

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED):
August 25, 2005

TGC INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Texas
(State of incorporation)

001-32472
(Commission File No.)

74-2095844
(IRS Employer Identification No.)

1304 Summit Ave., Ste 2
Plano, TX 75074
(Address of principal executive offices) (Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Section 1 – Registrant's Business and Operations

Item 1.01 Entry into a Material Definitive Agreement.

Employment Agreement

On August 26, 2005, TGC Industries, Inc. ("TGC" or the "Company") entered into an employment contract with its President and Chief Executive Officer, Wayne A. Whitener (the "Employment Contract"). The term of the Employment Contract is from August 1, 2005 to July 31, 2007. Under the Employment Contract, Mr. Whitener will receive an annual salary of \$175,000, and will be eligible for a performance bonus that will be determined by the Company's board of directors of up to \$175,000. The Employment Contract contains both a covenant not to compete that is effective for a period of one year after the cessation of Mr. Whitener's employment with the Company and a confidentiality agreement. A copy of the Employment Contract is being filed as Exhibit 10.1 to this Current Report on Form 8-K.

Indemnification Agreements

On August 26, 2005, the Company entered into an indemnification agreement with each of its directors, Allen T. McInnes, William J. Barrett, William C. Hurr, Jr., Herbert M. Gardner, Edward L. Flynn, and Wayne A. Whitener, who is also the Company's President and Chief Executive Officer (collectively, the "Indemnification Agreements"). Under the Indemnification Agreements, in exchange for each director's service to the Company and its affiliates, the Company has agreed to indemnify each director who is involved in any threatened, pending or completed investigation, claim, action, suit or proceeding whether civil, criminal, administrative or investigative initiated against the director as a result of his service as the Company's director, against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with the action. Messrs. Barrett, Gardner, McInnes and Whitener all had previous indemnification agreements dated August 28, 1997 that are replaced by these new Indemnification Agreements. A form of the Indemnification Agreement is being furnished as Exhibit 10.2 to this Current Report on Form 8-K.

Lease Agreement

On August 25, 2005, the Company entered into a 38 month commercial lease agreement effective September 1, 2005 for 10,000 square feet of additional warehouse and office space and an additional 10,000 square feet of outdoor storage in Plano, Texas, with JSS / Capital Avenue, L.P. (the "Lease"). The Company will use this additional space to store equipment and provide office space for its administrative personnel. Under the Lease, the Company will begin making monthly rental payments in the amount of \$4,816 in the third month of the lease, as the first two rental payments are abated. A copy of the Lease is being furnished as Exhibit 10.3 to this Current Report on Form 8-K.

Item 1.02 Termination of a Material Definitive Agreement.

See Item 1.01 “Entry into a Material Definitive Agreement – Indemnification Agreements” regarding the fact that Messrs. Barrett, Gardner, McInnes and Whitener had indemnification agreements dated August 28, 1997 that were replaced on August 26, 2005 by new Indemnification Agreements for each of Messrs. Barrett, Gardner, McInnes and Whitener.

2

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of the Registrant.

See Item 1.01 “Entry into a Material Definitive Agreement – Lease Agreement.”

Section 9 – Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits.

- 10.1 Employment Contract between TGC Industries, Inc. and Wayne A. Whitener, dated August 26, 2005.
- 10.2 Form of TGC Industries, Inc. Director and Officer Indemnification Agreement.
- 10.3 Commercial Lease Agreement between TGC Industries, Inc. and JSS / Capital Avenue, L.P., dated August 25, 2005.

3

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 hereunto duly authorized.

TGC INDUSTRIES, INC.

Date: August 31, 2005

By: /s/ Wayne A. Whitener

Wayne A. Whitener
President and CEO

(Signing on behalf of the Registrant and as Principal
Executive Officer)

4

EXHIBIT INDEX

Exhibit No.	Description
10.1	Employment Contract by and among TGC Industries, Inc. and Wayne A. Whitener, dated August 26, 2005.
10.2	Form of TGC Industries, Inc. Director and Officer Indemnification Agreement.
10.3	Commercial Lease Agreement by and among TGC Industries, Inc. and JSS / Capital Avenue, L.P., dated August 25, 2005.

5

Employment Contract
TGC INDUSTRIES, INC.
(Whitener)

This Contract is entered into between **TGC Industries, Inc.**, a Texas corporation (hereafter called "*Company*"), and **Wayne A. Whitener** (hereafter called "*Employee*").

Company is engaged in the business of providing seismic data acquisition services primarily to domestic onshore oil and natural gas exploration and production companies. Company desires to retain the services of Employee as one of its key executives, and Employee is willing and able to perform in that capacity.

Accordingly, in consideration of the mutual covenants herein contained, the parties to this Contract agree as follows:

1. **Employment**. Company hereby continues the employment of Employee, and Employee hereby accepts such employment from Company, pursuant to those provisions herein contained.

2. **Term of Employment**. Subject to the provisions for termination hereafter provided, this Contract shall be for a term of two (2) years beginning on **August 1, 2005**, and ending on **July 31, 2007**. By a subsequent agreement in writing signed by both parties, this Contract may be extended for one or more additional terms as agreed upon by the parties hereto.

3. **Duties of Employee**. Employee is employed as President and Chief Executive Officer of Company. Employee shall devote substantially all of his time, attention, best efforts, and energy to the business of Company, and may not, during the term of this Contract, be engaged in any other material business activities which interfere with his ability to carry out his obligations hereunder. However, such restriction shall not be construed as preventing Employee from making investments in (non-competitive) business enterprises so long as Employee will not be required to render personal services to any such business enterprises during Employee's normal business hours with Company.

4. **Compensation**. To the extent Employee continues to comply with all of the provisions of this Contract (including the covenants referenced in paragraph 9 below and contained in **Exhibit "A"** attached hereto):

a. **Base Salary**. Company shall pay to Employee a minimum base salary of **\$175,000** per year payable in twenty-six (26) equal payments of **\$6,730.77** (or in accordance with such other sequence of payments as determined by Company's then existing payroll policies), from which federal withholding and social security taxes will be deducted; and

b. **Performance Bonus**. At the end of each calendar year, Company's Board of Directors will make a determination as to whether the results of Company's operations for such preceding calendar year warrant the payment to Employee of a special performance bonus. If so, Employee shall be entitled to receive, in addition to the base salary referred above, a special performance bonus in such amount as is determined by the Board of Directors in the exercise of their sole discretion (up to a maximum of \$175,000).

c. **Increases**. The Board of Directors of Company may, at any time, elect to increase Employee's Base Salary above the amount referred to in subparagraph "a." above (in which event the ceiling on Employee's Performance Bonus under subparagraph "b." above shall be similarly increased).

5. **Fringe Benefits**. During the period that Employee continues to comply with all of the provisions of this Contract, Employee shall receive the following fringe benefits:

a. **Medical Benefits**. Employee and his dependent family members shall be covered under the same group hospitalization, accident, and major medical plans as Company provides from time to time for other officers; provided, however, that (i) Employee shall pay the same portion of the cost thereof as may be required from Company's officers generally, and (ii) Employee shall apply for and elect to participate in Medicare parts A and B, at his own expense, as soon as he shall become eligible to do so;

b. **Paid Vacation**. Each calendar year (or portion thereof), Employee may take a vacation of four (4) weeks during which time his compensation shall be paid in full;

c. **Automobile**. Company shall provide an automobile for Employee's use in connection with the services to be rendered by Employee to Company. Company shall pay or reimburse Employee for maintenance and repair expenses of the automobile upon submission of vouchers or itemized lists of such expenses prepared in compliance with Company's policy. For so long as Company owns (or leases) the automobile, Company shall insure the automobile with adequate automobile insurance company coverage. Company agrees that Employee shall be designated as an additional insured on any Company provided policy providing liability insurance coverage. In the event the automobile is damaged or destroyed

by reason of accident, theft, vandalism, or otherwise, Employee will not have any liability to Company for any such loss or damage (including out-of-pocket deductibles); and

d. **Other Benefits**. No provision of this Contract shall preclude Employee from participating in any fringe benefit plan now in effect or hereafter adopted by Company, but Company shall be under no obligation to provide for his participation in, or to institute, any

such plan or to make any contribution under any such plan, unless such opportunities are provided to all Company employees as a group, or to all of Company's senior officers as a group.

6. **Business Expenses.** Employee may incur reasonable expenses in connection with the promotion of Company's business including expenses for entertainment, travel, and similar items. Company agrees to reimburse Employee for all such reasonable expenses upon the presentation by Employee, from time to time as required by Company, of an itemized account of such expenditures; provided, however, Employee shall not expend any sums in excess of those amounts permitted by the Internal Revenue Code of 1986, as amended, without prior written approval from Company's Board of Directors.

7. **Key-Man Insurance.** The parties agree that Company shall continue to own (and pay for) life insurance on Employee's life in the amount of one million dollars (\$1,000,000). Employee agrees that he shall, at Company's request, submit to such medical examinations, supply such information, and execute such documents as may be requested by the insuring company or companies. It is agreed and understood that if Employee dies during the term of this Contract, the full amount of the proceeds payable under any such policy will be receivable solely by Company.

8. **Termination of Employment.**

a. **By Company.**

(1) **Date of Termination.** Company may at any time terminate this Contract, in which event Employee shall leave the premises on such date (the "*Date of Termination*") as is specified by Company in the notice of termination (which date can be as early as the date of such notice).

(2) **For Cause.** If such termination is "*for cause*," Company will have no obligation to pay to Employee any compensation or fringe benefits following the Date of Termination. For purposes of the preceding sentence, the phrase "*for cause*" will be deemed to mean:

(a) absence from Company's offices, physical or mental illness, or any other reason, for any successive period of forty-five (45) days, or for a total period of ninety (90) days in any one of

3

Company's fiscal years (except that any vacation periods, travel on Company business, or leaves of absence specifically granted by Company's Board of Directors shall not be considered as periods of absence from employment);

(b) Employee's commission of an act of gross negligence in the performance of his duties or obligations hereunder;

(c) Employee's commission of any act of fraud, malfeasance, disloyalty, or breach of trust against the Company, or Employee fails to observe any covenant referenced in paragraph 9 below or contained in **Exhibit "A"** hereto;

(d) Employee's refusal, or substantial inability, to perform the duties assigned in good faith to him pursuant to paragraph 3 hereof;

(e) Employee dies or gives affirmative indication, in the opinion of a majority of Company's Board of Directors, that he no longer intends to abide by the terms of this Contract; or

(f) Employee is guilty of acts of moral turpitude or dishonesty in Company's affairs, gross insubordination or the equivalent, or Employee violates, or fails to comply with, any of the provisions of this Contract.

(3) **Not For Cause.** If such termination is based on any reason other than "*for cause*," Company shall be obligated to pay to Employee: (a) his base salary during the remainder of the term of this Contract (on a monthly basis at the same rate as payable immediately before the Date of Termination); and (b) the full amount of the Performance Bonus referred to in paragraph 4.b. above which would have been received by Employee during the remainder of the term of this Contract if such termination had not occurred.

(a) Included within the definition of a termination of Employee other than "*for cause*" will be a "*Change in Control of Company*." For purposes of this Contract, the term "*Change in Control of Company*" will mean:

(i) the consummation of any consolidation or merger of Company into or with another corporation or other legal person, and as a result of such consolidation or merger less than a majority of the combined voting power

4

of the then-outstanding securities of such corporation or person immediately after such transaction are held in the aggregate by holders of Voting Stock (as defined below) of Company immediately prior to such transaction;

(ii) any sale, lease, exchange, or other transfer, whether in one transaction or any series of related transactions, of all or significant portions of the assets of Company to any other corporation or other legal persons, less than a majority of the combined voting power of the then-outstanding securities of such corporation or person immediately after such sale, lease, exchange, or transfer is held in the aggregate by the holders of Voting Stock of Company immediately prior to such sale, lease, exchange, or transfers;

(iii) the shareholders of Company approve any plan for the liquidation or dissolution of Company;

(iv) any person (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), becomes, either directly or indirectly, the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act) of securities representing more than 50% of the combined voting power of the then-outstanding securities entitled to vote generally in the election of directors of Company ("Voting Stock"); or

(v) if at any time during a fiscal year a majority of the Board of Directors are replaced by persons who were not recommended for those positions by at least two-thirds of the directors of Company who were directors of Company at the beginning of the fiscal year.

Notwithstanding the preceding, a "Change of Control" shall not be deemed to have occurred with respect to any of the foregoing transactions conducted by any employee benefit plan (or related trust) sponsored or maintained by Company, any corporation controlled by Company, or any affiliate of Company.

(b) If, at the time of termination, Company was providing an automobile to Employee under paragraph 5.c. above, then, for a consideration of Ten Dollars (\$10.00) cash paid by Employee to

5

Company, the following shall apply: (i) if Company owned the automobile, Company shall transfer the title (free and clear of any liens or other encumbrances) to Employee (along with any insurance coverage [if assignable]); and (ii) if Company was leasing such automobile, Company shall assign to employee all of its right, title, and interest in and to such lease.

(c) Employee shall not be required to mitigate the amount of any payment provided for in this subparagraph 3) by seeking other employment or otherwise, nor shall the amount of any payment provided for in this subparagraph 3) be reduced by any compensation earned by Employee as the result of self-employment or employment by another employer.

b. **By Employee.** If such termination is caused by Employee for any reason, Company will have no obligation to pay to Employee any compensation or fringe benefits following the Date of Termination.

9. **Disclosure of Confidential Information; Covenant Not To Compete.** Company possesses secret and confidential equipment, techniques, processes, procedures, technical data and information, and customer lists used or intended for utilization in its operations of which Employee has obtained or may obtain knowledge, and Company would suffer serious harm if this confidential information were disclosed or if Employee used this information to compete against Company. Accordingly, Employee hereby agrees that simultaneously with the execution of this Contract he shall execute and deliver to Company and thereafter abide by the terms of a "*Confidentiality Agreement and Covenant Not to Compete*" a copy of which is attached hereto as **Exhibit "A"** and incorporated herein by reference.

10. **Remedies.** Employee agrees that in the event of his breach of his covenants and agreements contained or referenced in this Contract, Company shall be entitled to obtain injunctive or similar relief from a court of competent jurisdiction. The covenants contained in **Exhibit "A"** hereof shall be construed as agreements independent of any other agreements between Company and Employee, and the existence of any claim or cause of action of Employee against Company, whether predicated on this Contract or otherwise, shall not constitute a defense to the enforcement by Company of those covenants and agreements. Company shall be entitled to reasonable attorneys' fees and related legal costs in the event of a breach, or attempted breach, of such covenants by Employee. The remedies of Company and Employee under this Contract are cumulative and will not exclude any other remedies to which any party may be entitled hereunder, including a right of offset, whether at law or in equity.

11. **Notices.** All notices allowed or required to be given hereunder must be in writing and dispatched by United States certified mail, return receipt requested, to the

6

address of the party entitled to such notice shown at the end of this Contract. Either party hereto may change the address to which any such notice is to be addressed by giving notice in writing to the other party of such change. Any time limitation provided for in this Contract shall commence with the date that the party actually receives such written notice, and the date or postmark of any return receipt indicating the date of delivery of such notice to the addressee shall be conclusive evidence of such receipt. In addition to the parties hereto, copies of all notices should be sent to:

Mr. William J. Barrett
c/o Barrett-Gardner Associates, Inc.
636 River Road
P. O. Box 6199
Fair Haven, NJ 07704

Haynes and Boone, LLP
201 Main Street, Suite 201
Fort Worth, Texas 76102
Attn: Rice M. Tilley, Jr., Esq.

12. **Assignment.** Neither Employee nor anyone claiming under him may commute, encumber, or dispose of the right to receive benefits hereunder. Such right to receive benefits hereunder is expressly declared to be non-assignable and non-transferable by Employee, and in the event of

any attempted assignment or transfer, Company shall have no further liability hereunder; provided, however, the foregoing shall not apply to assignments by operation of law, such as to a guardian or to an executor of Employee's estate.

13. **Waiver.** The waiver by Company of Employee's breach of any provision hereof shall not operate or be construed as a waiver of any subsequent breach by Employee.

14. **Binding Effect.** This Contract shall be binding upon the parties hereto and their heirs, successors, executors, administrators, personal representatives, and (except as provided in paragraph 12) assigns.

15. **Survival of Provisions.** All provisions of this Contract, including all representations, warranties, covenants, and agreements contained or referenced herein, will survive the execution and delivery hereof and any investigation of the parties with respect thereto. The provisions of paragraphs 9 and 10, and **Exhibit "A,"** will survive the termination or amendment of this Contract.

16. **Validity.** If any provision of this Contract is held by a court of law to be illegal or unenforceable, the remaining provisions of the Contract will remain in full force and effect. In lieu of such illegal or unenforceable provision, there shall be added

automatically as a part of this Contract a provision as similar in terms to such illegal or unenforceable provision as may be possible and be legal and enforceable.

17. **Amendments.** This Contract may be amended at any time and from time to time in whole or in part by an instrument in writing setting forth the particulars of such amendment and duly executed by Company and Employee.

18. **Duplicate Originals.** This Contract has been executed in duplicate originals, each of which for all purposes is to be deemed an original, and all of which constitute, collectively, one agreement; but in making proof of this Contract, it will not be necessary to produce or account for more than one such duplicate.

19. **Captions.** The captions or section headings of this Contract are provided for convenience and shall not limit or affect the interpretation of this Contract.

20. **Governing Law.** This Agreement has been made in, and its validity, interpretation, construction, and performance shall be governed by and be in accordance with, the laws of the State of Texas, without reference to its laws governing conflicts of law. Each party hereby irrevocably agrees that any legal action or proceedings with respect to this Agreement may be brought in the courts of the State of Texas, or in any United States District Court of Texas, and, by its execution and delivery of this Agreement, each party hereby irrevocably submits to each such jurisdiction and hereby irrevocably waives any and all objections which it may have as to venue in any of the above courts. Each party further consents and agrees that any process or notice of motion or other application to either of said Courts or any judge thereof, or any notice in connection with any proceedings hereunder, may be served inside or outside the State of Texas by registered or certified mail, return receipt requested, postage prepaid, and be effective as of the receipt thereof, or in such other manner as may be permissible under the rules of said Courts.

21. **Complete Understanding.** This Contract constitutes the complete understanding between the parties hereto, except as otherwise expressly provided or referenced herein, with respect to the employment of Employee. This Contract supersedes all prior agreements and understandings between the parties with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties have executed this Contract to be effective August 1, 2005.

COMPANY:

EMPLOYEE:

TGC INDUSTRIES, INC.

By:

William J. Barrett,
Director

Wayne A. Whitener
49 Sunrise Circle
Pottsboro, Texas 75076

Date: August , 2005

Date: August , 2005

Exhibit "A"

to

Employment Contract

**Confidentiality Agreement and
Covenant Not To Compete**

Wayne A. Whitener (hereafter called "*Employee*") has entered into an Employment Contract with **TGC Industries, Inc.**, a Texas corporation (hereafter called "*Company*"), which is in the business of providing seismic data acquisition services primarily to domestic onshore oil and natural gas exploration and production companies.

By signing this Agreement, Employee acknowledges his understanding of the following:

A. All companies have information, generally not known outside the company, called "*confidential information*." All companies must conduct their businesses through their employees, and consequently many employees must have access to confidential information. At times the employee himself may generate confidential information as a part of his job;

B. The phrase "*confidential information*" as used in this Agreement includes information known as, referred to, or considered to be, trade secrets, and comprises, without limitation, any technical, economic, financial marketing, computer program, computer software, computer data (regardless of the medium on which they are stored), computer source and object programs or codes, job operating control language procedures, data entry utility programs, and miscellaneous utilities, disk record layouts, flow charts, data entry input forms, operations and installation instructions, report samples, data files, printouts, or other information about Company or its business which is not common knowledge among competitors or other companies who might like to possess such confidential information or might find it useful. Some examples of confidential information include customer lists, price lists, details of training methods, new products or new uses for old products, refining technology, contracts, and licenses, purchasing, accounting, long-range planning, financial plans and results, computer programs and operating manuals, computer source codes, and any other information affecting or relating to the business of Company, its manner of operation, its plans or processes. This list is merely illustrative, and the confidential information covered by this Agreement is not limited to such illustrations; and

1

C. Company's confidential information, including information referred to as, known as, or considered to be, trade secrets, represents the most important, valuable, and unique aspect of Company's business, and it would be seriously damaged if Employee breached the position of confidential trust in which Company has placed him by disclosing such confidential information to others or by departing and taking with him the aforesaid unique information compiled over a period of time for the purpose of himself competing against Company or disclosing such information to Company's competitors, now existing or hereafter formed.

Accordingly, in consideration of TEN DOLLARS (\$10.00) cash in hand paid to Employee by Company, the receipt and sufficiency of which are hereby acknowledged, and Company's agreement to employ him, Employee agrees as follows (which will constitute an agreement ancillary to Employee's Employment Contract with Company):

1. Confidential information, including information referred to as, known as, or considered to be, trade secrets, is proprietary to Company. Employee agrees to hold such information in strictest confidence, and not to make use thereof except in performance of duties under the Employment Contract. Whether during or after his employment with Company, Employee may not disclose to others (excepting Company officers or employees having a need to know who have also signed a written agreement expressly binding themselves not to use or disclose it) any confidential information originated, known to, or acquired by Employee while employed by Company. Employee further agrees during such period not to remove from the premises any of Company's records or other written or tangible materials, including without limitation computer programs and floppy disks (whether prepared by Employee or others) containing any confidential information, except as required for Employee to properly perform his duties as an employee of Company. Exceptions to these restrictions may be made only by means of Company's permission given in writing signed by the Chairman of the Board of the Company pursuant to an affirmative approval by a majority of Company's Board of Directors granting permission to disclose.

2. During a period of **one (1) year** following the cessation of Employee's employment with Company (for any reason other than "*Change in Control of Company*" as defined in paragraph 8.a.(3) of the Employment Contract), Employee covenants that Employee, either individually or in any capacity, including without limitation, as an agent, consultant, officer, shareholder, or employee of any business enterprises or person with which he may become associated or in which Employee may have a direct or indirect interest, shall not, directly or indirectly for himself or on behalf of any other person or business entity, engage in any business venture or other undertaking which is directly or indirectly competitive with the business or operations of Company (and/or any of its subsidiaries) as generally conducted at, or prior to, the cessation of Employee's employment with Company. Without limiting the generality of the foregoing, Employee shall not (i) so compete with Company or its subsidiaries, (ii) be employed by, (iii) be an affiliate (as defined by Securities and Exchange Commission Rule 405 under the

2

Securities Act of 1933), (iv) perform any services for, or (v) have an equity or ownership interest in, any person, firm, partnership, joint venture, or corporation that so competes, directly or indirectly, with Company or any of its subsidiaries. Further, Employee will not solicit for employment or advise or recommend to any other person that such person employ, or solicit for employment, any employee of Company or any of its subsidiaries who was an employee at, or prior to, the cessation of Employee's employment with Company. The foregoing covenant not to compete shall be limited to a territory consisting of those states in which Company was doing business as of the time of cessation of Employee's employment with Company. If for any reason any court of competent jurisdiction finds these covenants to be unreasonable in duration or geographic scope, the prohibitions herein contained shall be restricted to such time and geographic areas as such court determines to be reasonable and enforceable. However, the restrictions stated above will not apply if Company liquidates or if Employee becomes employed by a company (or its affiliate) which acquires (in a voluntary transaction) the stock or business assets of Company.

3. Employee understands and agrees that his violation of any of the provisions of this Agreement will constitute irreparable injury to Company immediately authorizing it to enjoin Employee or the business enterprise with which he may have become associated from further violations, in addition to all other rights and remedies which Company may have under law and equity, including recovery of damages from Employee and a right of offset.

4. Each party shall be entitled to receive from the other party reimbursement of attorney's fees and related legal costs to the extent incurred in connection with the successful enforcement or defense, as the case may be, of the terms and conditions hereof.

5. The waiver by Company of Employee's breach of any provision hereof shall not operate or be construed as a waiver of any subsequent breach by Employee. This Agreement shall be binding upon the parties hereto and their heirs, successors, executors, administrators, personal representatives, and assigns. Employee may not assign to any person his covenants, obligations and duties hereunder. All provisions of this Agreement shall survive the termination or amendment of Employee's Employment Contract.

6. If any provision of this Agreement is held by a court of law to be illegal or unenforceable, the remaining provisions of the Agreement shall remain in full force and effect. In lieu of such illegal or unenforceable provision, there shall be added automatically as a part of this Agreement a provision as similar in terms to such illegal or unenforceable provision as may be possible and be legal and enforceable.

7. This Agreement has been made in, and its validity, interpretation, construction, and performance shall be governed by and be in accordance with, the laws

of the State of Texas, without reference to its laws governing conflicts of law. Each party hereby irrevocably agrees that any legal action or proceedings with respect to this Agreement may be brought in the courts of the State of Texas, or in any United States District Court of Texas, and, by its execution and delivery of this Agreement, each party hereby irrevocably submits to each such jurisdiction and hereby irrevocably waives any and all objections which it may have as to venue in any of the above courts. Each party further consents and agrees that any process or notice of motion or other application to either of said Courts or any judge thereof, or any notice in connection with any proceedings hereunder, may be served inside or outside the State of Texas by registered or certified mail, return receipt requested, postage prepaid, and be effective as of the receipt thereof, or in such other manner as may be permissible under the rules of said Courts.

IN WITNESS WHEREOF, the parties have executed this Agreement to be effective August 1, 2005.

Wayne A. Whitener
49 Sunrise Circle
Pottsboro, Texas 75076
Date: August , 2005

ACCEPTED:

TGC INDUSTRIES, INC.

By:

William J. Barrett,
Director
Date: August , 2005

INDEMNIFICATION AGREEMENT
(TGC Industries, Inc.)

THIS AGREEMENT is made to be effective the 26th day of August, 2005, between **TGC Industries, Inc.**, a Texas corporation (the “*Company*”), and (“*Indemnitee*”).

Competent and experienced persons are becoming more reluctant to serve as directors and/or officers of corporations unless they are provided with adequate protection against claims and actions against them for their activities on behalf or at the request of such corporations, generally through insurance and/or indemnification.

Uncertainties in the interpretations of the statutes and regulations, laws, and public policies relating to indemnification of corporate directors and officers are such as to make adequate, reliable assessment of the risks to which directors and officers of such corporations may be exposed difficult, particularly in light of the proliferation of lawsuits against directors and officers generally.

The Board of Directors of the Company, based upon its business experience, has concluded that the continuation of present trends in litigation against corporate directors and officers will inevitably make it more difficult for the Company to attract and retain directors and officers of the highest degree of competence committed to the active and effective direction and supervision of the business and affairs of the Company and its subsidiaries and affiliates and the operation of its and their facilities. In fact, the Board deems such potential adverse consequences to be so detrimental to the best interests of the Company that it has concluded that the Company should act to provide its directors and officers with enhanced protection against inordinate risks attendant on their positions in order to assure that the most capable persons otherwise available will be attracted to, or will remain in, such positions. In such connection, such directors have further concluded that it is not only reasonable and prudent but necessary for the Company to obligate itself contractually to indemnify, to the fullest extent permitted by applicable law, financial responsibility for expenses and liabilities which might be incurred by such individuals in connection with claims lodged against them for their decisions and actions in such capacities.

Article 2.02-1 of the Texas Business Corporation Act of the State of Texas, under which law the Company is organized, empowers a corporation organized in Texas to indemnify persons who serve as directors and/or officers of the corporation, or persons who serve at the request of the corporation as directors and/or officers of an affiliated corporation, and further empowers a corporation to “*purchase and maintain insurance*” on behalf of any such person “*against any liability asserted against him and incurred by him in such a capacity or arising out of his status as such a person, whether or not the corporation would have the power to indemnify him against that liability under this [Article].*”

The Articles of Incorporation and Bylaws of the Company permit indemnification to the fullest extent permitted by applicable law.

The Company is aware of the fact that it currently has, and from time to time in the future may have, directors and officers insurance coverage. However, the Company is also aware of the fact that, even though such insurance coverage may be in effect, the current insurance policy has, and any future insurance policies are likely to have, significant exclusions and limitations that leave the insureds personally exposed.

The Company desires to have the Indemnitee serve or continue to serve as a director and/or officer of the Company, and/or as a director, officer, employee, partner, trustee, agent, and/or fiduciary of such other corporations, partnerships, joint ventures, employee benefit plans, trusts, and/or other enterprises (herein referred to as “*Company Affiliate*”) of which he has been or is serving, or will serve on behalf of or at the request of or for the convenience of, or to represent the interests of the Company, free from undue concern for unpredictable, inappropriate, or unreasonable claims for damages by reason of his being, or having been, a director and/or officer of the Company, and/or a director, officer, employee, partner, trustee, agent, and/or fiduciary of a Company Affiliate, or by reason of his decisions or actions on their behalf.

The Indemnitee is willing to serve, or to continue to serve, or to take on additional service for, the Company and/or the Company Affiliate in such aforesaid capacities on the condition that he be indemnified as provided for herein.

Accordingly, in consideration of the premises and the covenants contained herein, the Company and the Indemnitee do hereby covenant and agree as follows:

- 1 **Services to the Company:** The Indemnitee shall serve or continue to serve as a director and/or officer of the Company (in the case of a Company officer at the will of the Company or under separate contract, if any such contract exists or shall hereafter exist), and/or as a director, and/or officer, or fiduciary of a Company Affiliate, faithfully and to the best of his ability so long as he is duly elected and qualified in accordance with the provisions of the Bylaws or other applicable constitutive documents thereof; provided, however that: (a) the Indemnitee may at any time and for any reason resign from such position (subject to any contractual obligations which the Indemnitee has assumed apart from this Agreement); and (b) neither the Company nor the Company Affiliate will have any obligation under this Agreement to continue the Indemnitee in any such position.
- 2 **Right to Indemnification:** The Company shall, except to the extent prohibited by applicable law as then in effect, indemnify any Indemnitee who is or was involved in any manner (including, without limitation, as a party or witness), or is threatened to be made so involved, in any threatened, pending, or completed investigation, claim, action, suit, or proceeding whether civil, criminal, administrative, or investigative (including, without limitation, any action, suit, or proceeding by or in the right of the Company to procure a judgment in its favor) (herein referred to as a “*Proceeding*”) by reason of the fact that such person is or was a director or officer of the Company, and/or is or was serving at the request of the Company as a director or officer of any Company affiliate, against all expenses (including attorneys’ fees), judgments, fines, and amounts paid in

commenced by such director or officer. Such indemnification shall include the right to receive payment in advance of any expenses incurred by the Indemnitee in connection with such Proceeding, consistent with the provisions of applicable law as then in effect.

3 **Advancement of Expenses; Procedures; Presumptions, and Effect of Certain Proceedings; Remedies:** In furtherance, but not in limitation, of the foregoing provisions, the following procedures, presumptions, and remedies shall apply with respect to advancement of expenses and the right to indemnification hereunder:

3.1 **Advancement of Expenses:** All reasonable expenses incurred by or on behalf of the Indemnitee in connection with any Proceeding shall, after initial approval in accordance with Paragraph 3.2, be advanced to the Indemnitee by the Company within twenty (20) calendar days after the receipt by the Company of a statement or statements from the Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the expenses incurred by the Indemnitee and, if required by law at the time of such advance, shall include or be accompanied by an undertaking by or on behalf of the Indemnitee to repay the amounts advanced if it should ultimately be determined that the Indemnitee is not entitled to be indemnified against such expenses hereunder.

3.2 **Procurement for Determination of Entitlement to Indemnification:**

3.2.1 To obtain indemnification as herein provided, an Indemnitee shall submit to the President or Secretary of the Company a written request, including such documentation and information as is reasonably available to the Indemnitee and reasonably necessary to determine whether and to what extent the Indemnitee is entitled to indemnification (herein referred to as the “*Supporting Documentation*”). The determination of the Indemnitee’s entitlement to indemnification shall be made not later than sixty (60) calendar days after receipt by the Company of the written request for Indemnification together with the Supporting Documentation. The Secretary or President of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board of Directors in writing that the Indemnitee has requested indemnification.

3.2.2 The Indemnitee’s entitlement to indemnification hereunder shall (except as provided in Subparagraph 3.2.3 below) be determined in

3

one of the following ways (each of which shall give effect to the presumptions set forth in Paragraph 3.3): (a) by a majority vote of the Disinterested Directors (as hereinafter defined) if they constitute a quorum of the Board of Directors; (b) by a written opinion of Independent Counsel (as hereinafter defined) if a quorum of the Board of Directors consisting of Disinterested Directors is not obtainable or, even if obtainable, a majority of such Disinterested Directors so directs; (c) by the stockholders of the Company (but only if a majority of the Disinterested Directors, if they constitute a quorum of the Board of Directors, presents the issue of entitlement to indemnification to the stockholders for their determination); or (d) as provided in Paragraph 3.3. In the event that this Subparagraph 3.2.2 applies, stockholder approval will be deemed to have been received if the holders of a majority of the Company’s total common stock outstanding vote in favor of such approval.

3.2.3 Notwithstanding what is stated above, in the event of a Change in Control (as hereinafter defined) the Indemnitee’s entitlement to indemnification shall be determined by a written opinion of Independent Counsel in a written opinion to the Board of Directors, a copy of which shall be delivered to the Indemnitee. The Independent Counsel shall be selected by the Indemnitee. In the event the Company objects to the Independent Counsel so selected, within seven days after written notice of the selection has been given by the Indemnitee to the Company, the Company may object to such selection by written notification given to the Indemnitee. Such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirement of “*Independent Counsel*” as hereafter defined, and the objection shall set forth with particularity the factual basis of such assertion. If such written objection is made, the Independent Counsel so selected may not serve as Independent Counsel unless and until a court has determined that such objection is without merit. The Company shall pay any and all reasonable fees and expenses of Independent Counsel incurred by such Independent Counsel in connection with the performance of his responsibilities hereunder, and the Company shall pay all reasonable fees and expenses instant to the implementation of the procedures referred to above. Upon the due commencement of any judicial proceeding or arbitration pursuant to Subparagraph 3.4.1 hereof, the Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

4

3.2.4 In the event of a Potential Change in Control (as hereinafter defined), the Company, upon written request by the Indemnitee, shall create a trust for the benefit of the Indemnitee and from time to time upon written request of the Indemnitee shall fund such trust in an amount sufficient to satisfy any and all expenses which at the time of each such request it is reasonably anticipated will be incurred in connection with a Proceeding for which the Indemnitee is entitled to rights of indemnification under Paragraph 2 hereof, and any and all judgments, fines, penalties, and settlement amounts of any and all proceedings for which the Indemnitee is entitled to rights of indemnification under Paragraph 2 from time to time actually paid or claimed, reasonably anticipated, or proposed to be paid. The amount or amounts to be deposited in the trust pursuant to the foregoing funding obligation shall be determined by the Independent Counsel referred to in Subparagraph 3.2.2 above. The terms of the trust shall provide that upon a Change in Control: (i) the trust shall not be revoked, or the principal thereof invaded, without the written consent of the Indemnitee; (ii) the trustee shall advance, within two (2) business days of a request by the Indemnitee, any and all expenses to the Indemnitee; (iii) the trust shall continue to be funded by the Company in accordance with the funding obligations set forth above; (iv) the trustee shall promptly pay to the Indemnitee all amounts for which the Indemnitee is entitled to indemnification pursuant to this

Agreement or otherwise; and (v) all unexpended funds in such trust shall revert to the Company upon a final determination by such Independent Counsel that the Indemnitee has been fully indemnified under the terms of this Agreement. The trustee shall be an institutional trustee with a highly regarded reputation chosen by the Indemnitee. Nothing in this Subparagraph 3.2.4 shall relieve the Company of any of its obligations under this Agreement. Nothing contained in this Subparagraph 3.2.4 shall prevent the Board of Directors of the Company in its discretion at any time and from time to time, upon request of the Indemnitee, from providing security to the Indemnitee for the Company's obligations hereunder through an irrevocable line of credit, funded trust as described above, or other collateral. Any such security, once provided to the Indemnitee, may not be revoked or released without the Indemnitee's prior written consent.

- 3.3 **Presumptions and Effect of Certain Proceedings:** Except as otherwise expressly provided herein, the Indemnitee shall be presumed to be entitled to indemnification hereunder upon submission of a request for indemnification together with the Supporting Documentation in accordance with Subparagraph 3.2.1, and thereafter the Company shall have the burden of proof to overcome that presumption in reaching a

5

contrary determination. In any event, if the person or persons empowered under Paragraph 3.2 to determine entitlement to indemnification have not been appointed or have not made a determination within sixty (60) calendar days after receipt by the Company of the request therefor together with the Supporting Documentation, the Indemnitee shall be deemed to be entitled to indemnification, and the Indemnitee shall be entitled to such indemnification unless the Company establishes as provided in the final sentence of Paragraph 3.4.2 or by written opinion of Independent Counsel that: (a) the Indemnitee misrepresented or failed to disclose a material fact in making the request for indemnification or in the Supporting Documentation; or (b) such indemnification is prohibited by law. The termination of any Proceeding described in Paragraph 2, or of any claim, issue, or matter therein, by judgment, order, settlement, or conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, adversely affect the right of the Indemnitee to indemnification or create a presumption that the Indemnitee did not act in good faith and in a manner which the Indemnitee reasonably believed to be in, or not opposed to, the best interests of the Company or, with respect to any criminal Proceeding, that the Indemnitee had reasonable cause to believe that his conduct was unlawful.

3.4 **Remedies of Indemnitee:**

- 3.4.1 In the event that a determination is made pursuant to Paragraph 3.2 that the Indemnitee is not entitled to indemnification hereunder: (a) the Indemnitee shall be entitled to seek an adjudication of his entitlement to such indemnification either, at the Indemnitee's option, in (x) an appropriate court of the State of Texas or any other court of competent jurisdiction, or (y) an arbitration to be conducted by a single arbitrator selected by mutual agreement of the Company and the Indemnitee (or, failing such agreement by the then sitting Chief Judge of the United States District Court for the Northern District of Texas), pursuant to the commercial arbitration rules of the American Arbitration Association; (b) any such judicial proceeding or arbitration shall be *de novo*, and the Indemnitee shall not be prejudiced by reason of such adverse determination; and (c) in any such judicial proceeding or arbitration the Company shall have the burden of proving that indemnification is prohibited by applicable law. If any such determination is made, the Indemnitee shall be entitled, on five (5) days' written notice to the Secretary of the Company, to receive the written report of the persons making such determination, which report shall include the reasons and factual findings, if any, upon which such determination was based.

6

- 3.4.2 If a determination has been made, or is deemed to have been made, pursuant to Paragraph 3.2 or 3.3 that the Indemnitee is entitled to indemnification, the Company shall be obligated to pay the amounts constituting such indemnification within five (5) days after such determination has been made or deemed to have been made and shall be conclusively bound by such determination unless the Company establishes as provided in the final sentence of this paragraph that: (a) the Indemnitee misrepresented or failed to disclose a material fact in making the request for indemnification or in the Supporting Documentation; or (b) such indemnification is prohibited by law. If either (x) advancement of expenses is not timely made pursuant to Paragraph 3.1, or (y) payment of indemnification is not made within five calendar days after a determination of entitlement to indemnification has been made or deemed to have been made pursuant to Paragraph 3.2 or 3.3, the Indemnitee shall be entitled to seek judicial enforcement of the Company's obligation to pay to the Indemnitee such advancement of expenses or indemnification. Notwithstanding the foregoing, the Company may bring an action, in an appropriate court in the State of Texas or any other court of competent jurisdiction, contesting the right of the Indemnitee to receive indemnification hereunder due to the occurrence of an event described in subclause (a) or (b) of this Subparagraph 3.4.2 (herein referred to as a "*Disqualifying Event*"); provided, however, that in any such action the Company will have the burden of proving the occurrence of such Disqualifying Event.
- 3.4.3 The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Paragraph 3.4 that the procedures and presumptions of this Paragraph 3.4 are not valid, binding, and enforceable, and shall stipulate in any such court or before any such arbitrator that the Company is bound by all of the provisions of this Agreement.
- 3.4.4 If the Indemnitee, pursuant to this Paragraph 3.4, seeks a judicial adjudication of, or an award in arbitration to enforce, his rights under, or to recover damages for breach of, this Agreement, the Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company against, any expenses actually and reasonably incurred by the Indemnitee if the Indemnitee prevails in such judicial adjudication or arbitration. If it is determined in such judicial adjudication or arbitration that the Indemnitee is entitled to receive part but not all of the indemnification or advancement of expenses sought, the expenses incurred by the Indemnitee in connection with such judicial adjudication or arbitration shall be prorated accordingly.

3.5 **Definitions:** For purposes of this Paragraph 3:

“*Disinterested Director*” means a director of the Company who is not or was not a party to the Proceeding in respect of which indemnification is sought by the Indemnitee.

“*Independent Counsel*” means a law firm or a member of a law firm that neither presently is, nor in the past five years has been, retained to represent: (a) the Company or the Indemnitee in any matter material to either such party; or (b) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term “*Independent Counsel*” shall not include any person who, under the applicable standards of professional conduct then prevailing under the laws of the State of Texas, would have a conflict of interest in representing either the Company or the Indemnitee in an action to determine the Indemnitee’s rights hereunder.

“*Change in Control*” means:

(i) the consummation of any consolidation or merger of Company into or with another corporation or other legal person, and as a result of such consolidation or merger less than a majority of the combined voting power of the then-outstanding securities of such corporation or person immediately after such transaction are held in the aggregate by holders of Voting Stock (as defined below) of Company immediately prior to such transaction;

(ii) any sale, lease, exchange, or other transfer, whether in one transaction or any series of related transactions, of all or significant portions of the assets of Company to any other corporation or other legal persons, less than a majority of the combined voting power of the then-outstanding securities of such corporation or person immediately after such sale, lease, exchange, or transfer is held in the aggregate by the holders of Voting Stock of Company immediately prior to such sale, lease, exchange, or transfers;

(iii) the shareholders of Company approve any plan for the liquidation or dissolution of Company;

(iv) any person (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) other than an existing director of Company becomes, either directly or indirectly, the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act) of securities representing more than 33% of the combined voting power of the then-outstanding

securities entitled to vote generally in the election of directors of Company (“Voting Stock”); or

(v) if at any time during a fiscal year a majority of the Board of Directors are replaced by persons who were not recommended for those positions by at least two-thirds of the directors of Company who were directors of Company at the beginning of the fiscal year.

Notwithstanding the preceding, a “Change of Control” shall not be deemed to have occurred with respect to any of the foregoing transactions conducted by any employee benefit plan (or related trust) sponsored or maintained by Company, any corporation controlled by Company, or any affiliate of Company.

“*Potential Change in Control*” shall be deemed to have occurred if: (i) the Company enters into an agreement the consummation of which would result in the occurrence of a Change in Control; (ii) a person (including the Company) publicly announces a legitimate intention to take or to consider taking actions which if consummated would constitute a Change in Control; or (iii) the Board of Directors adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred.

4 **Other Rights to Indemnification:** The indemnification and advancement of costs and expenses (including attorneys’ fees and disbursements) provided by this Agreement shall not be deemed exclusive of any other rights to which the Indemnitee may now or in the future be entitled under any provision of applicable law, the Articles of Incorporation, or any Bylaw of the Company or any other agreement, or any vote of directors or stockholders or otherwise, whether as to action in his official capacity or in another capacity while occupying any of the positions or having any of the relationships referred to in Paragraph 1 of this Agreement.

5 **Duration of Agreement:**

5.1 This Agreement shall be effective from and after the date hereof, and shall continue until and terminate upon the later of: (i) the tenth (10th) anniversary after the Indemnitee has ceased to occupy any of the positions or have any of the relationships described in Paragraph 1 of this Agreement; or (ii) (a) the final termination or resolution of all proceedings with respect to the Indemnitee commenced during such ten (10) year period, and (b) either (x) receipt by the Indemnitee of the Indemnification to which he or she is entitled hereunder with respect thereto, or (y) a final adjudication or binding arbitration that the Indemnitee is not entitled to any further indemnification with respect thereto, as the case may be.

5.2 This Agreement shall be binding upon the Company and its successors and assigns and shall inure to the benefit of the Indemnitee and his heirs, devisees, executors, administrators, or other legal representatives.

- 6 **Severability:** If any provision or provisions of this Agreement are held to be invalid, illegal, or unenforceable under any particular circumstances or for any reason whatsoever: (a) the validity, legality, and enforceability of the remaining provisions of this Agreement (including, without limitation, all other portions of any paragraph or clause of this Agreement that contains any provision that has been found to be invalid, illegal, or unenforceable, that are not themselves invalid, illegal, or unenforceable) or the validity, legality, or enforceability under any other circumstances shall not in any way be affected or impaired thereby; and (b) to the fullest extent possible consistent with applicable law, the provisions of this Agreement (including, without limitation, all other portions of any paragraph or clause of this Agreement that contains any such provision that has been found to be invalid, illegal, or unenforceable, that are not themselves invalid, illegal, or unenforceable) shall be deemed revised and shall be construed so as to give effect to the intent manifested by this Agreement (including the provision held invalid, illegal, or unenforceable).
- 7 **Identical Counterparts:** This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original, but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.
- 8 **Headings:** The headings of the paragraphs of this Agreement are inserted for convenience and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.
- 9 **Modification and Waiver:** No supplement, modification, or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.
- 10 **Notification and Defense of Claim:** The Indemnitee agrees to notify the Company promptly in writing upon being served with any summons, citation, subpoena, complaint, indictment, information, or other document relating to any matter which may be subject to indemnification hereunder, whether civil, criminal, or investigative; provided, however, that the failure of the Indemnitee to give such notice to the Company shall not adversely affect the Indemnitee's rights under this Agreement except to the extent the Company has been materially prejudiced as a direct result of such failure. Nothing in this Agreement shall constitute a waiver of the Company's right to seek participation at its own expense in any Proceeding which may give rise to indemnification hereunder.

10

-
- 11 **Notices:** All notices, requests, demands, and other communications hereunder shall be in writing and shall be deemed to have been duly given if: (i) delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed; or (ii) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed, in either case:
- (a) if to the Indemnitee, at the address below;
- (b) if to the Company:
- TGC Industries, Inc.
1304 Summit Avenue, Suite 2
Plano, TX 75074
- or to such address as may have been furnished to either party by the other party.
- 12 **Governing Law:** The parties hereto agree that this Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Texas.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be effective as of the day and year first above written.

COMPANY:

TGC Industries, Inc.

By: _____

Wayne A. Whitener,
President and CEO
Date: August , 2005

INDEMNITEE:

Date: August , 2005

COMMERCIAL LEASE AGREEMENT

Lease Summary

Landlord: JSS / Capital Avenue, L.P.

Landlord's Address: c/o Jackson-Shaw Company, 4890 Alpha Road, #100, Dallas, TX 75244

Contact Person: Debra Spears
 Phone: 972-628-7446
 Fax: 972-628-7444
 Email: dspcars@jacksonshaw.com

Tenant: TGC Industries, Inc.

Tenant's Address: *Before the Commencement Date: 1304 Summit Avenue, Suite 2, Plano, TX 75074*

Contact Person: Wayne A. Whitener
 Phone:
 Fax:
 Email:

From and after the Commencement Date: 1104 Capital Avenue, #100, Plano, TX 75074

Contact Person: Wayne A. Whitener
 Phone:
 Fax:
 Email:

Tenant's Broker: Stream Realty Partners, L.P.

Leased Premises: approximately 10,000 square feet of space located in the Building, as outlined on **Exhibit "A-1"** attached hereto

Project: (containing approximately 20,000 square feet)

Building: (containing approximately 10,000 square feet)

Tenant's Proportionate Share of Project: 50 %

Tenant's Proportionate Share of Building: 50 %

Term: 38 Months

Commencement Date: September 1, 2005

Termination Date: The last day of the 38thth month following the Commencement Date

 Landlord

 /s/
 Wayne
 A.
 Whitener

 Tenant

Base Rent:

Months	Annual Rate Per Sq. Ft.	Monthly Base Rent
1-2	Base rent abated	Base rent abated
3-38	\$ 42,500	\$ 3,541.67

Initial Estimated Additional Rent Payments (expressed per square foot/year):	1. Common Area	\$.48
(estimates only and subject to adjustment to actual costs and expenses according to the provisions of this Lease)	2. Taxes	\$.91
	3. Insurance	\$.14
	4. Others	\$
	Total:	\$ 1.53

Total Initial Estimated Monthly Additional Rent Payments:	\$ 1,275.00
Total Initial Monthly Base Rent and Estimated Monthly Additional Rent Payments:	\$ 4,816.67
Security Deposit:	\$ 4,816.67

2. **Defined Terms.** The following terms used herein and denoted by their initial capitalization shall have the meanings set forth below:

“**Additional Rent**” shall mean the Tax and Insurance Costs, the Common Area Maintenance Expenses and all sums of money, other than Base Rent, which become due by Tenant under this Lease.

“**Adjacent Buildings**” shall mean any building or buildings, other than the Building, located upon the Land and within the Project.

“**Applicable Laws**” shall mean any and all ordinances, orders, directives, codes, permits and other rules and regulations of state, federal, municipal, or other agencies or bodies having jurisdiction with respect to the Project.

“**Base Rent**” shall mean the annualized amounts computed for the applicable period using the Monthly Base Rent shown in **Section 1**, above and payable as provided herein.

“**Building**” shall have the meaning given in **Section 1**, above.

“**Commencement Date**” shall have the meaning given in **Section 1**, above.

“**Common Areas**” means all areas, spaces, facilities and equipment (whether or not located within the Building) made available by Landlord for the common and joint use of Landlord, Tenant and others designated by Landlord using or occupying space in the Building or the Project, including, but not limited to, loading docks, walkways, sidewalks and driveways necessary for access to the Building, parking areas, building lobbies, atriums, landscaped areas, public corridors, public rest rooms, Building stairs, drinking fountains and any such other areas and facilities within the Project, if any, as are designated by Landlord from time to time as Common Areas.

“**Common Area Maintenance Expense**” shall mean any and all expenses for the maintenance, repair, replacement and operation of the Common Areas and any portions of the Project for which Landlord is responsible

2

hereunder, including, but not limited to, management fees, utility expenses (if furnished by Landlord), wages and fringe benefits payable to employees of Landlord responsible for the management of the Project, amounts paid to contractors for work performed in connection with the Project. The term “Common Area Maintenance Expenses” shall not include any capital improvement to the Project other than replacements required for normal maintenance and repair, nor shall it include repairs, restoration or other work occasioned by fire, windstorm or other insured casualty, expenses incurred in leasing or procuring tenants, leasing commissions, advertising expenses, expenses for renovating space for new tenants, legal expenses incident to enforcement by Landlord of the terms of any lease, interest or principal payments on any mortgage or other indebtedness of Landlord, compensation paid to any employee of Landlord above the grade of property manager, depreciation allowance or expense. Notwithstanding the foregoing, in the event Landlord installs equipment in or makes improvements or alterations to the Building which are for the purpose of reducing energy costs, maintenance costs or other Common Area Maintenance Expenses or which are required under any Applicable Laws which were not required at the date of commencement of the Term. Landlord may include in Common Area Maintenance Expenses reasonable charges for interest on such investment and reasonable charges for depreciation on the same so as to amortize such investment over the reasonable life of such equipment, improvement or alteration on a straight line basis.

“**Default Rate**” shall mean the lesser of (i) maximum rate of interest permitted by applicable law or the Prime Rate plus five percent (5%).

“**Effective Date**” shall mean the date of execution of this Lease.

“**Event of Default**” shall have the meaning given in this Lease, below.

“**Hazardous Material**” shall mean any substance, material, waste, pollutant, or contaminant that is or could be regulated under any statute, regulations, ordinance, rule, code, judgment, permit, or other similar requirement of any governmental authority, agency or court or that may adversely affect human health or the environment.

“**Land**” shall mean the land upon which the Building is located, as described in the attached **Exhibit “A”**.

“**Landlord**” shall have the meaning given in **Section 1**, above.

“**Lease**” shall this Commercial Lease Agreement.

“**Leased Premises**” shall have the meaning given in **Section 1**, above.

“**Mortgage**” shall mean any mortgage, deed to secure debt or security deed any other instrument creating a lien in connection with any method of financing or refinancing.

“**Mortgage**” shall mean the holder(s) of the indebtedness secured by a Mortgage.

“**Project**” shall mean the Land, the Building and the Adjacent Buildings, landscaping, parking and driveway areas, sidewalks and other improvements thereon; however, Landlord shall have the right to modify the definition of “Project” by eliminating the Adjacent Buildings, together with the allocable share of the Land, landscaping, parking and driveway areas, sidewalks and other improvements relating thereto, in which event the term “Project” shall be limited to the Building and the allocable share of the landscaping, parking, driveway areas, sidewalks and other improvements thereon.

“Permitted Exceptions” shall mean any encumbrances, easements, covenants, conditions, restrictions and other matters of record.

“Prime Rate” shall mean the prime interest rate as announced or published in *The Wall Street Journal*, or its successor, from time to time, or, in the event *The Wall Street Journal* does not announce or publish a prime

3

interest rate, the prime interest rate announced or published from time to time by such national publication as may be selected by Landlord.

“Punchlist Items” shall mean details of construction, decoration or adjustment which individually or in the aggregate do not materially impair Tenant’s use of the Leased Premises.

“Rent” shall mean the Base Rent, the Additional Rent, and other sums of money becoming due and payable to Landlord hereunder. Base Rent shall be payable in monthly installments in advance, the first monthly installment of which, together with the Initial Estimated Monthly Additional Rent Payments, being payable concurrently with the execution of this Lease and thereafter on or before the first day of each month of the Term in the amount set forth above.

“Security Deposit” shall mean the deposit held by Landlord in the amount set forth in **Section 1**, above.

“Substantial Completion” shall have the meaning set forth in **Section 8(b)**.

“Tangible Net Worth” shall mean the excess of total assets over total liabilities, in each case as determined in accordance with generally accepted accounting principles consistently applied (“GAAP”), excluding, however, from the determination of total assets all assets which would be classified as intangible assets under the GAAP including goodwill, licenses, patents, trademarks, trade names, copyrights, and franchises.

“Tax and Insurance Cost” shall mean all of the following paid or payable by Landlord with respect to the Project or any portion thereof: (a) all federal, state and local sales, use, ad valorem, rental, value added or other taxes and special assessments and other governmental charges, together with all costs, fees and expense incurred by Landlord in monitoring or contesting same (collectively, “Taxes”), and (b) all insurance premiums.

“Tenant” shall have the meaning given in **Section 1**, above.

“Tenant Delay” shall mean any delay caused or contributed to by act or neglect of Tenant, or those acting for or under Tenant.

“Tenant Improvements” shall mean those improvements to the Leased Premises described in **Exhibit “B”**.

“Tenant’s Proportionate Share” shall mean the percentage set forth in **Section 1** above, determined by dividing the area of the Leased Premises by the area of the Building or Project, as applicable. Tenant’s Proportionate Share shall be adjusted if the size of the Leased Premises is modified.

“Termination Date” shall have the meaning given in **Section 1** above.

3. **Grant of Lease; Use.** Subject to and upon the terms herein set forth, this Lease is entered into by and between Landlord and Tenant, to be effective as if the Effective Date. In consideration of the rents, terms and covenants of this Lease, Landlord leases Tenant the Lease Premises during the Term and any extension thereto pursuant to this Lease, all as is more particularly described herein. The Leased Premises shall be used solely for general office and warehouse purposes and for no other purpose. Tenant hereby accepts this Lease and the Leased Premises upon the covenants and conditions set forth herein and subject to any and all Permitted Exceptions, and Tenant agrees to comply with such Permitted Exceptions. Tenant will not use, nor permit others to use, the Leased Premises for any purpose other than the purposes stated hereinabove, nor will Tenant commit, nor allow others to commit, any waste upon the Leased Premises. In the event Tenant occupies all or a portion of the Leased Premises prior to the Commencement Date, all terms and conditions of this Lease shall apply.

4

4. **Term.**

(a) This Lease shall continue in force during a period beginning on the Commencement Date and continuing until the Termination Date, unless this Lease is sooner terminated or extended under any other term or provision hereof (See **Exhibit “B”** for Renewal Option). Tenant shall be responsible for any cost or other loss incurred by Landlord, including but not limited to loss of Rent, if any, arising out of any event of Tenant Delay, which cost or loss shall be deemed Additional Rent. If Tenant remains in possession after expiration or termination of this Lease with or without Landlord’s written consent, there shall be no renewal of this Lease by operation of law. During the period of any such holding over, all provisions of this Lease shall be and remain in effect except that the Base Rent shall equal an amount equal to 125% the amount of the Base Rent set forth in **Section 1** above (which amount shall be increased to 150% after 15 days). No holding over by Tenant, whether with or without consent of Landlord, shall operate to extend the Term.

(b) **Early Termination Right.** Tenant shall the one (1) time right to terminate (the “Termination Right”) this Lease effective on the date (the “Early Termination Date”) which is twenty-four (24) months after the Commencement Date, provided each of the following conditions has been satisfied: (i) Tenant has given Landlord written notice (the “Termination Notice”) of such termination at least six (6) months prior to the Early Termination Date and Tenant is not in default hereunder at the time Tenant gives such notice to Landlord or at any time thereafter prior to the Early Termination Date; (ii) Tenant has paid to Landlord, on or before the Early Termination Date, a termination fee in an amount equal to one (1) months Base Rent and Additional Rent. In the event Tenant exercises the Termination Right pursuant to this Section 4(b), Tenant shall vacate Leased Premises not later than ten (10) days after the Early Termination Date.

5. **Rent.** Tenant agrees to pay all Rent to Landlord during the Term at the times and in the manner provided in this Lease, without demand, set-off or counterclaim. The Base Rent shall be due and payable on the first day of each calendar month, commencing on the Commencement Date and continuing thereafter throughout the Term. Tenant hereby agrees to pay the Rent to Landlord at Landlord’s address as provided herein (or such other address as may be designated by Landlord from time to time) monthly in advance. If the Commencement Date is other than the first day of a calendar month or if this

Lease terminates on a day other than the last day of a calendar month, then the installments of the Base Rent for such month or months shall be prorated on a daily basis and the installment or installments so prorated shall be paid in advance. Notwithstanding the foregoing, however, if the Commencement Date is delayed due to any Tenant Delay, Tenant shall be obliged to pay Rent commencing on the date which would have been the Commencement Date by for any Tenant Delay.

Base Rent payment required to be paid or which becomes due under this Lease is not paid by the tenth (10th) day following the day on which it is due, a service charge of five percent (5%) of such amounts due shall become due and payable in addition to the amounts due. Said service charge is for the purpose of reimbursing Landlord for the extra costs and expenses in connection with the handling and processing of late payments. In addition to such service charge, if any Base Rent payment is not paid by the tenth (10th) day following the day on which it becomes due, Tenant shall pay to Landlord, in addition to such Base Rent payment and the service charge, interest on such Base Rent payment calculated at the Default Rate from the date such Base Rent payment was due until paid by Tenant. If any Additional Rent required to be paid or which becomes due under this Lease is not paid when due, Tenant shall pay to Landlord, in addition to such amounts, interest on such amounts at the Default Rate from the date such amounts were due until paid by Tenant. Such service charge and interest shall be cumulative of any other remedies Landlord may have for nonpayment of Rent and other sums payable under this Lease. If three (3) consecutive monthly Base Rent payments or any ten (10) [in total, cumulative from the beginning of the Term] monthly Base Rent payments during the Term (or any renewal or extension thereof) are not received by Landlord within ten (10) days of the due date, the Base Rent hereunder shall automatically become due and payable by Tenant in advance in quarterly installments equal to three (3) months' Base Rent each. Landlord shall notify Tenant of such change in the time for payment of Base Rent and, thereafter, the first of such quarterly Base Rent payments shall be due and payable on the first day of the next succeeding month and on the first day of every third (3rd) month thereafter. This remedy shall be cumulative of any other remedies of Landlord under this Lease for nonpayment of Rent.

5

6. **Security Deposit.** Tenant shall deposit with Landlord on the date of execution of this Lease, the Security Deposit. If Tenant defaults under this Lease, Landlord may use any part of the Security Deposit to make any defaulted payment, to pay for Landlord's cure of any defaulted obligation, or to compensate Landlord for any loss or damage resulting from any default. To the extent any portion of the deposit is used, Tenant shall within five (5) days after demand from Landlord restore the deposit to its full amount. Tenant's failure to do so shall be an Event of Default under this Lease. Landlord may keep the Security Deposit in its general funds and shall not be required to pay interest to Tenant on the deposit amount. If Tenant shall perform all of its obligations under this Lease and return the Leased Premises to Landlord at the end of the Term in the same good order and condition as existed at the Commencement Date, ordinary wear and tear excepted, Landlord shall return all of the remaining Security Deposit to Tenant within thirty (30) days after the end of the Term. The Security Deposit shall not serve as an advance payment of Rent or a measure of Landlord's damages for any default under this Lease. If Landlord transfers its interest in the Project or this Lease, Landlord may transfer the Security Deposit to its transferee. Upon such transfer, Landlord shall have no further obligation to return the Security Deposit to Tenant, and Tenant's right to the return of the Security Deposit shall apply solely against Landlord's transferee.

7. **Common Area Maintenance and Taxes and Insurance.**

(a) Tenant agrees to pay as Additional Rent Tenant's Proportionate Share of the Common Area Maintenance Expenses. Along with the Base Rent, Tenant shall pay one-twelfth of Tenant's Proportionate Share of the annualized Common Area Maintenance Expenses as estimated from time to time by Landlord during the Term. As soon as available after the expiration of each calendar year, Landlord shall submit a statement to Tenant setting forth Tenant's Proportionate Share of the Common Area Maintenance Expenses due from Tenant for the preceding year and the amount, if any, remaining due from Tenant to Landlord. Within ten (10) days after receipt of such statement, Tenant shall remit to Landlord the amount said statement shows to be due from Tenant. Notwithstanding the foregoing, Tenant shall pay the full cost of any repair, replacement or service which benefits only the Leased Premises or is the result of Tenant's use or occupancy of the Leased Premises. Tenant shall pay to Landlord as Additional Rent Tenant's Proportionate Share of the Tax and Insurance Cost. If any use of the Leased Premises by Tenant causes an increase in insurance costs, Tenant shall pay as Additional Rent the entire amount of any such increase. Along with the Base Rent, Tenant shall pay, monthly, one-twelfth of Tenant's Proportionate Share of the annualized Tax and Insurance Costs as estimated from time to time by Landlord during the Term. As Soon as available after the expiration of each calendar year, Landlord shall submit a reconciliation statement to Tenant setting forth Tenant's Proportionate Share of the Tax and Insurance Costs due from Tenant for any preceding calendar year and the amount, if any, remaining due from Tenant to Landlord. Within ten (10) days after receipt of such statement, Tenant shall pay Landlord the amount said statement shows to be due from Tenant. Tenant shall be responsible for paying all taxes upon Tenant's furniture, machinery, fixtures and other property on the Project. Landlord shall have the right to employ a tax consulting firm to attempt to assure a fair tax burden on the Premises within the applicable taxing jurisdiction. Tenant shall pay to Landlord upon demand from time to time, as Additional Rent, Tenant's Proportionate Rate Share of the cost of such service. Tenant acknowledges that the Building is a multi-tenant facility, that any filing of a protest of appraised value by Tenant will give the appraisal district discretion to increase or decrease the appraised value, that an increase in the appraised value will affect Landlord and the other tenants of the Building, and that an increase in the appraised value may increase the taxes not only for the year in question but for future years, potentially beyond expiration of the Term. Accordingly, to the extent permitted by Applicable Law, Tenant hereby waives the provisions of Section 41.413 of the Texas Property Tax Code (or successor thereto) to protest the appraised value of the Project or any portion thereof. In the alternative, if Section 41.413 of the Texas Property Tax Code may not be waived, Tenant agrees not to protest any valuation unless Tenant notifies Landlord in writing of Tenants intent so to protest and Landlord fails to file a protest of the valuation within thirty (30) days after Landlord receives Tenant's written notice. If Tenant files a protest without giving written notice required by the preceding sentence, such filing shall be an event of default under this Lease without the necessity of any notice from Landlord. Furthermore, if Tenant exercises the right of protest granted by Section 41.413 of the Texas Property Tax Code, Tenant shall be solely responsible for, and shall pay, all costs of such protest. If as a result of any protest filed by Tenant, the appraised value of the Building or Project is increased, Tenant shall be solely responsible for, and shall pay upon demand by Landlord, all taxes (not

6

only Tenant's Proportionate Share) assessed against the Building or Project in excess of the taxes which would have been payable in the absence of the protest. Tenant shall continue to pay such excess taxes, regardless of whether the increased taxes are incurred during the Term or thereafter. Landlord agrees, upon written request by Tenant, to provide to Tenant to a copy of the determination of appraised value for any year. Tenant agrees that if Landlord, in Landlord's sole discretion, elects to protest a determination of the appraised value of the Project or any portion thereof. Tenant shall pay to Landlord Tenant's Proportionate Share of the cost of such protest. The provisions of this Section 7 pertaining to Section 41.413 of the Texas Property Tax Code expressly shall survive the expiration or other termination of this Lease.

(b) Notwithstanding anything to the contrary contained herein. Tenant's Proportionate Share for "Controllable Common Area Maintenance Expenses" shall not be increased by more than ten percent (10%) over Tenant's Share of "Controllable Common Area Maintenance Expenses" for the previous calendar year. For the purposes hereof, the term "Controllable Common Area Maintenance Expense" shall be limited to those Common Area Maintenance Expenses which are within the direct control and discretion of Landlord but shall not include, without limitation, utility charges, Taxes and Insurance Costs and the cost of effecting compliance with any applicable laws.

8. **Condition of Leased Premises; Tenant Improvement; Common Areas; Maintenance; Alterations.**

(a) **Condition of Leased Premises.** Tenant acknowledges that it accepts the Leased Premises as suitable for Tenant's purposes subject only to **Section 8(b)** below, if applicable, and to all Applicable Laws. Notwithstanding any other provision of this Lease to the contrary, if this Lease is executed before the Leased Premises become available for occupancy, or if Landlord cannot acquire possession of the Leased Premises prior to the Commencement Date stated above, Tenant agrees to accept possession of the Leased Premises at such time as Landlord is able to tender the same, which date shall then be the Commencement Date of the Term. TENANT WAIVES ANY IMPLIED WARRANTY THAT THE LEASED PREMISES ARE SUITABLE FOR TENANT'S INTENDED PURPOSE. TENANT ACKNOWLEDGES THAT (1) TENANT HAS INSPECTED AND ACCEPTS THE LEASED PREMISES IN AN "AS IS, WHERE IS" CONDITION (EXCEPT AS MAY BE PROVIDED IN **SECTION 8(b)**, BELOW), (2) THE BUILDING AND THE LEASED PREMISES ARE SUITABLE FOR THE PURPOSE FOR WHICH THE LEASED PREMISES ARE LEASED, AND LANDLORD HAS MADE NO WARRANTY, REPRESENTATION, COVENANT, OR AGREEMENT WITH RESPECT TO THE MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF THE LEASED PREMISES, (3) THE LEASED PREMISES ARE IN GOOD AND SATISFACTORY CONDITION, (4) NO REPRESENTATIONS AS TO THE REPAIR OF THE LEASED PREMISES, NOR PROMISES TO ALTER, REMODEL OR IMPROVE THE LEASED PREMISES HAVE BEEN MADE BY LANDLORD (EXCEPT AS MAY BE PROVIDED IN **SECTION 8(b)**, BELOW), AND (5) THERE ARE NO REPRESENTATIONS OR WARRANTIES, EXPRESSED, IMPLIED OR STATUTORY, THAT EXTEND BEYOND THE DESCRIPTION OF THE LEASED PREMISES.

(b) **Tenant Improvements.** See attached Exhibits "D" and D- 1".

(c) **Maintenance of the Common Areas.** Landlord shall perform the work which gives rise to Common Area Maintenance Expenses, subject to payment therefor by Tenant pursuant to the provisions of **Section 7** above. If the need for any such work shall come to the attention of Tenant, Tenant will promptly so notify Landlord in writing.

(d) **Maintenance of the Leased Premises.**

(i) **Landlord's Obligations:** Landlord shall maintain (except in the event casualty or other damage contemplated in **Section 16** hereof, in which event the terms of **Section 16** will control) only the roof, foundation and the structural soundness of the exterior walls of the Building (excluding all windows, window glass, plate glass, and all doors) in good repair and condition, except for reasonable wear and tear. Landlord's

maintenance and repair costs under this **Section 8(d)** shall be included as a Common Area Maintenance Expense, except as expressly excluded from the definition of "Common Area Maintenance Expenses" above. Tenant shall give immediate written notice to Landlord of the need for repairs or corrections and Landlord shall proceed within a reasonable time after receiving such notice to make such repairs or corrections. Landlord's liability hereunder shall be limited to the cost of such repairs or corrections.

(ii) **Tenant's Obligations:** Tenant shall repair and pay for any damage caused by the negligence or default hereunder of or by Tenant, its employees, agents or invitees; the cost of any such damage which is paid by Landlord shall be deemed Additional Rent which is immediately due and owing from Tenant. Subject to the provisions of item (i) above, Tenant shall during the Term, at Tenant's expense, keep the Leased Premises (including the glass signs, ceilings, interior walls, interior side of perimeter walls, floor, floor coverings, plumbing, electric, heating and air conditioning, sprinklers and lighting fixtures) in as good order, condition and repair as they were at the time Tenant took possession of the same, reasonable wear and tear and damage from fire and other casualties excepted. Tenant shall, at its own cost and expense, enter into a regularly scheduled preventive maintenance/service contract with a maintenance contractor for servicing all hot water, heating and air conditioning systems and equipment within or serving the Leased Premises. The maintenance contractor and the contract must be approved by Landlord. The service contract must include all services suggested by the equipment manufacturer within the operation/maintenance manual and must become effective (and a copy thereof delivered to Landlord) within thirty (30) days of the date Tenant takes possession of the Leased Premises. Tenant shall keep the Leased Premises in a neat and sanitary condition, and Tenant shall not commit any nuisance or waste on the Leased Premises or in, on, or about the Project, throw foreign substances in the plumbing facilities, or waste any of the utilities furnished by the Landlord. All uninsured damage or injury to the Leased Premises, or to the Project caused by Tenant moving furniture, fixtures, equipment, or other devices in or out of the Leased Premises or the Building or by installation or removal of furniture, fixtures, equipment, devices or other property of Tenant or its agents, contractors, servant or employees, due to carelessness, omission, neglect, improper conduct, or other cause of Tenant or its servants, employees, agents, visitors, or licensees, shall be repaired, restored and replaced promptly by Tenant at its sole cost and expense to the satisfaction of Landlord. All repairs, restorations and replacements shall be in quality and class equal to the original work and shall comply with all requirements of this Lease.

(e) **Alterations; Signs.** No improvements, alterations, additions or other changes shall be made to the Leased Premises without Landlord's prior written consent. All property of Tenant installed upon the Leased Premises pursuant to the terms of this Lease shall be at the sole risk of Tenant, and Landlord shall not be liable for any loss, damage or theft of such property (INCLUDING THE LOSSES, DAMAGES OR THEFTS STEMMING FROM THE STRICT LIABILITY, NEGLIGENCE OR OTHER TORTUOUS CONDUCT, ACTS OR OMISSIONS OF LANDLORD OR ITS OFFICERS, DIRECTORS, EMPLOYEES, AGENTS OR INVITEES) except for those losses, damages or thefts stemming from the willful misconduct or gross negligence of the Landlord. Subject to Landlord's approval thereof, Tenant shall be allowed to install, at Tenant's cost and expense, Tenant's sign on the exterior of the Building above the front and rear entrances to the Leased Premises.

9. **Insurance.**

(a) **Landlord Policies.** Landlord shall at all times during the Term maintain a policy or policies of business or rental interruption insurance and a policy or policies of insurance insuring the Building (exclusive of the foundation) for loss or damage by fire, explosion, and other customary hazards, subject to commercially reasonable deductible amounts. Such policies will not insure any personal property (including, but not limited to any furniture, machinery, goods, or supplies) of Tenant or which Tenant may have in the Leased Premises or any fixtures installed by or paid for by Tenant upon or within

the Leased Premises or any alterations or other improvements which Tenant may construct or install on the Leased Premises, insurance for all of which shall be Tenant's responsibility.

(b) Effect of Tenant's Use. Tenant shall not permit the Leased Premises to be used in any way which would be hazardous or which would in any way increase the cost of or render void any insurance on the Project, and Tenant shall immediately, on demand, cease any use which violates the foregoing or to which Landlord's insurer or any governmental or regulatory authority objects. If, at any time during the Term, Tenant's use or occupancy (or an

8

abandonment by Tenant) shall cause an increase in premiums, and in particular, but without limitation, if the State Board of Insurance or other insurance authority disallows any of Landlord's sprinkler credits or imposes an additional penalty or surcharge in Landlord's insurance premiums because of Tenant's original or subsequent placement or use of storage racks or bins or method of storage or because of the nature of Tenant's inventory or any other act of Tenant, Tenant agrees to pay as Additional Rent the increase in Landlord's insurance premiums.

(c) Tenant Insurance. Tenant, at its sole cost and expense, shall procure and maintain throughout the Term a policy or policies of insurance from insurance companies satisfactory to Landlord, insuring (i) Landlord; (ii) Landlord's management company; (iii) Jackson-Shaw Company; (iv) Landlord's lender, if any; and (v) Tenant against all claims for property damages, personal injury or death of others occurring on or in connection with: (i) the Leased Premises; (ii) the condition of the Leased Premises; (iii) Tenant's operations in and maintenance and use of the Leased Premises; (iv) Tenant's use of the Common Areas of the Project, and (v) Tenant's liability assumed under this Lease. The limits of such policy or policies shall be not less than \$2,000,000.00 combined single limit coverage per occurrence for injury to persons (including death) and/or property damage or destruction, including loss of use. Certified copies of such policies, together with receipt for payment of premiums, shall be delivered to Landlord prior to the Commencement Date. Not less than fifteen (15) days prior to the expiration date of any such policies, certified copies of renewal policies and evidence of the payment of renewal premiums shall be delivered to Landlord. All such original and renewal policies shall provide for at least thirty (30) days written notice to Landlord before such policy may be canceled or changed to reduce insurance coverage provided thereby.

(d) Waiver of Subrogation. Notwithstanding anything in this Lease to the contrary, to the extent that and so long as the same is permitted under the laws and regulations governing the writing of insurance within the State of Texas, all insurance carried by either Landlord or Tenant shall provide for a waiver of rights of subrogation against Landlord and Tenant on the part of the insurance carrier. Except as expressly otherwise provided herein, Landlord and Tenant each hereby waive any and all rights of recovery, claims, actions or causes of action against the other, its agents, officers, or employees, for any loss or damage to property or any injuries to or death of any person which is covered or would have been covered under the insurance policies required under this Lease (REGARDLESS OF WHETHER SUCH LOSS OR DAMAGE IS CAUSED BY THE FAULT, NEGLIGENCE OR OTHER TORTUOUS CONDUCT, ACTS OR OMISSIONS OF LANDLORD OR TENANT OR THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS OR INVITEES). The foregoing release shall not apply to losses or damages in excess of actual or required policy limits (whichever is greater) nor to any deductible (up to a maximum of \$10,000) applicable under any policy obtained by the waiving party. The failure of either party (as used in this paragraph, the "defaulting party") to take out or maintain any insurance policy required under this Lease shall be a defense to any claim asserted by the defaulting party against the other party hereto by reason of any loss sustained by the defaulting party that would have been covered by any such required policy. The waivers set forth in this **Section 9(d)** shall be in addition to, and not in substitution for, any other waivers, indemnities, or exclusions of liabilities set forth in this Lease.

10. Utility Services. Tenant shall pay the cost of all utility services respecting the Leased Premises including, but not limited to, initial connection charges and deposits and charges for gas, water, trash disposal, sewer, telephone and electricity respecting the Leased Premises. Landlord shall in no event be liable for any interruption or failure of utility services on the Leased Premises. Prior to the Commencement Date, Tenant shall pay for all utilities or services at the Leased Premises used by it or its agents, employees or contractors. Tenant hereby acknowledges and agrees that the electricity provider chosen by Landlord may not necessarily be the least expensive provider of electricity, but Landlord shall have the sole and absolute discretion to choose such electricity providers.

11. Assignment; Subletting. Except for a "Permitted Transfer" (as hereinafter defined), Tenant shall not, without the prior consent of Landlord in each case, (i) make or allow any assignment or transfer, by operation of law or otherwise, of any part of Tenant's interest in this Lease, (ii) grant or allow any lien or encumbrance, by operation of law or otherwise, upon any part of Tenant's interest in this Lease, (iii) sublet the Leased Premises or permit anyone other than Tenant and its employees to occupy any part of the Leased Premises. No consent granted

9

by Landlord shall be deemed to be a consent to any subsequent assignment or transfer, lien or encumbrance, sublease or occupancy. Any assignment or transfer, grant of lien or encumbrance, or occupancy without Landlord's prior written consent shall be void. Landlord shall be reimbursed by Tenant for any costs or expenses incurred as a result of Tenant's request for consent to any such assignment or subletting, including reasonable legal costs. In the event Tenant subleases the Leased Premises, or any portion thereof, or assigns this Lease with the consent of the Landlord at an annual Base Rent exceeding that stated herein, fifty percent (50%) of such excess shall be paid by Tenant to Landlord as Additional Rent hereunder within ten (10) days after receipt by Tenant. Upon the occurrence of an Event of Default by Tenant under this Lease, if all or any part of the Leased Premises is the assigned or sublet, Landlord may, in addition to any other remedies provided by this Lease or provided by law, collect directly from the assignee or subtenant all rents due to Tenant. To secure payment of such sums, Landlord shall have a security interest in and a landlord's lien on all property on the Leased Premises. Any collection directly by Landlord from the assignee or subtenant shall not be construed, however, to constitute a novation or a release of Tenant from the further performance of its obligations under this Lease. For the purpose of this **Section 11**, a "transfer" shall include the transfer, assignment or encumbrance of any controlling interest in Tenant. Notwithstanding the above prohibitions, Tenant may, upon thirty (30) days prior written notice to Landlord, assign this Lease to a surviving entity following Tenant's merger therein (so long as the surviving entity has a financial, Tangible Net Worth equal to or greater than Tenant's Tangible Net Worth immediately prior to such merger) or sublet the Leased Premises or any part thereof to its parent corporation or one of its wholly owned subsidiaries or an "affiliate"; however, no assignment or subletting shall relieve Tenant or any guarantor of this Lease of its respective obligations under this Lease or any guaranty, and Tenant shall continue to be liable as a principal (and not as a guarantor or surety) to the same extent as though no assignment or subletting had been made. Any assignment or sublease effected pursuant to the preceding sentence is hereinafter referred to as a "Permitted Transfer". As used herein, an "affiliate" is an entity that "controls", "is controlled by" or "is under common control with" the Tenant.

12. **Landlord's Right of Entry.** Landlord shall have the right, at its option, at Tenant's own cost and expense, to repair or replace any damage done to the Building, or any part thereof, caused by Tenant or Tenant's agents, employees, invitees, or visitors, and Tenant shall pay the reasonable cost thereof to Landlord on demand as Additional Rent. Landlord shall retain duplicate keys to all doors of the Leased Premises and Landlord and its agents, employees and independent contractors shall have the right to enter the Leased Premises at reasonable hours to inspect and examine same, to make repairs, additions, alterations and improvements, to exhibit the Leased Premises to Mortgagees, prospective Mortgagees, purchasers or tenants, and to inspect the Leased Premises upon 24-hour prior notice, except in cases of emergency or when an Event of Default has occurred in which case Landlord may enter at any time and without notice. During such time as such work is being carried on, in or about the Leased Premises, the Rent provided herein shall not abate.

13. **Applicable Laws.** Tenant agrees to comply with all Applicable Laws with respect to the Building. Tenant will comply with the rules and regulations of the Building as adopted and altered by Landlord from time to time (including those attached hereto as **Exhibit "C"**) and will cause all of its employees, agents, invitees and visitors to do so. Tenant shall not permit or cause any party to bring any Hazardous Material upon the Leased Premises or transport, store, use, generate, manufacture, dispose or release any Hazardous Material on or from the Leased Premises. Tenant shall indemnify, defend and hold Landlord harmless from and against any losses, claims, demands, actions, suits, damages, expenses and costs which are brought or recoverable against Landlord as a result of any release of Hazardous Material by Tenant, its agents, employees, contractors, subtenants, assignees or invitees.

14. **Default.**

(a) The following events shall be deemed to be Events of Default by Tenant under this Lease: (i) Tenant shall fail to pay any Rent pursuant to the terms hereof within five (5) days after the due date thereof; or (ii) Tenant shall fail to comply with any term, provision, covenant or warranty made under this Lease by Tenant, other than the payment of Rent payable by Tenant, and shall not cure such failure within ten (10) days after notice thereof to Tenant, or (iii) any affirmative act of insolvency by Tenant, or the filing by Tenant of any petition or action under any bankruptcy, reorganization, insolvency or moratorium law, or any other law or laws for the relief of, or relating to, debtors, or Tenant's transfer in fraud of creditors or assignment for the benefit of creditors of all or substantially

10

all of Tenant's assets; or (iv) the filing of any involuntary petition under any bankruptcy statute against Tenant (that fails to be dismissed within thirty (30) days of filing), or the appointment of any receiver or trustee to take possession of the properties of Tenant; or (v) Tenant's abandonment or vacation of any part of the Leased Premises, whether or not Tenant is in default of the Rent due under this Lease; or (vi) Tenant doing or permitting to be done any act which results in a lien being filed against the Leased Premises and the same is not removed within sixty (60) days.

(b) Upon the occurrence of an Event of Default, Landlord shall have the option to pursue any one or more of the following remedies without any notice or demand whatsoever: (i) terminate this Lease, in which event Tenant shall immediately surrender the Leased Premises to Landlord and if Tenant fails to do so, Landlord may without prejudice to any other remedy which it may have, enter upon and take possession of the Leased Premises and expel or remove Tenant, by force, if necessary, without being liable for prosecution or any claim of damages therefor; (ii) enter upon the Leased Premises by force, if necessary, without being liable for prosecution or any claim of damages therefor, and do whatever Tenant is obligated to do under the terms of this Lease; (iii) without terminating this Lease unless Landlord so notifies Tenant in writing, enter upon the Leased Premises, and, without court order or other process of law, take possession of and remove the equipment and personal property of Tenant; (iv) exercise any other remedy permitted by law or at equity or by statute or otherwise; (v) without terminating this Lease, enter upon the Leased Premises, expel or remove Tenant and relet the Leased Premises on behalf of Tenant and receive directly the rent from the reletting and Tenant agrees to pay Landlord on demand any deficiency that may result from the reletting. Tenant agrees that Landlord shall not be liable for any damages resulting to Tenant from Landlord's enforcement of this Lease, whether caused by negligence of Landlord or otherwise (INCLUDING THE FAULT, NEGLIGENCE OR OTHER TORTUOUS CONDUCT, ACTS OR OMISSIONS OF LANDLORD OR ITS OFFICERS, DIRECTORS, EMPLOYEES, AGENTS OR INVITEES). Pursuit of any of the foregoing remedies shall not preclude pursuit of any other remedy herein provided or any other remedy provided by law or at equity, nor shall pursuit of any remedy herein provided constitute an election of remedies thereby excluding the later election of an alternate remedy, or a forfeiture or waiver of any Rent payable by Tenant and due to Landlord hereunder or of any damages accruing to Landlord by reason of violation of any of the terms, covenants, warranties and provisions herein contained. Forbearance by Landlord to enforce one or more of the remedies herein provided upon an event of default shall not be deemed or construed to constitute a waiver of such default. Tenant agrees to pay to Landlord all costs and expenses incurred by Landlord in the enforcement of this Lease or which Landlord may incur or suffer by reason of Tenant's default or the termination of this Lease, including without limitation, the fees of Landlord's attorneys, reasonable reconfiguration expenses, rental concessions and other inducements to new tenants, advertising expenses and broker's commissions. No waiver of any breach of the covenants, warranties, agreements, provisions, or conditions contained in this Lease shall be construed as a waiver of said covenant, warranty, provision, agreement or condition or of any subsequent breach thereof. All rights, powers and privileges conferred hereunder upon the parties hereto shall be cumulative to, but not restrictive of, or in lieu of those conferred by law.

15. **Subordination and Estoppel Certificates.** Tenant agrees that this Lease and all rights of Tenant hereunder are and shall be subject and subordinate to any ground or underlying lease which may now or hereafter be in effect regarding the Leased Premises or any component thereof, to any Mortgage now or hereafter encumbering the Leased Premises or any component thereof, to all advances made or hereafter to be made upon the security of such Mortgage, to all amendments, modifications, renewals, consolidations, extensions and restatements of such Mortgage, and to any replacements and substitution for such Mortgage. The terms of this provision shall be self-operative and no further instrument of subordination shall be required. Tenant, however, upon request of any party in interest, shall execute and deliver within ten (10) days after request such instrument or certificates as may be reasonably required to carry out the intent hereof. If the interests of Landlord under this Lease shall be transferred to any purchaser by reason of foreclosure or other proceedings for enforcement for any Mortgage, at the election of the purchaser, Tenant shall be bound to the purchaser under the terms and conditions of this Lease for the balance of the remaining Term. Tenant shall execute and deliver within ten (10) days after request a statement certifying that the Tenant is in possession of the Leased Premises, the Leased Premises are acceptable, this Lease is in full force and effect and is unmodified, and such other matters as requested by Landlord or Landlord's Mortgagee.

16. **Destruction; Condemnation.** In no event shall Landlord be liable for any loss or damage sustained by Tenant by reason of casualty. If a fire or other casualty causes substantial damage to the Building or the

11

Leased Premises, and if the time needed to rebuild or repair exceeds six (6) months from the beginning of the restoration, then either Landlord or Tenant may terminate this Lease by notice to the other party. Tenant agrees that if the Leased Premises or the Building are damaged by fire or other casualty caused by the fault or negligence of Tenant or Tenant's subtenants, assignees, employees, contractors or agents, Tenant shall have no option to terminate this Lease and the Rent shall not be abated during the repair period. If all or part of the Leased Premises shall be taken for any public or quasi-public use by virtue of the exercise of the power of eminent domain or by private purchase in lieu thereof, this Lease shall terminate as to the part so taken as of the date of taking, and all compensation awarded or paid to Landlord upon a total or partial taking of the Building or any portion thereof shall belong to and be the property of Landlord without any participation by Tenant.

17. **Notices.** All notices required or permitted to be given hereunder shall be in writing and shall be deemed to have been fully given, whether actually received or not, when delivered in person, or deposited with an overnight commercial courier, or deposited, postage prepaid, in the United States Mail, certified, return receipt requested, and addressed to Landlord or Tenant at their respective address set forth in **Section 1** or at such other address as either party shall have theretofore given to the other by notice as provided above.

18. **Transfers by Landlord.** Landlord shall have the right to transfer and assign, in whole in part, all its rights and obligations hereunder and in the Building, and Leased Premises, referred to herein, and in such event and upon such transfer Landlord shall be released from any further obligations hereunder, and Tenant agrees to look solely to such successor in interest of Landlord for the performance of such obligations.

19. **Removal of Personal Property.** On or before the expiration or earlier termination of this Lease, Tenant agrees to remove all of its personal effects from the Leased Premises and to deliver up the Leased Premises to Landlord in their original condition, ordinary wear and tear expected, as at the Commencement Date. If it shall not do so within such period, it shall be deemed to have abandoned such personal property and the same shall become the property of Landlord for Landlord to use, remove, destroy or otherwise dispose of at its discretion and without responsibility for accounting to Tenant therefor.

20. **Landlord's Liability.** Landlord shall have no personal liability under this Lease; its liability shall be limited to its interest in the Building, and shall not extend to any other property or assets of the Landlord. In no event shall any officer, director, employee, agent, shareholder, partner, member or beneficiary of Landlord be personally liable for any of Landlord's obligations hereunder.

21. **Mechanic's Liens.** Tenant will not permit any mechanic's liens or other liens to be placed upon the Building, Land or the Leased Premises and nothing in this Lease shall be deemed or construed in any way as constituting the consent or request of Landlord, express or implied, by inference or otherwise, to any person for the performance of any labor or the furnishing of any materials to the Building, Land or to the Leased Premises or any portion thereof, nor as giving Tenant any right, power, or authority to contract for or permit the rendering of any services of the furnishing of any materials that would give rise to any mechanic's or other liens against the Building, Land or the Leased Premises. In the event any such lien is attached to the Building, Land or to the Leased Premises, then, in addition to any other right or remedy of Landlord, Landlord may, but shall not be obligated to, discharge the same. Any amount paid by Landlord for any of the aforesaid purposes shall be paid by Tenant to Landlord on demand as Additional Rent.

22. **Miscellaneous.** Landlord and Tenant each represents to the other that it has full power and authority to execute and perform this Lease. This Lease shall be effective only upon execution hereof by Landlord and Tenant. Time is of the essence of this Lease and whenever a certain day is stated for payment or performance of any obligation of Tenant or Landlord, the same enters into and becomes a part of the consideration hereof. If any clause or provision of this Lease is illegal, invalid or unenforceable under present or future laws, the remainder of this Lease shall not be affected thereby, and in lieu of each clause or provision of this Lease which is illegal, invalid or unenforceable, there shall be added as a part of this Lease a clause or provision as nearly identical to the said clause or provision as may be legal, valid and enforceable. This Lease contains the entire agreement of the parties and no representations, inducements, promises or agreements, oral or otherwise, between the parties not embodied

herein shall be of any force or effect. No failure of Landlord to exercise any power given Landlord hereunder, or to insist upon strict compliance by Tenant with any obligation of Tenant hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of Landlord's right to demand exact compliance with the terms hereof. This Lease may not be altered, waived, amended or extended except by an instrument in writing signed by landlord and tenant. The laws of the State of Texas shall govern the validity, performance and enforcement of this Lease. The rights and interest of Tenant hereunder are and shall continue at all times to be subject, subordinate and junior in all respects to any conditional sale contract or security agreement, whether heretofore or hereinafter executed by Landlord. The obligations of Tenant under this Lease shall survive the termination of this Lease.

23. **Commissions.** Landlord and Tenant each represent to the other that no brokers, other than Stream Realty Partners, L.P., have been or will be involved in the negotiation of this Lease. Landlord will be responsible to pay the commission, if any, owed to Stream Realty Partners, L.P., pursuant to the terms of a separate agreement. Landlord and Tenant hereby indemnify each other from any claims, losses, damages (including attorneys' fees) resulting from a breach of the above representation.

24. **Landlord's Lien.** Intentionally omitted.

25. **General Indemnification; Indemnification Parameters.** TENANT AGREES TO INDEMNIFY, DEFEND, AND HOLD HARMLESS LANDLORD, AND LANDLORD'S AGENTS, EMPLOYEES AND CONTRACTORS (THE "INDEMNIFIED PARTIES"), FROM AND AGAINST ANY AND ALL CLAIMS, DEMANDS, LOSSES, LIABILITIES, CAUSES OF ACTION, SUITS, JUDGMENTS, DAMAGES, COSTS AND EXPENSES TO THE EXTENT ARISING FROM ANY OCCURRENCE ON THE LEASED PREMISES, THE USE AND OCCUPANCY OF THE LEASED PREMISES, OR FROM ANY ACTIVITY DONE, PERMITTED OR SUFFERED BY TENANT IN OR ABOUT THE LEASED PREMISES. TENANT ACKNOWLEDGES THAT THIS LEASE CONTAIN PROVISIONS RELEASING EACH INDEMNIFIED PARTY FROM LIABILITY AND/OR INDEMNIFYING AND HOLDING HARMLESS EACH INDEMNIFIED PARTY FOR, AMONG OTHER THINGS, INDEMNIFIED PARTY'S STRICT LIABILITY AND ITS OWN NEGLIGENCE. TENANT AGREES THAT THE RELEASE AND/OR INDEMNITY PROVISIONS CONTAINED IN THIS LEASE ARE CAPTIONED TO CLEARLY IDENTIFY THE RELEASE AND/OR INDEMNIFY PROVISIONS AND, THEREFORE, ARE SO CONSPICUOUS THAT TENANT HAS FAIR NOTICE OF THE EXISTENCE AND CONTENTS OF SUCH PROVISIONS.

26. **Financial Statements.** In the event Landlord's lender requests financial statements on this property, within fifteen (15) days following Landlord's written request. Tenant shall use its best effort to provide Landlord with current, unaudited financial statement of Tenant, Tenant's general partner and any guarantor of this Lease. Any unaudited financial statement shall be prepared in accordance with generally accepted accounting principles consistently applied and certified to be true and correct by the chief financial officer of the entity providing such financial statements.

27. **Parking.** Landlord shall license vehicle parking spaces to Tenant and Tenant's business on the terms and conditions set forth in this **Section 27.** Landlord shall provide vehicular parking spaces on an unreserved basis for Tenant and its employees on the surface parking facilities on the Property. This license is for parking spaces in the general parking area to be designated and redesignated from time to time by Landlord; provided, however, Landlord may require Tenant to park in a specific location. Landlord shall not be liable to Tenant for the failure of any of its tenants, invitees, employees, agents or customers or any third parties to comply with the designation of the parking spaces. This license is for parking only and does not include the rights to any additional services, which services may be made available by Landlord from time to time at an additional charge.

28. **Guaranty.** Intentionally omitted.

13

29. **Texas Property Code Section 93.012.** Landlord and Tenant agree that each provision of this Lease for determining charges, amounts and Additional Rent payable by Tenant is commercially reasonable and, as to each such charge or amount, constitutes a "method by which the charge is to be computed" for purposes of Section 93.012 of the Texas Property Code (as same may be amended).

30. **Texas Property Code Section 91.004.** Tenant hereby waives any statutory lien provided under Section 91.004 of the Texas Property Code (as same may be amended).

31. **Prohibited Persons and Transactions.** Tenant represents and warrants that neither Tenant nor any of its affiliates, nor any of their respective partners, members shareholders or other equity owners, and none of their respective employees, officers, directors, representatives or agents is, nor will they become, a person or entity with whom U.S. persons or entities are restricted from doing business under regulations of the Office of Foreign Asset Control ("QFAC") of the Department of the Treasury (including those named on QFAC's Specially Designated and Blocked Persons List) or under any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental section and is not and will not Transfer this Lease to, contract with or otherwise engage in any dealings or transactions or be otherwise associated with such persons or entities.

32. **Waiver of Jury Trial.** Landlord and Tenant hereby waive any right to trial by jury in any claim, action, proceeding or counterclaim by either Landlord or Tenant (or any guarantor of Tenant's obligations hereunder) against the other(s) pertaining to any matters arising out of or in any way connected with the Lease, the relationship of Landlord and Tenant, or Tenant's use of the Leased Premises. In the event that Tenant (and/or any guarantor of Tenant's obligations hereunder) demands a jury trial in connection with any of the foregoing matters, then Tenant shall be liable to Landlord for an amount equal to One Hundred Dollars (\$100.00) per day (on account of the delay caused by such demand) for each day that trial of any such matter is delayed by such jury trial demand.

33. **Counterparts.** This Lease may be executed in multiple counterparts, each of which shall constitute an original instrument, but all of which shall constitute one and the same agreement.

EXHIBITS:

Exhibit "A" – Legal Description of the Land
Exhibit "B" – Renewal Option
Exhibit "C" – Rules and Regulations
Exhibit "D" – Tenant Improvement Agreement
Exhibit "D-1" – Plan

(SIGNATURES ON FOLLOWING PAGE)

14

IN WITNESS WHEREOF, Landlord and Tenant have caused this Lease to be duly authorized, executed, sealed and delivered as of the day of August, 2005.

"Landlord":

**JSS/CAPITAL AVENUE, L.P.,
a Texas limited partnership**

By: JSS Realty Holdings,
General Partner

Name: Janet Spencer Shaw

Title: President

"Tenant":

TGC INDUSTRIES, INC

By: /s/ Wayne A. Whitener

Name: Wayne A. Whitener

Title: President/CEO

15

BEING a 1.349 acre tract of land situated in the James Beverly Survey, Abstract Number 12, in the city of Plano, Collin County, Texas and being all of LOT 15, BLOCK B of the DALLAS NORTH INDUSTRIAL DISTRICT SECTION FOUR, an addition to the city of Plano according to the plat recorded in Cabinet C, Page 113 of the Plat Records of Collin County, Texas (PRCCT) an being more particularly described as follows:

BEGINNING at a 1/2 inch iron rod found for the northwest corner of said Lot 15 and being located in the southerly right-of-way of Capital Avenue (a 60 feet wide Tight-of-way);

THENCE along the southerly right-of-way line of said Capital Avenue south 89°48'10" EAST a distance of 232.00 feet to a one inch rod found for the northeast corner of said Lot 15;

THENCE departing the southerly right-of-way line of said Capital Avenue DUE SOUTH a distance of 242.88 feet to a PK NAIL found for the southeast corner of said Lot 15;

THENCE DUE WEST a distance of 232.00 feet to an "X" cut in concrete found for the southwest corner of said Lot 15;

THENCE along the westerly line of said Lot 15 DUE NORTH a distance of 253.68 feet to the POINT OF BEGINNING;

CONTAINING within these metes and bounds 1.349 acres or 58,761 square feet of land, more or less, all according to that survey prepared by Kurtz-Bedford and Associates, Inc., dated March 1994 and signed by Austin J. Bedford, Registered Professional Land Surveyor No. 4132; to which reference for all purposes is hereby made.

16

EXHIBIT "B"
RENEWAL OPTION

Subject to the terms and conditions of this Exhibit, Tenant may at its option extend the Term for the entire Leased Premises for one period of three year each ("Renewal Term") upon the same terms contained in this Lease. Tenant shall have no additional Renewal Option.

A. The Base Rent during the Renewal Term shall be the then prevailing market rate for a comparable term commencing on the first day of the applicable Renewal Term for tenants of comparable size and creditworthiness for comparable space in the Building and other first class office buildings in the general vicinity of the Building as reasonably determined by Landlord, and Tenant shall not be entitled to any rental abatement or other concessions.

B. To exercise its option, Tenant must deliver an initial non-binding notice to Landlord not less than six (6) months prior to the proposed commencement of the applicable Renewal Term and not more than twelve (12) months prior to the proposed commencement of the applicable Renewal Term. Within thirty (30) days after Landlord's receipt of Tenant's initial non-binding notice, Landlord shall calculate and inform Tenant of the Base Rent for the Leased Premises. Landlord and Tenant shall work together in good faith to agree upon the Base Rent. Within fifteen (15) days after the date on which Landlord advises Tenant of the applicable Base Rent, Tenant shall either (i) give Landlord final binding written notice ("Binding Notice") of Tenant's exercise of its Renewal Term at the Base Rent determined by Landlord or (ii) if Tenant disagrees with Landlord's determination, provide Landlord with written notice of rejection (the "Rejection Notice"). If Tenant fails to provide Landlord with either a Binding Notice or a Rejection Notice, within such fifteen (15) day period, Tenant will be deemed to have waived its option to extend. If Tenant provides Landlord with a Rejection Notice, Tenant will be deemed to have waived its option to extend.

C. Tenant's option to extend this Lease is subject to the conditions that: (i) on the date that Tenant delivers its final binding notice exercising its option to extend, Tenant is not in default under this Lease after the expiration of any applicable notice and cure periods, and (ii) Tenant shall not have assigned this Lease, or sublet any portion of the Leased Premises under a sublease which is in effect at any time during the final twelve (12) months prior to the applicable Renewal Term.

D. Tenant agrees to provide Landlord with financial statements evidencing Tenant's (and any guarantor's) financial condition and to provide additional security if reasonably requested by Landlord.

F Upon Tenant's exercise of the renewal option, Tenant agrees to convert to Landlord's Standard Lease form

17

EXHIBIT "C"
RULES AND REGULATIONS

The following Rules and Regulations are prescribed by Landlord in order to provide and maintain, to the best of Landlord's ability, orderly, clean and desirable Leased Premises, building and parking facilities for the tenants therein and to regulate conduct in and use of the Leased Premises, the Building and parking facilities in such a manner as to minimize interference by others in the proper use of the Lease Premises by Tenant. All references to Tenant include not only the Tenant, but also Tenant's agents, employees, invitees, licensees, visitors, assignees, and/or sublessees:

1. Tenant shall not block or obstruct any of the entries, passages, or doors of the Building or parking area, or place, empty, or throw rubbish, litter, trash, or material of any nature into such areas, or permit such areas to be used at any time except for ingress or egress of Tenants.

2. Landlord will not be responsible for lost or stolen personal property, equipment, money, or any article taken from the Leased Premises, Building, or parking facilities regardless of how or when loss occurs.

3. The plumbing facilities shall not be used for any other purpose than that of which they are constructed, and no foreign substance of any kind shall be placed therein, and the expense of any breakage, stoppage, or damage resulting from a violation of this provision by Tenant or its employees shall be borne by Tenant.

4. Any additional keys or locks required by Tenant during the term of the Lease shall be the Tenant's responsibility.

5. The common parking facilities are available for use by any and all tenants. Landlord reserves the right, in Landlord's sole discretion, to assign or allocate parking in the event of conflicts, abuse, or improper use. It is generally understood that any tenant should utilize only those parking spaces immediately adjacent to the tenant's leased premises.

6. Vehicles that are abandoned, disabled, have expired registration stickers, obstructing any means of ingress or egress to any leased Premises, or in any way a general nuisance or hazard are subject to removal without notice by Landlord. All costs associated with such removal shall be at the Tenant's/vehicle owner's expense.

EXHIBIT "D"
TENANT IMPROVEMENT AGREEMENT

Landlord has agreed to install, at Landlord's expense, and HVAC system of the appropriate tonnage for the 2,210 square feet of spaced located off the main office area as shown on the attached **Exhibit D-1** (the "Plan"). Upon termination of the Lease, the Tenant Improvements shall remain in the Leased Premises and shall be deemed Landlord's property.