

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2014.

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

For the transition period from _____ to _____.

Commission File Number 001-32472

TGC INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Texas

(State or other jurisdiction of incorporation or organization)

74-2095844

(I.R.S. Employer Identification No.)

101 East Park Blvd., Suite 955, Plano, Texas

(Address of principal executive offices)

75074

(Zip Code)

Registrant's telephone number, including area code: **(972) 881-1099**

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Title of Each Class	Outstanding at May 1, 2014
Common Stock (\$.01 Par Value)	21,957,167

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

Reference is made to the succeeding pages for the following financial information:

[Consolidated Balance Sheets as of March 31, 2014 \(unaudited\) and December 31, 2013](#)

Consolidated Statements of Earnings for the three months ended March 31, 2014 and 2013 (unaudited)	5
Consolidated Statements of Comprehensive Income for the three months ended March 31, 2014 and 2013 (unaudited)	6
Consolidated Statements of Cash Flows for the three months ended March 31, 2014 and 2013 (unaudited)	7
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TGC INDUSTRIES, INC.
CONSOLIDATED BALANCE SHEETS
March 31, 2014

	March 31, 2014 (Unaudited)	December 31, 2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 15,292,842	\$ 16,130,374
Trade accounts receivable, net of allowance for doubtful accounts of \$-0- in both periods	39,402,759	10,742,412
Cost and estimated earnings in excess of billings on uncompleted contracts	1,350,558	2,312,947
Prepaid expenses and other	885,346	1,808,411
Prepaid federal and state income tax	—	3,909,198
Total current assets	<u>56,931,505</u>	<u>34,903,342</u>
PROPERTY AND EQUIPMENT - at cost		
Machinery and equipment	184,156,777	185,405,886
Automobiles and trucks	13,937,972	14,272,341
Furniture and fixtures	484,702	486,700
Leasehold improvements	14,994	14,994
	<u>198,594,445</u>	<u>200,179,921</u>
Less accumulated depreciation and amortization	<u>(141,032,551)</u>	<u>(137,072,725)</u>
	57,561,894	63,107,196
Goodwill	201,530	201,530
Other assets	83,686	89,470
	<u>285,216</u>	<u>291,000</u>
Total assets	<u>\$ 114,778,615</u>	<u>\$ 98,301,538</u>

See Notes to Financial Statements

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TGC INDUSTRIES, INC.
CONSOLIDATED BALANCE SHEETS - CONTINUED
March 31, 2014

	March 31, 2014 (Unaudited)	December 31, 2013
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Trade accounts payable	\$ 9,839,952	\$ 4,097,819
Accrued liabilities	7,619,697	2,585,993
Billings in excess of costs and estimated earnings on uncompleted contracts	4,007,960	653,220
Federal and state income taxes payable	3,040,784	—
Current maturities of notes payable	7,647,305	8,434,879
Current portion of capital lease obligations	1,292,935	1,423,268
Total current liabilities	<u>33,448,633</u>	<u>17,195,179</u>
NOTES PAYABLE, less current maturities	4,857,216	6,483,112
CAPITAL LEASE OBLIGATIONS, less current portion	551,996	901,707

LONG-TERM DEFERRED TAX LIABILITY	4,018,378	4,590,739
COMMITMENTS AND CONTINGENCIES	—	—
SHAREHOLDERS' EQUITY		
Preferred stock, \$1.00 par value; 4,000,000 shares authorized; issued - none	—	—
Common stock, \$.01 par value; 35,000,000 shares authorized; 22,102,502 and 22,090,127 issued and outstanding in each period, respectively	221,025	220,901
Additional paid-in capital	31,746,818	31,508,662
Retained earnings	46,037,218	41,757,515
Treasury stock, at cost, 145,335 shares in each period	(1,251,099)	(1,251,099)
Accumulated other comprehensive income (loss)	(4,851,570)	(3,105,178)
	<u>71,902,392</u>	<u>69,130,801</u>
Total liabilities and shareholders' equity	<u>\$ 114,778,615</u>	<u>\$ 98,301,538</u>

See Notes to Financial Statements

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TGC INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF EARNINGS (UNAUDITED)
March 31, 2014

	Three Months Ended March 31,	
	2014	2013
Revenue	\$ 48,801,423	\$ 63,204,413
Cost and expenses		
Cost of services	33,913,898	43,232,641
Selling, general and administrative expense	2,614,665	2,380,541
Depreciation and amortization expense	5,075,382	6,686,369
	<u>41,603,945</u>	<u>52,299,551</u>
Income from operations	7,197,478	10,904,862
Interest expense	181,572	319,706
Income before income taxes	7,015,906	10,585,156
Income tax expense	2,736,203	4,233,684
NET INCOME	\$ 4,279,703	\$ 6,351,472
Earnings per common share:		
Basic	\$ 0.19	\$ 0.29
Diluted	\$ 0.19	\$ 0.29
Weighted average number of shares outstanding:		
Basic	21,956,067	21,722,855
Diluted	22,059,551	22,186,333

See Notes to Financial Statements

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TGC INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
March 31, 2014

	Three Months Ended March 31,	
	2014	2013
Net Income	\$ 4,279,703	\$ 6,351,472
Other comprehensive income (loss):		
Unrealized loss on foreign currency translation adjustments	(1,746,392)	(1,490,612)
Total other comprehensive income (loss)	(1,746,392)	(1,490,612)
Comprehensive income	<u>\$ 2,533,311</u>	<u>\$ 4,860,860</u>

See Notes to Financial Statements

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TGC INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
March 31, 2014

	Three Months Ended March 31,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 4,279,703	\$ 6,351,472
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,075,382	6,686,369
Gain on disposal of property and equipment	(35,867)	(42,485)
Non-cash compensation	238,280	217,952
Deferred income taxes	(572,361)	(930,840)
Changes in operating assets and liabilities		
Trade accounts receivable	(28,928,162)	(2,488,167)
Cost and estimated earnings in excess of billings on uncompleted contracts	958,380	(2,210,937)
Prepaid expenses and other	1,080,158	815,489
Prepaid federal and state income tax	3,795,639	—
Other assets	4,295	(1,115)
Trade accounts payable	5,812,549	(1,191,337)
Accrued liabilities	5,067,307	443,155
Billings in excess of cost and estimated earnings on uncompleted contracts	3,354,740	(2,853,690)
Federal and state income taxes payable	3,051,796	475,328
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,181,839	5,271,194
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(978,660)	(559,335)
Proceeds from sale of property and equipment	69,543	42,982
NET CASH USED IN INVESTING ACTIVITIES	(909,117)	(516,353)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(2,576,131)	(2,994,826)
Principal payments on capital lease obligations	(446,911)	(643,768)
Proceeds from exercise of stock options	—	336,764
NET CASH USED IN FINANCING ACTIVITIES	(3,023,042)	(3,301,830)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(750,320)	1,453,011
Effect of exchange rates on cash	(87,212)	(67,822)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	16,130,374	8,614,244
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 15,292,842</u>	<u>\$ 9,999,433</u>
Supplemental cash flow information		
Interest paid	\$ 181,572	\$ 319,706
Income taxes paid	\$ 3,538,869	\$ 4,689,198
Noncash investing and financing activities		
Capital lease obligations incurred	\$ —	\$ 316,850
Financed equipment purchase	\$ —	\$ —

Financed insurance premiums	\$	167,682	\$	156,276
Restricted stock awards to employees	\$	100,200	\$	54,390
Treasury shares issued for stock options exercised	\$	—	\$	183,964

See Notes to Financial Statements

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TGC INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2014

NOTE A

BASIS OF PRESENTATION

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America for interim financial information and the instructions to Form 10-Q. Accordingly, they do not include all of the financial information and footnotes required by generally accepted accounting principles for complete financial statements. References to “we,” “us,” “our,” “its,” or the “Company” refer to TGC Industries, Inc. and our subsidiaries.

CRITICAL ACCOUNTING POLICIES

A discussion of our critical accounting policies can be found in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013. There have been no material changes to these policies (including critical accounting estimates and assumptions or judgments affecting the application of those estimates and assumptions) during the quarter ended March 31, 2014. Certain policies have been paraphrased herein for convenience.

REVENUE RECOGNITION

Seismic Surveys

The Company provides seismic data acquisition survey services to its customers under general service agreements which define certain obligations for the Company and for its customers. The Company typically enters into a supplemental agreement setting forth the terms of each project, which may be cancelled by either party upon 30 days’ advance written notice. These supplemental agreements are either “turnkey” agreements providing for a fixed fee to be paid for each unit of seismic data acquired or “term” agreements providing for a fixed hourly, daily, or monthly fee during the term of the project. Under both types of agreements, the Company recognizes revenues when services have been performed and revenue is realizable. Services are defined as the commencement of data acquisition. Revenues are deemed realizable when earned according to the terms of the contracts. Under turnkey agreements, the total number of units of seismic data to be gathered is set forth in the agreement. Revenue under turnkey agreements is recognized on a per unit of seismic data acquired rate as services are performed. Revenue under term agreements is recognized on a per unit of time worked rate as services are performed based on the time worked rate provided in the term agreement. In the event of a cancelled contract, revenue is recognized and the client is billed for services performed to the date of contract cancellation. When it becomes evident that the estimates of total costs to be incurred on a contract will exceed the total estimates of revenue to be earned, an estimated loss is recognized in the period in which the loss is identifiable. The asset “Cost and estimated earnings in excess of billings on uncompleted contracts” represents cost incurred on turnkey agreements in excess of billings on those agreements. The liability “Billings in excess of costs and estimated earnings on uncompleted contracts” represents billings on turnkey agreements in excess of cost on those agreements.

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TGC INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2014

ACCUMULATED OTHER COMPREHENSIVE INCOME

Comprehensive income is a measure of income which includes both net income and other comprehensive income or loss. Other comprehensive income or loss results from items deferred from recognition in the statement of earnings, which consists solely of foreign currency translation adjustments. Accumulated other comprehensive income (loss) is presented on the Company’s consolidated balance sheet as a part of shareholders’ equity. In addition, the Company reports comprehensive income and its components in a separate statement of comprehensive income.

Foreign currency translation income or loss represents changes in foreign currency rates used to translate the assets, liabilities, revenues and expenses of the Company’s international subsidiary from the local currency. These changes in foreign currency rates may never be realized or may only be partially realized upon the ultimate disposition, if any, of the international subsidiary. The Company’s foreign investment is considered permanent in nature as the Company has no plans to divest it.

RECENT ACCOUNTING PRONOUNCEMENTS

In July 2013, the Financial Accounting Standards Board issued Accounting Standard Update No. 2013-11, *Income Taxes (Topic 740) - Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* (“ASU 2013-11”). ASU 2013-11 clarifies the balance sheet presentation of an unrecognized tax benefit and was issued to resolve the diversity in practice that had developed in the absence any specific U.S. GAAP. ASU 2013-11 is applicable to all entities that have an unrecognized tax benefit due to a net operating loss carryforward, a similar tax loss, of a tax credit carryforward. ASU 2013-11 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013,

and does not create any new disclosure requirements. The Company adopted ASU 2013-11 on January 1, 2014, and it did not have a significant effect on its consolidated financial statements.

NOTE B — MANAGEMENT PRESENTATION

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of financial position, results of operations, and changes in financial position have been included. The results of the interim periods are not necessarily indicative of results to be expected for the entire year. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q report pursuant to certain rules and regulations of the Securities and Exchange Commission (the “SEC”). For further information, refer to the financial statements and the footnotes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013.

NOTE C — EARNINGS PER SHARE

Basic earnings per common share are based upon the weighted average number of shares of common stock (“common shares”) outstanding. Diluted earnings per share are based upon the weighted average number of common shares outstanding and, when dilutive, common shares issuable for stock options, warrants, and convertible securities. All earnings per common share for the three-month periods ended March 31, 2014, and 2013, have been adjusted for the 5% stock dividend paid on May 14, 2013, to shareholders of record as of April 30, 2013.

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TGC INDUSTRIES, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) March 31, 2014

The following is a reconciliation of net income and weighted average common shares outstanding for purposes of calculating basic and diluted earnings per share common share:

	Three Months Ended March 31, (Unaudited)	
	2014	2013
Basic:		
Numerator:		
Net income	\$ 4,279,703	\$ 6,351,472
Denominator:		
Basic - weighted average common shares outstanding	21,956,067	21,722,855
Basic EPS	\$ 0.19	\$ 0.29
Diluted:		
Numerator:		
Net income	\$ 4,279,703	\$ 6,351,472
Denominator:		
Weighted average common shares outstanding	21,956,067	21,722,855
Effect of Dilutive Securities:		
Stock options	103,484	463,478
	<u>22,059,551</u>	<u>22,186,333</u>
Diluted EPS	\$ 0.19	\$ 0.29

NOTE D — DIVIDENDS

On April 19, 2013, the Company declared a five percent (5%) stock dividend on its outstanding common shares. The 5% stock dividend was paid on May 14, 2013, to shareholders of record as of April 30, 2013.

NOTE E — INCOME TAXES

Deferred income taxes reflect the impact of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. In addition, the Company paid various state estimated income taxes for tax year 2014, as well as various state income taxes for tax year 2013.

NOTE F — SHARE-BASED COMPENSATION

The Company accounts for share-based compensation awards and for unvested awards outstanding using the modified prospective application method. Accordingly, the Company recognizes the fair value of the share-based compensation awards as wages in the Consolidated Statements of Earnings on a straight-line basis over the

vesting period. The Company recognized compensation expense, relative to share-based awards, in wages in the Consolidated Statements of Earnings of approximately \$190,000 and \$151,000, less than \$0.01 per share, for the three months ended March 31, 2014, and 2013, respectively.

As of March 31, 2014, there was approximately \$299,000 of unrecognized compensation expense, related to the Company's two share-based compensation plans, which the Company expects to recognize over a period of three years.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis should be read in conjunction with our financial statements and related notes thereto included elsewhere in this Form 10-Q.

Forward Looking Statements

This report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact included in this report, such as statements of our plans, objectives, expectations, and intentions regarding the Company's strategies and plans for growth are forward-looking statements. These forward-looking statements are often characterized by the terms "may," "will," "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "target," and other words and terms of similar meanings and do not reflect historical facts. Although management believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from such expectations are disclosed in our Securities and Exchange Commission ("SEC") filings, and include, but are not limited to, the dependence upon energy industry spending for seismic services, changes in economic conditions, the unpredictable nature of forecasting weather, the potential for contract delay or cancellation, the potential for fluctuations in oil and natural gas prices, and the availability of capital resources. The forward-looking statements contained herein reflect the current views of management, and the Company assumes no obligation to update the forward-looking statements or to update the reasons actual results could differ from those contemplated by such forward-looking statements except as required by law.

Executive Overview

TGC Industries, Inc. is a Texas corporation, and with its wholly-owned subsidiary, Eagle Canada, Inc., a Delaware corporation, (collectively "we," "us," "our," "its," "TGC" or the "Company"), is primarily engaged in the geophysical service business of conducting three-dimensional ("3-D") surveys for clients in the oil and natural gas business. TGC's principal business office is located at 101 E. Park Blvd., Suite 955, Plano, Texas 75074 (Telephone: 972-881-1099). TGC's internet address is www.tgcseismic.com. TGC makes available free of charge on its website its annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K as soon as reasonably practicable after filing with, or furnishing such information to, the SEC.

We are a leading provider of seismic data acquisition services throughout the continental United States and Canada. We supply seismic data to companies engaged in the exploration and development of oil and natural gas on land and in land-to-water transition areas. Our customers rely on seismic data to identify areas where subsurface conditions are favorable for the accumulation of existing hydrocarbons, to optimize the development and production of hydrocarbon reservoirs, to better delineate existing oil and natural gas fields, and to augment reservoir management techniques. We operated four seismic crews in the lower 48 states during the first quarter of 2014. We operated six crews in Canada for most of the first quarter, tapering down to four crews by the end of March as the Canadian Spring break-up began. The Canadian market is seasonal, and as a result of the thawing season, we have historically experienced limited Canadian activity for the second and third quarters of each year.

We acquire geophysical data using the latest in 3-D survey techniques. We introduce acoustic energy into the ground by using vibration equipment or dynamite detonation, depending on the surface terrain and subsurface requirements. The reflected energy, or echoes, is received through geophones, converted into a digital signal at a multi-channel recording unit, and then transmitted to a central recording vehicle. Subsurface requirements dictate the number of channels necessary to perform our services. With our state-of-the-art seismic equipment, including computer technology and multiple channels, we acquire, on a cost effective basis, immense volumes of seismic data that when processed and interpreted produce more precise images of the earth's subsurface. Our customers then use our seismic data to generate 3-D geologic models that help reduce finding costs and improve recovery rates from existing wells.

We provide our seismic data acquisition services primarily to major and independent onshore oil and natural gas exploration and development companies for use in the onshore drilling and production of oil and natural gas in the continental United States and Canada. The main factors influencing demand for seismic data acquisition services in our industry are the level of drilling activity by oil and natural gas companies and the sizes of such companies' exploration and development budgets, which, in turn, depend largely on current and anticipated future crude oil and natural gas prices and depletion rates.

The services we provide to our customers vary according to the size and needs of each customer. Our services are marketed by supervisory and executive personnel who contact customers to determine their needs and respond to customer inquiries regarding the availability of crews. Contacts are based principally upon professional relationships developed over a number of years.

The acquisition of seismic data for the oil and natural gas industry is a highly competitive business. Contracts for such services generally are awarded on the basis of price quotations, crew experience, and the availability of crews to perform in a timely manner, although other factors, such as crew safety performance history and technological and operational expertise are often determinative. Our competitors include companies with financial resources that are

significantly greater than our own as well as companies of comparable and smaller size. Our primary competitors are Dawson Geophysical Company and CGG-Veritas. These competitors are publicly-traded companies with long operating histories which field numerous crews and work in a number of different regions and terrain. In addition to the previously named companies, we also compete for projects from time to time with smaller seismic companies which operate in local markets with only one or two crews and often specialize in specific regions or type of operations. We believe that our long-term industry expertise, the customer relationships developed over our history and our financial stability give us an advantage over most of our competitors in the industry.

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Results of Operations

The Company's business is subject to seasonal variations; thus the results of operations for the three months ended March 31, 2014, are not necessarily indicative of a full year's results.

Three Months Ended March 31, 2014, Compared to Three Months Ended March 31, 2013 (Unaudited)

Revenues. Our revenues were \$48,801,423 for the three months ended March 31, 2014, compared to \$63,204,413 for the first quarter of 2013, a decrease of 22.8%. This decrease was primarily due to the softening in the seismic market that began in early 2013, our operation of fewer crews in the U.S. and Canada during the quarter as compared to the same period of 2013, and the adverse winter weather conditions in parts of the United States and Canada during the first quarter. We operated four crews in the U.S. during the first quarter of 2014. In Canada, we operated six crews for most of this year's first quarter and ended the quarter with four crews. This compares with our operation of nine crews in the U.S. and six crews in Canada during the first quarter of 2013.

Cost of services. Our cost of services was \$33,913,898 for the three months ended March 31, 2014, compared to \$43,232,641 for the same period of 2013, a decrease of 21.6%. This decrease was primarily attributable to our operation of fewer crews in the U.S. and Canada as discussed above, and a decrease to approximately \$670 thousand in reserve expense associated with site clean-up costs related to the end of the Canadian winter season that we took in the first quarter of 2014 compared to \$1.3 million that was taken in the first quarter of 2013. The decrease was partially offset by costs incurred due to adverse winter weather conditions in parts of the United States and Canada during the first quarter of this year.

Selling, general, and administrative expenses. Selling, general and administrative ("SG&A") expenses were \$2,614,665 for the three months ended March 31, 2014, compared to \$2,380,541 for the same period of 2013, an increase of 9.8%. This increase was primarily due to increased professional fees. SG&A expense as a percentage of revenues was 5.4% for the three months ended March 31, 2014, compared with 3.8% for the same period of 2013.

Depreciation and amortization expense. Depreciation and amortization expense was \$5,075,382 for the three months ended March 31, 2014, compared to \$6,686,369 for the same period of 2013, a decrease of 24.1%. This decrease was primarily attributable to reduced spending on seismic equipment and vehicles with our implementation of a maintenance capital expenditures program adopted early in 2013. Depreciation and amortization expense as a percentage of revenues was 10.4% for the three months ended March 31, 2014 compared to 10.6% for the same period of 2013.

Income from operations. Income from operations was \$7,197,478 for the three months ended March 31, 2014 compared to \$10,904,862 for the same period of 2013. This decrease was primarily attributable to a decrease in revenues, an increase, as a percentage of revenues, in cost of services and selling, general and administrative expense partially offset by a decrease in depreciation and amortization expenses discussed above. EBITDA decreased \$5,318,371 to \$12,272,860 for the three months ended March 31, 2014, from \$17,591,231 for the same period of 2013, a decrease of 30.2%. This decrease was a result of those factors mentioned above. For a definition of EBITDA, a reconciliation of EBITDA to net income, and discussion of EBITDA, please refer to the section entitled "EBITDA" found below.

Interest expense. Interest expense was \$181,572 for the three months ended March 31, 2014 compared to \$319,706 for the same period of 2013, a decrease of 43.2%. This decrease was primarily attributable to our pay off of three notes payable for purchases of seismic acquisition equipment during 2013.

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Income tax expense. Income tax expense was \$2,736,203 for the three months ended March 31, 2014, compared to \$4,233,684 for the same period of 2013. The effective tax rate was 39% for the three months ended March 31, 2014, compared to approximately 40% for the same period of 2013. See Note E of Notes to Consolidated Financial Statements in Item 1.

EBITDA

We define EBITDA as net income plus interest expense, income taxes, and depreciation and amortization expense. We use EBITDA as a supplemental financial measure to assess:

- the financial performance of our assets without regard to financing methods, capital structures, taxes, or historical cost basis;
- our liquidity and operating performance over time and in relation to other companies that own similar assets and that we believe calculate EBITDA in a manner similar to us; and
- the ability of our assets to generate cash sufficient for us to pay potential interest costs.

We also understand that such data is used by investors to assess our performance. However, EBITDA is not a measure of operating income, operating performance, or liquidity presented in accordance with generally accepted accounting principles. When assessing our operating performance or our liquidity, you should not consider this data in isolation or as a substitute for our net income, cash flow from operating activities, or other cash flow data calculated in accordance with generally accepted accounting principles. EBITDA excludes some, but not all, items that affect net income and operating income, and these measures may vary among other companies. Therefore, EBITDA as presented below may not be comparable to similarly titled measures of other companies.

Further, the results presented by EBITDA cannot be achieved without incurring the costs that the measure excludes: interest expense, income taxes, and depreciation and amortization.

The following table reconciles our EBITDA to our net income:

	Three Months Ended March 31,	
	2014	2013
	(unaudited)	
Net income	\$ 4,279,703	\$ 6,351,472
Depreciation and amortization expense	5,075,382	6,686,369
Interest expense	181,572	319,706
Income tax expense	2,736,203	4,233,684
EBITDA	<u>\$ 12,272,860</u>	<u>\$ 17,591,231</u>

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Liquidity and Capital Resources

Cash Flows

Cash flows provided by operating activities.

Net cash provided by operating activities was \$3,181,839 for the three months ended March 31, 2014, compared to \$5,271,194 for the same period of 2013. The \$2,089,355 decrease during the first three months of 2014 from the same period of 2013 was primarily attributable to the increase in accounts receivable, the timing of billings and revenue recognition, the decrease in net income, the timing of receipt and payment of invoices, federal and state income taxes payable, and the mix of contracts.

Working capital increased \$5,774,709 to \$23,482,872 as of March 31, 2014, from the December 31, 2013 working capital of \$17,708,163. This increase was primarily due to a \$28,660,347 increase in trade accounts receivable, partially offset by a \$3,909,198 decrease in prepaid federal and state income tax, a \$5,742,133 increase in trade accounts payable, a \$5,033,704 increase in accrued liabilities, a \$3,354,740 increase in billings in excess of costs and estimated earnings on uncompleted contracts, and a \$3,040,784 increase in federal and state income taxes payable.

Cash flows used in investing activities.

Net cash used in investing activities was \$909,117 for the three months ended March 31, 2014, and \$516,353 for the three months ended March 31, 2013. This increase was primarily due to an increase of \$419,325 in cash used for capital expenditures to purchase seismic equipment in the first quarter of 2014 as compared to the first quarter of 2013.

Cash flows used in financing activities.

Net cash used in financing activities was \$3,023,042 for the three months ended March 31, 2014, and \$3,301,830 for the three months ended March 31, 2013. The decrease was due primarily to lower principal payments on notes payable.

Capital expenditures.

During the three months ended March 31, 2014, we purchased \$978,660 of equipment and vehicles, primarily to replace similar vehicles and equipment. Cash was used to finance these purchases. We continue to operate under a maintenance capital expenditures policy that we instituted in the first quarter of 2013. Although we do not budget for our capital expenditures, we may purchase additional equipment during 2014 should the demand for our services increase.

Liquidity

Our primary source of liquidity is cash generated from operations and short-term borrowings from commercial banks and equipment lenders. Based on current forecasts, we believe that we have sufficient available cash and borrowing capacity to fund our working capital needs over the next 12 months.

Capital Resources

We have relied on cash generated from operations and short-term borrowings from commercial banks and equipment lenders to fund our working capital requirements and capital expenditures.

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The Company has a revolving line of credit agreement with a commercial bank. The borrowing limit under the revolving line of credit agreement is \$5,000,000 and was renewed on September 16, 2012, and again on September 16, 2013. The revolving line of credit agreement will expire on September 16, 2014. Our obligations under this agreement are secured by a security interest in our accounts receivable. Interest on the outstanding amount under the line of credit loan agreement is payable monthly at the greater of the prime rate of interest or five percent. As of March 31, 2014, we had no borrowings outstanding under the line of credit loan agreement.

At March 31, 2014, the Company had four outstanding notes payable to commercial banks for equipment purchases. The notes have interest rates between 3.50% and 4.60%, are due in monthly installments between \$128,363 and \$215,863 and have a total outstanding balance of \$12,256,031 and are collateralized by equipment. Three notes payable with interest rates between 5.00% and 6.35% and monthly payments of \$50,170 and \$82,950 plus interest were paid off in 2013. These notes were collateralized by equipment.

The Company had, at March 31, 2014, two outstanding notes payable to finance companies for corporate insurance. The notes have interest rates between 4.00% and 4.95%, and are due in monthly installments of \$18,831 and \$19,018 including interest, and have a total outstanding balance of \$248,490.

On April 25, 2014, the Company entered into a note payable to a finance company for corporate insurance for \$2,877,614. The note has an interest rate of 4.95%, and is due in monthly installments of \$326,366 including interest.

Contractual Obligations

We believe that our capital resources, including cash generated from operations and short-term borrowings from commercial banks and equipment lenders, will be adequate to meet our current operational needs. We believe that we will be able to finance our 2014 capital expenditures through cash flow from operations, borrowings from commercial lenders, and the funds available under our line of credit loan agreement. However, our ability to satisfy working capital requirements, meet debt repayment obligations, and fund future capital requirements will depend principally upon our future operating performance which is subject to the risks inherent in our business, and will also depend on the extent to which the current weak economic recovery adversely affects the ability of our customers, and/or potential customers, to pay promptly amounts owing to the Company under their service contracts with us.

Off-Balance Sheet Arrangements

As of March 31, 2014, we had no off-balance sheet arrangements.

Critical Accounting Policies

A discussion of our critical accounting policies can be found in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 and in Note A to this Form 10-Q. There have been no material changes to these policies (including critical accounting estimates and assumptions or judgments affecting the application of those estimates and assumptions) during the first three months of 2014.

Recently Issued Accounting Pronouncements

A discussion of recently issued accounting pronouncements can be found in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013. There have been no new accounting pronouncements during the first three months of 2014.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

There has been no material change from the information provided in “Item 7A. Quantitative and Qualitative Disclosures about Market Risk” contained in our Annual Report on Form 10-K for the year ended December 31, 2014.

ITEM 4. CONTROLS AND PROCEDURES.

The Company maintains controls and procedures to ensure that it is able to collect the information it is required to disclose in the reports it files with the SEC and to process, summarize, and disclose this information within the time periods specified in the rules of the SEC. Based on an evaluation of the Company’s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report conducted by the Company’s management, with the participation of the Chief Executive and Chief Financial Officers, the Chief Executive and Chief Financial Officers believe that these controls and procedures are effective to ensure that the Company is able to record, process, summarize, and report information required to be included in reports filed or submitted under the Securities Exchange Act of 1934, as amended, within the required time period. There were no changes in the Company’s internal controls over financial reporting during the quarter ended March 31, 2014, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

The Company is a defendant in various legal actions that arose or may arise out of the normal course of business. In our opinion, none of these actions have resulted, or will result, in any significant loss to us.

ITEM 1A. RISK FACTORS.

For a discussion of those “Risk Factors” affecting the Company, you should carefully consider the “Risk Factors” discussed in Part I, under “Item 1A. Risk Factors” contained in our Annual Report on Form 10-K for the year ended December 31, 2013. There have been no material changes from those risk factors previously disclosed in such Annual Report.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS. — None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES. — None.

ITEM 5. OTHER INFORMATION. — None.

ITEM 6. EXHIBITS.

A list of exhibits filed herewith is contained in the Exhibit Index that immediately precedes such exhibits and is incorporated by reference herein.

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SIGNATURES

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 thereunto duly authorized.

TGC INDUSTRIES, INC.

Date: May 8, 2014

/s/ Wayne A. Whitener
 Wayne A. Whitener
 President and Chief Executive Officer
 (Principal Executive Officer and duly authorized officer)

Date: May 8, 2014

/s/ James K. Brata
 James K. Brata
 Vice President and Chief Financial Officer
 (Principal Financial and Accounting Officer)

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EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
3.1	Amended and Restated Certificate of Formation, filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013, filed on August 8, 2013, and incorporated herein by reference.
3.2	Bylaws, as amended and restated March 25, 2009, filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on March 31, 2009, and incorporated herein by reference.
*31.1	Certification of Chief Executive Officer, required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act, promulgated pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification of Chief Financial Officer, required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act, promulgated pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*32.1	Certification of Chief Executive Officer, required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code, promulgated pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*32.2	Certification of Chief Financial Officer, required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code, promulgated pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*101.INS	XBRL Instance Document
*101.SCH	XBRL Taxonomy Extension Schema Document
*101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
*101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
*101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

*Filed herewith.

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CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Wayne A. Whitener, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TGC Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2014

/s/ Wayne A. Whitener

Wayne A. Whitener
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, James K. Brata, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TGC Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2014

/s/ James K. Brata

James K. Brata
Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

**Certification of
Chief Executive Officer
of TGC Industries, Inc. Pursuant to
18 U.S.C. Section 1350, as adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

This certification is furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and accompanies the quarterly report on Form 10-Q (the "Form 10-Q") for the quarter ended March 31, 2014 of TGC Industries, Inc. (the "Company"). I, Wayne A. Whitener, President and Chief Executive Officer of the Company, certify that, to the best of my knowledge:

- (1) The Form 10-Q fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Form 10-Q.

Dated: May 8, 2014

/s/ Wayne A. Whitener

Wayne A. Whitener

President and Chief Executive Officer

(Principal Executive Officer)

The foregoing certification is being furnished as an exhibit to the Form 10-Q pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and accordingly, is not being filed as part of the Form 10-Q for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

**Certification of
Chief Financial Officer
of TGC Industries, Inc. Pursuant to
18 U.S.C. Section 1350, as adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

This certification is furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and accompanies the quarterly report on Form 10-Q (the "Form 10-Q") for the quarter ended March 31, 2014 of TGC Industries, Inc. (the "Company"). I, James K. Brata, Vice President and Chief Financial Officer of the Company, certify that, to the best of my knowledge:

- (1) The Form 10-Q fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Form 10-Q.

Dated: May 8, 2014

/s/ James K. Brata

James K. Brata

Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)

The foregoing certification is being furnished as an exhibit to the Form 10-Q pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and accordingly, is not being filed as part of the Form 10-Q for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.
