

# **TGC INDUSTRIES, INC.**

**101 E. Park Blvd., Suite 955  
Plano, Texas 75074**

## **NOTICE OF ANNUAL MEETING OF SHAREHOLDERS To Be Held June 3, 2014**

To Shareholders of  
TGC INDUSTRIES, INC.:

The annual meeting of the shareholders of TGC Industries, Inc. (the "Company") will be held at the University Club, 1 West 54<sup>th</sup> Street, New York, New York 10019, on June 3, 2014, at 10:00 a.m. (Eastern Daylight Saving Time), for the following purposes:

1. To elect six directors to serve until the next annual meeting of shareholders and until their respective successors shall be elected and qualified;
2. To cast an advisory vote to approve named executive officer compensation;
3. To ratify the selection of Lane Gorman Trubitt, PLLC as the Company's Independent Registered Public Accounting Firm; and
4. To transact such other business as may properly come before the annual meeting and any adjournment thereof.

Information regarding matters to be acted upon at the annual meeting is contained in the accompanying Proxy Statement. Only shareholders of record at the close of business on April 8, 2014, are entitled to notice of and to vote at the annual meeting and any adjournment thereof.

All shareholders are cordially invited to attend the annual meeting. Whether or not you plan to attend, please complete, sign, and return promptly the enclosed proxy in the accompanying addressed envelope for which postage is prepaid. You may revoke the proxy at any time before the commencement of the annual meeting.

By Order of the Board of Directors:

James K. Brata  
Secretary

Plano, Texas  
May 2, 2014

### **IMPORTANT**

**IT IS IMPORTANT THAT YOUR STOCK BE REPRESENTED AT THE ANNUAL MEETING REGARDLESS OF THE NUMBER OF SHARES YOU HOLD. PLEASE COMPLETE, SIGN, AND RETURN PROMPTLY THE ENCLOSED PROXY IN THE ACCOMPANYING ENVELOPE, WHETHER OR NOT YOU INTEND TO BE PRESENT AT THE ANNUAL MEETING.**

## **SOLICITATION OF PROXIES**

This Proxy Statement is furnished to shareholders in connection with the solicitation of proxies by the Board of Directors of TGC Industries, Inc. (the “Company” or “TGC”) for the Annual Meeting of Shareholders to be held at the University Club, 1 West 54<sup>th</sup> Street, New York, New York 10019, on June 3, 2014, at 10:00 a.m. (Eastern Daylight Saving Time), and at any adjournment thereof, for the purpose of submitting to a vote of the shareholders the actions and proposals set forth in this Proxy Statement. The Notice of Meeting, the form of Proxy, and this Proxy Statement are being mailed to the Company’s shareholders on or about May 2, 2014.

Although solicitation (the total expense of which will be borne by the Company) is to be made primarily through the mail, the Company’s officers and employees and those of its transfer agent may solicit proxies personally, by telephone, facsimile, electronic mail or other forms of communication, but in such event no additional compensation will be paid by the Company for such solicitation. Further, brokerage firms, fiduciaries, and others may be requested to forward solicitation material regarding the annual meeting to beneficial owners of the Company’s common stock, par value \$.01 per share (the “Common Stock”), and in such event the Company will reimburse them for all reasonable out-of-pocket expenses so incurred.

A copy of the Annual Report to shareholders of the Company for its fiscal year ended December 31, 2013, is being mailed with this Proxy Statement to all such shareholders entitled to vote, but does not form any part of the information for solicitation of proxies.

### **Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be Held on June 3, 2014**

This Proxy Statement, the accompanying proxy card, and the Company’s 2013 Annual Report to Shareholders are available at [www.tgcseismic.com/proxy](http://www.tgcseismic.com/proxy).

## **RECORD DATE AND VOTING SECURITIES**

The Board of Directors of the Company has fixed the close of business on April 8, 2014 (the “Record Date”) as the date for determination of shareholders entitled to notice of and to vote at the annual meeting. As of the Record Date, there were 21,957,167 shares of Common Stock outstanding. All share amounts in this Proxy Statement have been adjusted to reflect the five percent stock dividend paid to all shareholders of record on May 14, 2013.

The Company’s Restated Articles of Incorporation authorize 35,000,000 shares of Common Stock. In voting on all matters expected to come before the annual meeting, a shareholder will be entitled to one vote, in person or by proxy, for each share of Common Stock held in his, her, or its name on the Record Date. The Company’s Restated Articles of Incorporation prohibit cumulative voting.

## **ACTION TO BE TAKEN AND VOTE REQUIRED**

Action will be taken at the annual meeting to: (1) elect six members to the Board of Directors; (2) cast an advisory vote to approve named executive officer compensation; (3) ratify the selection of Lane Gorman Trubitt, PLLC as the Company's Independent Registered Public Accounting Firm; and (4) transact such other business as may properly come before the annual meeting and any adjournment thereof. Each proxy will be voted in accordance with the directions specified thereon and otherwise in accordance with the judgment of the persons designated as proxies. Any proxy that is validly executed but on which no directions are specified will be voted: (i) FOR the election of the six nominees for directors, (ii) FOR the approval, on an advisory basis, of the compensation of the Company's named executive officers; and (iii) FOR the ratification of Lane Gorman Trubitt, PLLC as the Company's Independent Registered Public Accounting Firm. Any person executing the enclosed proxy may nevertheless revoke it at any time prior to the actual voting thereof by filing with the Secretary of the Company either a written instrument expressly revoking it or a duly executed proxy bearing a later date. Furthermore, such person may nevertheless elect to attend the annual meeting and vote in person in which event the proxy will be revoked.

Shareholders elect the nominated directors by a plurality of the votes cast at the annual meeting. This means that, with regard to Proposal No. 1, the shareholders will elect the six persons receiving the highest number of "for" votes at the annual meeting. The affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote at the annual meeting will constitute approval of all other proposals. Abstentions are voted as "shares present" at the annual meeting for purposes of determining whether a quorum exists. In the election of the directors, votes withheld will have no effect on the outcome of the vote. Abstentions will have the effect of a vote against all other proposals. Broker non-votes on any matter, as to which the broker has indicated on the proxy that it does not have discretionary authority to vote, will be treated as shares not entitled to vote with respect to that matter. However, such shares will be considered present and entitled to vote for quorum purposes so long as they are entitled to vote on other matters.

### **PROPOSAL NO. 1 ELECTION OF DIRECTORS**

Six directors are to be elected at the annual meeting to comprise the entire membership of the Company's Board of Directors. Unless otherwise instructed, the proxy holders will vote the proxies received by them for the nominees shown below to serve until the next annual meeting of shareholders and until their respective successors shall be elected and qualified. The Company's Board of Directors is currently comprised of six members. The nominees for election were recommended to the Board of Directors by a majority of the independent directors of the Board.

Although it is not contemplated that any nominee will be unable to serve as a director, in such event the proxies will be voted by the holders thereof for such other person as may be designated by the current Board of Directors. The management of the Company has no reason to believe that any of the nominees will be unable or unwilling to serve if elected to office, and to the knowledge of management the nominees intend to serve the entire term for which election is sought.

Mr. Wayne A. Whitener, the Company's President and Chief Executive Officer, is the only executive officer of the Company who is a nominee as set forth below. There are no family relationships by blood, marriage, or adoption between any director, executive officer, or any person nominated or chosen by the Company to become an executive officer or a director. The information set forth below with respect to each of the nominees has been furnished by each respective nominee.

**Name, Age, and Business Experience****Positions with Company**

---

**Wayne A. Whitener, 62**

Director of the Company since 1984; President of the Company since July 1986; Chief Executive Officer of the Company since 1999; Chief Operating Officer of the Company from July 1986 to December 1998; Vice President of the Company from 1983 to July 1986; Director of Supreme Industries, Inc., a manufacturer of specialized truck bodies and shuttle buses, since 2008; and Director of Chase Packaging Corporation, a development stage company, since 2009. Mr. Whitener was selected to serve as a director of the Company because of his depth of understanding of the Company's operations, his strong leadership skills, his extensive employment experience with the Company, and his significant industry and management expertise.

Chief Executive Officer,  
President, and Director

**Allen T. McInnes, Ph.D., 76**

Director of the Company since 1993; Chairman of the Board from July 1993 to March 2004 and Presiding Director of the Board since March 2004; Secretary of the Company from November 1997 to March 2004; Chief Executive Officer of the Company from August 1993 to March 1996; Director of Tetra Technologies, a chemical manufacturer, from 1993 to 2012; President and Chief Executive Officer of Tetra Technologies, Inc. from April 1996 to January 2000; Chairman of the Board, President, and Treasurer of Chase Packaging Corporation, a development stage company, since 1997; and Dean of the Rawls College of Business at Texas Tech University from September 2001 to September 2012 (retired). Dr. McInnes was selected to serve as a director of the Company due to his extensive background as an experienced leader of major organizations, his experience serving on the boards of other public companies, and his experience as chief executive officer of another public company. In addition, Dr. McInnes' experience as Dean of the Business School at Texas Tech University provides the Board with a link to developments in business management practices. Dr. McInnes qualifies as an "audit committee financial expert" under the guidelines of the Securities and Exchange Commission.

Director

**William J. Barrett, 74**

Director of the Company since 1980; Secretary of the Company from 1986 to November 1997; President of W. J. Barrett Associates, Inc., an investment banking firm, since June 2009; President of Barrett-Gardner Associates, Inc., an investment banking firm, from November 2002 until June 2009; previously Senior Vice President of Janney Montgomery Scott LLC, an investment banking firm, from 1978 to 2002; Director, Executive Vice President, and Secretary of Supreme Industries, Inc., a manufacturer of specialized truck bodies and shuttle buses, since 1979; Director of Babson Corporate Investors, a closed-end investment company, since July of 2006; Director of Babson Participation Investors, a closed-end investment company, since July of 2006; Director of Chase Packaging Corporation, a development stage company, since 2001; and former Chairman of the Board and Director of Rumson-Fair Haven Bank and Trust Company, a New Jersey state independent commercial bank and trust company, from 2000 to June, 2012. Mr. Barrett brings to the Board of Directors of the Company keen business and financial judgment and an extraordinary understanding of the Company's business, history, and organization, as

Director

well as extensive leadership experience.

**Herbert M. Gardner, 74**

Director

Director of the Company since 1980; Executive Vice President of Barrett-Gardner Associates, Inc., an investment banking firm, from November 2002 until June 2009; and previously Senior Vice President of Janney Montgomery Scott LLC, an investment banking firm, from 1978 to 2002; Chairman of the Board of Supreme Industries, Inc. (“Supreme”), a manufacturer of specialized truck bodies and shuttle buses, since 1979; Chief Executive Officer of Supreme from 1979 to January 2011; President of Supreme from June 1992 to February 2006; Director of Chase Packaging Corporation, a development stage company, since 2001; former Director of Rumson-Fair Haven Bank and Trust Company, a New Jersey state independent, commercial bank and trust company, from 2000 to May 2013; former Director of Nu-Horizons Electronics Corp., an electronics component distributor, from 1984 until January 2011; and former Director of MKTG, Inc., a marketing and sales promotion company, from 1997 until January 2010. Mr. Gardner was selected to serve as a director of the Company due to his extensive management experience, his deep understanding of the Company and its history and organization, his strong leadership skills, his outstanding business and financial judgment, and his experience as chief executive officer of another public company.

**Edward L. Flynn, 79**

Director

Director of the Company since 1999; Owner of Flynn Meyer Company, a management company for the restaurant industry, since 1976; Director and Treasurer of Citri-Lite Co., a soft drink company, since 1994; Director of Supreme Industries, Inc., a manufacturer of specialized truck bodies and shuttle buses, since 2007; Director of Bioject Medical Technologies, Inc., a medical device company, since 2007; and Director of Chase Packaging Corporation, a development stage company, since 2007. Mr. Flynn is an experienced leader of large organizations and brings to the Board of Directors of the Company strong executive management skills and experience serving on the boards of other public companies.

**Stephanie P. Hurtt, 69**

Director

Director of the Company since 2007; Member of Finance Committee of McKee Botanical Garden since 2006; Member of Board of Directors and First Vice-President of McKee Botanical Garden since 2008; Member of Indian River Medical Center Foundation Advisory Board; former Treasurer of Navesink River Auxiliary for Riverview Hospital; former Assistant in the Development Office and Secretary to the Headmaster of The Rumson Country Day School; and recipient of B.S., Business Administration from Simmons College, Boston, MA. Ms. Hurtt was selected to serve as a director of the Company due to her experience serving on the boards of other organizations through which she has exhibited significant leadership experience.

**The Company’s Board of Directors recommends that you vote FOR all of the nominees listed above.**

## EXECUTIVE OFFICERS

<b>Name, Age, and Business Experience</b>	<b>Positions with Company</b>
<p><b>Wayne A. Whitener, 62</b> Director of the Company since 1984; President of the Company since July 1986; Chief Executive Officer of the Company since 1999; Chief Operating Officer of the Company from July 1986 to December 1998; Vice President of the Company from 1983 to July 1986; Director of Supreme Industries, Inc., a manufacturer of specialized truck bodies and shuttle buses, since 2008; and Director of Chase Packaging Corporation, a development stage company, since 2009.</p>	Chief Executive Officer, President, and Director
<p><b>Daniel G. Winn, 63</b> Executive Vice President of the Company since November 2009; Vice President of the Company from June 2004 to November 2009; Operations Manager of the Company from August 1997 to June 2004; Operations Supervisor of the Company from January 1990 to August 1997; and Operations Supervisor for Halliburton Geophysical from January 1988 to January 1990.</p>	Executive Vice President
<p><b>James K. Brata, 58</b> Secretary and Treasurer of the Company since March 2009; Chief Financial Officer of the Company since October 2008; Vice President of the Company since June 2008. Prior to joining the Company, Mr. Brata served in a variety of capacities at publicly traded companies including Sport Supply Group, Research Institute of America, a wholly owned subsidiary of Thomson Reuters Corporation, Compaq Computer Corporation, now part of Hewlett Packard Company, and Mitchell Energy and Development Corporation which was acquired by Devon Energy Corporation. Mr. Brata was also a consultant with KPMG LLP and Coopers &amp; Lybrand, now PricewaterhouseCoopers LLP. Mr. Brata holds a B.S. degree in Accounting, a M.B.A. in finance, and is a Certified Public Accountant.</p>	Vice President, Chief Financial Officer, Secretary, and Treasurer

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following tabulation sets forth the names of those persons who are known to the Company to be the beneficial owner(s) as of the Record Date of more than five percent (5%) of the Common Stock. Such tabulation also sets forth the number of shares of Common Stock beneficially owned as of the Record Date by each of the Company's directors, nominees for director, named executive officers, and all directors and executive officers of the Company as a group. Except as otherwise indicated, the beneficial owners listed in the table below possess the sole voting and dispositive power in regard to such stock and have an address of c/o TGC Industries, Inc., 101 E. Park Blvd., Ste. 955, Plano, TX 75074. As of the Record Date there were 21,957,167 shares of Common Stock outstanding.

The following tabulation also includes Common Stock covered by vested options granted under the Company's 2006 Stock Awards Plan, which options are collectively referred to as "Stock Options." The Stock Options have no voting or dividend rights.

Name	Number of Shares of Common Stock Beneficially Owned	Approximate % of Class (1)
<b><u>Directors and Officers</u></b>		
Wayne A. Whitener	20,250	*
William J. Barrett	2,131,149 (2)(3)	9.68%
Herbert M. Gardner	853,431 (2)(4)	3.87%
Allen T. McInnes	1,093,418 (2)	4.96%
Edward L. Flynn	1,727,334 (2)(5)	7.84%
Stephanie P. Hurtt	424,127 (2)	1.93%
Daniel G. Winn	81,739 (6)	*
James K. Brata	45,652 (6)	*
<b>All directors and officers as a group of eight (8) persons</b>	6,377,100 (2)(3)(4)(5)(6)	28.59%
<b><u>Certain Persons</u></b>		
Royce & Associates, LLC	1,658,443 (7)	7.56%
DePrince, Race & Zollo, Inc.	1,597,086 (8)	7.28%
Thomson, Horstmann & Bryant, Inc.	1,357,968 (9)	6.19%
Paradigm Capital Management, Inc.	1,194,344 (10)	5.44%
Punch & Associates Investment Management, Inc.	1,182,904 (11)	5.39%

\* Less than 1%

(1) The percentage calculations have been made in accordance with Rule 13d-3(d)(1) promulgated under the Securities Exchange Act of 1934, as amended. In making these calculations, shares of Common Stock beneficially owned by a person as a result of the ownership of certain Stock Options were deemed to be currently outstanding solely with respect to the holders of such Stock Options.

(2) Includes the number of shares of Common Stock underlying Stock Options set forth opposite the person's name in the following table, which shares are deemed to be beneficially owned for purposes hereof as a result of the ownership of Stock Options.

<b><u>Stock Options</u></b>	
William J. Barrett	70,127
Herbert M. Gardner	70,127
Allen T. McInnes	70,127
Edward L. Flynn	70,127
Stephanie P. Hurtt	70,127
All directors and officers as a group	350,635

(3) Includes 177,745 shares of Common Stock owned by William J. Barrett's wife. Mr. Barrett has disclaimed beneficial ownership of these shares.

(4) Includes 80,453 shares of Common Stock owned by the Mary K. Gardner estate. Mr. Gardner has disclaimed beneficial ownership of these shares.

(5) Includes 302,931 shares of Common Stock owned by Edward L. Flynn's wife. Mr. Flynn has disclaimed beneficial ownership of these shares. Also includes 30,387 shares held by Flynn Meyer PSP&T #1. Mr. Flynn has disclaimed beneficial ownership of these shares. Mr. Flynn is the Plan Administrator for Flynn Meyer PSP&T #1 and may be deemed to have voting and dispositive power over the shares held by Flynn Meyer PSP&T #1.

(6) Includes 2,625 shares of restricted stock for Mr. Whitener, and 4,593 shares of restricted stock for each of Messrs. Winn and Brata, which will vest on January 1, 2015, provided the recipient remains employed by the Company. Messrs. Whitener, Winn and Brata have sole voting rights over all of their restricted stock shares but have disposition rights over only those restricted stock shares from which restrictions have been removed.

(7) Royce & Associates, LLC ("Royce") filed a Schedule 13G/A on January 16, 2014, reporting that Royce owns and has sole voting and dispositive power over 1,658,443 shares of Common Stock. Royce's address is 745 Fifth Avenue, New York, NY 10151. All information presented above relating to Royce is based solely on the Schedule 13G/A.

(8) DePrince, Race & Zollo, Inc., ("DePrince") filed a Schedule 13G on February 13, 2014 reporting that DePrince owns and has sole voting and dispositive power over 1,597,086 shares of Common Stock. DePrince's address is 250 Park Ave. South, Suite 250, Winter Park, FL 32789. All information presented above relating to DePrince is based solely on the Schedule 13G.

(9) Thomson Horstmann & Bryant, Inc., ("Thomson") filed a Schedule 13G on February 6, 2014 reporting that Thomson owns and has sole voting and dispositive power over 1,357,968 shares of Common Stock. Thomson's address is 501 Merritt 7, Norwalk, CT 06851. All information presented above relating to Thomson is based solely on the Schedule 13G.

(10) Paradigm Capital Management, Inc. ("Paradigm") filed a Schedule 13G/A on February 14, 2014, reporting that Paradigm owns and has sole voting and dispositive power over 1,194,344 shares of Common Stock. Paradigm's address is Nine Elk Street, Albany, NY 12207. All information presented above relating to Paradigm is based solely on the Schedule 13G/A.

(11) Punch & Associates Investment Management, Inc. ("Punch") filed a Schedule 13G on February 13, 2014, reporting that Punch owns and has sole voting and dispositive power over 1,182,904 shares of Common Stock. Punch's address is 3601 West 76<sup>th</sup> Street, Suite 225, Edina, MN 55436. All information presented above relating to Punch is based solely on the Schedule 13G.

Depositories such as The Depository Trust Company (Cede & Company) as of the Record Date held, in the aggregate, more than 5% of the Common Stock. The Company understands that such depositories hold such shares for the benefit of various participating brokers, banks, and other institutions which are entitled to vote such shares according to the instructions of the beneficial owners thereof. Except as noted in the table above, the Company has no reason to believe that any of such beneficial owners hold more than 5% of the Company's outstanding voting securities.

#### **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's directors and officers, and persons who own more than 10% of the Common Stock, to file with the Securities and Exchange Commission certain reports of beneficial ownership of Common Stock. Based solely on copies of such reports furnished to the Company and written representations that no other reports were required, the Company believes that all applicable Section 16(a) filing requirements were complied with by its directors, officers, and 10% shareholders during the last fiscal year.



## **BOARD OF DIRECTORS**

### **Board Leadership Structure**

The Company has in place a cost-effective, yet constructive and efficient, leadership structure. The Board of Directors has not appointed a Chairman of the Board, but has designated Dr. McInnes as the Company's presiding, or lead, independent director, who works with our President and Chief Executive Officer to manage our business operations. We believe that this leadership structure has been effective and fits our history, culture, size, and operating characteristics and is therefore in the long-range best interests of our shareholders.

Further, we have concluded that four independent directors, representing a majority of our Board of Directors, is appropriate given the size of our business and enables the Company to obtain the benefits of diverse expertise, skill sets, and backgrounds for proper governance of the Company. In addition, to being cost effective, the Board of Directors has only three committees, one of which is an Audit Committee comprised solely of independent directors. Our Audit Committee Charter is available at [www.tgceseismic.com](http://www.tgceseismic.com). Matters relating to other governance issues including, but not limited to, nominating directors, are managed by the Board of Directors. This structure enables effective communication among the directors by utilizing their participation in all of the critical areas of governance, including risk oversight and interaction with management.

The Audit Committee has the responsibility to oversee the Company's guidelines to govern the process by which risk assessment and risk management are undertaken by management.

Our Board of Directors and principal executive officers have significant ownership of the equity securities of the Company. As a result, the Board of Directors believes that management focuses on both the short-term and long-term objectives of the Company with neither being disadvantaged by the other. Management bonuses each year are tied to the profitability of the Company and also to the future values of the Company's equity securities through ownership of Common Stock and Stock Options. As a result, the Board of Directors has concluded that the incentive promoting structure of the Company does not promote risks that are inappropriate for the operation of the business.

The Board of Directors has assessed the composition of the Board and has concluded that the Board has the appropriate mix of business experience and skills to address effectively the Company's business needs and challenges. We believe that our Board of Directors has a wide range of diversity with regard to professional experience, skills, education, and other attributes that contribute to the Board's ability to operate in the long-range best interests of the Company's shareholders.

### **Independence**

The Board of Directors has determined that the following four directors have no material relationship with the Company that would interfere with the exercise of independent judgment and are "independent directors" as that term is defined in NASDAQ's listing standards: Allen T. McInnes, Herbert M. Gardner, Edward L. Flynn, and Stephanie P. Hurtt.

### **Committees and Meetings of the Board of Directors**

The Company's Executive Committee is comprised of Dr. McInnes and Messrs. Barrett and Gardner. The Executive Committee, which met one time in 2013, is charged by the Company's bylaws with the responsibility of exercising such authority of the Board of Directors as is specifically delegated to it by the Board, subject to certain limitations contained in the bylaws.

The Company's Compensation Committee is comprised of Dr. McInnes, Mr. Flynn, and Ms. Hurtt. The Compensation Committee met one time and unanimously consented to actions without meetings four times in 2013. The Compensation Committee is responsible for the oversight of the Company's executive compensation and benefit policies to ensure that they are fair, reasonable, and competitive. The Compensation Committee has the responsibility for recommending director compensation to the Board of Directors for approval. The Compensation Committee also has the responsibility for awarding incentive stock options, nonqualified stock options, reload options, Common Stock, and restricted stock to key employees, directors, or individuals who provide substantial advice or other assistance to the Company so that they will apply their best efforts for the benefit of the Company. Prior to the adoption of the Compensation Committee Charter on June 4, 2013, the Board of Directors had a Stock Awards Committee that had the responsibility for awarding equity awards. The Compensation Committee has adopted a Compensation Committee Charter, a copy of which is available at [www.tgceseismic.com](http://www.tgceseismic.com).

The Company's Audit Committee is comprised of Dr. McInnes, Mr. Gardner, Mr. Flynn, and Ms. Hurtt. The Audit Committee conducted four meetings in 2013. The purpose and functions of the Audit Committee are to: appoint or terminate the independent auditors; evaluate and determine compensation of the independent auditors; review the scope of the audit proposed by the independent auditors; review year-end financial statements prior to issuance; consult with the independent auditors on matters relating to internal financial controls and procedures; and make appropriate reports and recommendations to the Board of Directors.

The Company does not have a standing Nominating Committee, and nominations for directors are made by the Company's independent directors. The Board of Directors believes that, considering the size of the Company and the Board of Directors, nominating decisions can be made effectively on a case-by-case basis by the independent directors.

In carrying out the functions of a Nominating Committee, the independent directors do not rely on a Nominating Committee Charter. The independent directors of the Company utilize the following criteria as guidelines in considering nominations to the Company's Board of Directors. The criteria include:

- personal characteristics, including such matters as integrity, age, education, diversity of background and experience, and absence of potential conflicts of interest with the Company or its operations;
- the availability and willingness to devote sufficient time to the duties of a director of the Company;
- experience in corporate management, such as serving as an officer or former officer of a publicly held company;
- experience in the Company's industry and with relevant social policy concerns;
- experience as a board member of another publicly held company;
- academic expertise in an area of the Company's operations; and
- practical and mature business judgment.

The criteria are not exhaustive, and the independent directors and the Board of Directors may consider other qualifications and attributes that they believe are appropriate in evaluating the ability of an individual to serve as a member of the Board of Directors. The independent directors' goal is to assemble a Board of Directors that brings to the Company a variety of perspectives and skills derived from high quality business and professional experience. In order to ensure that the Board consists of members with a variety of perspectives and skills, the independent directors have not set any minimum qualifications and also consider candidates with appropriate non-business backgrounds. Other than ensuring that at least one member of the Board is a financial expert and that the overall composition of the Board meets all applicable independence requirements, the independent directors do not require individual directors to possess any specific skills, although the independent directors do consider the criteria set forth above in considering nominations to the Board of Directors. Instead, the independent directors evaluate potential nominees based on the contribution such nominee's background and skills could have upon the overall functioning of the Board.

Acting in the capacity of a Nominating Committee, the independent directors have not adopted any policy with regard to the consideration of director candidates recommended by security holders for the reason that such a policy is deemed unnecessary since at no time in the history of the Company has any such recommendation ever been received from any of the Company's security holders.

During the fiscal year ended December 31, 2013, the Board of Directors held three special meetings in addition to its regular meeting. All of the directors listed herein attended 75% or more of the total meetings of the Board and of the committees on which they serve during 2013.

The Company encourages all directors to attend its Annual Meeting of Shareholders. All of the directors attended the 2013 Annual Meeting of Shareholders.

### **Code of Ethics**

The Company has adopted a Code of Ethics that applies to the Company's executive officers and directors, including the Company's principal executive officer and principal financial and accounting officer. A copy of the Code of Ethics may be obtained without charge by written request to the Company as follows: TGC Industries, Inc., 101 Park Blvd., Suite 955, Plano, Texas 75074, Attn: James K. Brata, Secretary.

### **Shareholder Communications**

The Company has established a process for shareholders to send their communications to the Board of Directors. Any shareholder who desires to contact an individual director, the entire Board of Directors, or a committee of the Board of Directors may mail a written communication to the Secretary, TGC Industries, Inc., 101 E. Park Blvd., Suite 955, Plano, Texas 75074. The Secretary will submit all shareholder communications to the appropriate directors, unless the communication is frivolous or includes advertising, solicitation for business, requests for employment, requests for contribution, or a communication of a similar nature. A shareholder communication relating to the Company's accounting, internal accounting controls, or auditing will be referred to the members of the Audit Committee.

The Secretary will send a written acknowledgment to a shareholder upon receipt of his or her communication submitted in accordance with the provisions set forth in this Proxy Statement unless such shareholder communication is frivolous or includes advertising, solicitation for business, requests for employment, requests for contribution, or a communication of a similar nature. A shareholder wishing to contact the directors may do so anonymously; however, shareholders are encouraged to provide the name in which the Company's shares of stock are held and the number of such shares held.

The following communications to the directors will not be considered a shareholder communication: (i) communication from a Company officer or director; (ii) communication from a Company employee or agent, unless submitted solely in such employee's or agent's capacity as a shareholder; and (iii) any shareholder proposal submitted pursuant to Rule 14a-8 promulgated under the Securities Exchange Act of 1934, as amended.

### **Compensation Committee Interlocks and Insider Participation**

During 2013, the members of the Compensation Committee were Dr. McInnes, Mr. Gardner, Mr. Flynn, and Ms. Hurr. Messrs. Gardner and Whitener also serve as directors of Supreme Industries, Inc. ("Supreme"). Dr. McInnes and Messrs. Barrett, Gardner, Flynn, and Whitener also serve as directors of Chase Packaging Corporation ("Chase"). Mr. Barrett serves as Executive Vice President (Long Range and Strategic Planning), Assistant Treasurer and Secretary of Supreme. Dr. McInnes serves as President and Treasurer of Chase, Mr. Gardner serves as Vice President of Chase, and Mr. Barrett serves as Secretary of Chase.

### **REPORT OF THE AUDIT COMMITTEE**

The responsibilities of the Audit Committee, which are set forth in the Audit Committee Charter adopted by the Board of Directors, include providing oversight to the Company's financial reporting process through periodic meetings with the Company's independent auditors and management to review accounting, auditing, internal controls, and financial reporting matters. The Audit Committee Charter is available at [www.tgceseismic.com](http://www.tgceseismic.com).

The members of the Audit Committee are independent as defined in NASDAQ's listing standards (which is the national securities exchange definition of "independent" the Audit Committee has chosen to use as required under Securities and Exchange Commission rules). All members of the Audit Committee are financially literate and are able to read and understand fundamental financial statements, including a balance sheet, income statement, and cash flow statement. The Board of Directors has determined that Dr. McInnes qualifies as an "Audit Committee Financial Expert" as defined by applicable Securities and Exchange Commission rules, and his experience and background are described above under the heading "Proposal No. 1, Election of Directors." The management of the Company is responsible for the preparation and integrity of the financial reporting information and related systems of internal controls. The Audit Committee, in carrying out its role, relies on the Company's senior management, including senior financial management, and its independent auditors. The Audit Committee has the authority and available funding to engage any independent legal counsel and any accounting or other expert advisors as necessary to carry out its duties.

We have reviewed and discussed with senior management the Company's audited financial statements included in the 2013 Annual Report to Shareholders. Management has confirmed to us that such financial statements: (i) have been prepared with integrity and objectivity and are the responsibility of management; and (ii) have been prepared in conformity with accounting principles generally accepted in the United States of America.

We have discussed with Lane Gorman Trubitt, PLLC, the Company's independent accountants, the matters required to be discussed by Auditing Standard ("AS") No. 16, "Communications with Audit Committees," as amended and as adopted by the Public Company Accounting Oversight Board ("PCAOB"). AS No. 16 requires the Company's independent accountants to provide us with additional information regarding the scope and results of their audit of the Company's financial statements, including with respect to: (i) their responsibility under auditing standards of the PCAOB (United States); (ii) significant accounting policies; (iii) management judgments and estimates; (iv) any significant audit adjustments; (v) any disagreements with management; and (vi) any difficulties encountered in performing the audit.

We have received from Lane Gorman Trubitt, PLLC a letter providing the disclosures required by Independence Standards Board Standard No. 1, “Independence Discussions with Audit Committees,” with respect to any relationships between Lane Gorman Trubitt, PLLC and the Company that in its professional judgment may reasonably be thought to bear on its independence. Lane Gorman Trubitt, PLLC has discussed its independence with us and has confirmed in such letter that, in its professional judgment, it is independent of the Company within the meaning of the federal securities laws.

Based on the review and discussions described above with respect to the Company’s audited financial statements included in the Company’s 2013 Annual Report to Shareholders, we recommended to the Board of Directors that such financial statements be included in the Company’s Annual Report on Form 10-K for filing with the Securities and Exchange Commission.

As specified in the Audit Committee Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company’s financial statements are complete and accurate and in accordance with accounting principles generally accepted in the United States of America. That is the responsibility of management and the Company’s independent accountants. In giving our recommendation to the Board of Directors, we have relied on: (i) management’s representation that such financial statements have been prepared with integrity and objectivity and in conformity with generally accepted accounting principles; and (ii) the report of the Company’s independent accountants with respect to such financial statements.

**The Audit Committee:**

Allen T. McInnes, Chairman  
 Herbert M. Gardner  
 Edward L Flynn  
 Stephanie P. Hurtt

**Audit and Non-Audit Fees**

The following table presents the aggregate fees billed by the Company’s Independent Registered Public Accounting Firm, Lane Gorman Trubitt, PLLC (the “Independent Auditor”), for professional services rendered for the audits of our annual financial statements and audit-related fees, tax fees, and all other fees for the fiscal years ended December 31 of 2013 and 2012, as compiled on an invoice-date basis:

	<u>2013</u>	<u>2012</u>
Audit fees (1)	\$162,512	\$172,456
Audit-related fees (2)	11,500	11,175
Tax fees (3)	<u>90,235</u>	<u>77,815</u>
Total fees	<u>\$ 264,247</u>	<u>\$ 261,446</u>

- (1) Audit fees for professional services rendered in connection with the audit of the Company’s annual financial statements for the fiscal years ended December 31, 2013 and 2012, and the reviews of the financial statements included in the Company’s quarterly reports.
- (2) Audit-related fees are fees for benefit plan audits and various other assurance services.
- (3) Tax fees consist of fees for professional services rendered to the Company for tax compliance.

The Audit Committee has the sole authority to authorize all audit and non-audit services to be provided by the Independent Auditor engaged to conduct the annual audit of the Company's financial statements. In addition, the Audit Committee has adopted pre-approval policies and procedures that are detailed as to each particular service to be provided by the Independent Auditor, and such policies and procedures do not permit the Audit Committee to delegate its responsibilities under the Securities Exchange Act of 1934, as amended, to management. The Audit Committee pre-approved fees for all audit and non-audit services provided by the Independent Auditor during the fiscal years ended December 31, 2013 and 2012.

The Audit Committee has advised the Company that it has determined that the non-audit services rendered by the Company's Independent Auditor during the year ended December 31, 2013, were compatible with maintaining the independence of such accountants.

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

#### *Overview of Compensation*

The responsibilities of the Compensation Committee include establishing and implementing the Company's overall executive compensation philosophy. The Company's Chief Executive Officer recommends the compensation and bonuses for senior management, and the Board makes the final determination of the bonus amounts for all of the named executive officers. Throughout this Proxy Statement, the individuals who served as the Company's Chief Executive Officer and President, Executive Vice President, and Vice President, Chief Financial Officer, Secretary, and Treasurer during 2013, included in the Summary Compensation Table, are referred to as the "named executive officers."

#### *Compensation Philosophy and Objectives*

The primary objectives of our compensation policy are to build shareholder value and recognize the contributions each executive makes to the Company's success. In setting compensation levels, the Compensation Committee has established the following compensation philosophy and objectives for the Company's executive officers:

- **Align the interests of executives, including the Company's executive officers, with those of the shareholders.** The Compensation Committee believes it is appropriate to tie a portion of executive compensation to the value of the Common Stock in order to more closely align the interests of executive officers with the interests of the shareholders. The Compensation Committee also believes that executives should have a meaningful ownership interest in the Company and has established and regularly reviews executive stock ownership.
- **Have a significant portion of pay that is performance-based.** The Company expects superior performance. The Company's executive compensation programs are designed to reward executives based on performance. The Compensation Committee believes that compensation paid to executives should closely align their performance with the performance of the Company on both a short-term and long-term basis.
- **Provide competitive compensation.** The Company's executive compensation programs are designed to attract, retain, and motivate highly qualified executives critical to achieving the Company's strategic objectives and building shareholder value.

The Compensation Committee reviews the Company's compensation philosophy and objectives each year to determine if revisions are necessary in light of market conditions, the Company's strategic goals, or other relevant factors. The Company's Chief Executive Officer, who is also a member of the Board, does not serve as a member of the Compensation Committee, but does participate in setting executive compensation other than his own. The Compensation Committee reviews the individual performance of each executive officer and the financial performance of the Company. The Compensation Committee also takes into account salary levels, bonus plans, stock incentive plans, and other compensation packages made available to executive officers of companies of similar size and nature.

The Compensation Committee uses a variety of compensation elements to reach its compensation objectives, including current salary, bonus opportunity, and long term equity-based incentives, all of which are discussed in detail below. Specifically, the Compensation Committee believes that executive compensation should include the following three components:

- *Annual Base Salary.* The Company's objectives are to target annual base salary that is competitive, when taken in conjunction with the other compensatory elements, to attract and retain executives. Based upon the Compensation Committee's general knowledge of base salary ranges in our industry, we believe our base salaries are competitive.
- *Annual Cash Bonus Opportunity.* The Company uses annual cash bonuses to reward executives for the roles they play in the achievement of annual Company profitability.
- *Long-Term Equity-Based Incentives.* The Company utilizes stock-related plans including options and stock grants as long-term equity-based incentives to foster a long-term view of what is in the best interests of the Company and its shareholders by better aligning the interests of the executives with those of the shareholders.

The Compensation Committee reviews and approves, on an annual basis, annual compensation for executive officers, which compensation consists of base salary and bonus (discussed below). The Compensation Committee may request additional information and analysis and ultimately determines in its discretion whether to approve any recommended changes in compensation.

### ***Annual Base Salary***

The Company pays its executive officers a base salary to remain competitive in the market. The base salaries are less performance-based than the annual cash bonuses and long-term equity-based incentives. During 2013, the base salaries of Messrs. Winn and Brata were increased to make them competitive in the market.

### ***Annual Cash Bonus Opportunity***

In order to provide incentives for future annual performance, the Company believes that a meaningful portion of certain executive officers' and other key employees' compensation should be in the form of a cash incentive bonus. Cash incentive bonus payments are discretionary and are based primarily on the executive officer's contribution to the Company's profitability over the applicable performance measurement periods. The Company believes that profitability is the most useful measure of management's effectiveness in creating value for the shareholders of the Company. The Company's policy is to set aside in a bonus pool a portion of its pre-tax profit as determined by the Company's Chief Executive Officer and approved by the Board. No specific formula is used in making such bonus determinations to the individuals eligible to participate in the bonus pool, but senior management recommends to the Compensation Committee the allocation of the bonus pool based on each employee's contribution to the Company's profitability during the year. In measuring each employee's contribution to the Company's profitability, the Compensation Committee relies on personal qualitative factors (such as effective leadership and communication) rather than quantitative performance goals of the Company (such as specific revenue or earnings targets).

Messrs. Whitener, Winn, and Brata are the three named executive officers who were eligible for annual cash bonuses under the Company's bonus plan in 2013. The Compensation Committee determined to award Mr. Whitener a cash bonus of \$200,000 in January 2014, and Messrs. Winn and Brata cash bonuses of \$50,000 each in December 2013. These bonuses were paid out of the bonus pool based on each named executive officer's contributions to the Company's 2013 profitability, as measured using the personal qualitative factors considered by the Compensation Committee. The bonus received by Mr. Whitener is determined by the Board of Directors (other than Mr. Whitener) based upon the results of the Company's operations for the preceding year. The bonuses received by Messrs. Winn and Brata are determined by the Board of Directors (including Mr. Whitener).



### ***Long-Term Equity-Based Incentives***

The Company believes that the best way to align the interests of the executive officers and its shareholders is for such officers to own a meaningful amount of its Common Stock. In order to reach this objective and to retain its executives, the Company grants equity-based awards to the executive officers under its 2006 Stock Awards Plan. On August 7, 2012, the Company granted Mr. Whitener 30,000 shares of Restricted Common Stock, Mr. Winn 13,125 shares of Restricted Common Stock, and Mr. Brata 13,125 shares of Restricted Common Stock. On January 1, 2013, 25,000 shares of Restricted Common Stock for Mr. Whitener vested, and 4,375 shares of Restricted Common Stock vested for each of Messrs. Winn and Brata. On January 1, 2014, 2,625 shares of Restricted Common Stock for Mr. Whitener vested. On January 1, 2014, 4,593 of Restricted Common Stock vested for each of Messrs. Winn and Brata. On January 1, 2015, the remaining 2,625 shares of Restricted Common Stock for Mr. Whitener will vest. On January 1, 2015, the remaining 4,593 shares of Restricted Common Stock for each of Messrs. Winn and Brata will vest. The equity-based awards were granted to the executive officers based upon the results of the Company's operations for 2012. In 2013 there were no long term equity based awards to executive officers of the Company. On April 8, 2014, the Record Date, the Common Stock was quoted at a closing sale price of \$5.91 per share.

### ***Perquisites***

The Company provides limited perquisites to executive officers, including the named executive officers, in order to facilitate the successful achievement of their and the Company's performance. These perquisites include car allowances and insurance premiums. In addition, the Company's President and Chief Executive Officer receives additional perquisites related to certain club memberships and tax preparation services.

### ***Medical and Other Welfare Benefits***

The Company's executives, along with all other employees, are eligible to participate in medical, dental, vision, life, accidental death and disability, long-term disability, short-term disability, 401(k) plan matches, and any other employee benefit made available to employees.

### ***Employment Agreement***

The Board of Directors has determined that it is appropriate to reinforce and encourage the continued attention and dedication of the Company's President and Chief Executive Officer to his assigned duties without distraction in potential circumstances arising from the possibility of a change in control of the Company. Accordingly, on April 13, 2012, the Company entered into an employment agreement with Mr. Whitener that provides for the payment of certain compensation if Mr. Whitener's employment with the Company is terminated under one of the circumstances described in the agreement other than for cause, for good reason, or following a change in control of the Company. See definitions of "cause," "good reason" and "change in control" in the Executive Compensation section under "Discussion Regarding Summary Compensation Table and Grants of Plan-Based Awards Table – Employment Contract." The Company considers the compensation that would be payable under the agreement upon termination in such cases to be appropriate in light of the industry in which it is engaged and the uncertain length of time necessary to find new employment, including the assurance of severance and benefits for Mr. Whitener upon termination. See "Executive Compensation – Potential Payments. Upon Termination or Change in Control" for information about estimated payments and benefits that would be paid to Mr. Whitener in such event. The level of payments and benefits provided under Mr. Whitener's employment agreement are considered appropriate. These benefits are recognized as part of the total compensation package and are reviewed periodically, but are not specifically considered by the Compensation Committee when making changes in base salary, annual incentive compensation, or long-term incentive compensation. The Company does not have severance agreements with named executive officers other than in connection with Mr. Whitener's employment agreement.

## ***2006 Stock Awards Plan***

Pursuant to the 2006 Stock Awards Plan, upon a “change in control,” the unvested stock options and restricted stock of all employees, including the executive officers, vest immediately. See the definition of “change in control” set forth in “Executive Compensation—Discussion Regarding Summary Compensation Table and Grants of Plan-Based Awards Table—2006 Stock Awards Plan.”

The “change in control” provisions in the 2006 Stock Awards Plan help prevent employees from being distracted by rumored or actual changes in control. The “change in control” provisions provide:

- incentives for executive officers to remain with the Company despite the uncertainties of a potential or actual change in control transaction; and
- access to equity components after a change in control.

The 2006 Stock Awards Plan provides for the vesting of stock options and restricted stock for all employees upon a “change in control” for the following reasons:

- employees who remain after a change of control are treated the same with regard to equity as the general stockholders who could sell or otherwise transfer their equity upon a change in control; and
- since the Company would not exist in its present form after a change in control, executives should not have to have their return on such equity dependent upon the new company's future success.

## ***Role of Shareholder Say-on-Pay Votes***

In June 2013, the Company held a shareholder advisory vote on the compensation of its named executive officers as described in the 2013 Proxy Statement, commonly referred to as a say-on-pay vote. The shareholders approved the named executive officers' compensation, with approximately 68% of the shares present in person or represented by proxy and entitled to vote at the annual meeting voting in favor of the 2013 say-on-pay resolution. As the Company evaluated its compensation practices and talent needs throughout 2013, it was mindful of the support shareholders expressed for its pay for performance compensation philosophy. As a result, following its annual review of executive compensation, the Compensation Committee decided to maintain a consistent approach to executive compensation with an emphasis on long-term incentive compensation that rewards senior executives for delivering value for shareholders. In addition, the Compensation Committee considered ways to strengthen the pay for performance culture at the Company. In determining how often to hold a shareholder advisory vote on executive compensation, the Board of Directors took into account the strong preference for an annual vote.

## **Compensation Committee Report**

The Compensation Committee has reviewed and discussed the Compensation Disclosure and Analysis with management of the Company. Based on the review and discussions referred to in the preceding sentence, the Compensation Committee has recommended to the Board of Directors that the Compensation Disclosure and Analysis be included in the Proxy Statement.

**The Compensation Committee:**  
Allen T. McInnes, Chairman  
Edward L Flynn  
Stephanie P. Hurtt

## Summary Compensation Table

The table below sets forth, on an accrual basis, all cash and cash equivalent remuneration paid by the Company during 2013, 2012, and 2011 to the Company's Chief Executive Officer, Chief Financial Officer and the Company's other executive officer who was serving as an executive officer at the end of 2013, the "named executive officers." The individuals listed below are the only executive officers employed by the Company during 2013.

Name and Principal Position (a)	Year (b)	Base Salary (\$) (c)	Bonus (\$) (d)	Stock Awards \$(1) (e)	All Other Compensation \$(2) (f)	Total \$(3) (g)
<b>Wayne A. Whitener</b> President and CEO	2013	350,000	200,000	242,400	16,253	808,653
	2012	340,385	250,000	180,900	13,903	785,188
	2011	300,000	200,000	150,000	12,191	662,191
<b>Daniel G. Winn</b> Executive Vice President	2013	208,000	50,000	-	11,266	269,266
	2012	200,000	100,000	79,144	11,002	390,146
	2011	200,000	50,000	50,000	10,852	310,852
<b>James K. Brata</b> CFO, Vice President, Secretary and Treasurer	2013	199,956	50,000	-	9,838	259,794
	2012	191,298	100,000	79,144	7,604	378,046
	2011	179,687	50,000	25,000	6,918	261,605

- (1) The amount shown in this column represents the aggregate grant date fair values of unrestricted stock awarded computed in accordance with FASB ASC Topic 718.
- (2) Includes (in addition to certain perquisites and personal benefits) the Company's matching contribution to its Section 401(k) Retirement Plan.
- (3) Includes columns (c), (d), (e) and (f).

## All Other Compensation

The following table describes each component of column (f) of the Summary Compensation Table.

	Year	Car Allowance (\$)	Insurance Premium (\$)	401(k) Match (\$)	Club Membership (\$)	Tax Prep (\$)	Total (\$)
<b>Wayne A. Whitener</b>	2013	3,512	792	10,200	1,054	695	16,253
	2012	3,912	792	7,500	1,004	695	13,903
	2011	4,488	792	5,259	957	695	12,191
<b>Daniel G. Winn</b>	2013	4,013	792	6,461	-	-	11,266
	2012	4,088	792	6,122	-	-	11,002
	2011	4,316	792	5,744	-	-	10,852
<b>James K. Brata</b>	2013	1,557	516	7,765	-	-	9,838
	2012	1,324	516	5,764	-	-	7,604
	2011	1,143	516	5,259	-	-	6,918

## Grants of Plan-Based Awards

The following table presents grants of equity awards under the 2006 Stock Awards Plan during the fiscal year ended December 31, 2013:

	Grant Date	All Other Stock Awards: Number of Shares of Stock (#)	Grant Date Fair Value of Stock Awards (\$/Sh) (1)	Total (\$)
<b>Wayne A. Whitener</b>	06/25/2013	30,000	8.08	242,400
<b>Daniel G. Winn</b>	-	-	-	-
<b>James K. Brata</b>	-	-	-	-

(1) The grant date fair value of stock awards is based on the mean of the opening and closing share price on the date of grant.

## Discussion Regarding Summary Compensation Table and Grants of Plan-Based Awards Table

### Employment Contract

On April 13, 2012, the Company entered into an Amended and Restated Employment Contract (the “Restated Employment Contract”) with Mr. Whitener. The term of the Restated Employment Contract is effective from March 1, 2012 to February 28, 2015, with the option to renew for successive one-year terms. Under the Restated Employment Contract, Mr. Whitener will receive: (1) a minimum base salary of \$350,000 per year; and (2) an annual performance bonus of up to 100% of his annual base salary then in effect if approved by the Board of Directors. Pursuant to the Restated Employment Contract, upon termination of Mr. Whitener by the Company other than for “cause,” or if Mr. Whitener terminates the Restated Employment Contract for “good reason,” Mr. Whitener will receive the remaining portion of his base salary through February 28, 2015, plus his proportionate share of the performance bonus. In addition, Mr. Whitener will receive payments related to his Company automobile and key employee deferred compensation benefits. Pursuant to the Restated Employment Contract, if Mr. Whitener is terminated by the Company for “cause,” or if he terminates his employment for other than

“good reason,” Mr. Whitener will not receive any future payments under the Restated Employment Contract other than any amounts accrued to him as of the date of termination. In the event of a “change in control” of the Company that results in the termination of Mr. Whitener’s employment by the Company without “cause” or by Mr. Whitener for “good reason,” Mr. Whitener will receive a lump sum payment equal to 2.99 times his then present annual base salary.

The Restated Employment Contract contains a confidentiality provision that is effective during and after Mr. Whitener’s employment with the Company and a non-competition provision that is effective for a minimum of one year after the termination of his employment for any reason (including termination resulting from a “change in control” of the Company).

“Cause” is generally defined as Mr. Whitener’s (i) absence from the Company’s offices for any successive period of 61 business days or for a total of 90 business days in any one of the Company’s fiscal years, (ii) commission of an act of gross negligence in the performance of his duties or obligations under the Restated Employment Contract, (iii) commission of any act of fraud, malfeasance, disloyalty, or breach of trust against the Company, or failure to observe any covenant in the Restated Employment Contract, (iv) refusal, or substantial inability, to perform the duties assigned to him pursuant to the Restated Employment Contract, (v) death or affirmative indication in writing that he no longer intends to abide by the terms of the Restated Employment Contract, or (vi) acts of moral turpitude or dishonesty in the Company’s affairs, gross insubordination or the equivalent, or violation or failure to comply with any of the material provisions of the Restated Employment Contract.

“Good reason” is generally defined as (i) the Company’s material breach of the Restated Employment Contract, (ii) the Company’s assignment to Mr. Whitener of any duties materially inconsistent with his position, authority, duties, or responsibilities contemplated in the Restated Employment Contract, or (iii) a “change in control” in which Mr. Whitener elects not to remain with the Company.

“Change in control” is generally defined as a change in the ownership of the Company or a change in the ownership of a substantial portion of the Company’s assets.

### ***2006 Stock Awards Plan***

The 2006 Stock Awards Plan originally became effective on March 30, 2006 and was amended effective April 12, 2010. The 2006 Stock Awards Plan provides for the granting of stock options, Common Stock, and restricted stock, and authorizes the issuance of 3,000,000 shares of Common Stock. A maximum of 80,000 shares may be granted in any one year in the form of any award to any one participant, of which a maximum of (i) 50,000 shares may be granted to a participant in the form of stock options and (ii) 30,000 shares may be granted to a participant in the form of restricted stock. Employees (including any employee who is also a director or an officer), consultants, and outside directors of the Company or its subsidiaries whose judgment, initiative, and efforts contributed to or may be expected to contribute to the successful performance of the Company are eligible to participate in the 2006 Stock Awards Plan.

Under the 2006 Stock Awards Plan, all awards vest upon a change in control. “Change in control” means any of the following, except as otherwise provided herein: (i) any consolidation, merger, or share exchange of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of the Company’s Common Stock would be converted into cash, securities, or other property, other than a consolidation, merger, or share exchange of the Company in which the holders of the Company’s Common Stock immediately prior to such transaction have the same proportionate ownership of Common Stock of the surviving corporation immediately after such transaction; (ii) any sale, lease, exchange, or other transfer (excluding transfer by way of pledge or hypothecation) in one transaction or a series of related transactions, of all or substantially all of the assets of the Company; (iii) the shareholders of the Company approve any plan or proposal for the liquidation or

dissolution of the Company; (iv) the cessation of control (by virtue of their not constituting a majority of directors) of the Board by the individuals (the “Continuing Directors”) who (x) at the date of the 2006 Stock Awards Plan were directors or (y) become directors after the date of the 2006 Stock Awards Plan and whose election or nomination for election by the Company’s shareholders was approved by a vote of at least two-thirds of the directors then in office who were directors at the date of the 2006 Stock Awards Plan or whose election or nomination for election was previously so approved; (v) the acquisition of beneficial ownership (within the meaning of Rule 13d-3 under the 1934 Act) of an aggregate of 50% or more of the voting power of the Company’s outstanding voting securities by any person or group (as such term is used in Rule 13d-5 under the 1934 Act) who beneficially owned less than 50% of the voting power of the Company’s outstanding voting securities on the date of the 2006 Stock Awards Plan; provided, however, that notwithstanding the foregoing, an acquisition shall not constitute a change in control under the 2006 Stock Awards Plan if the acquirer is (x) a trustee or other fiduciary holding securities under an employee benefit plan of the Company and acting in such capacity, (y) a subsidiary of the Company or a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of voting securities of the Company or (z) any other person whose acquisition of shares of voting securities is approved in advance by a majority of the Continuing Directors; or (vi) in a Title 11 bankruptcy proceeding, the appointment of a trustee or the conversion of a case involving the Company to a case under Chapter 7.

Under the 2006 Stock Awards Plan, upon a participant’s death or total and permanent disability, the portion of the participant’s awards that would have vested had the participant remained employed through the vesting date immediately following the date of such death or total and permanent disability shall be immediately vested. “Total and permanent disability” means a participant is qualified for long-term disability benefits under the Company’s disability plan or insurance policy; or, if no such plan or policy is then in existence or if the participant is not eligible to participate in such plan or policy, that the participant, because of a physical or mental condition resulting from bodily injury, disease, or mental disorder is unable to perform his or her duties of employment for a period of six (6) continuous months, as determined in good faith by the committee of the Board of Directors administering the 2006 Stock Awards Plan, based upon medical reports or other evidence satisfactory to the committee.

### ***General***

Base salary paid and the amount of cash bonuses paid for 2013 represented from 68.0% to 96.2% of the named executive officers’ total compensation as presented in the Summary Compensation Table with the percentages being as follows: Mr. Whitener – 68.0%; Mr. Winn – 95.8%; and Mr. Brata – 96.2%.

On January 14, 2014, the Compensation Committee awarded Mr. Whitener 15,000 shares of common stock.

## Outstanding Equity Awards at Fiscal Year End

The following table provides information about the holdings of Stock Options and restricted stock by the named executive officers at December 31, 2013.

Name	Stock Awards	
	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Unearned Shares or Units of Stock That Have Not Vested (\$)(3)
Wayne A. Whitener	5,250 (1)	38,325
Daniel G. Winn	9,187 (2)	67,065
James K. Brata	9,187 (2)	67,065

- (1) On January 1, 2014, one-half of the unvested Restricted Common Stock, or 2,625 shares vested. On January 1, 2015, the remaining 2,625 shares will vest for Mr. Whitener.
- (2) On January 1, 2014, 4,593 shares of Restricted Common Stock vested for each of Messrs. Winn and Brata. On January 1, 2015, the remaining 4,593 shares will vest for Messrs. Winn and Brata.
- (3) The market value of the unvested Restricted Common Stock is based on the closing share price on December 31, 2013.

## Options Exercised and Stock Vested

The following table sets forth certain information regarding the value realized upon the exercise of options by, and the vesting of restricted stock held by, the Company's named executive officers during the fiscal year ended December 31, 2013.

Name	Option Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)
Wayne A. Whitener	-	-
Daniel G. Winn	34,729	149,296
James K. Brata	34,729	149,296

## **Potential Payments Upon Termination or Change in Control**

The Company entered into the Restated Employment Contract with Mr. Whitener on April 13, 2012. Pursuant to the terms of the Restated Employment Contract, the Company may be required to make certain payments to Mr. Whitener upon the occurrence of certain events resulting in Mr. Whitener's termination. For a detailed description of the events that may trigger such payments, see "Executive Compensation—Discussion Regarding Summary Compensation Table and Grants of Plan-Based Awards Table—Employment Contract."

The 2006 Stock Awards Plan provides for vesting of a participant's awards upon a change in control, the participant's death or the participant's total and permanent disability. If any of such events had occurred as of December 31, 2013, restricted stock granted to Messrs. Whitener, Winn and Brata would have vested having a market value of \$38,325, \$67,065 and \$67,065, respectively.

The Restated Employment Contract contains a confidentiality provision that is effective during and after Mr. Whitener's employment with the Company and a non-competition provision that is effective for a minimum of one year after the termination of his employment for any reason (including termination resulting from a "change in control" of the Company).

Pursuant to the Restated Employment Contract, upon termination of Mr. Whitener by the Company other than for "cause," or if Mr. Whitener terminates the Restated Employment Contract for "good reason," Mr. Whitener will receive the remaining portion of his base salary through February 28, 2015 in a lump sum, plus his proportionate share of the performance bonus. In addition, Mr. Whitener will receive payments related to his Company automobile and key employee deferred compensation benefits. Pursuant to the Restated Employment Contract, if Mr. Whitener is terminated by the Company for "cause," or if he terminates his employment for other than "good reason," Mr. Whitener will not receive any future payments under the Restated Employment Contract other than any amounts accrued to him as of the date of termination. In the event of a "change in control" of the Company that results in the termination of Mr. Whitener's employment by the Company without "cause" or by Mr. Whitener for "good reason" within 90 days of the change in control, Mr. Whitener will receive a lump sum payment equal to 2.99 times his then present annual base salary.

See the definitions of "cause," "good reason" and "change in control" set forth in "Executive Compensation—Discussion Regarding Summary Compensation Table and Grants of Plan-Based Awards Table—Employment Contract."

Pursuant to the 2006 Stock Awards Plan, upon a change in control, all unvested awards shall vest. See the definition of "change in control" set forth in "Executive Compensation—Discussion Regarding Summary Compensation Table and Grants of Plan-Based Awards Table—2006 Stock Awards Plan."



To describe the payments and benefits that are triggered for each event of termination, we have created the following table estimating the payments and benefits that would be paid to Mr. Whitener under each element of our compensation program assuming that Mr. Whitener's Restated Employment Contract terminated and/or there was a change in control on December 31, 2013, the last day of our 2013 fiscal year. In all cases, the amounts were valued as of December 31, 2013, based upon, where applicable, an estimated fair value of our Common Stock of \$7.30 per share. The amounts in the following table are calculated as of December 31, 2013 pursuant to Securities and Exchange Commission rules and are not intended to reflect actual payments that may be made. Actual payments that may be made will be based on the dates and circumstances of the applicable event.

<b>Wayne A. Whitener Executive Benefits and Payments Upon Termination</b>	<b>Termination Without Cause/With Good Reason</b>	<b>CIC Termination</b>	<b>CIC Without Termination</b>	<b>Disability</b>	<b>Death</b>
<b>Compensation:</b>					
Base Salary	\$350,000	\$1,046,500	\$350,000	-	-
Performance Bonus	-	200,000 (2)	-	-	-
Vesting Equity	-	-	-	\$38,325 (3)	\$38,325 (3)
<b>Benefits and Perquisites:</b>					
Company Automobile	9,065 (1)	-	-	-	-
<b>Total</b>	<u>\$359,065</u>	<u>\$1,246,500</u>	<u>\$350,000</u>	<u>\$38,325</u>	<u>\$38,325</u>

- (1) This automobile is leased by the Company and made available to Mr. Whitener. In the event of the termination of Mr. Whitener's employment for any reason other than for cause, Mr. Whitener will be able to receive an assignment of the lease by paying \$10 cash. The above number represents the excess of the current fair market value of this vehicle over the liability under the lease (less the \$10 payment).
- (2) Any year-end bonus to Mr. Whitener is determined at the discretion of the Company's Board of Directors.
- (3) Represents the vesting of 5,250 shares of restricted stock, which accelerates upon a change in control or the death or disability of Mr. Whitener.

## DIRECTOR COMPENSATION

For services performed in 2013, each outside director received fees of \$67,000, consisting of \$28,000 representing quarterly cash payments of \$7,000, and Stock Options with a value of \$39,000. In addition, each outside director received \$1,650 for each Board meeting attended and \$825 for each committee meeting attended, respectively. The Chairman of the Audit Committee received an additional \$11,000. Directors who are employees of the Company do not receive directors' fees.

The following table provides information about the compensation earned by the outside members of the Board during fiscal year 2013.

Name	Fees Earned or Paid In Cash (\$)	Option Awards \$(1)	Total (\$)
William J. Barrett	39,100	39,000	78,100
Edward L. Flynn	43,225	39,000	82,225
Herbert M. Gardner	42,400	39,000	81,400
Stephanie P. Hurtt	43,225	39,000	82,225
Allen T. McInnes	54,225	39,000	93,225

- (1) The amounts shown in this column represent the aggregate grant date fair values of Stock Options granted in 2013 computed in accordance with FASB ASC Topic 718. The amounts are calculated based on the number of Stock Options awarded multiplied by the calculated value of \$1.97 per share as determined using a Binomial Lattice option pricing model. The assumptions made in the valuation of the share-based payments are contained in Note B of Item 8 of the Annual Report on Form 10-K for the year ended December 31, 2013.
- (2) As of December 31, 2013, the directors had Stock Options exercisable into the following numbers of shares of Common Stock: Dr. McInnes – 70,127 shares; Mr. Barrett – 70,127 shares; Mr. Flynn – 70,127 shares; Mr. Gardner – 70,127 shares and Ms. Hurtt – 70,127 shares.

#### **TRANSACTIONS WITH RELATED PERSONS, PROMOTERS, AND CERTAIN CONTROL PERSONS**

On June 5, 2012, the Company borrowed \$7,500,000 from First Constitution Bank (formerly Rumson-Fair Haven Bank & Trust) (the “Bank”). Messrs. Barrett and Gardner, who served as directors of the Company, also served as directors of the Bank. Mr. Barrett’s term ended as Chairman of the Board and director in June, 2012 and Mr. Gardner’s term ended in May, 2013. In addition, Mr. Barrett owns approximately 13% of the equity of the Bank, and Mr. Gardner owns approximately 1.5% - 2% of the equity of the Bank. During 2013, the Company paid \$243,327 in interest and \$2,437,920 in principal on the loan which bears interest at 4.60%. The Board believes that the terms of the loan are the same as would have resulted from arms-length negotiations with an unrelated third party.

It is the Company’s policy that the Audit Committee approve or ratify transactions involving directors, executive officers, or principal shareholders, or members of their immediate families or entities controlled by any of them, or in which they have a substantial ownership interest in which the amount involved exceeds \$120,000 and that are otherwise reportable under Securities and Exchange Commission disclosure rules. Management advises the Audit Committee on a regular basis and seeks their approval of any such transaction that is proposed to be entered into or continued.

## EQUITY COMPENSATION PLAN INFORMATION

The following table summarizes certain information regarding securities authorized for issuance under our 2006 Stock Awards Plan.

<b>Equity Compensation Plan Information</b>			
<u>Plan Category</u>	Number of Securities to be Issued Upon Exercise of Outstanding Options <u>(a)</u>	Weighted-Average Exercise Price of Outstanding Options <u>(b)</u>	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in Column (a)) <u>(c)</u>
Equity compensation plans approved by security holders	457,729	\$ 5.31	1,672,425
Equity compensation plans not approved by security holders	-	-	-
<b>Total</b>	<b>457,729</b>	<b>\$ 5.31</b>	<b>1,672,425</b>

### PROPOSAL NO. 2 ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION

The Company seeks a non-binding advisory vote from its shareholders annually regarding the compensation of its named executive officers as described in this Proxy Statement. Shareholders are urged to read the Executive Compensation section of this Proxy Statement which discusses our compensation policies and procedures with respect to our named executive officers.

This proposal provides shareholders the opportunity to endorse or not endorse the Company's executive compensation program through the following resolution:

“Resolved, that the compensation paid to the Company's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby approved.”

Because this is an advisory vote, it will not be binding upon the Board of Directors. However, the Board of Directors and the Compensation Committee will take into account the outcome of the vote when considering future executive compensation arrangements. The affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote at the annual meeting is required for the approval of this proposal.

The Company plans to hold its next say-on-frequency vote in 2018.

**The Company's Board of Directors recommends that you vote FOR Proposal No. 2.**

**PROPOSAL NO. 3  
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has appointed Lane Gorman Trubitt, PLLC to serve as auditors of the Company. If the shareholders do not ratify the appointment of Lane Gorman Trubitt PLLC, the Audit Committee will reconsider the appointment. It is not expected that a representative of Lane Gorman Trubitt, PLLC will be present at the annual meeting. Proposal No. 3 is for the ratification of the selection of Lane Gorman Trubitt, PLLC as the Company's Independent Registered Public Accounting Firm for the fiscal year ending December 31, 2014. The affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote at the annual meeting is required for the approval of this proposal.

**The Company's Board of Directors recommends that you vote FOR Proposal No. 3.**

**OTHER MATTERS**

The Company's management knows of no other matters that may properly be, or which are likely to be, brought before the annual meeting. However, if any other matters are properly brought before the annual meeting, the persons named in the enclosed proxy, or their substitutes, will vote in accordance with their best judgment on such matters.

**SHAREHOLDER PROPOSALS**

A shareholder proposal intended to be presented at the Company's Annual Meeting of Shareholders in 2014 must be received by the Company at its principal executive offices in Plano, Texas on or before January 2, 2015, in order to be included in the Company's proxy statement and form of proxy relating to that meeting.

In order for a shareholder proposal made outside of Rule 14a-8 to be considered timely pursuant to the Company's Amended and Restated Bylaws, such proposal must be received by the Company at its principal executive offices in Plano, Texas no earlier than February 1, 2015 and no later than March 3, 2015.

**FINANCIAL STATEMENTS**

Financial statements of the Company are contained in the Annual Report to Shareholders for the fiscal year ended December 31, 2013 enclosed herewith.