — In April 2015, the FASB issued Accounting Standards Update No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs, or ASU 2015-03. ASU 2015-03 amends current presentation guidance by requiring that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Prior to the issuance of ASU 2015-03, debt issuance costs were required to be presented as an asset in the balance sheet. Therefore, when the Company issues its financial statements on Forms 10-Q and 10-K for periods included in its year ended December 31, 2016, must be presented in compliance with this new guidance.

(21) Condensed Consolidating Financial Information

In May 2013, the Company sold $175 million of Senior Secured Second-Priority Notes. The notes were issued by ION Geophysical Corporation, and are guaranteed by the Company's current material U.S. subsidiaries: GX Technology Corporation, ION Exploration Products (U.S.A.), Inc. and I/O Marine Systems, Inc. ("the Guarantors"), which are 100-percent-owned subsidiaries. The Guarantors have fully and unconditionally guaranteed the payment obligations of ION Geophysical Corporation with respect to these debt securities. The following condensed consolidating financial information presents the results of operations, financial position and cash flows for:

- ION Geophysical Corporation and the guarantor subsidiaries (in each case, reflecting investments in subsidiaries utilizing the equity method of accounting).
- All other nonguarantor subsidiaries.
- The consolidating adjustments necessary to present ION Geophysical Corporation's results on a consolidated basis.

This condensed consolidating financial information should be read in conjunction with the accompanying consolidated financial statements and notes.

Table of Contents

Balance Sheet	December 31, 2015 ION Geophysical Corporation (In thousands)	The Guarantors	All Other Subsidiaries	Consolidating Adjustments	Total Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$33,734	$—	$51,199	$—	$84,933
Accounts receivable, net	—	35,133	9,232	—	44,365
Unbilled receivables	—	19,046	891	—	19,937
Inventories	—	10,939	21,782	—	32,721
Prepaid expenses and other current assets	5,435	1,458	7,914	—	14,807
Total current assets	39,169	66,576	91,018	—	196,763
Deferred income tax asset	—	—	—	—	—
Property, plant, equipment and seismic rental equipment, net	4,521	21,072	46,434	—	72,027
Multi-client data library, net	—	120,550	11,687	—	132,237
Investment in subsidiaries	680,508	243,319	—	(923,827)	—
Goodwill	—	—	26,274	—	26,274
Intangible assets, net	—	4,523	287	—	4,810
Intercompany receivables	75,641	—	—	(75,641)	—
Other assets	5,052	146	1,107	—	6,305
Total assets	$804,891	$456,186	$176,807	$(999,468)	$438,416
LIABILITIES AND EQUITY					
Current liabilities:					
Current maturities of long-term debt	$486	$6,856	$570	$—	$7,912
Accounts payable	2,086	19,839	7,874	—	29,799
Accrued expenses	11,199	16,200	6,888	—	34,287
Accrued multi-client data library royalties	—	25,045	—	—	25,045
Deferred revenue	—	5,071	1,489	—	6,560
Total current liabilities	13,771	73,011	16,821	—	103,603
Long-term debt, net of current maturities	175,000	3,408	—	—	178,408
Intercompany payables	503,621	68,286	7,355	(579,262)	—
Other long-term liabilities	540	33,305	10,520	—	44,365
Total liabilities	692,932	178,010	34,696	(579,262)	326,376
Redeemable noncontrolling interest	—	—	—	—	—
Equity:					
Common stock	107	290,460	19,138	(309,598)	107
Additional paid-in capital	894,715	180,700	234,234	(414,934)	894,715
Accumulated earnings (deficit)	(759,531)	231,208	(21,729)	(209,479)	(759,531)
Accumulated other comprehensive income (loss)	(14,781)	4,420	(14,604)	10,184	(14,781)
Due from ION Geophysical Corporation	—	(428,612)	(75,009)	503,621	—
Treasury stock	(8,551)	—	—	—	(8,551)
Total stockholders’ equity	111,959	278,176	142,030	(420,206)	111,959
Noncontrolling interests	—	—	81	—	81
Total equity	111,959	278,176	142,111	(420,206)	112,040
Total liabilities and equity	$804,891	$456,186	$176,807	$(999,468)	$438,416

F-38

Table of Contents

Balance Sheet	December 31, 2014 ION Geophysical Corporation (In thousands)	The Guarantors	All Other Subsidiaries	Consolidating Adjustments	Total Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$109,514	$—	$64,094	$—	$173,608
Accounts receivable, net	123	49,892	64,310	—	114,325
Unbilled receivables	—	18,548	4,051	—	22,599
Inventories	—	4,013	47,149	—	51,162
Prepaid expenses and other current assets	6,692	2,697	8,769	(4,496)	13,662
Total current assets	116,329	75,150	188,373	(4,496)	375,356
Deferred income tax asset	(7,852)	6,675	749	9,032	8,604
Property, plant, equipment and seismic rental equipment, net	6,412	33,065	30,363	—	69,840
Multi-client data library, net	—	96,423	22,246	—	118,669
Investment in subsidiaries	675,499	278,294	—	(953,793)	—
Goodwill	—	—	27,388	—	27,388
Intangible assets, net	—	6,254	534	—	6,788
Intercompany receivables	29,979	—	—	(29,979)	—
Other assets	10,191	147	274	—	10,612
Total assets	$830,558	$496,008	$269,927	$(979,236)	$617,257
LIABILITIES AND EQUITY					
Current liabilities:					
Current maturities of long-term debt	$—	$6,965	$684	$—	$7,649
Accounts payable	4,308	12,028	20,527	—	36,863
Accrued expenses	3,904	34,738	21,807	4,815	65,264
Accrued multi-client data library royalties	—	34,624	595	—	35,219
Deferred revenue	—	5,263	2,999	—	8,262
Total current liabilities	8,212	93,618	46,612	4,815	153,257
Long-term debt, net of current maturities	175,000	7,839	106	—	182,945
Intercompany payables	509,124	8,892	21,087	(539,103)	—
Other long-term liabilities	2,609	130,985	10,489	(279)	143,804
Total liabilities	694,945	241,334	78,294	(534,567)	480,006
Redeemable noncontrolling interests	—	—	1,539	—	1,539
Equity:					
Common stock	110	290,460	19,138	(309,598)	110
Additional paid-in capital	889,284	180,700	234,234	(414,934)	889,284
Accumulated earnings (deficit)	(734,409)	208,846	26,981	(235,827)	(734,409)
Accumulated other comprehensive income (loss)	(12,807)	6,229	(12,795)	6,566	(12,807)
Due from ION Geophysical Corporation	—	(431,561)	(77,563)	509,124	—
Treasury stock	(6,565)	—	—	—	(6,565)
Total stockholders' equity	135,613	254,674	189,995	(444,669)	135,613
Noncontrolling interests	—	—	99	—	99
Total equity	135,613	254,674	190,094	(444,669)	135,712
Total liabilities and equity	$830,558	$496,008	$269,927	$(979,236)	$617,257

F-39

Income Statement	Year Ended December 31, 2015 ION Geophysical Corporation	The Guarantors	All Other Subsidiaries	Consolidating Adjustments	Total Consolidated
	(In thousands)				
Total net revenues	$—	$145,615	$76,954	$(1,056)	$221,513
Cost of goods sold	—	126,176	88,390	(1,056)	213,510
Gross profit (loss)	—	19,439	(11,436)	—	8,003
Total operating expenses	26,091	47,579	34,965	—	108,635
Loss from operations	(26,091)	(28,140)	(46,401)	—	(100,632)
Interest expense, net	(18,434)	(351)	32	—	(18,753)
Intercompany interest, net	697	(3,140)	2,443	—	—
Equity in earnings (losses) of investments	16,604	(42,953)	—	26,349	—
Other income (expense)	192	101,978	(3,895)	—	98,275
Income (loss) before income taxes	(27,032)	27,394	(47,821)	26,349	(21,110)
Income tax expense (benefit)	(1,910)	5,031	923	—	4,044
Net income (loss)	(25,122)	22,363	(48,744)	26,349	(25,154)
Net loss attributable to noncontrolling interests	—	—	32	—	32
Net income (loss) attributable to ION	$(25,122)	$22,363	$(48,712)	$26,349	$(25,122)
Comprehensive net income (loss)	$(27,096)	$20,553	$(50,551)	$29,966	$(27,128)
Comprehensive loss attributable to noncontrolling interest	—	—	32	—	32
Comprehensive net income (loss) attributable to ION	$(27,096)	$20,553	$(50,519)	$29,966	$(27,096)

Income Statement	Year Ended December 31, 2014 ION Geophysical Corporation	The Guarantors	All Other Subsidiaries	Consolidating Adjustments	Total Consolidated
	(In thousands)				
Total net revenues	$—	$221,008	$291,302	$(2,752)	$509,558
Cost of goods sold	—	262,829	187,258	(2,752)	447,335
Gross profit (loss)	—	(41,821)	104,044	—	62,223
Total operating expenses	38,961	88,481	52,710	—	180,152
Income (loss) from operations	(38,961)	(130,302)	51,334	—	(117,929)
Interest expense, net	(18,537)	(245)	(600)	—	(19,382)
Intercompany interest, net	(340)	2,146	(1,806)	—	—
Equity in earnings (losses) of investments	(74,615)	32,043	738	(7,651)	(49,485)
Other income	4,536	74,295	1,029	—	79,860
Income (loss) before income taxes	(127,917)	(22,063)	50,695	(7,651)	(106,936)
Income tax expense	335	1,277	18,970	—	20,582
Net income (loss)	(128,252)	(23,340)	31,725	(7,651)	(127,518)
Net income attributable to noncontrolling interests	—	—	(734)	—	(734)
Net income (loss) attributable to ION	$(128,252)	$(23,340)	$30,991	$(7,651)	$(128,252)
Comprehensive net income (loss)	$(129,921)	$(23,329)	$30,850	$(6,787)	$(129,187)
Comprehensive income attributable to noncontrolling interest	—	—	(734)	—	(734)

Comprehensive net income (loss) attributable to ION	$(129,921)	$(23,329)	$30,116	$(6,787)	$(129,921)

Table of Contents

Income Statement	Year Ended December 31, 2013 ION Geophysical Corporation	The Guarantors	All Other Subsidiaries	Consolidating Adjustments	Total Consolidated
	(In thousands)				
Total net revenues	$—	$337,570	$213,826	$(2,229)	$549,167
Cost of goods sold	—	240,704	151,379	(2,229)	389,854
Gross profit	—	96,866	62,447	—	159,313
Total operating expenses	35,054	62,028	45,835	—	142,917
Income (loss) from operations	(35,054)	34,838	16,612	—	16,396
Interest expense, net	(12,102)	(49)	(193)	—	(12,344)
Intercompany interest, net	411	(1,374)	963	—	—
Equity in earnings (losses) of investments	(192,220)	(19,755)	(19,833)	189,488	(42,320)
Other income (expense)	12,166	(193,289)	(1,407)	—	(182,530)
Income (loss) before income taxes	(226,799)	(179,629)	(3,858)	189,488	(220,798)
Income tax expense (benefit)	19,061	(10,883)	17,542	—	25,720
Net income (loss)	(245,860)	(168,746)	(21,400)	189,488	(246,518)
Net loss attributable to noncontrolling interests	—	—	658	—	658
Net income (loss) attributable to ION	(245,860)	(168,746)	(20,742)	189,488	(245,860)
Payment of preferred dividends and conversion payment	6,014	—	—	—	6,014
Net applicable to common shares	$(251,874)	$(168,746)	$(20,742)	$189,488	$(251,874)
Comprehensive net income (loss)	$(245,112)	$(168,167)	$(20,779)	$188,288	$(245,770)
Comprehensive loss attributable to noncontrolling interest	—	—	658	—	658
Comprehensive net income (loss) attributable to ION	$(245,112)	$(168,167)	$(20,121)	$188,288	$(245,112)

Table of Contents

Statement of Cash Flows	Year Ended December 31, 2015 ION Geophysical Corporation (In thousands)	The Guarantors	All Other Subsidiaries	Total Consolidated
Cash flows from operating activities:				
Net cash provided by (used in) operating activities	$(425,310)	$225,581	$183,205	$(16,524)
Cash flows from investing activities:				
Investment in multi-client data library	—	(44,687)	(871)	(45,558)
Purchase of property, plant, equipment and seismic rental equipment	(347)	(3,945)	(14,949)	(19,241)
Other investing activities	—	1,263	—	1,263
Net cash used in investing activities	(347)	(47,369)	(15,820)	(63,536)
Cash flows from financing activities:				
Payments on notes payable and long-term debt	(153)	(6,467)	(832)	(7,452)
Cost associated with issuance of debt	(145)	—	—	(145)
Repurchase of common stock	(1,989)	—	—	(1,989)
Intercompany lending	352,091	(171,745)	(180,346)	—
Proceeds from employee stock purchases and exercise of stock options	73	—	—	73
Net cash provided by (used in) financing activities	349,877	(178,212)	(181,178)	(9,513)
Effect of change in foreign currency exchange rates on cash and cash equivalents	—	—	898	898
Net increase (decrease) in cash and cash equivalents	(75,780)	—	(12,895)	(88,675)
Cash and cash equivalents at beginning of period	109,514	—	64,094	173,608
Cash and cash equivalents at end of period	$33,734	$—	$51,199	$84,933

Table of Contents

	Year Ended December 31, 2014			
Statement of Cash Flows	ION Geophysical Corporation	The Guarantors	All Other Subsidiaries	Total Consolidated
	(In thousands)			
Cash flows from operating activities:				
Net cash provided by (used in) operating activities	$(53,925)	$107,590	$76,115	$129,780
Cash flows from investing activities:				
Investment in multi-client data library	—	(67,552)	(233)	(67,785)
Purchase of property, plant, equipment and seismic rental equipment	(1,240)	(4,530)	(2,494)	(8,264)
Repayment of advances by INOVA Geophysical	1,000	—	—	1,000
Net investment in and advances to OceanGeo B.V. prior to its consolidation	—	—	(3,074)	(3,074)
Net proceeds from sale of Source product line	—	9,881	4,513	14,394
Proceeds from sale of a cost-method investment	14,051	—	—	14,051
Other investing activities	579	26	323	928
Net cash provided by (used in) investing activities	14,390	(62,175)	(965)	(48,750)
Cash flows from financing activities:				
Payments under revolving line of credit	(50,000)	—	—	(50,000)
Borrowings under revolving line of credit	15,000	—	—	15,000
Payments on notes payable and long-term debt	—	(5,384)	(7,614)	(12,998)
Cost associated with issuance of debt	(2,194)	—	—	(2,194)
Intercompany lending	61,324	(40,031)	(21,293)	—
Acquisition of noncontrolling interest	—	—	(6,000)	(6,000)
Proceeds from employee stock purchases and exercise of stock options	577	—	—	577
Other financing activities	(359)	—	—	(359)
Net cash provided by (used in) financing activities	24,348	(45,415)	(34,907)	(55,974)
Effect of change in foreign currency exchange rates on cash and cash equivalents	—	—	496	496
Net increase (decrease) in cash and cash equivalents	(15,187)	—	40,739	25,552
Cash and cash equivalents at beginning of period	124,701	—	23,355	148,056
Cash and cash equivalents at end of period	$109,514	$—	$64,094	$173,608

Table of Contents

Statement of Cash Flows	ION Geophysical Corporation	The Guarantors	All Other Subsidiaries	Consolidating Adjustments	Total Consolidated
	Year Ended December 31, 2013 (In thousands)				
Cash flows from operating activities:					
Net cash provided by (used in) operating activities	$(50,731)	$166,838	$31,480	$—	$147,587
Cash flows from investing activities:					
Investment in multi-client data library	—	(111,689)	(2,893)	—	(114,582)
Purchase of property, plant and equipment	(2,075)	(10,171)	(4,668)	—	(16,914)
Net advances to INOVA Geophysical	(5,000)	—	—	—	(5,000)
Investment in and advances to OceanGeo B.V.	—	—	(24,755)	—	(24,755)
Proceeds from sale of a cost-method investment	4,150	—	—	—	4,150
Investment in convertible notes	(2,000)	—	—	—	(2,000)
Capital contribution to affiliate	(5,695)	(7,897)	—	13,592	—
Other investing activities	—	128	—	—	128
Net cash used in investing activities	(10,620)	(129,629)	(32,316)	13,592	(158,973)
Cash flows from financing activities:					
Proceeds from issuance of notes	175,000	—	—	—	175,000
Payments under revolving line of credit	(97,250)	—	—	—	(97,250)
Borrowings under revolving line of credit	35,000	—	—	—	35,000
Payments on notes payable and long-term debt	—	(3,249)	(1,112)	—	(4,361)
Cost associated with issuance of debt	(6,773)	—	—	—	(6,773)
Capital contribution from affiliate	—	5,695	7,897	(13,592)	—
Intercompany lending	52,646	(39,655)	(12,991)	—	—
Payment of preferred dividends	(6,014)	—	—	—	(6,014)
Proceeds from employee stock purchases and exercise of stock options	2,527	—	—	—	2,527
Other financing activities	573	—	—	—	573
Net cash provided by (used in) financing activities	155,709	(37,209)	(6,206)	(13,592)	98,702
Effect of change in foreign currency exchange rates on cash and cash equivalents	—	—	(231)	—	(231)
Net increase (decrease) in cash and cash equivalents	94,358	—	(7,273)	—	87,085
Cash and cash equivalents at beginning of period	30,343	—	30,628	—	60,971
Cash and cash equivalents at end of period	$124,701	$—	$23,355	$—	$148,056

Table of Contents

SCHEDULE II
ION GEOPHYSICAL CORPORATION AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS

Year Ended December 31, 2013	Balance at Beginning of Year	Charged (Credited) to Costs and Expenses	Deductions	Balance at End of Year
	(In thousands)			
Allowances for doubtful accounts	$6,711	$12,040	$(11,529)	$7,222
Warranty	1,041	538	(936)	643
Valuation allowance on deferred tax assets	63,261	88,112	(338)	151,035
Excess and obsolete inventory	14,239	18,644	(328)	32,555

Year Ended December 31, 2014	Balance at Beginning of Year	Charged (Credited) to Costs and Expenses	Deductions	Balance at End of Year
	(In thousands)			
Allowances for doubtful accounts	$7,222	$7,275	$(6,864)	$7,633
Allowances for doubtful notes receivable	—	4,000	—	4,000
Warranty	643	381	(625)	399
Valuation allowance on deferred tax assets	151,035	54,229	—	205,264
Excess and obsolete inventory	32,555	6,952	(9,703)	29,804

Year Ended December 31, 2015	Balance at Beginning of Year	Charged (Credited) to Costs and Expenses	Deductions	Balance at End of Year
	(In thousands)			
Allowances for doubtful accounts	$7,633	$1,841	$(4,555)	$4,919
Allowances for doubtful notes receivable	4,000	—	—	4,000
Warranty	399	13	(288)	124
Valuation allowance on deferred tax assets	205,264	(11,009)	—	194,255
Excess and obsolete inventory	29,804	151	(5,480)	24,475

Table of Contents

EXHIBIT INDEX

3.1	—	Restated Certificate of Incorporation dated September 24, 2007 filed on September 24, 2007 as Exhibit 3.4 to the Company's Current Report on Form 8-K and incorporated herein by reference.
3.2	—	Amended and Restated Bylaws of ION Geophysical Corporation filed on September 24, 2007 as Exhibit 3.5 to the Company's Current Report on Form 8-K and incorporated herein by reference.
3.3	—	Certificate of Ownership and Merger merging ION Geophysical Corporation with and into Input/Output, Inc. dated September 21, 2007, filed on September 24, 2007 as Exhibit 3.1 to the Company's Current Report on Form 8-K and incorporated herein by reference.
4.1	—	Certificate of Rights and Designations of Series D-1 Cumulative Convertible Preferred Stock, dated February 16, 2005 and filed on February 17, 2005 as Exhibit 3.1 to the Company's Current Report on Form 8-K and incorporated herein by reference.
4.2	—	Certificate of Elimination of Series B Preferred Stock dated September 24, 2007, filed on September 24, 2007 as Exhibit 3.2 to the Company's Current Report on Form 8-K and incorporated herein by reference.
4.3	—	Certificate of Elimination of Series C Preferred Stock dated September 24, 2007, filed on September 24, 2007 as Exhibit 3.3 to the Company's Current Report on Form 8-K and incorporated herein by reference.
4.4	—	Certificate of Designation of Series D-2 Cumulative Convertible Preferred Stock dated December 6, 2007, filed on December 6, 2007 as Exhibit 3.1 to the Company's Current Report on Form 8-K and incorporated herein by reference.
4.5	—	Certificate of Designations of Series A Junior Participating Preferred Stock of ION Geophysical Corporation effective as of December 31, 2008, filed on January 5, 2009 as Exhibit 3.1 to the Company's Current Report on Form 8-K and incorporated herein by reference.
4.6	—	Certificate of Elimination of Series A Junior Participating Preferred Stock dated February 10, 2012, filed on February 13, 2012 as Exhibit 3.1 to the Company's Current Report on Form 8-K, and incorporated herein by reference.
4.7	—	Indenture, dated May 13, 2013, among ION Geophysical Corporation, the subsidiary guarantors named therein, Wilmington Trust, National Association, as trustee, and U.S. Bank National Association, as collateral agent, filed on May 13, 2013 as Exhibit 4.1 to the Company's Current Report on Form 8-K and incorporated herein by reference.
4.8	—	Registration Rights Agreement, dated May 13, 2013, among ION Geophysical Corporation, the subsidiary guarantors named therein and Citigroup Global Markets Inc. and Wells Fargo Securities, LLC, as representatives of the initial purchasers named therein, filed on May 13, 2013 as Exhibit 4.2 to the Company's Current Report on Form 8-K and incorporated herein by reference.
4.9	—	Certificate of Elimination of Series D-1 Cumulative Convertible Preferred Stock dated September 30, 2013, filed on September 30, 2013 as Exhibit 3.1 to the Company's Current Report on Form 8-K and incorporated herein by reference.
4.10	—	Certificate of Elimination of Series D-2 Cumulative Convertible Preferred Stock dated September 30, 2013, filed on September 30, 2013 as Exhibit 3.2 to the Company's Current Report on Form 8-K and incorporated herein by reference.
**10.1	—	Amended and Restated 1990 Stock Option Plan, filed on June 9, 1999 as Exhibit 4.2 to the Company's Registration Statement on Form S-8 (Registration No. 333-80299), and incorporated herein by reference.
10.2	—	Office and Industrial/Commercial Lease dated June 2005 by and between Stafford Office Park II, LP as Landlord and Input/Output, Inc. as Tenant, filed on March 31, 2006 as Exhibit 10.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005, and incorporated herein by reference.

10.3	—	Office and Industrial/Commercial Lease dated June 2005 by and between Stafford Office Park District as Landlord and Input/Output, Inc. as Tenant, filed on March 31, 2006 as Exhibit 10.3 to the Company’s Annual Report on Form 10-K for the year ended December 31, 2005, and incorporated herein by reference.
**10.4	—	Input/Output, Inc. Amended and Restated 1996 Non-Employee Director Stock Option Plan, filed on June 9, 1999 as Exhibit 4.3 to the Company’s Registration Statement on Form S-8 (Registration No. 333-80299), and incorporated herein by reference.
**10.5	—	Amendment No. 1 to the Input/Output, Inc. Amended and Restated 1996 Non-Employee Director Stock Option Plan dated September 13, 1999 filed on November 14, 1999 as Exhibit 10.4 to the Company’s Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1999 and incorporated herein by reference.

Table of Contents

**10.6	—	Input/Output, Inc. Employee Stock Purchase Plan, filed on March 28, 1997 as Exhibit 4.4 to the Company's Registration Statement on Form S-8 (Registration No. 333-24125), and incorporated herein by reference.
**10.7	—	Fifth Amended and Restated - 2004 Long-Term Incentive Plan, filed as Appendix A to the definitive proxy statement for the 2010 Annual Meeting of Stockholders of ION Geophysical Corporation, filed on April 21, 2010, and incorporated herein by reference.
10.8	—	Registration Rights Agreement dated as of November 16, 1998, by and among the Company and The Laitram Corporation, filed on March 12, 2004 as Exhibit 10.7 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003, and incorporated herein by reference.
**10.9	—	Input/Output, Inc. 1998 Restricted Stock Plan dated as of June 1, 1998, filed on June 9, 1999 as Exhibit 4.7 to the Company's Registration Statement on S-8 (Registration No. 333-80297), and incorporated herein by reference.
**10.10	—	Input/Output Inc. Non-qualified Deferred Compensation Plan, filed on April 1, 2002 as Exhibit 10.14 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001, and incorporated herein by reference.
**10.11	—	Input/Output, Inc. 2000 Restricted Stock Plan, effective as of March 13, 2000, filed on August 17, 2000 as Exhibit 10.27 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2000, and incorporated herein by reference.
**10.12	—	Input/Output, Inc. 2000 Long-Term Incentive Plan, filed on November 6, 2000 as Exhibit 4.7 to the Company's Registration Statement on Form S-8 (Registration No. 333-49382), and incorporated by reference herein.
**10.13	—	Employment Agreement dated effective as of March 31, 2003, by and between the Company and Robert P. Peebler, filed on March 31, 2003 as Exhibit 10.1 to the Company's Current Report on Form 8-K and incorporated herein by reference.
**10.14	—	First Amendment to Employment Agreement dated September 6, 2006, between Input/Output, Inc. and Robert P. Peebler, filed on September 7, 2006, as Exhibit 10.1 to the Company's Current Report on Form 8-K, and incorporated herein by reference.
**10.15	—	Second Amendment to Employment Agreement dated February 16, 2007, between Input/Output, Inc. and Robert P. Peebler, filed on February 16, 2007 as Exhibit 10.1 to the Company's Current Report on Form 8-K, and incorporated herein by reference.
**10.16	—	Third Amendment to Employment Agreement dated as of August 20, 2007 between Input/Output, Inc. and Robert P. Peebler, filed on August 21, 2007 as Exhibit 10.2 to the Company's Current Report on Form 8-K and incorporated herein by reference.
**10.17	—	Fourth Amendment to Employment Agreement, dated as of January 26, 2009, between ION Geophysical Corporation and Robert P. Peebler, filed on January 29, 2009 as Exhibit 10.1 to the Company's Current Report on Form 8-K and incorporated herein by reference.
**10.18	—	Employment Agreement dated effective as of June 15, 2004, by and between the Company and David L. Roland, filed on August 9, 2004 as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2004, and incorporated herein by reference.
**10.19	—	GX Technology Corporation Employee Stock Option Plan, filed on August 9, 2004 as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2004, and incorporated herein by reference.
10.20	—	Concept Systems Holdings Limited Share Acquisition Agreement dated February 23, 2004, filed on March 5, 2004 as Exhibit 2.1 to the Company's Current Report on Form 8-K, and incorporated herein by reference.
10.21	—	Registration Rights Agreement by and between ION Geophysical Corporation and 1236929 Alberta Ltd. dated September 18, 2008, filed on November 7, 2008 as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q and incorporated herein by reference.

**10.22	—	Form of Employment Inducement Stock Option Agreement for the Input/Output, Inc. — Concept Systems Employment Inducement Stock Option Program, filed on July 27, 2004 as Exhibit 4.1 to the Company's Registration Statement on Form S-8 (Reg. No. 333-117716), and incorporated herein by reference.
**10.23	—	Form of Employee Stock Option Award Agreement for ARAM Systems Employee Inducement Stock Option Program, filed on November 14, 2008 as Exhibit 4.4 to the Company's Registration Statement on Form S-8 (Registration No. 333-155378) and incorporated herein by reference.
**10.24	—	Input/Output, Inc. 2003 Stock Option Plan, dated March 27, 2003, filed as Appendix B of the Company's definitive proxy statement filed with the SEC on April 30, 2003, and incorporated herein by reference.

Table of Contents

**10.25	—	Form of Employment Inducement Stock Option Agreement for the Input/Output, Inc. — GX Technology Corporation Employment Inducement Stock Option Program, filed on April 4, 2005 as Exhibit 4.1 to the Company's Registration Statement on Form S-8 (Reg. No. 333-123831), and incorporated herein by reference.
**10.26	—	ION Stock Appreciation Rights Plan dated November 17, 2008, filed as Exhibit 10.47 to the Company's Annual Report on Form 10-K for the year ended December 31, 2008, and incorporated herein by reference.
10.27	—	Canadian Master Loan and Security Agreement dated as of June 29, 2009 by and among ICON ION, LLC, as lender, ION Geophysical Corporation and ARAM Rentals Corporation, a Nova Scotia corporation, filed on August 6, 2009 as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009, and incorporated herein by reference.
10.28	—	Master Loan and Security Agreement (U.S.) dated as of June 29, 2009 by and among ICON ION, LLC, as lender, ION Geophysical Corporation and ARAM Seismic Rentals, Inc., a Texas corporation, filed on August 6, 2009 as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009, and incorporated herein by reference.
10.29	—	Registration Rights Agreement dated as of October 23, 2009 by and between ION Geophysical Corporation and BGP Inc., China National Petroleum Corporation filed on March 1, 2010 as Exhibit 10.54 to the Company's Annual Report on Form 10-K for the year ended December 31, 2009, and incorporated herein by reference.
10.30	—	Stock Purchase Agreement dated as of March 19, 2010, by and between ION Geophysical Corporation and BGP Inc., China National Petroleum Corporation, filed on March 31, 2010 as Exhibit 10.1 to the Company's Current Report on Form 8-K, and incorporated herein by reference.
10.31	—	Investor Rights Agreement dated as of March 25, 2010, by and between ION Geophysical Corporation and BGP Inc., China National Petroleum Corporation, filed on March 31, 2010 as Exhibit 10.2 to the Company's Current Report on Form 8-K, and incorporated herein by reference.
10.32	—	Share Purchase Agreement dated as of March 24, 2010, by and among ION Geophysical Corporation, INOVA Geophysical Equipment Limited and BGP Inc., China National Petroleum Corporation, filed on March 31, 2010 as Exhibit 10.3 to the Company's Current Report on Form 8-K, and incorporated herein by reference.
10.33	—	Joint Venture Agreement dated as of March 24, 2010, by and between ION Geophysical Corporation and BGP Inc., China National Petroleum Corporation, filed on March 31, 2010 as Exhibit 10.4 to the Company's Current Report on Form 8-K, and incorporated herein by reference.
**10.34	—	Fifth Amendment to Employment Agreement dated June 1, 2010, between ION Geophysical Corporation and Robert P. Peebler, filed on June 1, 2010 as Exhibit 10.1 to the Company's Current Report on Form 8-K, and incorporated herein by reference.
**10.35	—	Employment Agreement dated August 2, 2011, effective as of January 1, 2012, between ION Geophysical Corporation and R. Brian Hanson, filed on November 3, 2011 as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2011, and incorporated herein by reference.
**10.36	—	Employment Agreement dated effective as of November 28, 2011, between ION Geophysical Corporation and Gregory J. Heinlein, filed on December 1, 2011 as Exhibit 10.1 to the Company's Current Report on Form 8-K, and incorporated herein by reference.
**10.37	—	First Amendment to Credit Agreement and Loan Documents dated May 29, 2012, filed on May 29, 2012 as Exhibit 10.1 to the Company's Current Report on Form 8-K, and incorporated herein by reference.
**10.38	—	Consulting Services Agreement dated January 1, 2013, between ION Geophysical Corporation and The Peebler Group LLC, filed on January 4, 2013 as Exhibit 10.1 to the Company's Current Report on Form

		8-K, and incorporated herein by reference.
**10.39	—	2013 Long-Term Incentive Plan, filed as Exhibit 1 to the definitive proxy statement for the 2013 Annual Meeting of Stockholders of ION Geophysical Corporation, filed on April 16, 2013, and incorporated herein by reference.
10.40	—	Purchase Agreement, dated May 8, 2013, among ION Geophysical Corporation, the subsidiary guarantors named therein and Citigroup Global Markets Inc. and Wells Fargo Securities, LLC, as representatives of the initial purchasers named therein, filed on May 13, 2013 as Exhibit 10.1 to the Company's Current Report on Form 8-K and incorporated herein by reference
10.41	—	Second Lien Intercreditor Agreement by and among China Merchants Bank Co., Ltd., New York Branch, as administrative agent, first lien representative for the first lien secured parties and collateral agent for the first lien secured parties, Wilmington Trust Company, National Association, as trustee and second lien representative for the second lien secured parties, and U.S. Bank National Association, as collateral agent for the second lien secured parties, and acknowledged and agreed to by ION Geophysical Corporation and the other grantors named therein, filed on May 13, 2013 as Exhibit 10.2 to the Company's Current Report on Form 8-K and incorporated herein by reference

Table of Contents

10.42	—	Revolving Credit and Security Agreement dated as of August 22, 2014 among PNC Bank, National Association, as agent for lenders, the lenders from time to time party thereto, as lenders, and PNC Capital Markets LLC, as lead arranger and bookrunner, with ION Geophysical Corporation, ION Exploration Products (U.S.A.), Inc., I/O Marine Systems, Inc. and GX Technology Corporation, as borrowers, filed on November 6, 2014 as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2014, and incorporated herein by reference.
**10.43	—	Transition and Separation Agreement dated effective as of October 30, 2014, by and between ION Geophysical Corporation and Gregory J. Heinlein.
**10.44	—	Employment Agreement dated effective as of November 13, 2014, between ION Geophysical Corporation and Steve Bate.
**10.45	—	Form of Rights Agreement dated March 1, 2015 issued under the ION Stock Appreciation Rights Plan dated November 17, 2008, filed on May 7, 2015 as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2015, and incorporated herein by reference.
10.46	—	First Amendment to Revolving Credit and Security Agreement dated as of August 4, 2015 among PNC Bank, National Association, as lender and agent, the lenders from time to time party thereto, as lenders, with ION Geophysical Corporation, ION Exploration Products (U.S.A.), Inc., I/O Marine Systems, Inc. and GX Technology Corporation, as borrowers, filed on August 6, 2015 as Exhibit 10.1 to the Company's Current Report on Form 8-K, and incorporated herein by reference.
*21.1	—	Subsidiaries of the Company.
*23.1	—	Consent of Grant Thornton LLP.
*23.2	—	Consent of Ernst & Young LLP.
*24.1	—	The Power of Attorney is set forth on the signature page hereof.
25.1	—	Registration Statement (Form S-4 No. 333-194110) of ION Geophysical Corporation, and incorporated herein by reference.
*31.1	—	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a).
*31.2	—	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a).
*32.1	—	Certification of Chief Executive Officer Pursuant to 18 U.S.C. §1350.
*32.2	—	Certification of Chief Financial Officer Pursuant to 18 U.S.C. §1350.
101	—	The following materials are formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets at December 31, 2015 and 2014, (ii) Consolidated Statements of Operations for the years ended December 31, 2015, 2014 and 2013, (iii) Comprehensive Income (Loss) for the years ended December 31, 2015, 2014 and 2013, (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013, (v) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2015, 2014 and 2013, (vi) Footnotes to Consolidated Financial Statements and (vii) Schedule II – Valuation and Qualifying Accounts.

* Filed herewith.

** Management contract or compensatory plan or arrangement.