

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MARCH 5, 1997

REGISTRATION NO. 333-19997

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

AMENDMENT NO. 2

TO  
FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

MITCHAM INDUSTRIES, INC.  
(Exact name of registrant as specified in its charter)

|  |  |                                      |
|--|--|--------------------------------------|
| TEXAS  | 5008   | 76-0210849                           |
| (State or other jurisdiction of incorporation or organization) | (Primary Standard Industrial Classification Code Number) | (I.R.S. Employer Identification No.) |

BILLY F. MITCHAM, JR.  
POST OFFICE BOX 1175  
44000 HIGHWAY 75 SOUTH  
HUNTSVILLE, TEXAS 77342  
(409) 291-2277

(Name, address, including zip code and telephone number, including area code, of Registrant's principal executive offices and agent for service)

Copies to:

SABRINA A. MCTOPY  
NORTON, JACOBS, KUHN & MCTOPY, L.L.P.  
1111 BAGBY, SUITE 2450  
HOUSTON, TEXAS 77002-2546  
(713) 659-1131

ALAN P. BADEN  
VINSON & ELKINS L.L.P.  
2800 FIRST CITY TOWER  
HOUSTON, TEXAS 77002-6760  
(713) 758-2222

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

CALCULATION OF REGISTRATION FEE

| TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED            | AMOUNT TO BE REGISTERED(1) | PROPOSED MAXIMUM OFFERING PRICE PER SHARE(2) | PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(2) | AMOUNT OF REGISTRATION FEE |
|---|----------------------------|--|--|----------------------------|
| Common Stock, \$.01 par value ("Common Stock").....           | 3,450,000                  | \$8.50                                       | \$29,325,000                                 |                            |
| Representatives' Warrants.....                                | 200,000                    | \$.001                                       | \$200  |                            |
| Common Stock underlying the Representatives' Warrants(3)..... | 200,000                    | \$10.20                                      | \$2,040,000                                  |                            |
| Total.....  |                            |  | \$31,365,200                                 | \$9,505                    |

- (1) Includes 450,000 shares subject to an option granted to the Underwriters to cover over-allotments, if any.
- (2) Estimated solely for purposes of calculating the registration fee.
- (3) The Registration Statement also covers any additional securities that may become issuable pursuant to the anti-dilution provisions of the Representatives' Warrants.

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THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.  
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Information contained herein is subject to completion or amendment. A Registration Statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the Registration Statement becomes effective. This Prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

SUBJECT TO COMPLETION, DATED MARCH 5, 1997

3,000,000 SHARES

[MITCHAM INDUSTRIES, INC., LOGO]  
COMMON STOCK

Of the 3,000,000 shares of Common Stock offered hereby, 2,500,000 shares are being offered by Mitcham Industries, Inc. (the "Company"), and 500,000 shares are being offered by the selling shareholders (the "Selling Shareholders"). The Company will not receive any proceeds from the sale of shares by the Selling Shareholders.

The Common Stock is quoted on the Nasdaq National Market under the symbol "MIND." The last reported sale price of the Common Stock on February 28, 1997, as reported by the Nasdaq National Market, was \$9 1/8 per share. See "Price Range of Common Stock."

FOR A DISCUSSION OF CERTAIN MATERIAL FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE COMMON STOCK, SEE "RISK FACTORS" COMMENCING ON PAGE 6 HEREOF.

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THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

|                | PRICE TO PUBLIC | UNDERWRITING DISCOUNTS AND COMMISSIONS(1) | PROCEEDS TO COMPANY(2) | PROCEEDS TO SELLING SHAREHOLDERS(2) |
|----------------|-----------------|---|------------------------|-------------------------------------|
| Per share..... | \$              | \$  | \$                     | \$                                  |
| Total(3).....  | \$              | \$  | \$                     | \$                                  |

(1) The Company and the Selling Shareholders have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. Does not reflect additional compensation to the Underwriters in the form of (i) a non-accountable expense allowance of \$ \_\_\_\_\_ (\$ \_\_\_\_\_ if the Underwriters' over-allotment option is exercised in full) and (ii) warrants to purchase an aggregate of 200,000 shares of Common Stock at 120% of the Price to Public for two years beginning one year after the effective date of the Registration Statement of which this Prospectus is a part. For additional information with respect to the arrangements between the Company and the Representatives, see "Underwriting."

(2) Before deducting offering expenses payable by the Company, estimated to be approximately \$225,000.

(3) The Company and the Selling Shareholders have granted to the Underwriters a 30-day option to purchase up to 450,000 additional shares of Common Stock solely to cover over-allotments, if any, on the same terms and conditions as the shares offered hereby. If such option is exercised in full, the total Price to Public, Underwriting Discounts and Commissions, Proceeds to Company and Proceeds to Selling Shareholders will be \$ \_\_\_\_\_, \$ \_\_\_\_\_, \$ \_\_\_\_\_ and \$ \_\_\_\_\_, respectively. See "Underwriting."

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The shares of Common Stock are offered by the several Underwriters named herein, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. It is expected that delivery of such shares will be made at the offices of Rodman & Renshaw, Inc., New York, New York, on or about \_\_\_\_\_, 1997.

The date of this Prospectus is

, 1997.

## [ILLUSTRATIONS]

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN, OR OTHERWISE AFFECT THE PRICE OF THE COMMON STOCK, INCLUDING PURCHASES OF THE COMMON STOCK TO COVER SOME OR ALL OF A SHORT POSITION IN THE COMMON STOCK MAINTAINED BY THE UNDERWRITERS AND THE IMPOSITION OF PENALTY BIDS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING."

IN CONNECTION WITH THIS OFFERING, CERTAIN UNDERWRITERS AND SELLING GROUP MEMBERS (IF ANY) OR THEIR RESPECTIVE AFFILIATES MAY ENGAGE IN PASSIVE MARKET MAKING TRANSACTIONS IN THE COMMON STOCK ON THE NASDAQ NATIONAL MARKET IN ACCORDANCE WITH RULE 103 OF REGULATION M. SEE "UNDERWRITING."

## PROSPECTUS SUMMARY

The following summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information and financial statements (including the notes thereto) appearing elsewhere in this Prospectus and incorporated herein by reference. The term "Company" refers to Mitcham Industries, Inc. and its wholly-owned subsidiary, Mitcham Canada Ltd., an Alberta corporation. Unless otherwise indicated, all financial and share information set forth in this Prospectus assumes no exercise of the Underwriters' over-allotment option and a public offering price of \$8 5/8 per share. See "Glossary of Terms" for certain terms relating to the seismic industry used in this Prospectus. Investors should carefully consider the information set forth in "Risk Factors" beginning on page 6.

## THE COMPANY

Mitcham Industries, Inc. leases and sells seismic data acquisition equipment to companies engaged in the oil and gas industry. The Company believes it is the leading independent lessor of land-based three-dimensional ("3-D") seismic data acquisition equipment, including channel boxes and other peripheral equipment. Seismic data acquisition equipment is used in the identification and graphic definition of subsurface geologic structures and formations that potentially contain oil and gas. Channel boxes are remote data acquisition units that collect and transmit seismic data. The Company has exclusive lease referral and supply agreements with the two principal manufacturers of land-based 3-D seismic equipment, Input/Output, Inc. ("I/O") and Societe E'tudes Recherches et Construction Electroniques, S.A. ("SERCEL"). From January 1, 1994 through December 31, 1996, the Company's lease fleet of 3-D channel boxes increased from 85 to approximately 2,000 (or from 510 channels to approximately 12,000 channels). Earnings before interest, taxes, depreciation and amortization ("EBITDA") of approximately \$4.0 million for the fiscal year ended January 31, 1996 represented an increase of 90.4% over the fiscal year ended January 31, 1995, and EBITDA of approximately \$4.6 million for the nine months ended October 31, 1996 represented an increase of 82.6% over the same prior year period.

Demand for channel boxes has increased significantly in recent years primarily due to the increasing use of 3-D seismic surveys. Current 3-D seismic techniques use a greater number of channels and channel boxes than two dimensional ("2-D") surveys, thereby providing higher resolution data for a better representation of the earth's subsurface. Additionally, oil and gas companies are contracting for 3-D surveys over larger geographical areas and often specify an increase in the concentration of channel boxes as a means of increasing data resolution. Consequently, seismic survey companies frequently use more than twice the number of channels for surveys than they typically own. The Company believes that many companies providing land-based seismic surveys will meet this additional requirement by leasing channel boxes and supporting peripheral equipment on a short-term basis rather than making the substantial capital expenditures necessary to purchase such equipment.

The Company leases its seismic equipment primarily to seismic data acquisition companies and major oil and gas exploration companies conducting land-based seismic data acquisition surveys. The leases generally have terms between three and nine months and are renewable thereafter on a month-to-month basis. Rates for 3-D channel boxes range from between 6% to 8% per month of the equipment's purchase price. For the nine months ending October 31, 1996, the Company maintained a utilization rate of its 3-D channel boxes in excess of 80%.

The Company has entered into supply and exclusive referral agreements with each of I/O and SERCEL. The Company believes that most of the land-based 3-D seismic systems and equipment currently in use and being put into use are I/O and SERCEL systems. The agreement with I/O, originally entered into in February 1994, has been the source of a majority of the Company's lease pool equipment to date. Pursuant to this agreement, I/O must refer to the Company, on an exclusive basis, any requests it receives to lease its 3-D channel boxes and certain peripheral equipment in North and South America. A condition of the agreement with I/O is that the Company must purchase, at favorable rates, \$13.3 million of equipment from I/O by May 31, 2000. Through December 31, 1996, the Company has met \$4.8 million of this requirement.

In September 1996, the Company entered into two agreements with SERCEL. One agreement provides that until December 31, 1999, the Company will be SERCEL's exclusive worldwide leasing agent and that

SERCEL must refer to the Company all requests it receives to lease its 3-D data acquisition equipment and peripheral equipment. This agreement also provides that the Company must purchase, at favorable rates, up to \$10.2 million of 3-D data acquisition equipment and other field equipment from SERCEL. Through December 31, 1996, the Company has met \$4.5 million of this requirement. The second agreement provides that until September 19, 1999, subject to earlier termination after September 20, 1997, the Company will be SERCEL's exclusive sales agent in Canada. See "Business -- I/O Agreement" and "-- SERCEL Agreements."

#### BUSINESS STRATEGY

The Company's business strategy is to meet the expanding needs of users of 3-D seismic equipment through its leasing and support services. In order to accomplish this, the Company has identified the following major objectives:

- Enlarge and diversify its lease pool of seismic equipment. To meet customer demand, the Company will continue to increase its lease pool of channel boxes and peripheral seismic equipment, such as seismic vibrators, vibrator control electronics and geophones. The Company believes that the availability of a larger and more complete pool of 3-D seismic equipment for lease will encourage seismic survey companies to increasingly lease, rather than purchase, such equipment. The Company is also evaluating the feasibility of a lease pool of marine seismic equipment.
- Expand its international presence. The Company receives referrals from SERCEL on a worldwide basis and is its exclusive sales agent in Canada, where the Company has an office in Calgary, Alberta. The Company believes that its alliances with I/O and SERCEL will help the Company to further penetrate, on a cost-effective basis, international markets, where such manufacturers are well-recognized and have well-developed business relationships. The Company is also evaluating the feasibility of opening additional foreign offices.
- Develop and enhance alliances with major seismic equipment manufacturers. The Company uses alliances with manufacturers such as I/O and SERCEL to acquire and build its lease pool of equipment and increase customer referrals. The Company continues to seek to expand the scope of these alliances, as well as develop similar arrangements with other equipment manufacturers.

The Company was formed in January 1987. Its principal offices are located at 44000 Highway 75 South, (Post Office Box 1175), Huntsville, Texas, and its telephone number is (409) 291-2277.

#### THE OFFERING

|  |  |
|--|--|
| Common Stock Offered by the Company.....               | 2,500,000  |
| Common Stock Offered by the Selling Shareholders...    | 500,000  |
| Common Stock to be Outstanding after the Offering..... | 6,974,880 shares (1)   |
| Use of Proceeds.....                                   | To purchase additional 3-D seismic data acquisition equipment for the Company's lease pool, for repayment of debt and for other working capital purposes. See "Use of Proceeds." |
| Nasdaq National Market Symbol.....                     | "MIND"   |

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(1) Does not include (i) 293,750 shares of Common Stock issuable upon the exercise of options granted and an additional 106,250 shares that may be granted in the future under stock option plans, (ii) 246,723 shares of Common Stock issuable upon the exercise of certain warrants and (iii) 200,000 shares of Common Stock issuable upon the exercise of the Representatives' Warrants. See "Description of Capital Stock and Other Securities." Does not reflect the exercise of a warrant for 8,380 shares of Common Stock to be sold in the Offering by one of the Selling Shareholders. See "Principal and Selling Shareholders."

SUMMARY FINANCIAL DATA  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

The following table sets forth selected financial data of the Company for each of the four fiscal years ended January 31, 1996, which was derived from the Company's audited financial statements, and the fiscal year ended January 31, 1992, which was derived from unaudited financial statements of the Company. Also set forth below is selected financial data for the nine months ended October 31, 1995 and 1996 and at October 31, 1996, which was derived from the unaudited financial statements of the Company. In the opinion of management of the Company, the unaudited financial statements include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the financial data for such period. The results of operations for the nine months ended October 31, 1995 and 1996 are not necessarily indicative of results for a full fiscal year. The data should be read in conjunction with the Financial Statements (including the notes thereto) and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere herein.

|   | FISCAL YEAR ENDED JANUARY 31, |         |         |         |         | NINE MONTHS<br>ENDED OCTOBER 31, |         |
|---|-------------------------------|---------|---------|---------|---------|----------------------------------|---------|
|   | 1992                          | 1993    | 1994    | 1995    | 1996    | 1995                             | 1996    |
|   | (UNAUDITED)                   |         |         |         |         | (UNAUDITED)                      |         |
| <b>SELECTED STATEMENTS OF OPERATIONS DATA:</b>        |                               |         |         |         |         |                                  |         |
| Revenues:   |                               |         |         |         |         |                                  |         |
| Leases of seismic equipment.....                      | \$ 602                        | \$1,266 | \$1,601 | \$2,424 | \$5,157 | \$3,431                          | \$5,356 |
| Sales of seismic equipment.....                       | 1,510                         | 1,156   | 2,926   | 2,860   | 2,135   | 1,643                            | 2,007   |
| Total.....  | 2,112                         | 2,422   | 4,527   | 5,284   | 7,292   | 5,074                            | 7,363   |
| Expenses:   |                               |         |         |         |         |                                  |         |
| Seismic equipment subleases.....                      | 335                           | 915     | 896     | 245     | 251     | 222                              | 111     |
| Sales of seismic equipment.....                       | 1,002                         | 796     | 1,772   | 2,027   | 1,085   | 1,000                            | 1,261   |
| General and administrative.....                       | 651                           | 655     | 655     | 924     | 1,344   | 990                              | 1,199   |
| Depreciation.....                                     | 17                            | 29      | 62      | 363     | 1,331   | 825                              | 1,951   |
| Provision for doubtful accounts....                   | --                            | --      | 38      | 35      | 627     | 372                              | 418     |
| Total expenses.....                                   | 2,005                         | 2,395   | 3,423   | 3,594   | 4,638   | 3,409                            | 4,940   |
| Other income (expense).....                           | (44)                          | 15      | 4       | (149)   | 17      | 20                               | 49      |
| Income before income taxes.....                       | 63                            | 42      | 1,108   | 1,541   | 2,671   | 1,685                            | 2,472   |
| Provision for income taxes.....                       | 19                            | 7       | 405     | 541     | 958     | 605                              | 854     |
| Net income.....                                       | \$ 44                         | \$ 35   | \$ 703  | \$1,000 | \$1,713 | \$1,080                          | \$1,618 |
| <b>SELECTED PER SHARE DATA:</b>                       |                               |         |         |         |         |                                  |         |
| Net income(1).....                                    | \$ 0.03                       | \$ 0.03 | \$ 0.51 | \$ 0.66 | \$ 0.52 | \$ 0.34                          | \$ 0.37 |
| Weighted average common shares<br>outstanding(2)..... |                               |         |         |         |         |                                  |         |
|   | 1,380                         | 1,380   | 1,380   | 1,514   | 3,306   | 3,170                            | 4,431   |
| <b>SELECTED CASH FLOW AND OTHER DATA:</b>             |                               |         |         |         |         |                                  |         |
| EBITDA(3).....  | \$ 74                         | \$ 75   | \$1,186 | \$2,113 | \$4,023 | \$2,516                          | \$4,593 |
| Capital expenditures.....                             | \$ --                         | \$ 28   | \$ 900  | \$4,496 | \$5,765 | \$4,099                          | \$8,890 |

|                                     | AT JANUARY 31, |       |         |         |          | AT OCTOBER 31, 1996 |                |
|-------------------------------------|----------------|-------|---------|---------|----------|---------------------|----------------|
|                                     | 1992           | 1993  | 1994    | 1995    | 1996     | ACTUAL              | AS ADJUSTED(5) |
|                                     | (UNAUDITED)    |       |         |         |          | (UNAUDITED)         |                |
| <b>SELECTED BALANCE SHEET DATA:</b> |                |       |         |         |          |                     |                |
| Total assets.....                   | \$581          | \$615 | \$2,427 | \$8,199 | \$12,239 | \$23,252            | \$38,421       |
| Total liabilities.....              | 342            | 341   | 1,450   | 2,023   | 4,191    | 9,516               | 5,116          |
| Long-term debt(4).....              | --             | --    | --      | 261     | 1,173    | 2,910               | --             |
| Shareholders' equity.....           | 239            | 274   | 977     | 6,176   | 8,048    | 13,736              | 33,305         |

(1) There was no dilutive effect to earnings per share for the fiscal years ended January 31, 1992, 1993, 1994 and 1995 and for the nine months ended October 31, 1995. Fully diluted earnings per share was \$0.50 for the fiscal year ended January 31, 1996 and \$0.36 for the nine months ended October 31, 1996.

(2) The fully diluted weighted average common shares outstanding was 3,403,000 at January 31, 1996 and 4,489,000 at October 31, 1996.

(3) EBITDA is income before interest, taxes, depreciation and amortization. EBITDA is a financial measure commonly used in the Company's industry and should not be considered in isolation or as a substitute for net income, cash flow provided by operating activities or other income or cash flow data

prepared in accordance with generally accepted accounting principles or as a measure of a company's profitability or liquidity.

(4) Long-term debt includes long-term debt net of current maturities and capital lease obligations net of current portion.

(5) As adjusted to reflect receipt by the Company of estimated net proceeds from the issuance of 2,500,000 shares of Common Stock and the application of such proceeds. See "Use of Proceeds" and "Capitalization."

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The discussion in this Prospectus contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ significantly from those discussed herein. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business," as well as those discussed elsewhere in this Prospectus. Statements contained in this Prospectus that are not historical facts are forward-looking statements that are subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995.

## RISK FACTORS

In evaluating an investment in the Common Stock being offered hereby, prospective investors should consider carefully, among other things, the following risk factors.

## POSSIBLE ADVERSE EFFECT OF INSTABILITY OF OIL AND GAS INDUSTRY AND DEMAND FOR SERVICES

Demand for the Company's services depends upon the level of spending by oil and gas companies for exploration, production, and development activities, as well as on the number of crews for land-based seismic data acquisition operating in the world, and especially in North America. Fluctuations in the price of oil and gas in response to relatively minor changes in the supply and demand for oil and natural gas continue to have a major effect on these activities and thus, on the demand for the Company's services. Although published industry sources indicate that the number of seismic crews has decreased in the last five years, the Company believes that utilization of 3-D seismic equipment has increased. There can be no assurance of an increased demand for additional 3-D seismic equipment or as to the level of future demand for the Company's services. See "Business."

## DEPENDENCE UPON ADDITIONAL LEASE CONTRACTS; UNCERTAIN FUTURE RESULTS

The Company's operating risks occur primarily in its seismic equipment leasing business. The Company's leases typically have a term of three to nine months and provide gross revenues equal to approximately 20% to 70% of the original acquisition cost of the equipment, thereby recovering only a portion of the Company's capital investment. The Company's ability to generate lease revenues, and thus its profitability, is dependent upon obtaining additional lease contracts after the termination of an initial lease. However, lessees are under no obligation to, and frequently do not, continue to lease seismic equipment after the expiration of a lease. Although the Company has been successful in obtaining additional lease contracts with other lessees after the termination of three to nine month equipment leases, there can be no assurance that it will continue to do so. The Company's failure to obtain additional or extended leases beyond the initial term would have a material adverse effect on its operations and financial condition. See "Business -- Operations."

## DEPENDENCE ON KEY PERSONNEL

The Company's success is dependent on, among other things, the services of Billy F. Mitcham, Jr., the Chairman of the Board, President and Chief Executive Officer of the Company. Mr. Mitcham's employment agreement has an initial term through January 15, 2002, and is automatically extended on a year-to-year basis until terminated by either party giving 30 days notice prior to the end of the current term (subject to earlier termination upon certain stated events). The agreement provides for an annual salary of \$150,000 and a bonus at the discretion of the Company's Board of Directors. The agreement also prohibits Mr. Mitcham from engaging in any business activities that are competitive with the Company's business and from diverting any of the Company's customers to a competitor, for two years after the termination of his employment. The Company has obtained a \$1.0 million key employee life insurance policy payable to the Company in the event of Mr. Mitcham's death. The loss of the services of Mr. Mitcham could have a material adverse effect on the Company. In particular, the Exclusive Lease Referral Agreement with I/O (the "I/O Agreement") is terminable at such time as Mr. Mitcham is no longer the President of the Company and the Exclusive Equipment Lease Agreement with SERCEL (the "SERCEL Lease Agreement") is terminable at such time

as he is no longer employed by the Company in a senior management capacity. See "Management -- Employment Agreement with Billy F. Mitcham, Jr."

#### CUSTOMER CONCENTRATION AND CREDIT LOSSES

The Company typically leases and sells significant amounts of seismic equipment to a relatively small number of customers, the composition of which changes from year to year as leases are negotiated and concluded and equipment needs vary. Therefore, at any one time, a large portion of the Company's revenues may be derived from a limited number of customers, and its ability to maintain profitability includes risks associated with the creditworthiness and profitability of those customers. In the fiscal years ended January 31, 1994, 1995 and 1996, the single largest customer accounted for approximately 36%, 16% and 18%, respectively, of the Company's total revenues. The termination of any large seismic lease could have a material adverse effect on the Company's operations if the Company does not replace such business on a timely basis. See "Business -- Customers; Sales and Marketing."

Grant Geophysical, Inc. ("Grant") filed for bankruptcy protection during December 1996. Revenues derived from Grant amount to 17.8% of total revenues for the eleven-month period ended December 31, 1996. As of that date, amounts due from Grant totalled approximately \$1.0 million. During December 1996, the Company increased its allowance for trade accounts receivable from \$615,000 at October 31, 1996 to \$1.5 million at December 31, 1996, which amount was intended to fully reserve all amounts due from Grant and provide for any potential loss associated with the Company's remaining trade accounts receivable. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

#### TECHNOLOGICAL OBSOLESCENCE

The Company has a substantial capital investment in 3-D seismic equipment. In addition, under the I/O Agreement and the SERCEL Lease Agreement, the Company is required to make a substantial additional investment in 3-D seismic and other peripheral equipment. The Company believes that the technology represented by the 3-D equipment in service and to be acquired from I/O and SERCEL will not become obsolete prior to the Company's recovery of its initial investment. However, there can be no assurance that manufacturers of seismic equipment will not develop alternative systems that would have competitive advantages over seismic systems now in use, thus having a potentially adverse effect on the Company's ability to profitably lease its existing 3-D seismic equipment. In the past, the Company has been successful in avoiding material losses caused by technological obsolescence by selling its older technology 2-D seismic equipment in the international market and, to a lesser extent, to smaller seismic survey firms in the domestic market. However, there can be no assurance that the Company will be able to sell technologically obsolete equipment in the future. See "Business -- I/O Agreement" and "-- SERCEL Agreements."

#### VULNERABILITY TO WEATHER CONDITIONS AND SEASONAL RESULTS

The first and fourth quarters of the Company's fiscal year have historically accounted for and are expected in the future to account for a greater portion of the Company's revenues than do the second and third quarters of its fiscal year. This fluctuation in revenues is primarily due to the increased seismic survey activity in Canada from October through March, which significantly affects the Company because about one-half of the Company's total revenues are historically attributable to Canadian operations. This seasonal pattern may cause the Company's results of operations to vary significantly from quarter to quarter. Accordingly, period to period comparisons are not necessarily meaningful and should not be relied on as indicative of future results. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Seasonality" and "Business -- Seismic Equipment Leasing."

#### DEPENDENCE UPON KEY SUPPLIERS

The Company relies upon and has agreements with I/O, SERCEL and Pelton Company, Inc. ("Pelton"), a manufacturer and supplier of vibrator control electronics, to manufacture and sell to the

Company the seismic equipment that the Company leases and sells to its customers and, to a lesser extent, to refer leasing customers to the Company. The termination of the agreements for any reason, including any failure by the Company to meet the minimum purchase requirements under the I/O Agreement or the SERCEL Lease Agreement, could materially adversely affect the Company's business. While the Company does not anticipate any difficulty in obtaining seismic equipment or lease referrals from I/O, SERCEL or Pelton based upon past experience or in meeting the minimum purchase requirements under the I/O Agreement or the SERCEL Lease Agreement, any such occurrence could have a material adverse effect upon the Company's business, financial condition and results of operations. See "Business -- I/O Agreement," "-- SERCEL Agreements" and "-- Pelton Agreement."

#### COMPETITION

Competition in the leasing of seismic equipment is fragmented, and the Company is aware of numerous companies that engage in such equipment leasing. The Company believes that its competitors do not lease seismic equipment of several manufacturers or have as extensive a seismic equipment lease pool as does the Company. The Company also believes that its competitors do not have exclusive lease referral agreements with suppliers similar to the Company's. Competition exists to a lesser extent from seismic data acquisition firms seeking to generate revenue from equipment that is temporarily idle. Under the I/O Agreement, I/O and its subsidiary, Global Charter Corporation ("Global") retain the right to continue to (i) lease channel boxes in certain situations where the Company and a prospective lessee cannot or do not enter into a lease, as more fully described in the I/O Agreement; (ii) lease channel boxes with a purchase option in North and South America; and (iii) lease channel boxes outside of North and South America.

The Company has several competitors engaged in seismic equipment sales, including companies providing land-based seismic surveys and major oil and gas exploration companies that use seismic equipment, many of which have substantially greater financial resources than the Company. There are also numerous smaller competitors who, in the aggregate, generate significant revenue from the sale of seismic survey equipment. See "Business -- I/O Agreement," "-- SERCEL Agreements" and "-- Competition."

#### SHARES ELIGIBLE FOR FUTURE SALE

Sales of significant amounts of Common Stock in the public market following this Offering could adversely affect prevailing market prices. The Company's executive officers and directors, who collectively own 1,175,070 shares, or 26.3%, of the outstanding Common Stock, have agreed that for a period of 180 days after the date of this Prospectus they will not offer for sale, sell or otherwise dispose of any shares of Common Stock (other than the 325,000 shares being sold herein by the executive officers and directors who are Selling Shareholders) or any securities convertible into or exchangeable for shares of Common Stock, without the prior written consent of Rodman & Renshaw, Inc. on behalf of the Underwriters. Upon the expiration of such agreements, all of the shares held by such persons will be eligible for sale subject to the volume limitations and other restrictions of Rule 144 under the Securities Act of 1933, as amended (the "Securities Act"). There are also outstanding under the Company's 1994 Stock Option Plan and 1994 Non-Employee Director Stock Option Plan (collectively, the "Stock Option Plans") options to purchase 293,750 shares of Common Stock, of which 250,250 are currently exercisable. The Company has registered under the Securities Act the shares issuable upon the exercise of such options and such shares are eligible for resale in the public market, except that any such shares issued to affiliates are subject to the volume limitations and other restrictions of Rule 144. In addition, there are outstanding warrants to purchase 246,723 shares of Common Stock, of which warrants to purchase 196,723 shares are currently exercisable. In connection with this Offering, the Company has agreed to sell warrants to the Representatives to purchase from the Company up to 200,000 shares of Common Stock, exercisable in whole or in part at any time during the two-year period commencing one year after the effective date of the Registration Statement of which this Prospectus is a part. See "Dilution," "Shares Eligible for Future Sale" and "Underwriting."

**DILUTION**

Purchasers of Common Stock in this Offering will experience immediate and substantial dilution of \$3.79 in net tangible book value per share as of October 31, 1996. See "Dilution."

**NO ANTICIPATED DIVIDENDS**

The Company has never paid cash dividends on its Common Stock and does not presently anticipate paying any cash dividends on the Common Stock in the foreseeable future. In addition, the loan agreement between the Company and its commercial lenders prohibits the payment of dividends. See "Dividend Policy."

**POSSIBLE ADVERSE EFFECT OF ISSUANCE OF PREFERRED STOCK WITHOUT SHAREHOLDER APPROVAL**

The Company's Articles of Incorporation, as amended, authorize the issuance of 1,000,000 shares of "blank check" preferred stock, par value \$1.00 per share ("Preferred Stock"), with such designations, rights and preferences as may be determined from time to time by the Board of Directors. No shares of Preferred Stock will be outstanding as of the consummation of this Offering. However, because the Board of Directors is empowered to issue Preferred Stock with such preferences and rights as it determines, it may afford the holders of any series of Preferred Stock preferences, rights or voting powers superior to those of the holders of Common Stock. Although the Company has no present intention to issue any shares of its Preferred Stock, there can be no assurance that the Company will not do so in the future. See "Description of Capital Stock and Other Securities -- Preferred Stock."

**LIMITATION ON DIRECTOR LIABILITY**

The Company's Articles of Incorporation, as amended, provide, as permitted by governing Texas law, that a director of the Company shall not be personally liable to the Company or its shareholders for monetary damages for breach of fiduciary duty as a director, with certain exceptions. These provisions may discourage shareholders from bringing suit against a director for breach of fiduciary duty and may reduce the likelihood of derivative litigation brought by shareholders on behalf of the Company against a director.

## USE OF PROCEEDS

The net proceeds to the Company from the sale of the 2,500,000 shares of Common Stock being offered hereby (assuming a public offering price of \$8 5/8 per share and after deducting underwriting discounts and commissions and estimated expenses of the Offering) are estimated to be approximately \$19.6 million (\$22.5 million if the Underwriters' over-allotment option is exercised in full). Approximately (i) \$12.0 million of the net proceeds will be used to purchase additional 3-D seismic data acquisition equipment, including the \$2.35 million remaining minimum purchase requirement under the I/O Agreement through May 31, 1998, (ii) \$4.4 million will be used to pay outstanding debt to commercial lenders, (iii) \$1.0 million will be used for expenses related to the opening of the Company's Calgary, Alberta, Canada office, and (iv) \$250,000 will be used to improve computer and inventory tracking systems. The remainder of the net proceeds will be used for other general corporate purposes.

Of the \$4.4 million that will be used to pay debt to commercial lenders, approximately \$1.0 million will be used to pay the Company's revolving line of credit (the "Working Capital Revolver") with Bank One, Texas, N.A. ("Bank One") and \$3.4 million will be used to pay its loan (the "Term Loan") with Banc One Leasing Corporation ("Banc One Leasing"). Approximately \$1.0 million of the Term Loan was advanced in January 1996 primarily to pay amounts due to I/O for 3-D channel boxes acquired in the 1996 fiscal year. In March 1996, an additional approximately \$3.1 million of the Term Loan was advanced to the Company, of which approximately \$1.5 million was used to pay all amounts outstanding under a previous equipment loan and line of credit and to pay amounts due to I/O for seismic equipment acquired in February and March 1996. Amounts may be advanced under the Term Loan solely for equipment purchases and are payable in monthly installments of principal and interest through January 31, 2000 and bear interest at 9.5%. Amounts borrowed under the Working Capital Revolver bear interest at a floating rate of interest equal to Banc One's base rate of interest ("Base Rate") plus 0.5%, payable quarterly, and the outstanding principal balance is due January 31, 1998. Both the Working Capital Revolver and the Term Loan are secured by an assignment of the Company's accounts receivable, inventory, leases and equipment, including its lease pool equipment.

## PRICE RANGE OF COMMON STOCK

The Common Stock is traded on the Nasdaq National Market under the symbol "MIND." Prior to December 19, 1994, there was no public market for the Common Stock. Prior to April 26, 1996, the Common Stock was traded on the Nasdaq SmallCap Market.

The following table sets forth, for the periods indicated, the high and low bid prices of the Company's Common Stock as reported on the Nasdaq SmallCap Market and the high and low sales prices as reported on the Nasdaq National Market, as applicable, after April 26, 1996.

|  | HIGH    | LOW      |
|--|---------|----------|
|  | ----    | ---      |
| Fiscal Year Ended January 31, 1995:                |         |          |
| Fourth Quarter (commencing December 19, 1994)..... | \$3 1/4 | \$2 5/8  |
| Fiscal Year Ended January 31, 1996:                |         |          |
| First Quarter.....                                 | \$3 1/8 | \$2 5/16 |
| Second Quarter.....                                | 4 15/32 | 2 5/16   |
| Third Quarter.....                                 | 4 3/4   | 3 5/8    |
| Fourth Quarter.....                                | 5 5/8   | 3 3/4    |
| Fiscal Year Ended January 31, 1997:                |         |          |
| First Quarter.....                                 | \$8     | \$5 1/8  |
| Second Quarter.....                                | 8       | 5 3/4    |
| Third Quarter.....                                 | 6 1/2   | 5 3/8    |
| Fourth Quarter.....                                | 9 7/8   | 5 7/8    |

On February 28, 1997, the last reported sale price for the Common Stock on the Nasdaq National Market was \$9 1/8. As of February 28, 1997, there were 45 shareholders of record of the Common Stock.

## DIVIDEND POLICY

The Company has not paid any cash dividends on the Common Stock since its inception, and the Board of Directors does not contemplate the payment of cash dividends in the foreseeable future. It is the present policy of the Board of Directors to retain earnings, if any, for use in developing and expanding the Company's business. In addition, the Company's loan agreements with Bank One and Banc One Leasing prohibit the payment of dividends without their prior consent. In the future, payment of dividends by the Company will also depend on the Company's financial condition, results of operations and such other factors as the Board of Directors may consider. See "Management's Discussion of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

## CAPITALIZATION

The following table sets forth the capitalization of the Company at October 31, 1996 and as adjusted to reflect the sale and issuance by the Company of 2,500,000 shares of Common Stock at an assumed offering price of \$8 5/8 per share, and the application of the net estimated proceeds therefrom, as described under "Use of Proceeds." This table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's Financial Statements and notes thereto that are included elsewhere in this Prospectus.

|  | AT OCTOBER 31, 1996 |             |
|--|---------------------|-------------|
|  | ACTUAL              | AS ADJUSTED |
|  | (IN THOUSANDS)      |             |
| Long-term debt, less current portion.....  | \$ 2,910            | \$ --       |
| Shareholders' equity:  |                     |             |
| Preferred stock, \$1.00 par value; 1,000,000 shares<br>authorized; none issued and outstanding.....  | --                  | --          |
| Common stock, \$.01 par value; 20,000,000 shares<br>authorized; 4,378,650 shares issued and outstanding and<br>6,878,650 shares as adjusted(1)(2)..... | 44                  | 69          |
| Additional paid-in capital.....  | 8,398               | 27,942      |
| Retained earnings.....   | 5,294               | 5,294       |
|  | -----               | -----       |
| Total shareholders' equity.....  | 13,736              | 33,305      |
|  | -----               | -----       |
| Total capitalization.....  | \$16,646            | \$33,305    |
|  | =====               | =====       |

(1) Does not include (i) 293,750 shares of Common Stock issuable upon the exercise of options granted and an additional 106,250 shares that may be granted in the future under stock option plans, (ii) 246,723 shares of Common Stock issuable upon the exercise of certain warrants, and (iii) 200,000 shares of Common Stock issuable upon the exercise of the Representatives' Warrants. See "Description of Capital Stock and Other Securities."

(2) The number of shares issued and outstanding after completion of the Offering does not reflect the exercise of a warrant for 8,380 shares of Common Stock to be sold in the Offering by one of the Selling Shareholders. See "Principal and Selling Shareholders."

## DILUTION

The Company's net tangible book value as of October 31, 1996 was approximately \$13.7 million, or \$3.14 per share. Net tangible book value per share is equal to the total tangible assets of the Company minus total liabilities divided by the number of shares of Common Stock outstanding. After giving effect to the sale of the 2,500,000 shares of Common Stock offered by the Company hereby and the receipt of net proceeds of such sale (assuming a public offering price of \$8 5/8 per share and after deducting underwriting discounts and commissions and estimated expenses payable by the Company), the net tangible book value of the Company at October 31, 1996 on a pro forma basis would have been approximately \$33.3 million, or \$4.84 per share, representing an immediate dilution in pro forma net tangible book value of \$3.79 per share, or 43.9%, to new investors. The following table illustrates this per share dilution:

|   |        |
|---|--------|
| Assumed public offering price per share.....  | \$8.63 |
|   | -----  |
| Net tangible book value per share as of October 31, 1996,<br>before this Offering.....                        | \$3.14 |
| Increase in net tangible book value per share attributable<br>to new investors.....                           | 1.70   |
|   | -----  |
| Pro forma net tangible book value per share as of October<br>31, 1996, giving effect to this Offering(1)..... | 4.84   |
|   | -----  |
| Dilution in net tangible book value to new investors.....   | \$3.79 |
|   | =====  |

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(1) Does not reflect the exercise of a warrant for 8,380 shares of Common Stock to be sold in the Offering by one of the Selling Shareholders. See "Principal and Selling Shareholders."

If the Underwriters' over-allotment is exercised in full, the pro forma net tangible book value per share of Common Stock after this Offering would be \$5.00 per share, which would result in dilution to new investors of \$3.63 per share, or 42.0%.

SELECTED FINANCIAL DATA  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

The following table sets forth selected financial data of the Company for each of the four fiscal years ended January 31, 1996, which was derived from the Company's audited financial statements, and the fiscal year ended January 31, 1992, which was derived from unaudited financial statements of the Company. Also set forth below is selected financial data for the nine months ended October 31, 1995 and 1996 and at October 31, 1996, which was derived from the unaudited financial statements of the Company. In the opinion of management of the Company, the unaudited financial statements include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the financial data for such period. The results of operations for the nine months ended October 31, 1995 and 1996 are not necessarily indicative of results for a full fiscal year. The data should be read in conjunction with the Financial Statements (including the notes thereto) and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere herein.

|   | FISCAL YEAR ENDED JANUARY 31, |         |         |         |         | NINE MONTHS<br>ENDED<br>OCTOBER 31, |         |
|---|-------------------------------|---------|---------|---------|---------|-------------------------------------|---------|
|   | 1992                          | 1993    | 1994    | 1995    | 1996    | 1995                                | 1996    |
|   | (UNAUDITED)                   |         |         |         |         | (UNAUDITED)                         |         |
| <b>SELECTED STATEMENTS OF OPERATIONS DATA:</b>        |                               |         |         |         |         |                                     |         |
| <b>Revenues:</b>                                      |                               |         |         |         |         |                                     |         |
| Leases of seismic equipment.....                      | \$ 602                        | \$1,266 | \$1,601 | \$2,424 | \$5,157 | \$3,431                             | \$5,356 |
| Sales of seismic equipment.....                       | 1,510                         | 1,156   | 2,926   | 2,860   | 2,135   | 1,643                               | 2,007   |
| Total.....  | 2,112                         | 2,422   | 4,527   | 5,284   | 7,292   | 5,074                               | 7,363   |
| <b>Expenses:</b>                                      |                               |         |         |         |         |                                     |         |
| Seismic equipment subleases.....                      | 335                           | 915     | 896     | 245     | 251     | 222                                 | 111     |
| Sales of seismic equipment.....                       | 1,002                         | 796     | 1,772   | 2,027   | 1,085   | 1,000                               | 1,261   |
| General and administrative.....                       | 651                           | 655     | 655     | 924     | 1,344   | 990                                 | 1,199   |
| Depreciation.....                                     | 17                            | 29      | 62      | 363     | 1,331   | 825                                 | 1,951   |
| Provision for doubtful accounts....                   | --                            | --      | 38      | 35      | 627     | 372                                 | 418     |
| Total expenses.....                                   | 2,005                         | 2,395   | 3,423   | 3,594   | 4,638   | 3,409                               | 4,940   |
| Other income (expense).....                           | (44)                          | 15      | 4       | (149)   | 17      | 20                                  | 49      |
| Income before income taxes.....                       | 63                            | 42      | 1,108   | 1,541   | 2,671   | 1,685                               | 2,472   |
| Provision for income taxes.....                       | 19                            | 7       | 405     | 541     | 958     | 605                                 | 854     |
| Net income.....                                       | \$ 44                         | \$ 35   | \$ 703  | \$1,000 | \$1,713 | \$1,080                             | \$1,618 |
|   | =====                         | =====   | =====   | =====   | =====   | =====                               | =====   |
| <b>SELECTED PER SHARE DATA:</b>                       |                               |         |         |         |         |                                     |         |
| Net income(1).....                                    | \$ 0.03                       | \$ 0.03 | \$ 0.51 | \$ 0.66 | \$ 0.52 | \$ 0.34                             | \$ 0.37 |
|   | =====                         | =====   | =====   | =====   | =====   | =====                               | =====   |
| Weighted average common shares<br>outstanding(2)..... | 1,380                         | 1,380   | 1,380   | 1,514   | 3,306   | 3,170                               | 4,431   |
| <b>SELECTED CASH FLOW AND OTHER DATA:</b>             |                               |         |         |         |         |                                     |         |
| EBITDA(3).....  | \$ 74                         | \$ 75   | \$1,186 | \$2,113 | \$4,023 | \$2,516                             | \$4,593 |
| Capital expenditures.....                             | \$ --                         | \$ 28   | \$ 900  | \$4,496 | \$5,765 | \$4,099                             | \$8,890 |

|                                     | AT JANUARY 31, |       |         |         |          | AT OCTOBER 31, 1996 |                |
|-------------------------------------|----------------|-------|---------|---------|----------|---------------------|----------------|
|                                     | 1992           | 1993  | 1994    | 1995    | 1996     | ACTUAL              | AS ADJUSTED(5) |
|                                     | (UNAUDITED)    |       |         |         |          | (UNAUDITED)         |                |
| <b>SELECTED BALANCE SHEET DATA:</b> |                |       |         |         |          |                     |                |
| Total assets.....                   | \$581          | \$615 | \$2,427 | \$8,199 | \$12,239 | \$23,252            | \$38,421       |
| Total liabilities.....              | 342            | 341   | 1,450   | 2,023   | 4,191    | 9,516               | 5,116          |
| Long-term debt(4).....              | --             | --    | --      | 261     | 1,173    | 2,910               | --             |
| Shareholders' equity.....           | 239            | 274   | 977     | 6,176   | 8,048    | 13,736              | 33,305         |

(1) There was no dilutive effect to earnings per share for the fiscal years ended January 31, 1992, 1993, 1994 and 1995 and for the nine months ended October 31, 1995. Fully diluted earnings per share was \$0.50 for the fiscal year ended January 31, 1996 and \$0.36 for the nine months ended October 31, 1996.

(2) The fully diluted weighted average common shares outstanding was 3,403,000 at January 31, 1996 and 4,489,000 at October 31, 1996.

- (3) EBITDA is income before interest, taxes, depreciation and amortization. EBITDA is a financial measure commonly used in the Company's industry and should not be considered in isolation or as a substitute for net income, cash flow provided by operating activities or other income or cash flow data prepared in accordance with generally accepted accounting principles or as a measure of a company's profitability or liquidity.
- (4) Long-term debt includes long-term debt net of current maturities and capital lease obligations net of current portion.
- (5) As adjusted to reflect receipt by the Company of estimated net proceeds from the issuance of 2,500,000 shares of Common Stock and the application of such proceeds. See "Use of Proceeds" and "Capitalization."

MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is intended to assist in understanding the Company's historical financial position at January 31, 1994, 1995 and 1996, and October 31, 1996, and results of operations and cash flows for each of the three years in the period ended January 31, 1996 and the unaudited nine month periods ended October 31, 1995 and 1996. The Company's historical financial statements and notes thereto included elsewhere in this Prospectus contain detailed financial information that should be referred to in conjunction with the following discussion.

#### OVERVIEW

The Company leases and sells seismic data acquisition equipment to companies engaged in the oil and gas industry. The Company provides short-term leasing of peripheral seismic equipment to meet a customer's requirements, as well as offering maintenance and support during the lease term. The Company leases its seismic equipment primarily to seismic data acquisition companies and major oil and gas exploration companies conducting land-based seismic surveys in North and South America. The Company also sells and services new and used seismic data acquisition systems and peripheral equipment to companies engaged in oil and gas exploration.

All leases at October 31, 1996 were for a term of one year or less. Seismic equipment held for lease consists primarily of 3-D channel boxes, and is carried at cost, net of accumulated depreciation.

The following table sets forth, for the periods indicated, the percentages that certain items in the Company's financial statements bear to total revenues, and the percentage changes in the dollar amounts of such items from the comparable prior period:

|                                      | PERCENTAGE OF TOTAL REVENUES |             |             |                   |             | PERCENTAGE CHANGE |                   |                   |
|--------------------------------------|------------------------------|-------------|-------------|-------------------|-------------|-------------------|-------------------|-------------------|
|                                      | FISCAL YEAR ENDED            |             |             | NINE MONTHS ENDED |             | FISCAL YEAR ENDED | FISCAL YEAR ENDED | NINE MONTHS ENDED |
|                                      | JANUARY 31,                  | JANUARY 31, | JANUARY 31, | OCTOBER 31,       | OCTOBER 31, |                   |                   |                   |
| 1994                                 | 1995                         | 1996        | 1995        | 1996              | 1995        | 1996              | 1996              |                   |
| <b>REVENUES:</b>                     |                              |             |             |                   |             |                   |                   |                   |
| Leases of seismic equipment...       | 35.4%                        | 45.9%       | 70.7%       | 67.6%             | 72.7%       | 51.4%             | 112.7%            | 56.1%             |
| Sales of seismic equipment....       | 64.6%                        | 54.1%       | 29.3%       | 32.4%             | 27.3%       | (2.3)%            | (25.3)%           | 22.2%             |
| Total revenues.....                  | 100.0%                       | 100.0%      | 100.0%      | 100.0%            | 100.0%      | 16.7%             | 38.0%             | 45.1%             |
| <b>COSTS AND EXPENSES:</b>           |                              |             |             |                   |             |                   |                   |                   |
| Seismic equipment subleases...       | 19.8%                        | 4.6%        | 3.4%        | 4.4%              | 1.5%        | (72.7)%           | 2.4%              | (50.0)%           |
| Sales of seismic equipment....       | 39.1%                        | 38.4%       | 14.9%       | 19.7%             | 17.1%       | 14.4%             | (46.5)%           | 26.1%             |
| General and administrative....       | 14.5%                        | 17.5%       | 18.4%       | 19.5%             | 16.3%       | 41.1%             | 45.5%             | 21.1%             |
| Depreciation.....                    | 1.4%                         | 6.9%        | 18.3%       | 16.3%             | 26.5%       | 485.5%            | 266.7%            | 136.5%            |
| Provision for doubtful accounts..... | 0.8%                         | 0.7%        | 8.6%        | 7.3%              | 5.7%        | (7.9)%            | 1,691.4%          | 12.4%             |
| Total costs and expenses.....        | 75.6%                        | 68.0%       | 63.6%       | 67.2%             | 67.1%       | 5.0%              | 29.0%             | 44.9%             |

For the years ended January 31, 1994, 1995 and 1996, revenues from foreign customers totalled \$1.4 million, \$1.8 million and \$3.8 million, respectively. All of the Company's transactions with foreign customers are denominated in United States dollars. Therefore, the Company is not subject to material gains or losses resulting from currency fluctuations and has not engaged in currency hedging activities.

#### SEASONALITY

There is some seasonality to the Company's expected lease revenues from customers operating in Canada. Historically, seismic equipment leasing has been somewhat susceptible to weather patterns in certain geographic regions. For example, in Canada, a significant percentage of the seismic survey activity occurs in the winter months, from October through March. During the months in which the weather is warmer, certain areas are not accessible to trucks, earth vibrators and other equipment because of the muddy terrain. See "Business -- Business and Operations" and " -- Seismic Equipment Leasing." This increased leasing activity

by the Company's Canadian customers has historically resulted in increased lease revenues in the Company's first and fourth fiscal quarters.

#### RESULTS OF OPERATIONS

Nine Months Ended October 31, 1996 Compared with Nine Months Ended October 31, 1995

Revenues of \$7,363,000 for the nine months ended October 31, 1996 represented an increase of 45.1% over revenues of \$5,074,000 for the same prior year period. Leasing services generated revenues of \$5,356,000 for the nine months ended October 31, 1996, an increase of \$1,925,000, or 56.1%, as compared to \$3,431,000 for the same prior year period. This increase reflected additions of lease fleet equipment throughout fiscal 1996 and the first three fiscal quarters of fiscal 1997 to meet lease demand. For the nine months ended October 31, 1996, the Company maintained a unitization rate on its 3-D channel boxes of approximately 81%. Seismic equipment sales for the nine months ended October 31, 1996 were \$2,007,000, an increase of \$364,000, or 22.2%, as compared to \$1,643,000 for the same prior year period.

While the Company's leasing revenues increased by \$1,925,000 for the nine months ended October 31, 1996 as compared to the same prior year period, sublease costs decreased by \$111,000 and depreciation, which related primarily to equipment available for lease, increased by \$1,126,000 due to increase in the lease fleet, resulting in an increase in net leasing revenues of \$910,000.

Gross margins on seismic equipment sales were 37.2% and 39.1% for the nine months ended October 31, 1996 and 1995, respectively. Margins on sales of used equipment vary based upon the size of the transaction, the availability of the product sold and the means by which the equipment was acquired. Higher dollar transactions tend to yield lower margins than do lower dollar transactions, while readily available equipment yields lower margins than equipment that is difficult to locate. In addition, the Company's costs on a specific piece of equipment may differ substantially based upon whether it was acquired through a bulk purchase or a discrete search.

General and administrative expenses increased 21.1%, or \$209,000, for the nine months ended October 31, 1996 as compared to the same period in 1995 and were 16.3% and 19.5% of total revenues for the nine months ended October 31, 1996 and 1995, respectively. This decrease in general and administrative expenses as a percent of total expenses was the result of overhead expenses remaining relatively constant as revenues increased, offset in part by increases in legal and accounting expenses associated with being a public company.

The Company's provision for doubtful accounts expense increased from \$372,000 in the fiscal 1996 period to \$418,000 in the fiscal 1997 period. The increase was a result of additional provisions for the allowance account. As of October 31, 1996, the Company's allowance for doubtful accounts receivable amounted to \$615,000, which was an amount management believed was sufficient to cover any potential losses in trade accounts receivable as of that date.

Net income for the nine months ended October 31, 1996 increased by \$538,000, as compared to the same 1995 period. The increase resulted primarily from the increase in net leasing revenues offset by increases in general and administrative and the provision for bad debt expense.

Fiscal Year Ended January 31, 1996 Compared with Fiscal Year Ended January 31, 1995

Revenues for fiscal 1996 of \$7,292,000 represented an increase of 38.0% over fiscal 1995 revenues of \$5,284,000. Leasing services generated revenues of \$5,157,000 for fiscal 1996, an increase of \$2,733,000, or 112.7%, as compared to fiscal 1995. The majority of this increase was attributable to additions of lease fleet equipment throughout fiscal 1996 to meet lease demand. The Company's utilization rate in fiscal 1996 on its 3-D channel boxes was approximately 90%. Seismic equipment sales for the year ended January 31, 1996 were \$2,135,000, a decrease of \$725,000, or 25.3%, from fiscal 1995.

While the Company's leasing revenues increased by \$2,733,000 during fiscal 1996 as compared to fiscal 1995, sublease costs increased by only \$6,000 and depreciation, which related primarily to equipment available

for lease, increased by \$968,000 due to the increase in the lease fleet, resulting in an increase in net leasing revenues of \$1,759,000.

Gross margins on seismic equipment sales were 49.2% and 29.1% for fiscal 1996 and 1995, respectively. The margin for fiscal year 1996 was significantly higher because of a few high-margin transactions.

General and administrative expenses increased 45.5%, or \$420,000, in fiscal 1996 as compared to fiscal 1995 and were 18.4% and 17.5% of total revenues for fiscal 1996 and 1995, respectively. The increase was due primarily to increased personnel costs and higher legal and accounting expenses associated with the Company being a public company. The Company's provision for doubtful accounts increased from \$35,000 in fiscal 1995 to \$627,000 in fiscal 1996. The increase reflected the write-off of amounts due from a leasing customer which became severely past due and was ultimately settled for \$272,000 less than the amount due from such customer, and additional allowances provided for amounts due from a second leasing customer with an outstanding receivable of \$459,000 at January 31, 1996, the majority of which was past due at that date. The latter outstanding receivable was ultimately collected in full. As of January 31, 1996, the Company's allowance for doubtful accounts receivable amounted to \$347,000, which is an amount management believed was sufficient to cover any potential losses in trade accounts receivable as of that date.

Net income increased in fiscal 1996 by \$713,000, as compared to fiscal 1995. The increase resulted primarily from the increase in net leasing revenues.

Fiscal Year Ended January 31, 1995 Compared with Fiscal Year Ended January 31, 1994

Revenues for fiscal 1995 of \$5,284,000 represented an increase of 16.7% over fiscal 1994 revenues of \$4,527,000. Leasing services generated revenues of \$2,424,000 for fiscal 1995, an increase of \$823,000, or 51.4%, as compared to fiscal 1994. The majority of this increase was attributable to additions of lease fleet equipment throughout fiscal 1995 to meet lease demand. The Company's utilization rate on the I/O equipment during fiscal 1995 was approximately 90%. Seismic equipment sales for the year ended January 31, 1995 were \$2,860,000, a decrease of \$66,000, or 2.3%, from fiscal 1994.

The Company's leasing revenues increased by \$823,000 during fiscal 1995 as compared to fiscal 1994, while sublease costs decreased by \$651,000 and depreciation, which related primarily to equipment available for lease, increased by \$301,000, resulting in an increase in net leasing revenues of \$1,173,000.

Gross margins on seismic equipment sales were 29.1% and 39.4% for fiscal 1995 and 1994, respectively. The Company purchases used seismic equipment for resale when management determines that such equipment is available at advantageous prices. Gross margins on the Company's equipment sales fluctuate from year to year and have historically ranged from 20% to 50%. The margins for fiscal 1995 and 1994 are consistent with historical margins on seismic equipment sales.

General and administrative expenses increased 41.1%, or \$269,000, in fiscal 1995 as compared to fiscal 1994 and were 17.5% and 14.5% of total revenues for fiscal 1995 and 1994, respectively. The increase was due primarily to personnel, legal and accounting expenses. Personnel costs increased as a result of the Company adding a chief financial officer during the year. Net interest increased \$193,000 to \$209,000 in fiscal 1995 due to various equipment and bridge loans outstanding during fiscal 1995. Legal and accounting costs increased in fiscal 1995 due to legal and accounting costs associated with the Company's initial public offering consummated in January 1995.

Net income increased in fiscal 1995 by \$297,000, as compared to fiscal 1994. The increase resulted primarily from the increase in leasing revenues combined with a \$651,000 decrease in seismic equipment sublease expense, a \$301,000 increase in depreciation, and lower margins on seismic equipment sales.

#### LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities for the nine months ended October 31, 1996, increased by \$749,000, or 40.2%, as compared to the same 1995 period. At October 31, 1996, of the Company's customers with trade receivables more than 90 days past due, four customers had an aggregate of \$983,000 more than

90 days past due. The Company has historically had an average collection period of between 60 to 90 days for its trade accounts receivable. Grant Geophysical, Inc. ("Grant") filed for bankruptcy protection during December 1996. Revenues derived from Grant amount to 17.8% of total revenues for the eleven-month period ended December 31, 1996. As of that date, amounts due from Grant totalled \$1,013,000. During December 1996, the Company increased its allowance for trade accounts receivable from \$615,000 at October 31, 1996 to \$1,500,000 at December 31, 1996, which amount was intended to fully reserve all amounts due from Grant and provide for any potential loss associated with the Company's remaining trade accounts receivable.

As of October 31, 1996, the outstanding principal balance of the Term Loan was approximately \$3.6 million and there were no amounts outstanding under the Working Capital Revolver. Approximately \$1.0 million of the Term Loan was advanced to the Company at January 31, 1996 and was used primarily to pay amounts due to I/O for 3-D channel boxes. In March 1996, an additional approximately \$3.1 million of the Term Loan was advanced and an aggregate of approximately \$1.5 million was used to pay all amounts outstanding under a previous term loan and revolving credit line and to pay amounts due to I/O for 3-D channel boxes. Approximately \$4.4 million of the net proceeds of this Offering will be used to pay the \$1.0 million and \$3.4 million currently outstanding balances of the Working Capital Revolver and the Term Loan, respectively.

In January 1997, the Company established a second revolving line of credit with Bank One of up to \$4.0 million (the "Equipment Revolver") to be used solely for short-term financing of up to 75% of the seismic equipment purchased by the Company for approved lease/purchase contracts, and a second term loan of \$1.0 million (the "Second Term Loan") to be used solely for long-term financing of up to 80% of the purchase price of other seismic equipment. Interest on the Equipment Revolver and the Second Term Loan accrues at a floating rate of interest equal to the Base Rate plus 0.5%. Interest on amounts advanced under the Equipment Revolver is payable monthly, and the principal amount is due six months after the date of the initial advance; provided, however, that if the lessee under a lease/purchase contract does not purchase the seismic equipment subject to the lease, and there has been no default (as defined) under the lease, then the Company may extend the maturity date for an additional 18 months (the "Extended Term"). In such event, the principal amount of and interest on the amount advanced under the Equipment Revolver would be payable in ratable monthly installments over the Extended Term. Interest on and the principal amount of the Second Term Loan are payable in ratable monthly installments over a two-year period through and including December 1998.

As of December 31, 1996, capital expenditures for the 1997 fiscal year totalled approximately \$14.3 million and the Company has budgeted capital expenditures of approximately \$16.0 million for the 1998 fiscal year, including approximately \$12.0 million of 3-D seismic data acquisition equipment to be purchased with the net proceeds of this Offering. The Company believes that the net proceeds of this Offering, cash provided by operations and funds available from its commercial lenders will be sufficient to fund its operations and budgeted capital expenditures for the 1998 fiscal year.

## BUSINESS

Mitcham Industries, Inc. leases and sells seismic data acquisition equipment to companies engaged in the oil and gas industry. The Company believes it is the leading independent lessor of land-based 3-D seismic data acquisition equipment, including channel boxes and other peripheral equipment. Seismic data acquisition equipment is used in the identification and graphic definition of subsurface geologic structures and formations that potentially contain oil and gas. Channel boxes are remote data acquisition units that collect and transmit seismic data. The Company has exclusive lease referral and supply agreements with the two principal manufacturers of land-based 3-D seismic equipment, I/O and SERCEL. From January 1, 1994 through December 31, 1996, the Company's lease fleet of 3-D channel boxes increased from 85 to approximately 2,000 (or from 510 channels to approximately 12,000 channels). EBITDA of approximately \$4.0 million for the fiscal year ended January 31, 1996 represented an increase of 90.4% over the fiscal year ended January 31, 1995, and EBITDA of approximately \$4.6 million for the nine months ended October 31, 1996 represented an increase of 82.6% over the same prior year period.

Demand for channel boxes has increased significantly in recent years primarily due to the increasing use of 3-D seismic surveys. Current 3-D seismic techniques use a greater number of channels and channel boxes than 2-D surveys, thereby providing higher resolution data for a better representation of the earth's subsurface. Additionally, oil and gas companies are contracting for 3-D surveys over larger geographical areas and often specify an increase in the concentration of channel boxes as a means of increasing data resolution. Consequently, seismic survey companies frequently use more than twice the number of channels for surveys than they typically own. The Company believes that many companies providing land-based seismic surveys will meet this additional requirement by leasing channel boxes and supporting peripheral equipment on a short-term basis rather than making the substantial capital expenditures necessary to purchase such equipment.

The Company leases its seismic equipment primarily to seismic data acquisition companies and major oil and gas exploration companies conducting land-based seismic data acquisition surveys. The leases generally have terms between three and nine months and are renewable thereafter on a month-to-month basis. Rates for 3-D channel boxes range from between 6% to 8% per month of the equipment's purchase price. For the nine months ending October 31, 1996, the Company maintained a utilization rate of its 3-D channel boxes in excess of 80%.

The Company has entered into supply and exclusive referral agreements with each of I/O and SERCEL. The Company believes that most of the land-based 3-D seismic systems and equipment currently in use and being put into use are I/O and SERCEL systems. The agreement with I/O, originally entered into in February 1994, has been the source of a majority of the Company's lease pool equipment to date. Pursuant to this agreement, I/O must refer to the Company, on an exclusive basis, any requests it receives to lease its 3-D channel boxes and certain peripheral equipment in North and South America. A condition of the agreement with I/O is that the Company must purchase, at favorable rates, \$13.3 million of equipment from I/O by May 31, 2000. Through December 31, 1996, the Company has met \$4.8 million of this requirement.

In September 1996, the Company entered into two agreements with SERCEL. One agreement provides that until December 31, 1999, the Company will be SERCEL's exclusive worldwide leasing agent and that SERCEL must refer to the Company all requests it receives to lease its 3-D data acquisition equipment and peripheral equipment. This agreement also provides that the Company must purchase, at favorable rates, up to \$10.2 million of 3-D data acquisition equipment and other field equipment from SERCEL. Through December 31, 1996, the Company has met \$4.5 million of this requirement. The second agreement provides that until September 19, 1999, subject to earlier termination after September 20, 1997, the Company will be SERCEL's exclusive sales agent in Canada. See "-- I/O Agreement" and "-- SERCEL Agreements."

## BUSINESS STRATEGY

The Company's business strategy is to meet the expanding needs of users of 3-D seismic equipment through its leasing and support services. In order to accomplish this, the Company has identified the following major objectives:

- Enlarge and diversify its lease pool of seismic equipment. As demanded by customers, the Company will continue to increase its lease pool of channel boxes and peripheral seismic equipment, such as seismic vibrators, vibrator control electronics and geophones. The Company believes that the availability of a larger and more complete pool of 3-D seismic equipment for lease will encourage seismic survey companies to increasingly lease, rather than purchase, such equipment. The Company is also evaluating the feasibility of a lease pool of marine seismic equipment.
- Expand its international presence. The Company receives referrals from SERCEL on a worldwide basis and is its exclusive sales agent in Canada, where the Company has an office in Calgary, Alberta. The Company believes that its alliances with I/O and SERCEL will help the Company to further penetrate, on a cost-effective basis, international markets, where such manufacturers are well-recognized and have well-developed business relationships. The Company is also evaluating the feasibility of opening additional foreign offices.
- Develop and enhance alliances with major seismic equipment manufacturers. The Company uses alliances with manufacturers such as I/O and SERCEL to acquire and build its lease pool of equipment and increase customer referrals. The Company continues to seek to expand the scope of these alliances, as well as develop arrangements with other equipment manufacturers.

## SEISMIC TECHNOLOGY

Oil and gas exploration companies utilize seismic data generated from the use of digital seismic systems and peripheral equipment in determining optimal locations for drilling oil and gas wells, in the development of oil and gas reserves, and in reservoir management for the production of oil and gas. A complete digital seismic data acquisition system generally consists of (i) a central electronics unit that records and stores digital data ("CEU"), (ii) channel boxes, (iii) geophones, or seismic sensors and (iv) other peripheral, or accessory, equipment. Other peripheral equipment includes earth vibrators that create the necessary acoustic wave being analyzed and geophysical cables that transmit digital seismic data from the channel boxes to the CEU.

In seismic data acquisition, an acoustic wave is discharged at or below the earth's surface through the discharge of compressed air, the detonation of small explosive charges or the use of vibrators. As the acoustic wave travels through the earth, portions are reflected by variations in the underlying rock layers and the reflected energy is captured by the geophones, which are situated at intervals along paths from the point of acoustical impulse. The resulting signals are then transmitted to the channel boxes, which convert the reflected energy wave from analog to digital data and transmit this data via cable to the CEU. The CEU stores the seismic data on magnetic tape for processing. The digital data is then input into a specialized seismic processing system that uses sophisticated computer software programs to enhance the recorded signal and produce an image of the subsurface strata. By interpreting seismic data, oil and gas exploration companies create detailed maps of exploration prospects and oil and gas reservoirs.

In the past, the 2-D seismic survey was the standard data acquisition technique used to describe geologic formations over a broad area. 2-D seismic data can be visualized as a single vertical plane of subsurface information, and 2-D seismic surveys typically require 120 recording channels. Data gathered from a 3-D seismic survey is best visualized as a cube of information that can be sliced into numerous planes, providing different views of a geologic structure with much higher resolution than is available with traditional 2-D seismic survey techniques. 3-D seismic surveys require much larger data acquisition systems with a minimum of 480 recording channels. Because of the greater number of channels and flexible configuration, 3-D seismic data provides more extensive and detailed information regarding the subsurface geology than does 2-D data. As a result, 3-D data allows the geophysicists interpreting the data to more closely select the optimal location of a prospective drillsite or oil and gas reservoir.

In the exploration and development process, oil and gas companies establish requirements for seismic data acquisition programs based on their technical objectives. Because of the expense associated with drilling oil and gas wells, decisions whether or where to drill are critical to the overall process. Because 3-D seismic data increase drilling success rates and reduce costs, the Company believes that the major oil and gas exploration companies are increasingly requiring 3-D seismic surveys in their exploration activities. As a result of the increasing requirements for this higher resolution data, which in turn requires additional channels to collect and transmit the data, the additional required channel boxes are in great demand.

While most working 3-D systems currently use from 600 to 800 channels, management believes that the typical request for proposal from oil and gas exploration companies now specifies a minimum of 1,000 to 1,200 channels. The Company believes that many seismic service companies meet this requirement for additional equipment by leasing, rather than purchasing, the additional required channel boxes.

#### BUSINESS AND OPERATIONS

Seismic Equipment Leasing. The Company typically purchases new and used seismic equipment for lease to its customers. After the termination of the initial lease, the Company enters into additional short-term leases with its customers engaged in seismic data acquisition. The Company's equipment leasing services generally include the lease of the various components of seismic data acquisition systems to meet a customer's job specifications. Such specifications may vary as to the number of channel boxes, geophones, geophysical cables and other peripheral equipment items.

The Company is pursuing a strategy of growth in its seismic equipment leasing business, as potential for growth in new and used seismic equipment sales is not believed to be significant. The Company currently has in its lease fleet a total of approximately 2,000 3-D channel boxes, or a total of approximately 12,000 channels (each channel being capable of electronically converting seismic data from analog to digital and transmitting the digital data), and various peripheral equipment such as geophones, earth vibrators and geophysical cables. The Company's utilization rate on its 3-D channel boxes in the first nine months of fiscal 1997 was in excess of 80%.

Since the Company's customers lease its seismic equipment to meet shortages of a varying number of channels for specific surveys, the Company does not lease all of the channel boxes and other peripheral equipment required for seismic surveys. Rather, the Company is in the business of satisfying shortages of such equipment on a short-term basis. The Company's equipment leases generally have terms of three to nine months and are typically renewable on a month-to-month basis. The Company offers maintenance of its leased seismic equipment during the lease term for malfunctions due to failure of material and parts and will provide replacement equipment as necessary. In addition, the Company provides telephone support to answer questions of its lease customers.

The Company's monthly lease rates for its 3-D channel boxes have ranged from 6% to 8% of the purchase price. Lease payments are due and payable on the first day of each month of the lease term. The Company typically requires its lessees to provide a deposit in the amount of one month's lease payment as security for the cost of any repairs in excess of normal wear and tear that may be required after the termination of lease term. The lessee must also obtain and keep in force a minimum of \$1.0 million general liability and casualty insurance on the leased equipment during the term of the lease, and, before equipment is delivered, provide certification to the Company that the Company has been named an additional insured and loss payee on such policy. All taxes (other than U.S. federal income taxes) and assessments are the contractual obligation of the lessee. To the extent foreign taxes are not paid by the lessor, the relevant foreign taxing authority might seek to collect such taxes from the Company. To date, no such collection action has been taken against the Company.

A majority of the Company's leasing revenues have historically come from North American operations. Within North America, about one-half of the Company's total revenues are attributable to Canadian operations, with the remainder related to United States business. Management believes that the United States and Canada will continue to be the focal points of the Company's seismic equipment leasing operations for the foreseeable future.

Historically, seismic equipment leasing has been somewhat susceptible to weather patterns in certain geographic regions. For example, in Canada, a significant percentage of the seismic survey activity usually occurs in the winter season, from October through March. During the months in which the weather is warmer, certain areas are not accessible to trucks and other equipment because of the muddy terrain. In the United States, most of the seismic survey work is not usually affected by weather. As a result of weather conditions, the Company attempts to manage its lease pool of equipment to meet seasonal demands. Equipment leased in Canada during the winter months may be moved to the United States in the warmer months.

Seismic Equipment Sales. The Company's equipment sales business serves a diverse base of industry, governmental, university and research customers. The Company typically buys equipment for resale: (i) at disposal prices, speculatively; and (ii) in response to specific customer orders. On occasion, the Company will also hold equipment of third parties and sell such equipment on consignment.

In large part, the Company's international operations (excluding Canada) have been restricted to the sale of used equipment. Over the past three years, its primary international markets have been Europe, Australia and China. In the near future, the Company believes that these markets will continue to comprise a majority of the Company's international sales.

#### I/O AGREEMENT

Under the I/O Agreement, the Company is the exclusive third-party recipient of requests from I/O customers and others to lease channel boxes and certain peripheral equipment in North and South America through May 31, 2000 and may acquire 3-D channel boxes from I/O at favorable prices based upon the volume of channel boxes purchased. Subject to certain exceptions, I/O may not recommend or suggest any competitor of the Company as a potential lessor of I/O 3-D channel boxes in North and South America. As a manufacturer of complete data acquisition systems that are compatible only with I/O channel boxes, I/O typically receives inquiries to lease I/O 3-D channel boxes from customers desiring to expand the capacities of their systems on a short-term basis.

A condition of the I/O Agreement is that the Company must purchase an aggregate of \$13.25 million of I/O 3-D channel boxes on or before May 31, 2000 in the following stated installments: (i) by November 30, 1996, at least \$3.0 million, (ii) from January 1, 1997 through May 31, 1997, at least \$1.25 million and (iii) in each of the years from June 1, 1997 through May 31, 1998, June 1 through May 31, 1999, and June 1, 1999 through May 31, 2000, at least \$3.0 million. As of December 31, 1996, the Company had purchased I/O equipment totalling \$4.8 million under the I/O Agreement, thereby exceeding its purchase requirements through May 1997.

Under the I/O Agreement, I/O must inform the Company by telephone, facsimile or letter of the identity of the third party prospective lessee and the terms, if any, that have been discussed regarding a proposed lease. The Company may then contact the prospective lessee and negotiate the terms of a proposed lease of channel boxes. If the Company (i) is unable to lease the 3-D channel boxes due to a shortage in its lease fleet, (ii) cannot agree with a prospective lessee on the terms of a proposed lease within 72 hours of the lessee's introduction to the Company or (iii) otherwise chooses not to lease to a prospective lessee, then I/O may lease channel boxes to the prospective lessee. I/O has indicated that the 72-hour time period referred to may be extended as long as the Company and a prospective lessee are engaged in good faith negotiations and neither of them has terminated such negotiations.

Leases of channel boxes with purchase options are specifically excluded from the I/O Agreement. Therefore, I/O may continue to enter into leases with purchase options in North and South America during the term of the I/O Agreement. I/O may also continue to sell 3-D channel boxes during the term of the I/O Agreement.

The Company primarily purchases new channel boxes from I/O, but from time to time purchases channel boxes from I/O's existing lease fleet. All of the channel boxes purchased from I/O which are new are covered by a warranty which covers, with certain exceptions, defects in workmanship for six months and defects in materials and parts for 12 months. The channel boxes, if acquired from I/O's existing lease fleet and

therefore used previously, will be refurbished by I/O and carry a warranty which covers, with certain exceptions, defects in workmanship for three months.

The I/O Agreement is subject to termination by I/O upon the occurrence of (i) the Company's failure to comply with the terms of the I/O Agreement after having received written notice of its non-compliance, (ii) the Company's discontinuance as a going concern, (iii) the Company's default in the payment of any obligations to I/O after having received notice that payment is due, (iv) the Company's insolvency or bankruptcy, (v) Billy F. Mitcham, Jr. no longer owning at least 250,000 shares of Common Stock of the Company, (vi) Billy F. Mitcham, Jr. no longer remaining as the President of the Company, (vii) any transfer of the I/O agreement by merger, consolidation, or liquidation, or (viii) the Company's assignment, or attempted assignment of its rights under the agreement.

#### SERCEL AGREEMENTS

##### SERCEL Lease Agreement

In September 1996, the Company entered into the Exclusive Equipment Lease Agreement with SERCEL (the "SERCEL Lease Agreement"), under which the Company acts as SERCEL's exclusive worldwide short-term leasing agent throughout the world and SERCEL must refer to the Company all requests it receives (other than requests from its affiliates) to lease its 3-D data acquisition equipment and other field equipment. Subject to the exceptions discussed below, SERCEL may not recommend or suggest any competitor of the Company as a potential lessor of such data acquisition equipment. In addition, the Company may not engage in financing leases and leases for a duration of more than one year.

A condition of the SERCEL Lease Agreement is that the Company must purchase an aggregate of \$10.2 million of SERCEL data acquisition and other field equipment on or before December 31, 1999 in six installments of \$1.7 million as follows: (i) by June 30, 1997, and (ii) from July 1, 1997 to December 31, 1997 and each succeeding six-month period thereafter through December 31, 1999. However, SERCEL may not terminate the agreement if the Company fails to purchase the minimum requirement in a period ending before June 30, 1998, unless in the succeeding period the Company does not make aggregate purchases equal to any shortfall for the previous period, plus the minimum purchase requirement for the succeeding period. As of December 31, 1996, the Company had purchased SERCEL equipment totalling \$4.5 million, thereby exceeding its purchase requirements through December 31, 1997.

As with the I/O Agreement, SERCEL must inform the Company of the identity of the third party prospective lessee and the terms, if any, that have been discussed regarding a proposed lease. If the Company either (i) is unable to lease the SERCEL equipment due to a shortage in its lease fleet, (ii) cannot agree with a prospective lessee on the terms of a proposed lease within five business days of the lessee's introduction to the Company, or (iii) otherwise chooses not to lease to a prospective lessee, then SERCEL may lease its equipment to the prospective lessee.

The agreement is subject to termination by SERCEL (i) at any time upon (a) SERCEL's reasonable belief that the Company has violated or intends to violate the Foreign Corrupt Practices Act of 1977, as amended, (b) the Company's refusal or inability to certify that it is in compliance with laws applicable to its activities, (c) the Company's insolvency, voluntary or involuntary bankruptcy, assignment for the benefit of creditors or discontinuance as a going concern and (ii) upon 90 days prior written notice if the Company no longer employs Billy F. Mitcham, Jr. in a senior management capacity.

##### SERCEL Sales Agreement

Through Mitcham Canada Ltd., the Company's wholly-owned subsidiary formed in September 1996, the Company entered into the Commercial Representation Agreement (the "SERCEL Sales Agreement") with Georex, Inc., a wholly-owned subsidiary of SERCEL, under which the Company is SERCEL's designated sales agent in Canada for its data acquisition and other field equipment through September 19, 1999, subject to earlier termination after September 20, 1997 on 90 days prior notice. If not sooner terminated, the agreement will automatically be extended for successive one-year periods after September 19, 1999. Under the

agreement, the Company is entitled to receive a commission on all SERCEL equipment and spare parts sold by the Company in Canada.

In connection with the SERCEL Sales Agreement and the SERCEL Lease Agreement, in November 1996, the Company established an office in Calgary, Alberta, Canada to sell, service and lease SERCEL equipment and to lease and service equipment of other manufacturers. The Company is prohibited from selling seismic equipment that competes with SERCEL equipment during the term of the agreement and for six months thereafter, except that the Company may sell individual components that compete with components of SERCEL equipment, such as I/O 3-D channel boxes and Pelton vibrator control electronics, as well as any seismic equipment previously used in its lease fleet.

The SERCEL Sales Agreement is subject to termination by Georex upon (i) Georex's reasonable belief that the Company has violated or intends to violate the Foreign Corrupt Practices Act of 1977, as amended, (ii) the Company's refusal or inability to certify that it is in compliance with laws applicable to its activities, or (iii) the Company's insolvency, voluntary or involuntary bankruptcy, assignment for the benefit of creditors or discontinuance as a going concern.

#### PELTON AGREEMENT

In May 1996, the Company entered into an exclusive lease referral agreement (the "Pelton Agreement") with Pelton Company, Inc. The Company believes Pelton is the leading manufacturer and supplier of vibrator control electronics. The terms of the Pelton Agreement regarding exclusive lease referrals and favorable prices are substantially similar to those of the I/O Agreement, except that (i) the Company has the exclusive referral rights with respect to Pelton's vibrator control electronics throughout the world, through December 31, 1997, subject to cancellation by either party thereafter upon three months prior written notice and (ii) there are no minimum purchase requirements.

The Pelton Agreement is subject to termination upon the occurrence of (i) the Company's failure to comply with the terms of the Pelton Agreement after having received written notice of its non-compliance, (ii) the Company's discontinuance as a going concern, (iii) the Company's default in the payment of any obligations to Pelton after having received notice that payment is due, (iv) the Company's insolvency or bankruptcy, (v) the Company's transfer of the agreement by merger, consolidation, or liquidation, (vi) the Company's assignment, or attempted assignment, of the rights under the agreement, (vii) Billy F. Mitcham no longer owning at least 250,000 shares of Common Stock of the Company, or (viii) any competitor of Pelton owning, directly or indirectly, more than 5% of the Company's outstanding capital stock on a fully-diluted basis.

#### CUSTOMERS; SALES AND MARKETING

The Company's major lease customers are seismic data acquisition companies and major and independent oil and gas exploration companies. The Company typically has a small number of lease customers, the composition of which changes yearly as leases are negotiated and concluded and equipment needs vary. As of October 31, 1996, the Company had 23 lease customers with active leases of various lengths. Customers of the Company's used and new seismic equipment sales and service business (in addition to the aforementioned lease customers, some of whom purchase significant amounts of equipment) include foreign governments, universities, engineering firms and research organizations worldwide.

The Company participates in both domestic and international trade shows and expositions to inform the oil and gas industry of its products and services. In addition to advertising in major geophysical trade journals, direct advertising in the form of a biannual listing of equipment offerings is mailed to over 3,000 oil and gas industry participants. The Company believes this mailing generates significant seismic equipment lease and sales revenues. In addition, the Company placed advertisements of its affiliation with each of I/O, SERCEL and Pelton in several major geophysical trade journals. The Company also maintains a web site at <http://www.mitчамindustries.com> on which it lists its seismic equipment for sale and lease.

The Company works with a network of representatives in several international markets, including the United Kingdom, Canada and the Commonwealth of Independent States. These agents generate equipment sales, and to a lesser extent, equipment leasing business for the Company and are compensated on a commission basis. The Company also expends resources in the areas of customer service, product support and the maintenance of customer relationships. In November 1996, the Company established an office in Calgary, Alberta, Canada from which it leases and sells seismic equipment.

#### COMPETITION

Competition in seismic equipment leasing is fragmented. The Company is aware of numerous companies that own seismic equipment that lease such equipment; however, the Company believes those companies do not lease seismic equipment of several manufacturers or have as extensive a lease pool as does the Company. The Company also believes those companies do not have exclusive lease referral agreements with suppliers similar to the Company's. Competition exists to a lesser extent from seismic data acquisition firms that may lease equipment that is temporarily idle. Under the I/O Agreement, I/O and its subsidiary, Global Charter Corporation, retain the right to continue to (i) lease channel boxes in certain situations where the Company and a prospective lessee cannot or do not enter into a lease, as more fully described in the I/O Agreement; (ii) lease channel boxes with a purchase option in North and South America; and (iii) lease channel boxes outside of North and South America. Global owns and operates a lease fleet of rental seismic equipment, including 3-D channel boxes. Global leases seismic equipment subject to purchase options and arranges the financing for such leases. The Company does not believe those equipment leases compete with the Company's seismic equipment leases, as the Company does not typically engage in lease/purchase arrangements of I/O seismic equipment. See "Risk Factors -- Competition."

The Company competes for seismic equipment leases on the basis of (i) price and delivery, (ii) availability of both peripheral seismic equipment and complete data acquisition systems which may be configured to meet a customer's particular needs, and (iii) length of lease term. The Company competes in the used equipment sales market with a broad base of seismic equipment owners, including the major oil and gas exploration companies which use and eventually dispose of seismic equipment, many of which have substantially greater financial resources than the Company. The Company believes there is one competitor in the used seismic equipment sales business that generates comparable revenues from such sales, as well as numerous, smaller competitors who, in the aggregate, generate significant revenue from such sales.

#### SUPPLIERS

The Company has several suppliers of the seismic equipment for its lease fleet. The Company currently acquires the majority of the 3-D channel boxes for its lease fleet from I/O and SERCEL and acquires the majority of its vibrator control electronics from Pelton. The Company believes that I/O and SERCEL manufacture most of the land-based seismic systems and equipment in use. Other suppliers of peripheral seismic equipment include OYO/Geospace (geophones, cables and seismic cameras), Mark Products (geophones and cables), Mertz, Inc. (seismic vibrators) and George E. Failing Co. (seismic vibrators). From time to time, the Company purchases new and used peripheral seismic equipment from various other manufacturers. Management believes that its current relationships with its suppliers are satisfactory.

#### EMPLOYEES

As of October 31, 1996, the Company employed 13 people, none of whom is covered by a collective bargaining agreement. Nine employees are involved in sales, management and administration and four work in field operations. The Company considers its employee relations to be satisfactory.

#### PROPERTIES

The Company owns its corporate office and warehouse facilities in Huntsville, Texas. Its headquarters facility consists of 25,000 square feet of office and warehouse space on approximately six acres. See "Certain

Transactions and Relationships." The Company also leases approximately 10,000 square feet of office and warehouse space at its facilities in Calgary, Alberta, Canada.

#### LEGAL PROCEEDINGS

The Company is not a party to any legal proceedings.

## MANAGEMENT

## DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth certain information with respect to the directors and executive officers of the Company:

| NAME<br>----                  | AGE<br>--- | POSITION(S) WITH THE COMPANY<br>-----                                     |
|-------------------------------|------------|---|
| Billy F. Mitcham,<br>Jr. .... | 49         | Chairman of the Board of Directors, President and Chief Executive Officer |
| Paul C. Mitcham.....          | 32         | Vice-President -- Operations and Director                                 |
| Roberto Rios.....             | 39         | Vice-President -- Finance, Secretary, Treasurer and Director              |
| William J. Sheppard....       | 49         | Vice-President -- International Operations and Director                   |
| Gordon M. Greve.....          | 62         | Director  |
| Randal Dean Lewis.....        | 53         | Director  |
| John F. Schwalbe.....         | 52         | Director  |

Billy F. Mitcham, Jr. has been Chairman of the Board of Directors, President and Chief Executive Officer of the Company since 1987. He has more than 20 years of experience in the geophysical industry. From 1979 to 1987, he served in various management capacities with Mitcham Associates, Inc., an unrelated equipment leasing company. From 1975 to 1979, Mr. Mitcham served in various capacities with Halliburton Services, primarily in oilfield services.

Paul C. Mitcham is Vice President -- Operations and a director of the Company. He is the brother of Billy F. Mitcham, Jr. Mr. Mitcham has been employed by the Company in various management positions since 1989. Prior to 1989, he worked in various field positions in the geophysical industry.

Roberto Rios was elected Vice-President -- Finance, Secretary and Treasurer and a director of the Company in September 1994. From 1990 until joining the Company in September 1994, Mr. Rios held several senior-level positions, including Vice President and General Manager, with ADV0, Incorporated, a publicly-traded nationwide direct mail distribution company. From 1980 to 1989, he held several senior-level financial positions, including Controller, of The Shoppers' Guide, a company that produces a direct mail advertising guide and that is a subsidiary of Harte-Hanks Communications, Inc., a multimedia company. Mr. Rios is a Certified Public Accountant and a member of the American Institute of Certified Public Accountants.

William J. Sheppard was elected Vice-President -- International Operations and a director of the Company in October 1994. Mr. Sheppard has more than 25 years of experience in the geophysical industry. From 1987 until October 1994, Mr. Sheppard was the President of Alberta Supply Company, a Canadian seismic equipment sales and services company.

Gordon M. Greve was elected a director of the Company in June 1995. He held various management positions with Amoco Corporation from July 1977 through September 1994 and has more than 30 years of experience in the geophysical industry. He served as the Acting Vice-President of Exploration Technology and Services from February through September 1994. From February 1991 through February 1994, he was manager of exploration. From July 1986 to February 1991, he was a manager in geophysics. Mr. Greve served as the President of the Society of Exploration Geophysicists for the 1995-1996 term, which began in October 1995.

Randal Dean Lewis was elected a director of the Company in November 1994. Mr. Lewis is the interim Dean of the Business School at Sam Houston State University and he has served in this capacity since October 1995. From 1987 to October 1995, Mr. Lewis was the Associate Dean and Professor of Marketing at Sam Houston State University. Prior to 1987, Mr. Lewis held a number of executive positions in the banking and finance industries.

John F. Schwalbe was elected a director of the Company in November 1994. Mr. Schwalbe has been a Certified Public Accountant in private practice since 1978, with primary emphasis on tax planning, consultation, and compliance.

The Bylaws of the Company authorize the Board of Directors to fix the number of directors of the Company. The Board of Directors is currently comprised of seven members. Each director and each executive officer of the Company serves until the earliest to occur of (i) his death, resignation or removal; or (ii) the election of his successor. No family relationships exist among the officers and directors of the Company except among Messrs. Mitcham. See "Certain Transactions and Relationships."

#### COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

None of the Company's executive officers or directors serve on the board of directors or the compensation committee of any other entity. None of the members of the Compensation Committee are, or were formerly, officers or employees of the Company.

#### BOARD COMMITTEES

The Board of Directors has established an Audit Committee and a Compensation Committee. The Audit Committee is comprised of Messrs. Schwalbe, Lewis and Greve. Its functions are to: (i) recommend the appointment of independent public accountants; (ii) review the scope of the audit by the independent public accountants; (iii) review the independence of the independent public accountants; (iv) consider the adequacy of the system of internal controls and review any proposed corrective actions; (v) review and monitor the Company's policies regarding business ethics and conflicts of interest; and (vi) discuss with management and the independent public accountants the Company's draft of annual financial statement and key accounting and/or reporting matters. The Compensation Committee, also comprised of Messrs. Schwalbe, Lewis and Greve, is responsible for (i) reviewing the Company's general compensation strategy; (ii) establishing the salaries and bonuses of the Company's executive officers; and (iii) reviewing and administering the Company's 1994 Stock Option Plan.

#### BOARD COMPENSATION

The Company pays directors who are not employees of the Company \$500 for every meeting attended and reimburses their expenses incurred in attending board and committee meetings. In addition, the Director Plan provides that each nonemployee director will receive an option to purchase 1,000 shares of Common Stock upon becoming a director and on the date of each annual meeting of shareholders at which he is re-elected as a director. See " -- Stock Option Plans."

## EXECUTIVE COMPENSATION

The following table sets forth all compensation paid by the Company for the fiscal years ended January 31, 1994, 1995 and 1996 to Billy F. Mitcham, Jr., the Chairman of the Board, Chief Executive Officer and President of the Company. No other executive officer of the Company received total salary and bonus that exceeded \$100,000 during any of those fiscal years.

## SUMMARY COMPENSATION TABLE

| NAME AND PRINCIPAL POSITION           | FISCAL YEAR ENDED | ANNUAL COMPENSATION |           |             | LONG-TERM COMPENSATION AWARDS |                                     |                        |
|---------------------------------------|-------------------|---------------------|-----------|-------------|-------------------------------|-------------------------------------|------------------------|
|                                       |                   | JANUARY 31          | SALARY    | BONUS       | OTHER                         | SECURITIES UNDERLYING STOCK OPTIONS | ALL OTHER COMPENSATION |
| Billy F. Mitcham, Jr. ....            | 1996              |                     | \$100,000 | \$40,685(2) | --                            | 9,000                               | --                     |
| Chairman of the Board,                | 1995              |                     | 72,000(1) | --          | --                            | 116,000                             | --                     |
| President and Chief Executive Officer | 1994              |                     | 72,000    | 25,000      | --                            |                                     | --                     |

(1) Mr. Mitcham, Jr. opted to receive a lower salary in the fiscal year ended January 31, 1995 than he was entitled to under the terms of his Employment Agreement, described below. Though not specifically stated in the Employment Agreement, Mr. Mitcham, Jr. felt the intent of the parties was that the increased salary would not be effective until the consummation of the Company's initial public offering, which occurred in January 1995. The \$28,000 of his salary that he opted not to receive was not deferred and will not be paid in a future year. As of February 1, 1995, Mr. Mitcham, Jr. began receiving his full salary.

(2) Bonus actually paid in the subsequent fiscal year.

Option Grants. The following table sets forth the individual grants of stock options made by the Company during the fiscal year ended January 31, 1996 to Billy F. Mitcham, Jr. The Company does not grant any stock appreciation rights.

## OPTION GRANTS IN LAST FISCAL YEAR

| NAME                       | NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED (#) | % OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN 1996 FISCAL YEAR | EXERCISE OR BASE PRICE (\$/SH) | EXPIRATION DATE | POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM(2) |        |        |
|----------------------------|---|---|--------------------------------|-----------------|---|--------|--------|
|                            |   |   |                                |                 | 0%  | 5%     | 10%    |
| Billy F. Mitcham, Jr. .... | 9,000(1)  | 14.3%   | \$3.29(1)                      | Dec. 4, 2005    | \$3.87  | \$5.36 | \$8.53 |

(1) Nonqualified stock option granted on December 4, 1995 under the 1994 Stock Option Plan. The option may be exercised to purchase the total number of shares on December 4, 1996. The option price was set at 85% of the fair market value of the Company's Common Stock. The fair market value of a share of the Company's Common Stock is the closing price at which the Common Stock was sold on the date of grant. To the extent the option is not vested on the optionee's retirement, death or disability, it is forfeited.

(2) The 5% and 10% assumed annual rates of compounded stock price appreciation are mandated by rules of the Securities and Exchange Commission and do not represent the Company's estimate or projection of the Company's future Common Stock prices. These amounts represent certain assumed rates of appreciation only. Actual gains, if any, on stock option exercises are dependent on the future performance of the Common Stock and overall stock market conditions. The amounts reflected in this table may not necessarily be achieved.

Option Exercises and Year-End Option Grants. The following table sets forth the year-end values of unexercised options held by Billy F. Mitcham, Jr. at January 31, 1996. Billy F. Mitcham, Jr. did not exercise any stock options in the 1996 fiscal year.

| NAME<br>-----             | NUMBER OF SECURITIES<br>UNDERLYING OPTIONS AT<br>JANUARY 31, 1996 (#) | VALUE OF UNEXERCISED<br>IN-THE-MONEY OPTIONS<br>AT JANUARY 31, 1996(1) |
|---------------------------|---|--|
|                           | -----<br>EXERCISABLE/UNEXERCISABLE<br>-----                           | -----<br>EXERCISABLE/UNEXERCISABLE<br>-----                            |
| Billy F. Mitcham, Jr..... | 116,000/9,000   | \$58,000/\$11,160  |

(1) Represents the difference between the closing price of the Company's Common Stock on January 31, 1996 (\$5.50) and the exercise price of the options, multiplied by number of shares represented by such options.

#### EMPLOYMENT AGREEMENT WITH BILLY F. MITCHAM, JR.

Billy F. Mitcham, Jr.'s employment agreement with the Company is for a term of five years, beginning January 15, 1997, which term is automatically extended for successive one-year periods unless either party gives written notice of termination at least 30 days prior to the end of the current term. The agreement provides for an annual salary of \$150,000 and a bonus at the discretion of the Board of Directors. It may be terminated prior to the end of the initial term or any extension thereof if Mr. Mitcham dies; if it is determined that Mr. Mitcham has become disabled (as defined); if Mr. Mitcham gives three months prior notice of resignation; if the Company gives Mr. Mitcham notice of termination "without cause"; or if the Board of Directors determines that Mr. Mitcham has breached the employment agreement in any material respect, has appropriated a material business opportunity of the Company or has engaged in fraud or dishonesty with respect to the Company's business or is convicted of or indicted for any felony criminal offense or any crime punishable by imprisonment. If Mr. Mitcham terminates his employment within 60 days following (i) a material reduction in his duties and responsibilities (without his consent) or (ii) a reduction in, or failure by the Company to pay when due, any portion of his salary, he will be entitled to payments equal to \$450,000, payable ratably over the 24 months following such termination. For a period of two years after the termination of the agreement, Mr. Mitcham is prohibited from engaging in any business activities that are competitive with the Company's business and from diverting any of the Company's customers to a competitor. The Company has no employment agreements with any of its other executive officers. See "Risk Factors -- Dependence on Key Personnel."

#### STOCK OPTION PLANS

The Company has adopted the Mitcham Industries, Inc. 1994 Stock Option Plan (the "Stock Option Plan"). Options to purchase a maximum of 350,000 shares of Common Stock may be issued under the Stock Option Plan to officers, employee directors, key employees and consultants of the Company. As of December 31, 1996, options to purchase an aggregate of 285,750 shares of Common Stock are issued and outstanding under the Stock Option Plan with a weighted average exercise price of \$4.74 per share. The Stock Option Plan provides both for the grant of options intended to qualify as "incentive stock options" under the Internal Revenue Code of 1986, as amended (the "Code"), as well as options that do not so qualify. Pursuant to the Stock Option Plan, the Compensation Committee will determine the persons to whom options are granted, the number of shares of Common Stock subject to options, the period during which the options vest and may be exercised, and the option price. The Stock Option Plan places restrictions on the grant of options under any plan of the Company to persons who are, at the time of the grant, members of the Compensation Committee. With respect to incentive stock options, no option may be granted more than 10 years after the effective date of the Stock Option Plan or exercised more than 10 years after the date of grant (five years if the optionee owns more than 10% of the Common Stock of the Company). Additionally with regard to incentive stock options, the exercise price of the option may not be less than 100% of the fair market value of the Common Stock on the date of grant (110% if the optionee owns more than 10% of the Common Stock of the Company). Subject to certain limited exceptions, options may not be exercised unless, at the time of exercise, the optionee is in the service of the Company.

The Company has also adopted the Mitcham Industries, Inc. 1994 Non-Employee Director Stock Option Plan (the "Non-Employee Director Plan"). Options to purchase a maximum of 50,000 shares of Common

Stock may be issued under the Non-Employee Director Plan to non-employee directors of the Company. The Non-Employee Director Plan provides for the grant of options that do not qualify as "incentive stock options" under the Code. Pursuant to the Non-Employee Director Plan, options to purchase 1,000 shares of Common Stock are granted to each person who is not an employee of the Company upon his election for the first time as a director of the Company and an option to purchase an additional 1,000 shares of Common Stock will automatically be granted each year thereafter that such director is re-elected. Options granted under the Non-Employee Director Plan must be granted at an exercise price of not less than 100% of the fair market value of the Common Stock on the date of grant and vest in full one year after their grant. Options granted under the Non-Employee Director Plan expire 10 years after the date of grant. As of December 31, 1996, 8,000 options were issued and outstanding under the Non-Employee Director Plan with a weighted average exercise price of \$4.65 per share.

#### CERTAIN TRANSACTIONS AND RELATIONSHIPS

Prior to September 1995, the Company leased its facilities located at 44000 Highway 75 South in Huntsville, Texas, consisting of 19,000 square feet, from Mitcham Properties, Inc., a Texas corporation of which Billy F. Mitcham, Jr. is the sole shareholder, for \$4,000 per month (or approximately \$.21 per square foot), exclusive of the cost of utilities, taxes and insurance. An unrelated third party rented from Mitcham Properties, Inc. a portion of the facilities adjacent to the Company's facilities, consisting of 6,000 square feet for \$606 per month (or approximately \$.10 per square foot), exclusive of the cost of utilities, taxes and insurance. Therefore, Mitcham Properties, Inc. was leasing to the Company at approximately twice the cost per square foot being paid by an unrelated third party for adjacent facilities. The difference in lease terms amounts to approximately \$25,000 of additional lease expense to the Company annually. In September 1995, the Company purchased the facilities from Mitcham Properties, Inc. for \$325,000; \$276,000 of such amount was financed with bank financing and the remaining amount was paid from cash flows. The bank's appraisal report reflects an estimated fair value of \$325,000 for the facilities.

In fiscal 1995 and 1996, the Company purchased equipment from corporations and partnerships which are owned or controlled by Billy F. Mitcham, Jr., the Company's Chairman, President and Chief Executive Officer. Such purchases totalled \$11,000 and \$28,000 in the years ended January 31, 1995 and 1996, respectively. The Company does not anticipate making any further such purchases.

Effective September 20, 1993, the Company and Billy F. Mitcham, Jr. entered into a Voting Agreement (the "Voting Agreement") with Billy F. Mitcham, Sr., Paul C. Mitcham and two trusts established for the benefit of Mr. Mitcham, Jr.'s sons. Under the Voting Agreement, the holders of shares subject thereto have agreed that Mr. Mitcham, Jr. has the authority to vote an additional 445,740 shares of Common Stock, or 10.0%, of the Company's outstanding Common Stock. Mr. Mitcham, Jr. has voting control of an aggregate of 1,154,370 shares, or 25.8%, of the Company's outstanding Common Stock, as of December 31, 1996. The Voting Agreement will terminate on the earlier of the agreement of the parties or the expiration of 25 years. See "Principal and Selling Shareholders."

Since April 1994, the Company has engaged Billy F. Mitcham, Sr. as a consultant under a consulting agreement. Mr. Mitcham, Sr. has been involved in the energy industry since 1952 and was formerly the owner and the President of Mitcham Associates, Inc. which was also engaged in the leasing and sale of peripheral seismic equipment. Mr. Mitcham, Sr. has served as an industry expert and consultant for the Company since 1987 and was engaged on terms similar to those in his present consulting agreement during that time, though not pursuant to a written agreement. The agreement calls for monthly payments to Mr. Mitcham, Sr. of \$5,500. The Company paid Mr. Mitcham, Sr. a total of \$66,000 under the agreement in the 1996 fiscal year. The consulting agreement prohibits Mr. Mitcham, Sr. from providing consulting services to, and from contacting or soliciting in an effort to provide services to, any competitor of the Company for two years after the termination of his engagement. The current term of the agreement expires January 31, 1999, subject to earlier termination on the occurrence of certain stated events, and is renewable for successive one-year terms at the Company's option. The Company believes Mr. Mitcham, Sr. could successfully compete with the Company, given his contacts and extensive knowledge of the seismic leasing industry. For the above reasons, the Company believes the terms of Mr. Mitcham, Sr.'s consulting agreement are no less favorable than could be obtained from an unaffiliated third party with similar experience.

## PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets forth certain information with respect to beneficial ownership of Common Stock as of December 31, 1996 by (i) each of the Company's directors; (ii) each Selling Shareholder; (iii) each person who is known by the Company to own beneficially more than 5% of the Common Stock; and (iv) all executive officers and directors as a group. The Alamo Atlas Group, Inc. will exercise a warrant for 8,380 shares of Common Stock to be sold in the Offering. The only percentage for shares owned after the Offering that gives effect to the exercise of this warrant is the percentage for The Alamo Atlas Group.

| NAMES AND ADDRESS OF<br>BENEFICIAL OWNERS(1)   | SHARES OWNED<br>BEFORE OFFERING |         | NUMBER OF<br>SHARES<br>OFFERED | SHARES OWNED<br>AFTER OFFERING |         |
|--|---------------------------------|---------|--------------------------------|--------------------------------|---------|
|  | NUMBER                          | PERCENT |                                | NUMBER                         | PERCENT |
| Billy F. Mitcham, Jr. ....   | 1,373,062(2)                    | 29.3%   | 300,000                        | 1,073,062                      | 14.9%   |
| FMR Corp. ....<br>82 Devonshire Street<br>Boston, Massachusetts 02109  | 446,500(3)                      | 10.00%  | --                             | 446,500                        | 5.9%    |
| Wellington Management Company, LLP.....<br>75 State Street<br>Boston, Massachusetts 02109  | 385,000(4)                      | 8.79%   | --                             | 385,000                        | 5.1%    |
| Billy F. Mitcham, Sr. ....   | 298,290(3)                      | 6.6%    | 50,000                         | 248,290                        | 3.5%    |
| Paul C. Mitcham.....   | 149,180(4)                      | 3.3%    | 25,000                         | 124,180                        | 1.8%    |
| The Alamo Atlas Group, Inc. ....<br>16420 Park Ten Place, Suite 300<br>Houston, Texas 77084-5051   | 148,597(5)                      | 3.3%    | 125,000                        | 23,597                         | *       |
| Roberto Rios.....  | 33,772(6)                       | *       | --                             | 33,772                         | *       |
| William J. Sheppard.....   | 33,772(6)                       | *       | --                             | 33,772                         | *       |
| Gordon M. Greve.....<br>14855 Memorial Drive #1014<br>Houston, Texas 77079   | 2,000                           | *       | --                             | 2,000                          | *       |
| Randal Dean Lewis.....<br>College of Business Administration<br>P.O. Box 2056<br>Sam Houston State University<br>Huntsville, Texas 77341 | 3,000                           | *       | --                             | 3,000                          | *       |
| John F. Schwalbe.....<br>10700 Richmond Avenue #219<br>Houston, Texas 77042  | 3,000                           | *       | --                             | 3,000                          | *       |
| All executive officers and directors as a<br>group<br>(7 persons).....   | 1,448,606                       | 30.6%   | --                             | 1,070,606                      | 14.8%   |

\* Less than 1%

(1) The business address of each shareholder is the same as the address of the Company's principal executive offices, unless otherwise indicated.

(2) Includes an aggregate of 445,740 shares of Common Stock owned by Billy F. Mitcham, Sr. (252,540 shares), Paul C. Mitcham (118,680 shares) and two trusts established for the benefit of Mr. Mitcham, Jr.'s sons (74,520 shares), and as to which shares Mr. Mitcham, Jr. has the right to vote under the Voting Agreement. Also includes shares underlying currently exercisable options to purchase an aggregate of 218,692 shares of Common Stock, as follows: Billy F. Mitcham, Jr. (125,000 shares), Billy F. Mitcham, Sr. (45,750 shares), Paul C. Mitcham (30,500 shares), and the two trusts (17,442 shares). See "Certain Transactions and Relationships."

(3) Based solely upon information contained in a Schedule 13G dated February 14, 1997 filed by FMR Corp. with the SEC.

- (4) Based solely upon information contained in a Schedule 13G dated February 11, 1995 filed by Wellington Management Company, LLP with the SEC.
- (5) Includes shares underlying a currently exercisable option to purchase 45,750 shares of Common Stock.
- (6) Includes shares underlying currently exercisable options to purchase 30,500 shares.
- (7) Includes shares underlying a currently exercisable warrant to purchase 31,977 shares.
- (8) Includes shares underlying currently exercisable options to purchase 21,000 shares and a currently exercisable warrant to purchase 2,422 shares.

#### DESCRIPTION OF CAPITAL STOCK AND OTHER SECURITIES

The authorized capital stock of the Company consists of 20,000,000 shares of Common Stock, par value \$.01 per share, and 1,000,000 shares of Preferred Stock, par value \$1.00 per share. As of December 31, 1996 there were outstanding 4,474,880 shares of Common Stock, no shares of Preferred Stock, options to purchase up to 293,750 shares of Common Stock, and warrants to purchase up to 246,723 shares of Common Stock. Upon completion of this Offering, there will be 6,974,880 issued and outstanding shares of Common Stock.

The following description of the Company's capital stock and other securities and selected provisions of its Amended and Restated Articles of Incorporation (the "Amended Articles") and Restated Bylaws is a summary and is qualified in its entirety by the Company's Amended Articles and Restated Bylaws, copies of which have been filed with the Commission.

#### COMMON STOCK

Holder of the Common Stock are entitled to one vote per share for the election of directors and other corporate matters. Holders of Common Stock are not entitled to cumulative voting rights in connection with the election of directors. Therefore, the holders of a majority of the shares voting for the election of directors may elect all the directors. The Amended Articles permit actions to be taken by the shareholders of the Company without a meeting, by written consent, including a written consent signed by less than all of the shareholders of the Company. Section 9.10A of the Texas Business Corporation Act requires that prompt notice of the taking of any action by shareholders without a meeting by less than unanimous written consent be given to all shareholders who did not consent in writing to the action.

Subject to the rights of any outstanding shares of Preferred Stock, the holders of Common Stock are entitled to dividends in such amounts and at such times as may be declared by the Board of Directors of the Company out of funds legally available therefor. Upon liquidation or dissolution, holders of the Common Stock are entitled to share ratably in all assets remaining available for distribution to them after payment or provision for all liabilities and any preferential rights of any Preferred Stock then outstanding. The Common Stock carries no preemptive rights. All outstanding shares of Common Stock are, and the shares of Common Stock to be sold by the Company in the Offering will be, upon payment therefor as contemplated herein, validly issued, fully paid and nonassessable securities of the Company.

#### WARRANTS

There are currently outstanding warrants issued in connection with the Company's initial public offering of units ("Units") in January 1995, entitling the holders to purchase 17,000 Units, each Unit consisting of two shares of Common Stock and a warrant to purchase one share of Common Stock (an "Underlying Warrant"). The warrants are exercisable through and including December 19, 1999, at an exercise price of \$7.97 per Unit. The Underlying Warrants are exercisable through and including December 19, 1997 at an exercise price of \$4.20 per share of Common Stock.

The warrants contain provisions providing for appropriate adjustment in the event of any merger, consolidation, recapitalization, reclassification, stock dividend, stock split or similar transaction. The warrants contain net issuance provisions permitting the holder thereof to elect to exercise the warrants in whole or in part and instruct the Company to withhold from the Units issuable upon exercise a number of Units, valued at

the current fair market value on the date of exercise, to pay the exercise price. Such net exercise provision has the effect of requiring the Company to issue shares of Common Stock without a corresponding increase in capital. A net exercise of the Underlying Warrants will have the same dilutive effect on the interests of the Company's shareholders as will a cash exercise.

There are also outstanding currently exercisable warrants to acquire up to 60,723 shares of Common Stock held by seven holders, at \$3.87 per share, May 9, 1999; currently exercisable warrants to acquire 35,000 shares of Common Stock at \$3.50 per share, exercisable to purchase 17,500 shares through July 17, 2000 and the remaining 17,500 shares through January 17, 2001; currently exercisable warrants to acquire 50,000 shares of Common Stock at \$6.43 per share, exercisable through August 22, 2000; and warrants to acquire 50,000 shares of Common Stock at \$9.28 per share, exercisable beginning December 31, 1997 through December 31, 2001.

The Company will issue warrants to the Representatives ("Representatives' Warrants") to purchase 200,000 shares of Common Stock in connection with the Offering, with an exercise price equal to 120% of the price of the Common Stock to the public in the offering. The Representatives' Warrants will be exercisable for a two-year period beginning one year after the effective date of the Registration Statement of which this Prospectus is a part. See "Underwriting."

#### OPTIONS

As of December 31, 1996, options to purchase an aggregate of 293,750 shares of Common Stock had been granted pursuant to the Plans, 250,250 of which are currently exercisable. See "Management -- Stock Option Plans."

#### PREFERRED STOCK

The Board of Directors of the Company is empowered, without approval of the Company's shareholders, to cause shares of Preferred Stock to be issued in one or more series and to establish the number of shares to be included in each such series and the designations, preferences, limitations and relative rights, including voting rights, of the shares of any series. Because the Board of Directors has the power to establish the preferences and rights of each series, it may afford the holders of any series of Preferred Stock preferences, powers and rights, voting or otherwise, senior to the rights of holders of Common Stock. This includes, among other things, voting rights, conversion privileges, divided rates, redemption rights, sinking fund provisions and liquidation rights which shall be superior to the Common Stock. The issuance of shares of Preferred Stock could have the effect of delaying or preventing a change in control of the Company. No shares of Preferred Stock will be outstanding at the consummation of this Offering, and the Board of Directors has no current plans to issue any shares of Preferred Stock.

#### LIMITATION ON DIRECTORS' LIABILITY

The Amended Articles limit the liability of the Company's directors to the Company or its shareholders (in their capacity as directors but not in their capacity as officers) to the fullest extent permitted by Texas law. Specifically, directors of the Company will not be personally liable for monetary damages for an act or omission in the director's capacity as a director except for liability (i) for any breach of the director's duty of loyalty to the Company or its shareholders; (ii) for acts or omissions not in good faith that constitute a breach of duty of the director to the Company or that involve intentional misconduct or a knowing violation of law; (iii) for any transaction from which the director derived an improper personal benefit; or (iv) an act or omission for which the liability of the director is expressly provided for by an applicable statute.

The inclusion in the Company's Amended Articles of the limitation of the personal liability of the Company's directors to the Company may have the effect of reducing the likelihood of derivative litigation against those directors, and may deter shareholders or management from bringing a lawsuit against those directors for breach of their duty of care, even though such an action, if successful, might otherwise have benefitted the Company and its shareholders.

## TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Stock is North American Transfer Co. Its address is 147 West Merrick Road, Freeport, New York 11520.

## SHARES ELIGIBLE FOR FUTURE SALE

As of December 31, 1996, there were 4,474,880 shares of Common Stock outstanding. In addition, the Company has reserved for issuance 400,000 shares upon the exercise of options granted under the Stock Option Plans, 246,723 shares for issuance upon exercise of outstanding warrants and up to 200,000 shares for issuance upon exercise of the Representatives' Warrants. Of the 6,974,880 shares of Common Stock to be outstanding after the completion of this Offering, approximately 6,122,781 shares will be freely tradable without restriction or further registration under the Securities Act, unless held by "affiliates" of the Company, as that term is defined in Rule 144 under the Securities Act (whose sales would be subject to certain volume limitations and other restrictions described below.) The remaining 852,099 shares of Common Stock are "restricted securities" as defined in Rule 144 promulgated under the Securities Act, and may only be sold in the public market if such shares are registered under the Securities Act or sold in accordance with Rule 144 or another exemption from registration under the Securities Act. The number of shares issued and outstanding after completion of the Offering does not reflect the exercise of a warrant for 8,380 shares of Common Stock to be sold in the Offering by one of the Selling Shareholders. See "Principal and Selling Shareholders."

In general, under Rule 144 as currently in effect, a person who has beneficially owned his or her Common Stock for at least two years, including persons who may be deemed "affiliates" of the Company, is entitled to sell within any three-month period a number of shares that does not exceed the greater of 1% of the then-outstanding shares of Common Stock (approximately 69,750 shares immediately after this Offering) or the average weekly trading volume of such shares in the over-the-counter market during the four calendar weeks preceding the date on which notice of the proposed sale is filed with the Commission. A person who is not deemed an "affiliate" of the Company and who has beneficially owned his or her shares of Common Stock for at least three years would be entitled to sell such shares under Rule 144 without regard to the volume limitations described above. Sales under Rule 144 are also subject to certain manner of sale provisions, notice requirements, and the availability of current public information about the Company. A person who has not been an "affiliate" of the Company for the 90 days preceding a sale and who has beneficially owned restricted securities for at least three years will be entitled to sell such shares in the public market without restriction. Restricted securities properly sold in reliance upon Rule 144 are thereafter freely tradeable without restrictions or registration under the Securities Act, unless thereafter held by an "affiliate" of the Company.

The Company has filed a registration statement under the Securities Act covering 400,000 shares of Common Stock reserved for issuance under the Stock Option Plans. Accordingly, shares issued under such registration statement upon the exercise of options will be available for sale in the open market subject to the agreements not to sell described below. See "Management -- Stock Option Plans."

The Company is unable to estimate the amount, timing or nature of future sales of outstanding Common Stock. Of the 852,099 restricted shares that will be outstanding upon completion of this Offering, executive officers and directors, holding an aggregate of 800,070 shares, have agreed that for a period of 180 days from the date of this Prospectus, they will not offer for sale, sell, solicit an offer to buy, contract to sell, distribute, grant any option for the sale of or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into, exercisable for or exchangeable for any shares of Common Stock without the prior written consent of Rodman & Renshaw, Inc. on behalf of the Underwriters. All of the remaining 52,029 restricted shares are eligible for sale under Rule 144. See "Underwriting."

In connection with this Offering, the Company has agreed to sell warrants to the Representatives to purchase from the Company up to 200,000 shares of Common Stock, exercisable in whole or in part at any time during the two-year period commencing one year after the effective date of the Registration Statement of which this Prospectus is a part.

## UNDERWRITING

The Underwriters named below, for whom Rodman & Renshaw, Inc. and Simmons & Company International are acting as representatives (the "Representatives"), have severally agreed to purchase from the Company the respective number of shares of Common Stock set forth opposite their names:

| UNDERWRITER<br>-----                 | NUMBER OF<br>SHARES<br>----- |
|--------------------------------------|------------------------------|
| Rodman & Renshaw, Inc.....           |                              |
| Simmons & Company International..... |                              |
|                                      | -----                        |
| Total.....                           | 3,000,000<br>=====           |

The Underwriting Agreement provides that the obligations of the several Underwriters thereunder are subject to approval of certain legal matters by counsel and to various other considerations. The nature of the Underwriters' obligations is such that they are committed to purchase and pay for all of the above shares of Common Stock if any are purchased.

The Underwriters, through the Representatives, have advised the Company that they propose to offer the Common Stock initially at the public offering price set forth on the cover page of this Prospectus; that the Underwriters may allow to selected dealers a concession of \$            per share; and that such dealers may reallocate a concession of \$            per share to certain other dealers. After the public offering, the offering price and other selling terms may be changed by the Underwriters. The Common Stock is included for quotation on the Nasdaq National Market.

The Company and the Selling Shareholders have granted to the Underwriters a 30-day over-allotment option to purchase up to 375,000 and 75,000 additional shares of Common Stock, respectively, exercisable at the public offering price less the underwriting discount. If the Underwriters exercise such over-allotment option, then each of the Underwriters will have a firm commitment, subject to certain conditions, to purchase approximately the same percentage thereof as the number of shares of Common Stock to be purchased by it as shown in the above table bears to the 3,000,000 shares of Common Stock offered by the Company and the Selling Shareholders hereby. The Underwriters may exercise such option only to cover over-allotments made in connection with the sale of the shares of Common Stock offered hereby.

The Company and the officers and directors of the Company have agreed that they will not sell or dispose of any shares of Common Stock of the Company for a period of 180 days after the later of the date on which the Registration Statement is declared effective by the Commission or the first date on which the shares are bona fide offered to the public, without the prior written consent of Rodman & Renshaw, Inc.

In connection with the Offering made hereby, the Company has agreed to sell to the Representatives, for nominal consideration, Representatives' Warrants to purchase from the Company up to 200,000 shares of Common Stock. The Representatives' Warrants are exercisable, in whole or in part, at an exercise price of 120% of the price to public at any time during the two-year period commencing one year after the effective date of the Registration Statement of which this Prospectus is a part. The Representatives' Warrants contain provisions providing for adjustment of the exercise price and the number and type of securities issuable upon exercise of the Representatives' Warrants should any one or more of certain specified events occur. The

Representatives' Warrants grant to the holders thereof certain rights of registration for the securities issuable upon exercise of the Representatives' Warrants. The Representatives' Warrants may not be sold, transferred, assigned, pledged or hypothecated until one year after the effective date of the Offering, except as provided in Rule 2710(c)(7)(A) of the NASD Conduct Rules.

The Company and the Selling Shareholders have agreed to indemnify the Underwriters against certain liabilities, losses and expenses, including liabilities under the Securities Act of 1933, as amended (the "Securities Act"), or to contribute to payments that the Underwriters may be required to make in respect thereof. The Company has agreed to pay to the Representatives a non-accountable expense allowance of 1.0% of the gross proceeds derived from the sale of Common Stock (including the sale of any Common Stock subject to the Underwriters' over-allotment option).

In connection with this Offering, certain Underwriters and selling group members and their respective affiliates may engage in transactions that stabilize, maintain or otherwise affect the market price of the Common Stock. Such transactions may include stabilization transactions effected in accordance with Rule 104 of Regulation M, pursuant to which such persons may bid for or purchase Common Stock for the purpose of stabilizing its market price. The Underwriters also may create a short position for the account of the Underwriters by selling more Common Stock in connection with the Offering than they are committed to purchase from the Company and the Selling Shareholders, and in such case may purchase Common Stock in the open market following completion of the Offering to cover all or a portion of such short position. The Underwriters may also cover all or a portion of such short position, up to 450,000 shares of Common Stock, by exercising the Underwriters' over-allotment options referred to above. In addition, Rodman & Renshaw, Inc., on behalf of the Underwriters, may impose "penalty bids" under contractual arrangements with the Underwriters whereby it may reclaim from an Underwriter (or dealer participating in the Offering) for the account of the other Underwriters, the selling concession with respect to Common Stock that is distributed in the Offering but subsequently purchased for the account of the Underwriters in the open market. Any of the transactions described in this paragraph may result in the maintenance of the price of the Common Stock at a level above that which might otherwise prevail in the open market. None of the transactions described in this paragraph are required, and, if they are undertaken, they may be discontinued at any time.

#### LEGAL MATTERS

The validity of the issuance of shares of Common Stock offered hereby will be passed upon for the Company by Norton, Jacobs, Kuhn & McTopy, L.L.P., Houston, Texas. Certain legal matters in connection with the sale of such securities will be passed upon for the Underwriters by Vinson & Elkins L.L.P., Houston, Texas. Members of Norton, Jacobs, Kuhn & McTopy, L.L.P. own an aggregate of 38,681 shares of Common Stock. The Norton Family Trust, of which Carl L. Norton is a beneficiary, and Sabrina A. McTopy own warrants to acquire an additional 103,230 shares of Common Stock. Carl L. Norton and Sabrina A. McTopy are partners in Norton, Jacobs, Kuhn & McTopy, L.L.P.

#### EXPERTS

The financial statements of the Company as of January 31, 1994, 1995 and 1996 and for each of the years in the three-year period ended January 31, 1996 included in this Prospectus have been audited by Hein + Associates LLP, independent certified public accountants, as set forth in their report appearing elsewhere herein, and is included herein in reliance upon such report and upon the authority of such firm as experts in accounting and auditing.

#### AVAILABLE INFORMATION

The Company has filed with the Securities and Exchange Commission (the "Commission") a Registration Statement on Form S-1 under the Securities Act with respect to the Common Stock offered by this Prospectus. This Prospectus does not contain all of the information set forth in such Registration Statement, certain parts of which were omitted in accordance with the rules and regulations of the

Commission. For further information with respect to the Company and to the securities offered hereby, reference is made to such Registration Statement, including the exhibits thereto. Statements contained in this Prospectus as to the contents of any contract or other document are not necessarily complete, and in each instance reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement, each such statement being qualified in all respects by such reference.

The Company is subject to the informational requirements of the Exchange Act and in accordance therewith files periodic reports, proxy and information statements and other information filed with the Commission. Reports, proxy statements, and other information filed by the Company with the Commission are available at the web site that the Commission maintains at <http://www.sec.gov>. and can be inspected and copied at the public reference facilities maintained by the Commission at its principal offices at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington D.C. 20549 and at the regional offices of the Commission located at 7 World Trade Center, New York, New York, 10048, and the Chicago Regional Office, Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material may also be obtained from the Public Reference Section of the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. The Common Stock is quoted on the Nasdaq National Market and such reports, proxy and information statements and other information concerning the Company are available at the offices of the Nasdaq National Market located at 1735 K Street, N.W., Washington, D.C. 20006.

## GLOSSARY OF TERMS

Certain words and terms commonly used in the seismic business which are used throughout this Prospectus are defined below.

Acoustic wave. A sonic wave travelling through the earth's subsurface induced by a release of energy, normally dynamite or vibroseis.

CEU. Central Electronics unit that records and stores seismic data.

Channel. A set of geophones recording acoustic waves reflected from formations below the earth's surface.

Channel box. A remote data acquisition unit that collects seismic data from a multi-conductor geophysical cable attached to the geophones and transmits the data to the CEU.

Data acquisition system. The electronic field instruments and associated equipment required for seismic acquisition.

Geophones. Electro-magnetic coils placed on the earth's surface to receive the acoustic waves reflected by subsurface geological layers.

Seismic processing system. The computer hardware and software required to convert seismic records to seismic cross-sections.

2-D seismic. Seismic data representing a vertical plane of subsurface information.

3-D seismic. Seismic data representing a cube of subsurface information that can be sliced into numerous planes offering a different view of the target.

## INDEX TO FINANCIAL STATEMENTS

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders  
Mitcham Industries, Inc.  
Huntsville, Texas

We have audited the accompanying balance sheets of Mitcham Industries, Inc. as of January 31, 1995 and 1996, and the related statements of income, changes in stockholders' equity and cash flows for each of the years in the three year period ended January 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mitcham Industries, Inc. as of January 31, 1995 and 1996, and the results of its operations and its cash flows for each of the years in the three year period ended January 31, 1996, in conformity with generally accepted accounting principles.

HEIN + ASSOCIATES LLP  
Certified Public Accountants

Houston, Texas  
February 23, 1996

## MITCHAM INDUSTRIES, INC.

## BALANCE SHEETS

## ASSETS

|   | JANUARY 31, |              | OCTOBER 31,  |
|---|-------------|--------------|--------------|
|   | 1995        | 1996         | 1996         |
|   | (UNAUDITED) |              |              |
| Current assets:   |             |              |              |
| Cash.....   | \$ 874,000  | \$ 637,000   | \$ 3,330,000 |
| Accounts receivable, net of allowance for doubtful accounts of \$90,000, \$347,000 and \$615,000 at January 31, 1995 and 1996 and October 31, 1996, respectively..... | 1,792,000   | 2,277,000    | 3,288,000    |
| Installment notes receivable, trade.....  | 289,000     | 193,000      | 72,000       |
| Inventory.....  | 84,000      | 206,000      | 630,000      |
| Prepaid expenses and other current assets.....  | 69,000      | 274,000      | 103,000      |
|   | -----       | -----        | -----        |
| Total current assets.....   | 3,108,000   | 3,587,000    | 7,423,000    |
| Seismic equipment lease pool, net of accumulated depreciation.....  | 4,979,000   | 8,115,000    | 15,247,000   |
| Property and equipment, net of accumulated depreciation.....  | 73,000      | 472,000      | 530,000      |
| Other assets.....   | 39,000      | 65,000       | 52,000       |
|   | -----       | -----        | -----        |
| Total assets.....   | \$8,199,000 | \$12,239,000 | \$23,252,000 |
|   | =====       | =====        | =====        |
| LIABILITIES AND STOCKHOLDERS' EQUITY  |             |              |              |
| Current liabilities:  |             |              |              |
| Notes payable to bank.....  | \$ 256,000  | \$ 400,000   | \$ --        |
| Current installments of long-term debt.....   | 167,000     | 447,000      | 938,000      |
| Obligation under capital lease.....   | 6,000       | --           | --           |
| Accounts payable.....   | 614,000     | 491,000      | 3,370,000    |
| Income taxes payable.....   | 28,000      | 311,000      | --           |
| Deferred income taxes payable.....  | 505,000     | 544,000      | 916,000      |
| Accrued liabilities and other current liabilities.....  | 80,000      | 474,000      | 737,000      |
|   | -----       | -----        | -----        |
| Total current liabilities.....  | 1,656,000   | 2,667,000    | 5,961,000    |
|   | -----       | -----        | -----        |
| Long-term debt:   |             |              |              |
| Long-term debt, net of current installments.....  | 234,000     | 1,155,000    | 2,910,000    |
| Capital lease obligations, net of current portion...  | 27,000      | 18,000       | --           |
| Deferred income taxes.....  | 106,000     | 351,000      | 645,000      |
|   | -----       | -----        | -----        |
| Total liabilities.....  | 2,023,000   | 4,191,000    | 9,516,000    |
| Stockholders' equity:   |             |              |              |
| Preferred stock, \$1.00 par value; 1,000,000 shares authorized; none issued and outstanding.....  | --          | --           | --           |
| Common stock, \$.01 par value; 20,000,000 shares authorized; 3,170,000, 3,221,000 and 4,378,650 shares, respectively, issued and outstanding.....                     | 32,000      | 32,000       | 44,000       |
| Additional paid-in capital.....   | 4,181,000   | 4,340,000    | 8,398,000    |
| Retained earnings.....  | 1,963,000   | 3,676,000    | 5,294,000    |
|   | -----       | -----        | -----        |
| Total stockholders' equity.....   | 6,176,000   | 8,048,000    | 13,736,000   |
|   | -----       | -----        | -----        |
| Total liabilities and stockholders' equity.....   | \$8,199,000 | \$12,239,000 | \$23,252,000 |
|   | =====       | =====        | =====        |

The accompanying notes are an integral part of these financial statements.

## MITCHAM INDUSTRIES, INC.

## STATEMENTS OF INCOME

|  | YEARS ENDED JANUARY 31, |             |             | NINE MONTHS<br>ENDED OCTOBER 31, |             |
|--|-------------------------|-------------|-------------|----------------------------------|-------------|
|  | 1994                    | 1995        | 1996        | 1995                             | 1996        |
|  | (UNAUDITED)             |             |             |                                  |             |
| Revenues:  |                         |             |             |                                  |             |
| Leases of seismic equipment.....   | \$1,601,000             | \$2,424,000 | \$5,157,000 | \$3,431,000                      | \$5,356,000 |
| Sales of seismic equipment.....  | 2,926,000               | 2,860,000   | 2,135,000   | 1,643,000                        | 2,007,000   |
| Total revenues.....  | 4,527,000               | 5,284,000   | 7,292,000   | 5,074,000                        | 7,363,000   |
| Costs and expenses:  |                         |             |             |                                  |             |
| Seismic equipment subleases.....   | 896,000                 | 245,000     | 251,000     | 222,000                          | 111,000     |
| Sales of seismic equipment.....  | 1,772,000               | 2,027,000   | 1,085,000   | 1,000,000                        | 1,261,000   |
| General and administrative.....  | 655,000                 | 924,000     | 1,344,000   | 990,000                          | 1,199,000   |
| Provision for doubtful accounts....  | 38,000                  | 35,000      | 627,000     | 372,000                          | 418,000     |
| Depreciation.....  | 62,000                  | 363,000     | 1,331,000   | 825,000                          | 1,951,000   |
| Total costs and expenses...  | 3,423,000               | 3,594,000   | 4,638,000   | 3,409,000                        | 4,940,000   |
| Other income (expense):  |                         |             |             |                                  |             |
| Interest, net.....   | (16,000)                | (209,000)   | (21,000)    | (6,000)                          | (170,000)   |
| Other, net.....  | 20,000                  | 60,000      | 38,000      | 26,000                           | 219,000     |
| Total other income<br>(expense).....   | 4,000                   | (149,000)   | 17,000      | 20,000                           | 49,000      |
| Income before income taxes.....  | 1,108,000               | 1,541,000   | 2,671,000   | 1,685,000                        | 2,472,000   |
| Provision for income taxes.....  | 405,000                 | 541,000     | 958,000     | 605,000                          | 854,000     |
| Net income.....  | \$ 703,000              | \$1,000,000 | \$1,713,000 | \$1,080,000                      | \$1,618,000 |
| Earnings per common and common<br>equivalent share:                          |                         |             |             |                                  |             |
| Primary.....   | \$ 0.51                 | \$ 0.66     | \$ 0.52     | \$ 0.34                          | \$ 0.37     |
| Assuming full dilution.....  | \$ 0.51                 | \$ 0.66     | \$ 0.50     | \$ 0.34                          | \$ 0.36     |
| Shares used in computing earnings per<br>common and common equivalent share: |                         |             |             |                                  |             |
| Primary.....   | 1,380,000               | 1,514,000   | 3,306,000   | 3,170,000                        | 4,431,000   |
| Assuming full dilution.....  | 1,380,000               | 1,514,000   | 3,403,000   | 3,170,000                        | 4,489,000   |

The accompanying notes are an integral part of these financial statements.

## MITCHAM INDUSTRIES, INC.

## STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

|   | COMMON STOCK     |                 | ADDITIONAL<br>PAID-IN<br>CAPITAL | RETAINED<br>EARNINGS | TOTAL               |
|---|------------------|-----------------|----------------------------------|----------------------|---------------------|
|   | SHARES           | AMOUNT          |                                  |                      |                     |
| Balances, February 1, 1993.....   | 1,380,000        | \$14,000        | \$ --                            | \$ 260,000           | \$ 274,000          |
| Net income.....   | --               | --              | --                               | 703,000              | 703,000             |
| Balances, February 1, 1994.....   | 1,380,000        | 14,000          | --                               | 963,000              | 977,000             |
| Issuance of common stock, net of<br>offering expenses.....                | 1,790,000        | 18,000          | 4,181,000                        | --                   | 4,199,000           |
| Net income.....   | --               | --              | --                               | 1,000,000            | 1,000,000           |
| Balances, January 31, 1995.....   | 3,170,000        | 32,000          | 4,181,000                        | 1,963,000            | 6,176,000           |
| Compensation on stock options issued<br>to employees.....                 | --               | --              | 37,000                           | --                   | 37,000              |
| Issuance of common stock upon<br>exercise of warrants.....                | 51,000           | --              | 122,000                          | --                   | 122,000             |
| Net income.....   | --               | --              | --                               | 1,713,000            | 1,713,000           |
| Balances, January 31, 1996.....   | 3,221,000        | 32,000          | 4,340,000                        | 3,676,000            | 8,048,000           |
| Issuance of common stock upon<br>exercise of warrants<br>(unaudited)..... | 1,158,000        | 12,000          | 4,058,000                        | --                   | 4,070,000           |
| Net income (unaudited).....   | --               | --              | --                               | 1,618,000            | 1,618,000           |
| Balances, October 31, 1996<br>(unaudited).....                            | <u>4,379,000</u> | <u>\$44,000</u> | <u>\$8,398,000</u>               | <u>\$5,294,000</u>   | <u>\$13,736,000</u> |

The accompanying notes are an integral part of these financial statements.

## MITCHAM INDUSTRIES, INC.

## STATEMENTS OF CASH FLOWS

|   | YEARS ENDED JANUARY 31, |              |              | NINE MONTHS<br>ENDED OCTOBER 31, |              |
|---|-------------------------|--------------|--------------|----------------------------------|--------------|
|   | 1994                    | 1995         | 1996         | 1995                             | 1996         |
|   | (UNAUDITED)             |              |              |                                  |              |
| Cash flows from operating activities:   |                         |              |              |                                  |              |
| Net income.....   | \$ 703,000              | \$ 1,000,000 | \$ 1,713,000 | \$ 1,080,000                     | \$ 1,618,000 |
| Adjustments to reconcile net income to<br>net cash provided by operating<br>activities: |                         |              |              |                                  |              |
| Trade accounts receivable, net.....   | (318,000)               | (1,404,000)  | (742,000)    | (316,000)                        | (1,158,000)  |
| Accounts payable and other current<br>liabilities.....                                  | 428,000                 | 71,000       | 554,000      | 20,000                           | (193,000)    |
| Depreciation.....   | 62,000                  | 363,000      | 1,331,000    | 825,000                          | 1,951,000    |
| Provision for doubtful accounts, net<br>of chargeoffs.....                              | --                      | (3,000)      | 257,000      | --                               | 268,000      |
| Loss on disposal of assets.....   | --                      | 12,000       | --           | --                               | --           |
| Deferred income taxes.....  | 94,000                  | 467,000      | 284,000      | 109,000                          | 666,000      |
| Other, net.....   | (23,000)                | (46,000)     | (171,000)    | 145,000                          | (540,000)    |
| Net cash provided by operating<br>activities.....                                       | 946,000                 | 460,000      | 3,226,000    | 1,863,000                        | 2,612,000    |
| Cash flows from investing activities:   |                         |              |              |                                  |              |
| Purchases of seismic equipment held for<br>lease.....                                   | (875,000)               | (1,938,000)  | (5,321,000)  | (2,547,000)                      | (5,750,000)  |
| Purchases of property and equipment....   | (7,000)                 | (22,000)     | (444,000)    | (377,000)                        | (131,000)    |
| Proceeds from sale of property and<br>equipment.....                                    | --                      | --           | 846,000      | 797,000                          | --           |
| Net cash used in investing<br>activities.....   | (882,000)               | (1,960,000)  | (4,919,000)  | (2,127,000)                      | (5,881,000)  |
| Cash flows from financing activities:   |                         |              |              |                                  |              |
| Proceeds from short-term borrowings....   | 709,000                 | 1,413,000    | 400,000      | 400,000                          | --           |
| Payments on short-term borrowings.....  | (146,000)               | (4,242,000)  | (256,000)    | (256,000)                        | (400,000)    |
| Proceeds from long-term debt.....   | --                      | 500,000      | 1,372,000    | 326,000                          | 3,126,000    |
| Payments on long-term debt and<br>capitalized lease obligations.....                    | (6,000)                 | (97,000)     | (182,000)    | (134,000)                        | (834,000)    |
| Capitalized stock issuance costs and<br>deferred financing charges.....                 | (109,000)               | (25,000)     | --           | (36,000)                         | --           |
| Proceeds from issuance of common stock,<br>net of offering expenses.....                | --                      | 4,186,000    | 122,000      | --                               | 4,070,000    |
| Net cash provided by financing<br>activities.....                                       | 448,000                 | 1,735,000    | 1,456,000    | 300,000                          | 5,962,000    |
| Net increase (decrease) in cash.....  | 512,000                 | 235,000      | (237,000)    | 36,000                           | 2,693,000    |
| Cash, beginning of period.....  | 127,000                 | 639,000      | 874,000      | 874,000                          | 637,000      |
| Cash, end of period.....  | \$ 639,000              | \$ 874,000   | \$ 637,000   | \$ 910,000                       | \$ 3,330,000 |
| Supplemental cash flow information:   |                         |              |              |                                  |              |
| Cash paid for:  |                         |              |              |                                  |              |
| Interest.....   | \$ 17,000               | \$ 196,000   | \$ 78,000    | \$ 79,000                        | \$ 289,000   |
| Taxes.....  | \$ 8,000                | \$ 800       | --           | \$ 300,000                       | \$ 515,000   |
| Equipment acquired under capital<br>lease.....  | \$ 18,000               | \$ 36,000    | --           | --                               | --           |
| Equipment purchases in accounts<br>payable.....   | \$ --                   | --           | \$ --        | \$ 1,175                         | \$ 3,009     |
| Equipment purchased with vendor<br>financing.....                                       | --                      | \$ 2,500,000 | --           | --                               | --           |

The accompanying notes are an integral part of these financial statements.

## MITCHAM INDUSTRIES, INC.

NOTES TO FINANCIAL STATEMENTS  
(INFORMATION SUBSEQUENT TO JANUARY 31, 1996 IS UNAUDITED)

## 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization -- Mitcham Industries, Inc. (the Company), is a Texas corporation formed on January 29, 1987. The Company provides full-service equipment leasing to the seismic industry primarily in North and South America. The Company also sells and services new and used seismic data acquisition equipment on a worldwide basis.

Description of leasing arrangements -- The Company leases various types of seismic equipment to seismic data acquisition companies. All leases at October 31, 1996 are for one year or less. Lease revenue is recognized ratably over the term of the lease.

Equipment sold on the installment basis -- The Company periodically sells seismic equipment on an installment basis. The terms of the sale agreements generally require twelve payments, with two payments due upon delivery of the equipment and the remaining payments due over the succeeding ten months. To the extent a down payment equal to at least 16.5% of the sales price is not received, the gross profit from the sale is deferred until sufficient payments have been received to warrant full revenue recognition.

Inventories -- Inventories consist primarily of used seismic equipment purchased in bulk liquidation sales. Inventories are valued at the lower of cost or market using the average cost method.

Seismic equipment held for lease -- Seismic equipment held for lease consists primarily of remote signal conditioners (channel boxes) and peripheral equipment and is carried at cost, net of accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the equipment, which range from three to seven years.

Property and equipment -- Property and equipment is carried at cost, net of accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the property and equipment. The estimated useful lives of equipment range from three to seven years. Buildings are depreciated over 40 years and property improvements over 10 years.

Income taxes -- The Company accounts for its taxes under FASB 109 under which the Company recognizes on a current and long-term basis, deferred tax assets and liabilities which represent differences between the financial and income tax reporting bases of its assets and liabilities.

Cash equivalents -- For purposes of presenting cash flows, the Company considers all highly liquid investments with remaining maturities of 90 days or less on the purchase date to be cash equivalents.

Earnings per share -- Primary earnings per common and common equivalent share and earnings per common and common equivalent share assuming full dilution are computed on the weighted average number of shares outstanding adjusted for the incremental shares attributed to outstanding options and warrants to purchase common stock.

Use of estimates -- The preparation of the Company's financial statements in conformity with generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from these estimates.

Industry Concentration -- The Company's lease revenues are derived from seismic equipment leased to seismic companies providing 3-D seismic acquisition services. The seismic industry has rapidly expanded its 3-D seismic acquisition capabilities over the past few years as this technology has gained broader market acceptance from the oil and gas exploration companies. With this expansion, many of the seismic acquisition companies in North America, while experiencing rapid growth in 3-D seismic acquisition revenues, have not experienced corresponding increases in profitability and have become increasingly leveraged. Should the

## MITCHAM INDUSTRIES, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)  
(INFORMATION SUBSEQUENT TO JANUARY 31, 1996 IS UNAUDITED)

financial performance of the companies in this industry not improve, the Company could be exposed to additional credit risk and subjected to declining demand for its leased products.

New Accounting Pronouncements -- The Financial Accounting Standards Board issued FASB 121 entitled "Impairment of Long-Lived Assets". FASB 121, which became effective beginning February 1, 1996, provides that in the event that facts and circumstance indicate that the cost of assets or other assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset would be compared to the assets carrying amount to determine if a writedown to market value or discounted cash flow is required. FASB 121 did not have a material impact on the operating results or financial condition of the Company upon implementation.

The FASB also issued SFAS No. 123, "Accounting for Stock Based Compensation", effective for fiscal years beginning after December 15, 1995. This statement allows companies to choose to adopt the statement's new rules for accounting for employee stock-based compensation plans. For those companies which choose not to adopt the new rules, the statement requires disclosures as to what earnings per share would have been if the new rules had been adopted. Management adopted the disclosure requirements of this statement during fiscal 1997.

Unaudited Interim Information -- The accompanying financial information as of October 31, 1996 and for the nine month periods ended October 31, 1995 and 1996 has been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements reflect all adjustments, consisting of normal recurring accruals, which are, in the opinion of management, necessary to fairly present such information in accordance with generally accepted accounting principles.

## 2. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

|                                    | JANUARY 31, |           | OCTOBER 31, |
|------------------------------------|-------------|-----------|-------------|
|                                    | 1995        | 1996      | 1996        |
| Land.....                          | \$ --       | \$ 25,000 | \$ 25,000   |
| Building and improvements.....     | --          | 346,000   | 331,000     |
| Furniture and fixtures.....        | 80,000      | 153,000   | 234,000     |
| Autos and trucks.....              | 37,000      | 37,000    | 86,000      |
|                                    | 117,000     | 561,000   | 676,000     |
| Less accumulated depreciation..... | (44,000)    | (89,000)  | (146,000)   |
|                                    | \$ 73,000   | \$472,000 | \$ 530,000  |
|                                    | =====       | =====     | =====       |

## 3. NOTES PAYABLE TO BANK

The Company has a \$1,000,000 line of credit pursuant to a loan agreement. Borrowings under this line of credit bear interest at the prime rate plus .5% (totaling 9% at January 31, 1996). \$400,000 was outstanding under this line at January 31, 1996. The line of credit is collateralized by accounts receivable, inventory and lease pool equipment.

On January 31, 1996, the Company executed a new line of credit with a bank to replace the aforementioned line of credit. The Company may borrow up to \$1,000,000 under the new line of credit which will bear interest at prime plus .5% (9% at January 31, 1996). Advances under the line of credit will be collateralized by accounts receivable and inventory. Borrowings under the line will be limited to 80% of eligible accounts receivable and 50% of eligible inventory.

## MITCHAM INDUSTRIES, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)  
(INFORMATION SUBSEQUENT TO JANUARY 31, 1996 IS UNAUDITED)

The Company had a demand note payable to a bank with interest at 1.5% over its base lending rate (total of 11% at January 31, 1995). If no demand is made, the note is due in monthly installments of \$28,475 plus interest, through October 1995. The note is collateralized by lease fleet equipment and assignments of leases. The Company was required to maintain compensating balances with the bank of approximately \$97,000. At January 31, 1995, \$256,000 was outstanding under the note. This note expired during fiscal 1996.

## 4. LONG-TERM DEBT

Long-term debt consists of the following:

|   | JANUARY 31, |             | OCTOBER 31,<br>1996 |
|---|-------------|-------------|---------------------|
|   | 1995        | 1996        |                     |
| Note payable to bank, due in monthly installments of \$13,889 plus interest at 1% over its base lending rate (10.5% and 10.75% at January 31, 1995 and 1996), due June 1997, collateralized by lease pool equipment.....                | \$ 401,000  | \$ 234,000  | \$ --               |
| Note payable to bank, due in monthly installments of \$2,803 including interest at 9%, due September 1998, collateralized by land and a building.....   | --          | 274,000     | 266,000             |
| Note payable to bank, due in monthly installments of \$833 plus interest at its base lending rate plus 1% (9.75% at January 31, 1996), due September 2000, collateralized by land and a building.....                                   | --          | 48,000      | --                  |
| Note payable to bank under \$4,206,000 term loan facility, due in monthly installments of \$26,270, including interest at 9.5%, through January 2000, collateralized primarily by lease pool equipment and an assignment of leases..... | --          | 1,046,000   | 3,582,000           |
|   | 401,000     | 1,602,000   | 3,848,000           |
| Less current maturities.....  | (167,000)   | (447,000)   | (938,000)           |
|   | \$ 234,000  | \$1,155,000 | \$2,910,000         |
|   | =====       | =====       | =====               |

Aggregate maturities of long-term debt at January 31, 1996 are as follows:

YEAR ENDING JANUARY 31,

|           |             |
|-----------|-------------|
| 1997..... | \$ 447,000  |
| 1998..... | 350,000     |
| 1999..... | 525,000     |
| 2000..... | 271,000     |
| 2001..... | 9,000       |
|           | -----       |
|           | \$1,602,000 |
|           | =====       |

The term loan facility includes various financial covenants, the most significant of which require the Company to maintain its tangible net worth at 90% of tangible net worth at October 31, 1995, and to increase quarterly by 50% of net income for each quarter thereafter, maintain a ratio of total liabilities to tangible net worth of not more than 1.25 to 1.0, and to maintain a ratio of cash flow from operations, as defined, to current maturities of long-term debt of not less than 1.25 to 1.0.

## MITCHAM INDUSTRIES, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)  
(INFORMATION SUBSEQUENT TO JANUARY 31, 1996 IS UNAUDITED)

In January 1997, the Company established a second revolving line of credit of up to \$4.0 million (the "Equipment Revolver") to be used solely for short-term financing of up to 75% of the seismic equipment purchased by the Company for approved lease/purchase contracts, and a second term loan of \$1.0 million (the "Second Term Loan") to be used solely for long-term financing of up to 80% of the purchase price of other seismic equipment. Interest on the Equipment Revolver and the Second Term Loan accrues at a floating rate of interest equal to the bank's base rate of interest ("Base Rate") plus 0.5%. Interest on amounts advanced under the Equipment Revolver is payable monthly, and the principal amount is due six months after the date of the initial advance; provided, however, that if the lessee under a lease/purchase contract does not purchase the seismic equipment subject to the lease, and there has been no default (as defined) under the lease, then the Company may extend the maturity date for an additional 18 months (the "Extended Term"). In such event, the principal amount of and interest on the amount advanced under the Equipment Revolver would be payable in ratable monthly installments over the Extended Term. Interest on and the principal amount of the Second Term Loan are payable in ratable monthly installments over a two-year period through and including December 1998.

## 5. LEASES

The Company leases and subleases seismic equipment to customers under operating leases with non-cancellable terms of one year or less. These leases are generally renewable on a month-to-month basis. All taxes (other than U.S. federal income taxes) and assessments are the contractual responsibility of the lessee. To the extent the foreign taxes are not paid by the lessee, the relevant foreign taxing authorities might seek to collect such taxes from the Company. Under the terms of its lease agreements, any amounts paid by the Company to such foreign taxing authorities may be billed and collected from the lessee. If the Company is unable to collect the foreign taxes it paid on behalf of its lessees, the Company may have foreign tax credits in the amounts paid which could be applied against its U.S. income tax liability subject to certain limitations. The Company is not aware of any foreign tax obligations as of October 31, 1996.

The Company leases seismic equipment from others under month-to-month operating leases. Lease expense incurred by the Company in connection with such leases amounted to \$896,000, \$245,000 and \$251,000 for the years ended January 31, 1994, 1995 and 1996, respectively and \$222,000 and \$111,000 for the nine months ended October 31, 1995 and 1996, respectively.

A summary of the equipment held for lease to others is as follows:

|  | JANUARY 31, |              | OCTOBER 31,  |
|--|-------------|--------------|--------------|
|  | 1995        | 1996         | 1996         |
| Remote signal conditioners (channel boxes)<br>and other equipment..... | \$5,395,000 | \$ 9,580,000 | \$18,589,000 |
| Less: accumulated depreciation.....                                    | (416,000)   | (1,465,000)  | (3,342,000)  |
|  | \$4,979,000 | \$ 8,115,000 | \$15,247,000 |
|  | =====       | =====        | =====        |

## MITCHAM INDUSTRIES, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)  
(INFORMATION SUBSEQUENT TO JANUARY 31, 1996 IS UNAUDITED)

## 6. INCOME TAXES

The components of income tax expense are as follows:

|               | YEAR ENDED JANUARY 31, |            |            |
|---------------|------------------------|------------|------------|
|               | 1994                   | 1995       | 1996       |
| Current:      |                        |            |            |
| Federal.....  | \$ 301,000             | \$ 71,000  | \$ 698,000 |
| State.....    | 10,000                 | 3,000      | (24,000)   |
|               | 311,000                | 74,000     | 674,000    |
| Deferred..... | 94,000                 | 467,000    | 284,000    |
|               | \$ 405,000             | \$ 541,000 | \$ 958,000 |
|               | =====                  | =====      | =====      |

The components of the Company's deferred tax liability are as follows:

|   | JANUARY 31, |             |
|---|-------------|-------------|
|   | 1995        | 1996        |
| Deferred Tax asset -- allowance for doubtful<br>accounts..... | \$ 31,000   | \$ 123,000  |
| Deferred tax liabilities:                                     |             |             |
| Conversion from accrual to cash method of accounting.....     | (536,000)   | (667,000)   |
| Depreciation.....   | (106,000)   | (351,000)   |
| Deferred tax liability, net.....                              | \$(611,000) | \$(895,000) |
|   | =====       | =====       |

Beginning in fiscal 1998, the Company will no longer be eligible to report on the cash basis of accounting for federal income tax reporting purposes.

The following is a reconciliation of expected to actual income tax expense:

|   | YEAR ENDED JANUARY 31, |            |            |
|---|------------------------|------------|------------|
|   | 1994                   | 1995       | 1996       |
| Federal income tax expense at 34%.....                | \$ 377,000             | \$ 524,000 | \$ 913,000 |
| State income taxes and nondeductible<br>expenses..... | 29,000                 | 17,000     | 45,000     |
| Other, net.....                                       | (1,000)                | --         | --         |
|   | \$ 405,000             | \$ 541,000 | \$ 958,000 |
|   | =====                  | =====      | =====      |

## 7. RELATED PARTY TRANSACTIONS

The Company engages in transactions with companies controlled by a stockholder of the Company or in which a stockholder of the Company has a substantial ownership interest. The following is a summary of transactions with these companies:

|  | YEAR ENDED JANUARY 31, |          |           |
|--|------------------------|----------|-----------|
|  | 1994                   | 1995     | 1996      |
| Office and warehouse rent expense.....     | \$ 48,000              | \$48,000 | \$ 32,000 |
| Equipment lease expense and purchases..... | \$270,000              | \$11,000 | \$ 28,000 |
| Seismic equipment sales.....               | \$ 8,000               | \$ --    | \$ --     |
| Purchase of office and warehouse.....      | \$ --                  | \$ --    | \$325,000 |
|  | =====                  | =====    | =====     |



## MITCHAM INDUSTRIES, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)  
(INFORMATION SUBSEQUENT TO JANUARY 31, 1996 IS UNAUDITED)

See Note 11 for discussion of the employment agreement with the Company's President.

In September 1994, the Company entered into an equipment lease whereby the lessors acquired \$250,000 of channel boxes from the Company and leased them back to the Company. In October 1994, the Company exercised its right to purchase the equipment for \$250,000. The Company's legal counsel was one of the lessors in this transaction and provided \$50,000 of the consideration for the acquisition of the equipment by the lessors.

## 8. EXPORT SALES AND MAJOR CUSTOMERS

A summary of the Company's revenues from foreign customers by geographic region is as follows:

|               | YEAR ENDED JANUARY 31, |             |             |
|---------------|------------------------|-------------|-------------|
|               | 1994                   | 1995        | 1996        |
| Canada.....   | \$ 876,000             | \$ 346,000  | \$1,022,000 |
| Columbia..... | --                     | --          | 949,000     |
| China.....    | --                     | 885,000     | 943,000     |
| Europe.....   | 293,000                | 339,000     | 699,000     |
| Other.....    | 240,000                | 222,000     | 213,000     |
| Totals.....   | \$1,409,000            | \$1,792,000 | \$3,826,000 |

One customer represented 36%, 16% and 18% of the Company's total revenues for the years ended January 31, 1994, 1995 and 1996, respectively. No other customer exceeded 10% of revenues for fiscal 1994, 1995 and 1996.

## 9. CONCENTRATIONS OF CREDIT RISK

As of January 31, 1995 and 1996, and October 31, 1996, amounts due from customers which exceeded 10 percent of accounts receivable, amounted to an aggregate of \$1,298,000 (four customers) \$1,138,000 (three customers) and \$1,663,000 (three customers), respectively.

One of the Company's significant customers filed for bankruptcy protection during December 1996. Revenues derived from this customer amount to 18.5% of total revenues for the eleven-month period ended December 31, 1996. As of that date, amounts due from this customer totalled approximately \$1.0 million. During December 1996, the Company increased its allowance for trade accounts receivable from \$615,000 at October 31, 1996 to \$1.5 million at December 31, 1996, which amount was intended to fully reserve all amounts due from this customer and provide for any potential loss associated with the Company's remaining trade accounts receivable.

The Company maintains deposits with banks which exceed the FDIC insured limit and has a money market account included in its cash balances which is not FDIC insured. Management believes the risk of loss in connection with these accounts is minimal.

## 10. STOCKHOLDERS' EQUITY

The Company has 1,000,000 shares of preferred stock authorized, none of which are outstanding as of October 31, 1996. The preferred stock may be issued in multiple series with various terms, as authorized by the Company's Board of Directors. The Company has 20,000,000 shares of common stock authorized, of which 4,378,650 are issued and outstanding as of October 31, 1996. In connection with the Company's initial public offering, 1,790,000 shares of the Company's common stock were issued during fiscal 1995. Proceeds of the offering amounted to \$4,185,000, net of offering costs of \$1,283,000. Warrants to acquire 895,000 shares of

## MITCHAM INDUSTRIES, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)  
(INFORMATION SUBSEQUENT TO JANUARY 31, 1996 IS UNAUDITED)

the Company's commons stock at \$3.50 per share were issued in connection with this offering. 892,750 of these warrants had been exercised as of October 31, 1996.

The Company issued warrants to various stockholders during fiscal 1995 to acquire 49,500 shares of the Company's common stock at \$5.00 per share. The number of shares and exercise price of the warrants was increased to 63,953 and \$3.87, respectively, during fiscal 1996 as a result of the anti-dilution provisions of the warrants.

In connection with bridge financing during 1994, the Company issued warrants to the bridge note holders to purchase 200,000 shares of its common stock for \$3.75 per share. The exercise price of the warrants was later decreased to \$3.50 per share in connection with the Company's sale and leaseback of channel boxes and subsequent exercise of an option to purchase such channel boxes. The warrants were exercisable beginning December 29, 1994, and unless exercised, automatically expire five years from the date of their issuance. All these warrants have been exercised as of October 31, 1996.

The Company issued warrants to acquire 35,000 shares of its common stock to a public relations firm engaged by the Company. The warrants are exercisable at \$3.50 per share and are unexercised at October 31, 1996.

Warrants to acquire 85,000 units (consisting of two shares of common stock and one warrant to purchase one share of common stock at \$4.20 per share) at \$7.97 per unit were issued to underwriters in connection with the Company's initial public offering. The securities underlying these warrants, as well as the common stock underlying currently outstanding options and warrants, are subject to certain demand and piggy-back registration rights. As of October 31, 1996, 68,000 of these warrants had been exercised.

## 11. COMMITMENTS AND CONTINGENCIES

## Equipment purchases:

On February 22, 1994, the Company executed an agreement with Input/Output, Inc. (I/O) under which I/O will notify the Company of any inquiries it receives to lease I/O's remote signal conditioners in North and South America and will allow the Company the opportunity to provide such leasing. In the event the Company and a prospective customer are unable to reach agreement on such leases in a 72-hour period, I/O shall have the right to offer the equipment for lease to the prospective customer. The agreement, which expired December 1996, was contingent upon the Company purchasing a minimum of \$10,000,000 of I/O remote signal conditioners as follows: \$1,000,000 on or before June 30, 1994; \$2,500,000 on or before August 31, 1994; an additional \$2,500,000 through February 22, 1996; and a further \$4,000,000 through December 31, 1996. In the event the Company had not made the required amount of purchases, it would have lost its exclusivity as recipient of lease requests for I/O channel boxes.

Effective June 1, 1996, the Company entered into an agreement with I/O to amend the terms of and extend the Exclusive Lease Referral Agreement through May 31, 2000. Under the I/O Agreement as amended, the Company must purchase an aggregate of \$13.25 million of I/O equipment as follows: \$3.0 million of I/O equipment between June 1 and November 30, 1996, (the "Renewal Purchase") with a minimum of \$1.5 million to be purchased by August 31, 1996. Thereafter, from January 1, 1997 through May 31, 1997, the Company must purchase at least an aggregate of \$1.25 million of I/O equipment. In each of the years from June 1, 1997 through May 31, 1998, June 1 through May 31, 1999 and June 1, 1999 through May 31, 2000, the Company must purchase at least an aggregate of \$3.0 million of I/O equipment (or an aggregate additional \$10.25 million after the \$3.0 million Renewal purchase is made). As of October 31, 1996, the Company believes it has fulfilled the terms of the agreement, including the minimum purchase commitments.

## MITCHAM INDUSTRIES, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)  
(INFORMATION SUBSEQUENT TO JANUARY 31, 1996 IS UNAUDITED)

In September 1996, the Company entered into two agreements with SERCEL, S.A. ("SERCEL") a designer and manufacturer of land/shallow water seismic data acquisition systems and related equipment. One agreement, the Exclusive Equipment Lease Agreement provides that until December 31, 1999, the Company will be SERCEL's short-term leasing agency throughout the world and that SERCEL will refer to the Company all requests it receives from its customers to lease its 3-D data acquisition equipment and other field equipment; and the Company will acquire up to \$10.2 million of SERCEL's 3-D data acquisition equipment and other field equipment from SERCEL at favorable prices, \$800,000 of which will consist of SERCEL's existing lease pool of primarily 3-D channel boxes. The second agreement, the Commercial Representation Agreement, provides that until September 19, 1999, the Company will be SERCEL's exclusive sales agent in Canada. In connection with entering into this agreement, the Company established an office in Calgary, Alberta, Canada in November 1996. As of October 31, 1996, the Company believes it has fulfilled the terms of the agreement, including the minimum purchase commitments.

## Employment Agreement

Effective January 15, 1997, the Company entered into an employment agreement with the Company's President for a term of five years, beginning January 15, 1997, which term is automatically extended for successive one-year periods unless either party gives written notice of termination at least 30 days prior to the end of the current term. The agreement provides for an annual salary of \$150,000, subject to increase by the Board of Directors. It may be terminated prior to the end of the initial term or any extension thereof if the President dies; if it is determined that the President has become disabled (as defined); if the Board of Directors determines that the President has breached the employment agreement in any material respect, has appropriated a material business opportunity of the Company or has engaged in fraud or dishonesty with respect to the Company's business or is convicted of or indicted for any felony criminal offense or any crime punishable by imprisonment. If the President's employment is terminated by the Company prior to the end of the initial five-year term other than for a reason enumerated above, the President will be entitled to payments equal to \$450,000, payable ratably over the 24 months following such termination. For a period of two years after the termination of the agreement, the President is prohibited from engaging in any business activities that are competitive with the Company's business and from diverting any of the Company's customers to a competitor.

## Consulting agreement:

The Company has a contract with the father of the Company's President, to provide sales consulting services. The agreement calls for payments of \$5,500 per month through April 1999, subject to earlier termination on the occurrence of certain events.

## 12. STOCK OPTION PLANS

The Company has a stock option plan under which options to purchase a maximum of 300,000 shares of common stock may be issued to officers, employee directors, key employees and consultants of the Company. The stock option plan provides both for the grant of options intended to qualify as "incentive stock options" under the Internal Revenue Code of 1986, as amended (the Code), as well as options that do not so qualify.

With respect to incentive stock options, no option may be granted more than ten years after the effective date of the stock option plan or exercised more than ten years after the date of grant (five years if the optionee owns more than 10% of the common stock of the Company). Additionally, with regard to incentive stock options, the exercise price of the option may not be less than 100% of the fair market value of the common stock at the date of grant (110% if the optionee owns more than 10% of the common stock of the Company). Subject to certain limited exceptions, options may not be exercised unless, at the time of exercise, the optionee

## MITCHAM INDUSTRIES, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)  
(INFORMATION SUBSEQUENT TO JANUARY 31, 1996 IS UNAUDITED)

is in the service of the Company. As of October 31, 1996, options to purchase an aggregate of 285,750 shares of common stock are issued and outstanding under the Stock Option Plan, 183,250 of which are exercisable at a price of \$5.00 per share, 62,000 of which are exercisable at \$3.29 per share, 39,500 of which are exercisable at \$5.75 and 1,000 of which are exercisable at \$6.00 per share.

The Company has a non-employee director stock option plan (the Director Plan) which provides for the grant of options that do not qualify as "incentive stock options" under the Code. Options granted under the Director Plan are to have an exercise price at least equal to the fair market value of the Company's common stock on the date of grant. Pursuant to the Director Plan, options to purchase 1,000 shares of common stock are granted to each non-employee director upon his election to the Board and every year thereafter so long as he is re-elected to the Board of Directors. Options granted under the Director Plan are fully vested one year after their grant and expire ten years after the date of the grant. As of October 31, 1996, 8,000 options have been granted under this Plan.

## 13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments consist of trade receivables and payables and notes payable to banks. The Company believes the carrying value of these financial instruments approximate their estimated fair value.

## 14. SECONDARY PUBLIC OFFERING

The Company is preparing to register with the Securities and Exchange Commission 2,500,000 shares of its common stock. The Company has granted an option to the underwriters to purchase up to 375,000 shares on the same terms to satisfy over-allotments in the sale of the 2,500,000 shares.

NO DEALER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THIS OFFERING OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR ANY OF THE UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR SOLICITATION OF ANY OFFER TO BUY BY ANY ONE IN ANY JURISDICTION IN WHICH SUCH OFFER TO SELL OR SOLICITATION IS NOT AUTHORIZED, OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO, OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

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-----  
 -----  
 [Mitcham Industries Logo]

3,000,000 SHARES

COMMON STOCK  
 -----

PROSPECTUS  
 -----

RODMAN & RENSHAW, INC.

SIMMONS & COMPANY  
 INTERNATIONAL

, 1997  
 -----

## PART II

## INFORMATION NOT REQUIRED IN PROSPECTUS

## ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

Expenses payable in connection with the issuance and distribution of the securities to be registered, other than underwriting discounts and commissions, are estimated as follows:

|  |           |
|--|-----------|
| Securities and Exchange Commission filing fee..... | \$ 9,505  |
| Nasdaq filing fee.....                             | 3,650     |
| Printing expenses.....                             | 75,000    |
| Legal fees and expenses.....                       | 80,000    |
| Accounting fees and expenses.....                  | 25,000    |
| Blue Sky fees and expenses.....                    | 5,000     |
| Transfer Agent fees.....                           | 3,500     |
| Miscellaneous expenses.....                        | 23,345    |
|  | -----     |
| TOTAL.....   | \$225,000 |
|  | =====     |

## ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Article Nine of the Company's Amended and Restated Articles of Incorporation (the "Articles") eliminates or limits the personal liability of directors for damages for an act or omission in the director's capacity as a director, except for (i) a breach of a director's duty of loyalty to the Company or its shareholders; (ii) an act or omission not in good faith that constitutes a breach of duty of the director to the Company or that involves intentional misconduct or a knowing violation of the law; (iii) a transaction from which a director received an improper benefit, whether or not the benefit resulted from an action taken within the scope of the directors' office; or (iv) an act or omission for which the liability of a director is expressly provided for by an applicable statute.

Article Eleven of the Articles makes mandatory the indemnification of directors permitted under Section B of Article 2.02-1 of the Texas Business Corporation Act ("TBCA") and permits the Company to advance the reasonable expenses of a director upon compliance with the requirements of Sections K and L thereof.

Article 2.02-1 of the TBCA provides as follows:

## A. In this article:

(1) "Corporation" includes any domestic or foreign predecessor entity of the corporation in a merger, consolidation, or other transaction in which the liabilities of the predecessor are transferred to the corporation by operation of law and in any other transaction in which the corporation assumes the liabilities of the predecessor but does not specifically exclude liabilities that are the subject matter of this article.

(2) "Director" means any person who is or was a director of the corporation and any person who, while a director of the corporation, is or was serving at the request of the corporation as a director, officer, partner, venturer, proprietor, trustee, employee, agent, or similar functionary of another foreign or domestic corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan, or other enterprise.

(3) "Expenses" include court costs and attorneys' fees.

(4) "Official capacity" means

- (a) when used with respect to a director, the office of director in the corporation, and
- (b) when used with respect to a person other than a director, the elective or appointive office in the corporation held by the officer or the employment or agency relationship undertaken by the employee or agent in behalf of the corporation, but
- (c) in both Paragraphs (a) and (b) does not include service for any other foreign or domestic corporation or any partnership, joint venture, sole proprietorship, trust, employee benefit plan, or other enterprise.

(5) "Proceeding" means any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, arbitrativ, or investigative, any appeal in such an action, suit, or proceeding, and any inquiry or investigation that could lead to such an action, suit, or proceeding.

B. A corporation may indemnify a person who was, is or is threatened to be a named defendant or respondent in a proceeding because the person is or was a director only if it is determined in accordance with Section F of this article that the person:

- (1) conducted himself in good faith;
- (2) reasonably believed:
  - (a) in the case of conduct in his official capacity as a director of the corporation, that his conduct was in the corporation's best interests; and
  - (b) in all other cases, that his conduct was at least not opposed to the corporation's best interests; and

(3) in the case of any criminal proceeding, had no reasonable cause to believe his conduct was unlawful.

C. Except to the extent permitted by Section E of this article, a director may not be indemnified under Section B of this article in respect of a proceeding:

(1) in which the person is found liable on the basis that personal benefit was improperly received by him, whether or not the benefit resulted from an action taken in the person's official capacity; or

(2) in which the person is found liable to the corporation.

D. The termination of a proceeding by judgment, order, settlement, or conviction, or on a plea of nolo contendere or its equivalent is not of itself determinative that the person did not meet the requirements set forth in Section B of this article. A person shall be deemed to have been found liable in respect of any claim, issue or matter only after the person shall have been so adjudged by a court of competent jurisdiction after exhaustion of all appeals therefrom.

E. A person may be indemnified under Section B of this article against judgments, penalties (including excise and similar taxes), fines, settlements, and reasonable expenses actually incurred by the person in connection with the proceeding; but if the person is found liable to the corporation or is found liable on the basis that personal benefit was improperly received by the person, the indemnification (1) is limited to reasonable expenses actually incurred by the person in connection with the proceeding and (2) shall not be made in respect of any proceeding in which the person shall have been found liable for willful or intentional misconduct in the performance of his duty to the corporation.

F. A determination of indemnification under Section B of this article must be made:

(1) by a majority vote of a quorum consisting of directors who at the time of the vote are not named defendants or respondents in the proceeding;

(2) if such a quorum cannot be obtained, by a majority vote of a committee or the board of directors, designated to act in the matter by a majority vote of all directors, consisting solely of two or more directors who at the time of the vote are not named defendants or respondents in the proceeding;

(3) by special legal counsel selected by the board of directors of a committee of the board by vote as set forth in Subsection (1) or (2) of this section, or if such a quorum cannot be obtained and such a committee cannot be established, by a majority vote of all directors; or

(4) by the shareholders in a vote that excludes the shares held by directors who are named defendants or respondents in the proceeding.

G. Authorization of indemnification and determination as to reasonableness of expenses must be made in the same manner as the determination that indemnification is permissible, except that if the determination that indemnification is permissible is made by special legal counsel, authorization of indemnification and determination as to reasonableness of expenses must be made in the manner specified by Subsection (3) of Section F of this article for the selection of special legal counsel. A provision obtained in the articles of incorporation, the bylaws, a resolution of shareholders or directors, or an agreement that makes mandatory the indemnification permitted under Section B of this article shall be deemed to constitute authorization of indemnification in the manner required by this section even though such provision may not have been adopted or authorized in the same manner as the determination that indemnification is permissible.

H. A corporation shall indemnify a director against reasonable expenses incurred by him in connection with a proceeding in which he is a named defendant or respondent because he is or was a director if he has been wholly successful, on the merits or otherwise, in the defense of the proceeding.

I. If, in a suit for the indemnification required by Section H of this article, a court of competent jurisdiction determines that the director is entitled to indemnification under that section, that court shall order indemnification and shall award to the director the expenses incurred in securing the indemnification.

J. If, upon application of a director, a court of competent jurisdiction determines, after giving any notice the court considers necessary, that the director is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not he has met the requirements set forth in Section B of this article or has been adjudged liable in the circumstances described by Section C of this article, the court may order the indemnification that the court determines is proper and equitable; but if the person is found liable to the corporation or is found liable on the basis that personal benefit was improperly received by the person, the indemnification shall be limited to reasonable expenses actually incurred by the person in connection with the proceeding.

K. Reasonable expenses incurred by a director who was, is, or is threatened to be made a named defendant or respondent in a proceeding may be paid or reimbursed by the corporation, in advance of the final disposition of the proceeding and without any of the determinations specified in Sections F and G of this article, after the corporation receives a written affirmation by the director of his good faith belief that he has met the standard of conduct necessary for indemnification under this article and a written undertaking by or on behalf of the director to repay the amount paid or reimbursed if it is ultimately determined that he has not met that standard or if it is ultimately determined that indemnification of the director against expenses incurred by him in connection with that proceeding is prohibited by Section E of this article. A provision contained in the articles of incorporation, the bylaws, a resolution of shareholders or directors, or an agreement that makes mandatory the payment or reimbursement permitted under this section shall be deemed to constitute authorization of that payment or reimbursement.

L. The written undertaking required by Section K of this article must be an unlimited general obligation of the director but need not be secured. It may be accepted without reference to financial ability to make repayment.

M. A provision for a corporation to indemnify or to advance expenses to a director who was, is or is threatened to be made a named defendant or respondent in a proceeding, whether contained in the articles of incorporation, the bylaws, a resolution of shareholders or directors, an agreement, or otherwise, except in

accordance with Section R of this article, is valid only to the extent it is consistent with this article as limited by the articles of incorporation, if such a limitation exists.

N. Notwithstanding any other provision of this article, a corporation may pay or reimburse expenses incurred by a director in connection with his appearance as a witness or other participation in a proceeding at a time when he is not a named defendant or respondent in the proceeding.

O. An officer of the corporation shall be indemnified as, and to the same extent, provided by Sections H, I, and J of this article for a director and is entitled to seek indemnification under those sections to the same extent as a director. A corporation may indemnify and advance expenses to an officer, employee, or agent of the corporation to the same extent that it may indemnify and advance expenses to directors under this article.

P. A corporation may indemnify and advance expenses to persons who are or were not officers, employees, or agents of the corporation but who are or were serving at the request of the corporation as a director, officer, partner, venturer, proprietor, trustee, employee, agent, or similar functionary of another foreign or domestic corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan, or other enterprise to the same extent that it may indemnify and advance expenses to directors under this article.

Q. A corporation may indemnify and advance expenses to an officer, employee, agent, or person identified in Section P of this article and who is not a director such further extent, consistent with law, as may be provided by its articles of incorporation, bylaws, general or specific action of its board of directors, or contract or as permitted or required by common law.

R. A corporation may purchase and maintain insurance or another arrangement on behalf of any person who is or was a director, officer, employee, or agent of the corporation or who is or was serving at the request of the corporation as a director, officer, partner, venturer, proprietor, trustee, employee, agent, or similar functionary of another foreign or domestic corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan, or other enterprise, 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. If the insurance or other arrangement is with a person or entity that is not regularly engaged in the business of providing insurance coverage, the insurance or arrangement may provide for payment of a liability with respect to which the corporation would not have the power to indemnify the person only if including coverage for the additional liability has been approved by the shareholders of the corporation. Without limiting the power of the corporation to procure or maintain any kind of insurance or other arrangement, a corporation may, for the benefit of persons indemnified by the corporation, (1) create a trust fund; (2) establish any form of self-insurance; (3) secure its indemnity obligation by grant of a security interest or other lien on the assets of the corporation; or (4) establish a letter of credit, guaranty, or surety arrangement. The insurance or other arrangement may be procured, maintained, or established within the corporation or with any insurer or other person deemed appropriate by the board of directors regardless of whether all or part of the stock or other securities of the insurer or other person are owned in whole or part by the corporation. In the absence of fraud, the judgment of the board of directors as to the terms and conditions of the insurance or other arrangement and the identity of the insurer or other person participating in an arrangement shall be conclusive and the insurance or arrangement shall not be voidable and shall not subject the directors approving the insurance or arrangement to liability, on any ground, regardless of whether directors participating in the approval are beneficiaries of the insurance or arrangement.

S. Any indemnification of or advance of expenses to a director in accordance with this article shall be reported in writing to the shareholders with or before the notice or waiver of notice of the next shareholders' meeting or with or before the next submission to shareholders of a consent to action without a meeting pursuant to Section A, Article 9.10, of this Act and, in any case, within the 12-month period immediately following the date of the indemnification or advance.

T. For purposes of this article, the corporation is deemed to have requested a director to serve an employee benefit plan whenever the performance by him of his duties to the corporation also imposes duties on or otherwise involves services by him to the plan or participants or beneficiaries of the plan. Excise taxes assessed on a director with respect to an employee benefit plan pursuant to applicable law are deemed fines.

Action taken or omitted by him with respect to an employee benefit plan in the performance of his duties for a purpose reasonably believed by him to be in the interest of the participants and beneficiaries of the plan is deemed to be for a purpose which is not opposed to the best interests of the corporation.

U. The articles of incorporation of a corporation may restrict the circumstances under which the corporation is required or permitted to indemnify a person under Section H, I, J, O, P, or Q of this article.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

During the past three years, the Company had made the following sales of unregistered securities, all of which sales were exempt from the negotiation requirements of the Securities Act pursuant to Section 4(2) thereof:

In connection with the Company's bridge financing consummated in June 1994, the Company issued to the following investors a promissory note in the original principal amount of \$500,000 (in which the investors have undivided interests therein as indicated below) and for an aggregate consideration of \$200, Bridge Warrants to purchase an aggregate of 200,000 shares of Common Stock for \$3.50 per share:

| NAME OF INVESTOR<br>-----         | INTEREST IN<br>THE NOTE<br>----- | BRIDGE<br>WARRANTS<br>----- | PURCHASE<br>PRICE<br>----- |
|-----------------------------------|----------------------------------|-----------------------------|----------------------------|
| Heptagon Investments Limited..... | 80%                              | 160,000                     | \$160                      |
| Carl L. Norton.....               | 20%                              | 40,000                      | \$ 40                      |

On March 19, 1996, the Company issued 4,900 shares of Common Stock to Norton, Jacobs, Kuhn & McTopy, L.L.P. for services rendered in connection with the Company obtaining a \$1,000,000 revolving line of credit and a \$4,200,000 term loan from Bank One, Texas, N.A. and Bank One Leasing Corporation, respectively.

On August 22, 1996, the Company issued warrants to purchase 40,000 and 10,000 shares of Common Stock for \$6.43 per share (110% of the average closing price of a share of Common Stock for the 20 trading days preceding their issuance) to Norton Family Trust (the "Trust") and Sabrina A. McTopy ("McTopy"), respectively. Such warrants were acquired by the Trust and McTopy for \$40.00 and \$10.00, respectively. The warrants are exercisable at any time after their issuance through August 22, 2000.

On December 13, 1996, the Company issued warrants to purchase 40,000 and 10,000 shares of Common Stock for \$9.28 per share (110% of the average closing price of a share of Common Stock for the 20 trading days preceding their issuance) to the Trust and McTopy, respectively. Such warrants were acquired by the Trust and McTopy for \$40.00 and \$10.00, respectively. The warrants are exercisable at any time after December 14, 1997 through December 12, 2001.

## ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

## (a) Exhibits

| EXHIBIT NO.<br>----- | DESCRIPTION<br>-----  |
|----------------------|---|
| 1*                   | -- Form of Underwriting Agreement   |
| 3.1                  | -- Amended and Restated Articles of Incorporation of Mitcham Industries, Inc. (1) (Exhibit 3.1)   |
| 3.2                  | -- Amended and Restated Bylaws of Mitcham Industries, Inc. (1) (Exhibit 3.2)  |
| 4.1                  | -- Copy of specimen stock certificate evidencing Common Stock of Mitcham Industries, Inc. (2) (Exhibit 4.1)   |
| 5*                   | -- Opinion of Norton, Jacobs, Kuhn & McTopy, L.L.P. as to the legality of the securities being registered   |
| 9                    | -- Voting Agreement, dated September 20, 1993, between the Company, Billy F. Mitcham, Jr. and certain shareholders (1) (Exhibit 9)  |
| 10.1                 | -- Exclusive Lease Referral Agreement, dated February 22, 1994, between Mitcham Industries, Inc. and Input/Output, Inc., as amended (3) (Exhibit 10.1)  |
| 10.2+                | -- Fifth Amendment to Exclusive Lease Referral Agreement with Input/Output, dated January 9, 1997   |
| 10.3                 | -- Registration Rights Agreement, dated September 20, 1993, between the Company and certain shareholders (1) (Exhibit 10.14)  |
| 10.4+                | -- Employment Agreement, dated January 15, 1997, between the Company and Billy F. Mitcham, Jr.  |
| 10.5                 | -- Consulting Agreement, dated April 1, 1994, between the Company and Billy F. Mitcham, Sr. (1) (Exhibit 10.16)   |
| 10.6+                | -- First Amendment to Consulting Agreement, dated January 15, 1997, between the Company and Billy F. Mitcham, Jr.   |
| 10.7                 | -- Promissory Note, dated September 22, 1995, in the original principal amount of \$276,250, made payable by the Company to the order of First National Bank of Huntsville (4) (Exhibit 10.26)                |
| 10.8                 | -- Deed of Trust, dated September 22, 1995, securing the \$276,250 loan (4) (Exhibit 10.27)   |
| 10.9                 | -- Promissory Note, dated January 31, 1996, in the original principal amount of \$1,000,000 made payable by the Company to the order of Bank One, Texas, National Association ("Bank One") (5) (Exhibit 10.8) |
| 10.10                | -- Promissory Note, dated January 31, 1996, in the original principal amount of \$4,206,000, made payable by the Company to the order of Banc One Leasing Corporation ("Banc One Leasing") (5) (Exhibit 10.9) |
| 10.11                | -- Letter Loan Agreement, dated January 31, 1996, as amended, between the Company, Bank One and Banc One Leasing Corporation (5) (Exhibit 10.10)  |
| 10.12                | -- Assignment of Leases, dated January 31, 1996, between the Company, Bank One and Banc One Leasing (5) (Exhibit 10.11)   |
| 10.13                | -- Security Agreement, dated January 31, 1996, between the Company, Bank One, and Banc One Leasing (5) (Exhibit 10.12)  |
| 10.14                | -- Exclusive Lease Referral Agreement, dated May 14, 1996, between the Company and Pelton Company, Inc. (6) (Exhibit 10.1)  |
| 10.15                | -- Exclusive Equipment Lease Agreement, effective September 20, 1996, between the Company and SERCEL, S.A. (6) (Exhibit 10.2)   |

|        |  |
|--------|--|
| 10.16  | -- Commercial Representation Agreement, effective September 20, 1996, between Mitcham Canada LTD., an Alberta corporation, and Georex, Inc. (6) (Exhibit 10.3) |
| 10.17+ | -- First Amendment of Exclusive Lease Referral Agreement, dated January , 1997, between the Company and Pelton   |
| 10.18  | -- 1994 Stock Option Plan of Mitcham Industries, Inc. (2) (Exhibit 10.9)   |
| 10.19  | -- Form of Incentive Stock Option Agreement (2) (Exhibit 10.10)  |
| 10.20  | -- Form of Nonqualified Stock Option Agreement (2) (Exhibit 10.11)   |
| 10.21  | -- 1994 Non-Employee Director Stock Option Plan of Mitcham Industries, Inc. (2) (Exhibit 10.12)  |
| 10.22  | -- Form of Nonqualified Stock Option Agreement (2) (Exhibit 10.13)   |
| 10.23  | -- Form of Mitcham Industries, Inc. customer lease agreement (1) (Exhibit 10.20)   |
| 10.24+ | -- Letter Loan Agreement, dated January 16, 1997, between the Company and Bank One   |
| 10.25+ | -- Assignment of Leases, dated January 16, 1997, between the Company and Bank One  |
| 10.26+ | -- Security Agreement, dated January 16, 1997, between the Company and Bank One  |
| 10.27+ | -- Promissory Note, dated January 16, 1997, made payable by the Company to the order of Bank One in the original principal amount of \$1,000,000               |
| 10.28+ | -- First Amendment to Letter Loan Agreement, dated January 16, 1997, among the Company, Bank One and Bank One Leasing  |
| 21     | -- Subsidiaries of the Company (6) (Exhibit 11)  |
| 23.1*  | -- Consent of Hein + Associates LLP  |
| 23.2*  | -- Consent of Norton, Jacobs, Kuhn & McTopy, L.L.P. (included in Exhibit 5).   |

- - - - -  
\* Filed herewith.

+ Previously filed.

- (1) Incorporated by reference to the indicated exhibit number of the Registrant's Registration Statement on Form SB-2 (File No. 33-81164-D), filed with the SEC on July 5, 1994.
- (2) Incorporated by reference to the indicated exhibit number of the Registrant's Amendment No. 2 to the Registration Statement on Form SB-2, filed with the SEC on November 9, 1994.
- (3) Incorporated by reference to the indicated exhibit number of the Registrant's Amendment No. 3 to the Registration Statement on Form SB-2, filed with the SEC on December 12, 1994.
- (4) Incorporated by reference to the indicated exhibit number of the Registrant's Post-Effective Amendment No. 2 to its Registration Statement on Form SB-2, filed with the SEC on October 30, 1995.
- (5) Incorporated by reference to the indicated exhibit number of the Registrant's Post-Effective Amendment No. 4 to its Registration Statement on Form SB-2, filed with the SEC on April 17, 1996.
- (6) Incorporated by reference to the indicated exhibit number of the Registrant's Registration Statement on Form S-3 (File No. 333-10555), filed with the SEC on October 30, 1996.

(b) Financial Statement Schedules

SCHEDULE  
-----

DESCRIPTION  
-----

|   |  |
|---|--|
| Schedule II, including Independent Auditor's Report on Financial Statement Schedule | Statement of Valuation and Qualifying Accounts |
|---|--|

## ITEM 17. UNDERTAKINGS.

The undersigned Registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser. In addition, the undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement;

(2) That, for the purpose of determining any liability under the Securities Act of 1933 Act, each such post-effective amendment shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof; and

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(d) The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

## SIGNATURES

In accordance with the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements of filing on Form S-1 and has duly authorized this Amendment No. 2 to be signed on its behalf by the undersigned, thereto duly authorized in the City of Huntsville, State of Texas, on March 5, 1997.

MITCHAM INDUSTRIES, INC.

By: /s/ BILLY F. MITCHAM, JR.

-----  
 Billy F. Mitcham, Jr.,  
 Chairman of the Board, President  
 and Chief Executive Officer

In accordance with the requirements of the Securities Act of 1933, as amended, this Amendment No. 2 has been signed by the following persons in the capacities indicated on March 5, 1997.

## SIGNATURE

-----

## TITLE/CAPACITY

-----

/s/ BILLY F. MITCHAM, JR.

Chairman of the Board, President and Chief Executive  
 Officer

-----  
 Billy F. Mitcham, Jr.

/s/ PAUL C. MITCHAM\*

Vice President -- Operations and Director

-----  
 Paul C. Mitcham

/s/ ROBERTO RIOS

Vice President -- Finance, Secretary, Treasurer and  
 Director

-----  
 Roberto Rios

/s/ WILLIAM J. SHEPPARD\*

Vice President -- International Operations and  
 Director

-----  
 William J. Sheppard

/s/ JOHN F. SCHWALBE\*

Director

-----  
 John F. Schwalbe

\*By: /s/ BILLY F. MITCHAM, JR.

-----  
 Billy F. Mitcham, Jr.,  
 Attorney-in-fact

INDEPENDENT AUDITOR'S REPORT  
ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors and Stockholders  
Mitcham Industries, Inc.  
Huntsville, Texas

We have audited in accordance with generally accepted auditing standards, the financial statements of Mitcham Industries, Inc. included in this Registration Statement and have issued our report thereon dated February 23, 1996. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The financial statement schedule listed in Item 16(b) herein (Schedule II -- Valuation and Qualifying Accounts) is the responsibility of the Company's management and is presented for purpose of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. The financial statement schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respect with the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ HEIN + ASSOCIATES LLP

HEIN + ASSOCIATES LLP  
Certified Public Accountants

Houston, Texas  
February 23, 1996

## SCHEDULE II

MITCHAM INDUSTRIES, INC.

## VALUATION AND QUALIFYING ACCOUNTS

| COL. A                               | COL. B                               | COL. C(1)  | COL. D                   | COL. E                         |
|--------------------------------------|--------------------------------------|--|--------------------------|--------------------------------|
| DESCRIPTION                          | BALANCE AT<br>BEGINNING<br>OF PERIOD | ADDITIONS<br>CHARGED TO<br>COSTS AND<br>EXPENSES | DEDUCTIONS -<br>DESCRIBE | BALANCE<br>AT END<br>OF PERIOD |
| January 31, 1994                     |                                      |  |                          |                                |
| Allowance for doubtful accounts..... | \$58,000                             | \$ 38,000  | 3,000(A)                 | \$ 93,000                      |
| January 31, 1995                     |                                      |  |                          |                                |
| Allowance for doubtful accounts..... | \$93,000                             | \$ 35,000  | \$ 38,000(A)             | \$ 90,000                      |
| January 31, 1996                     |                                      |  |                          |                                |
| Allowance for doubtful accounts..... | \$90,000                             | \$627,000  | \$370,000(A)             | \$347,000                      |

(A) Represents recoveries and uncollectible accounts written off.

Column C(2) has been omitted, as all answers would be "none."

## EXHIBIT INDEX

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\* Filed herewith.

+ Previously filed.

- (1) Incorporated by reference to the indicated exhibit number of the Registrant's Registration Statement on Form SB-2 (File No. 33-81164-D), filed with the SEC on July 5, 1994.
- (2) Incorporated by reference to the indicated exhibit number of the Registrant's Amendment No. 2 to the Registration Statement on Form SB-2, filed with the SEC on November 9, 1994.
- (3) Incorporated by reference to the indicated exhibit number of the Registrant's Amendment No. 3 to the Registration Statement on Form SB-2, filed with the SEC on December 12, 1994.
- (4) Incorporated by reference to the indicated exhibit number of the Registrant's Post-Effective Amendment No. 2 to its Registration Statement on Form SB-2, filed with the SEC on October 30, 1995.
- (5) Incorporated by reference to the indicated exhibit number of the Registrant's Post-Effective Amendment No. 4 to its Registration Statement on Form SB-2, filed with the SEC on April 17, 1996.
- (6) Incorporated by reference to the indicated exhibit number of the Registrant's Registration Statement on Form S-3 (File No. 333-10555), filed with the SEC on October 30, 1996.

\_\_\_\_\_ Shares  
MITCHAM INDUSTRIES, INC.  
Common Stock  
UNDERWRITING AGREEMENT

September \_\_\_\_, 1996

Rodman & Renshaw, Inc.  
Simmons & Company International  
c/o Rodman & Renshaw, Inc.  
Two World Financial Center  
225 Liberty St., 30th Floor  
New York, New York 10281

On behalf of the Several Underwriters  
named in Schedule I attached hereto

Ladies and Gentlemen:

Mitcham Industries, Inc., a Texas corporation (the "Company") and certain stockholders of the Company named in Schedule III hereto (the "Selling Stockholders") propose to sell to you and the other underwriters named in Schedule I attached hereto (the "Underwriters"), for whom you are acting as the Representatives, an aggregate of 3,000,000 shares (the "Firm Shares") of the Company's Common Stock, par value \$0.01 per share (the "Common Stock"), of which 2,500,000 shares (the "Company Shares") are to be issued and sold by the Company and 500,000 shares (the "Selling Stockholders Shares") are to be sold by the Selling Stockholders. The obligation of each Selling Stockholder to sell Firm Shares shall be as set forth opposite his name on Schedule III attached hereto. The Company and the Selling Stockholders also propose to grant to the Underwriters an option to purchase up to an additional 450,000 shares (the "Option Shares") of Common Stock for the purpose of covering over-allotments in connection with the sale of the Firm Shares, of which 375,000 shares are to be issued and sold by the Company and 75,000 shares are to be sold by the Selling Stockholders. The Firm Shares and the Option Shares are together called the "Shares."

1. Sale and Purchase of the Shares. On the basis of the representations, warranties and agreements contained in, and subject to the terms and conditions of, this Agreement:

(a) The Company agrees to issue and sell the Company Shares and the Selling Stockholders, severally and not jointly, agree to sell the Selling Stockholder Shares to the several Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase at the purchase price per share of Common Stock of \$\_\_\_\_\_ (the "Initial Price"),

the aggregate number of Firm Shares set forth opposite such Underwriter's name in Schedule I attached hereto.

(b) The Company grants to the several Underwriters an option to purchase up to an additional \_\_\_\_\_ shares at the Initial Price and the Selling Stockholders grant to the several Underwriters an option to purchase up to an additional \_\_\_\_\_ shares at the Initial Price. Pursuant to such option, the Company and each of the Selling Stockholders agree to issue and sell the Option Shares to the several Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase at the Initial Price the same percentage (adjusted by Rodman & Renshaw, Inc. to eliminate fractions) of the total number of Option Shares to be purchased by the Underwriters as such Underwriter is purchasing of the Firm Shares. Such option may be exercised only to cover over-allotments in the sales of the Firm Shares by the Underwriters and may be exercised in whole or in part at any time on or before 12:00 noon, New York City time, on the business day before the Firm Shares Closing Date (as defined below) and from time-to-time thereafter within 30 days after the date of this Agreement, upon verbal or telephonic notice by Rodman & Renshaw, Inc. ("Rodman") to the Company and the Selling Stockholders setting forth the number of Option Shares to be purchased and the time and date (if other than the Firm Shares Closing Date) of such purchase.

2. Delivery and Payment. Delivery by the Company and the Selling Stockholders of the Firm Shares to the Representatives for the respective accounts of the Underwriters, and payment of the purchase price by certified or official bank check or checks payable in New York Clearing House (next day) funds to the Company and the Selling Stockholders, shall take place at the offices of Rodman & Renshaw, Inc., at Two World Financial Center, 225 Liberty St., 30th Floor, New York, New York, 10281, at 10:00 a.m., New York City time, on the third business day following the date on which the public offering of the Shares commences (unless such date is postponed in accordance with the provisions of Section 10(b)), or at such time and place on such other date, not later than 10 business days after the date of this Agreement, as shall be agreed upon by the Company and Rodman (such time and date of delivery and payment are called the "Firm Shares Closing Date"). The public offering of the Shares shall be deemed to have commenced at the time, which is the earlier of (a) the time, after the Registration Statement (as defined in Section 4 below) becomes effective, of the release by you for publication of the first newspaper advertisement which is subsequently published relating to the Shares or (b) the time, after the Registration Statement becomes effective, when the Shares are first released by you for offering by the Underwriters or dealers by letter, facsimile transmission or telegram.

In the event the option with respect to the Option Shares is exercised, delivery by the Company and the Selling Stockholders of the Option Shares to the Representatives for the respective accounts of the Underwriters, and payment of the purchase price by certified or official bank check or checks payable in New York, Clearing House (next day) funds to the Company and the Selling Stockholders shall take place at the offices of Rodman & Renshaw, Inc. specified above at the time and on the date (which may be the same date as, but in no event shall be earlier than, the Firm Shares Closing Date) specified in the notice referred to in Section 1(b) (such time and date of delivery and

payment is called the "Option Shares Closing Date"). The Firm Shares Closing Date and the Option Shares Closing Date are called, individually, a "Closing Date" and, together, the "Closing Dates."

Certificates evidencing the Shares shall be registered in such names and shall be in such denominations as Rodman shall request at least two full business days before the Firm Shares Closing Date or the Option Shares Closing Date, as the case may be, and shall be made available to Rodman for checking and packaging, at such place as is designated by Rodman, on the full business day before the Firm Shares Closing Date or the Option Shares Closing Date, as the case may be.

The documents to be delivered at each Closing Date by or on behalf of the parties hereto, including the cross receipt for the Shares and any additional documents requested by the Underwriters, will be delivered at the offices of Vinson & Elkins L.L.P., 2300 First City Tower, 1001 Fannin, Houston, Texas 77002 (the "Closing Location"). A meeting will be held at the Closing Location at 2:00 p.m., Houston time, on the New York Business Day next preceding such Time of Delivery, at which meeting the final drafts of the documents to be delivered pursuant to the preceding sentence will be available for review by the parties hereto. "New York Business Day" shall mean each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in New York are generally authorized or obligated by law or executive order to close.

3. Public Offering. The Company and the Selling Stockholders understand that the Underwriters propose to make a public offering of the Shares, as set forth in and pursuant to the Prospectus (as defined in Section 4 below), as soon after the effective date of the Registration Statement and the date of this Agreement as the Representatives deem advisable. The Company and the Selling Stockholders hereby confirm that the Underwriters and dealers have been authorized to distribute or cause to be distributed each preliminary prospectus and are authorized to distribute the Prospectus (as from time to time amended or supplemented if the Company furnishes amendments or supplements thereto to the Underwriters).

4. Representations and Warranties of the Company and the Selling Stockholders.

(a) The Company represents and warrants to, and agrees with, the several Underwriters that:

(i) The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement, and may have filed one or more amendments thereto, on Form S-1 (Registration No. 333-\_\_\_\_\_), including in such registration statement and each such amendment a related preliminary prospectus (a "Preliminary Prospectus"), for the registration of the Shares, in conformity with the requirements of the Securities Act of 1933, as amended (the "Act"). In addition, the Company has filed or will promptly file a further amendment to such registration statement, in the form heretofore delivered to you. Other than a registration statement, if any, increasing the size of the offering (a "Rule 462(b) Registration Statement"), filed pursuant to Rule 462(b) under the Act, which became effective upon filing, no other document with respect to the registration statement referred to

above has heretofore been filed with the Commission. As used in this Agreement, the term "Registration Statement" means such registration statement and the Rule 462(b) Registration Statement, if any, as amended, on file with the Commission at the time such registration statement becomes effective (including the prospectus, financial statements, exhibits and all other documents filed as a part thereof or incorporated by reference directly or indirectly therein), provided that such Registration Statement, at the time it becomes effective, may omit such information as is permitted to be omitted from the Registration Statement when it becomes effective pursuant to Rule 430A of the General Rules and Regulations promulgated under the Act (the "Regulations"), which information ("Rule 430 Information") shall be deemed to be included in such Registration Statement when a final prospectus is filed with the Commission in accordance with Rules 430A and 424(b)(1) or (4) of the Regulations; the term "Preliminary Prospectus" means each prospectus included in the Registration Statement, or any amendments thereto, before it becomes effective under the Act, the form of prospectus omitting Rule 430A Information included in the Registration Statement when it becomes effective, if applicable (the "Rule 430A Prospectus"), and any prospectus filed by the Company with your consent pursuant to Rule 424(a) of the Regulations; and the term "Prospectus" means the final prospectus included as part of the Registration Statement, except that if the prospectus relating to the securities covered by the Registration Statement in the form first filed on behalf of the Company with the Commission pursuant to Rule 424(b) of the Regulations shall differ from such final prospectus, the term "Prospectus" shall mean the prospectus as filed pursuant to Rule 424(b) from and after the date on which it shall have first been used.

(ii) When the Registration Statement becomes effective, and at all times subsequent thereto to and including the Closing Dates and during such longer period as the Prospectus may be required to be delivered in connection with sales by the Underwriters or a dealer, and during such longer period until any post-effective amendment thereto shall become effective, the Registration Statement (and any post-effective amendment thereto) and the Prospectus (as amended or as supplemented if the Company shall have filed with the Commission any amendment or supplement to the Registration Statement or the Prospectus) will contain all statements which are required to be stated therein in accordance with the Act and the Regulations, will comply with the Act and the Regulations, and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and no event will have occurred which should have been set forth in an amendment or supplement to the Registration Statement or the Prospectus which has not then been set forth in such an amendment or supplement; if a Rule 430A Prospectus is included in the Registration Statement at the time it becomes effective, the Prospectus filed pursuant to Rules 430A and 424(b)(1) or (4) will contain all Rule 430A Information: and each Preliminary Prospectus, as of the date filed with the Commission, did not include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not

misleading; except that no representation or warranty is made in this Section 4(a)(ii) with respect to statements or omissions made in reliance upon and in conformity with written information furnished to the Company as stated in Section 7(b) with respect to any Underwriter by or on behalf of such Underwriter through the Representatives expressly for inclusion in any Preliminary Prospectus, the Registration Statement or the Prospectus, or any amendment or supplement thereto.

(iii) Neither the Commission nor the "blue sky" or securities authority of any jurisdiction have issued an order (a "Stop Order") suspending the effectiveness of the Registration Statement, preventing or suspending the use of any Preliminary Prospectus, the Prospectus, the Registration Statement, or any amendment or supplement thereto, refusing to permit the effectiveness of the Registration Statement or suspending the registration or qualification of the Firm Shares or the Option Shares, nor has any of such authorities instituted or, to the knowledge of the Company, threatened to institute any proceedings with respect to a Stop Order.

(iv) Any contract, agreement, instrument, lease or license required to be described in the Registration Statement or the Prospectus has been properly described therein. Any contract agreement, instrument, lease or license required to be filed as an exhibit to the Registration Statement has been filed with the Commission as an exhibit to or has been incorporated as an exhibit by reference into the Registration Statement.

(v) The Company has no subsidiary or subsidiaries and does not control, directly or indirectly, any corporation, partnership, joint venture, association or other business organization, except for those set forth on Schedule II hereto (each such corporation singly a "Subsidiary" and collectively the "Subsidiaries"). The Company and its Subsidiaries are corporations duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, with full corporate power and authority and all necessary consents, authorizations, approvals, orders, licenses, certificates and permits of and from, and declarations and filings with, all federal, state, foreign, local and other governmental authorities and all courts and other tribunals, to own, lease, license and use their properties and assets and to carry on their business as now being conducted and in the manner described in the Prospectus, except where such failure would not have a material adverse effect on the Company and the Subsidiaries. The Companies and its Subsidiaries have been duly qualified to do business and are in good standing in each jurisdiction in which their respective ownership, leasing, licensing or character, location or use of property and assets or the conduct of their respective business makes such qualification necessary, except where the failure to so qualify would not have a material adverse effect upon the operations, business, properties, assets, stockholder's equity, results of operations or financial condition of the Company or any of the Subsidiaries ("Material Adverse Effect").

(vi) The Company has an authorized capitalization as set forth in the Prospectus, and all of the issued shares of capital stock of the Company have been duly and validly authorized and issued, are fully paid and nonassessable, without any personal liability attaching to the ownership thereof, and have not been issued and are not owned or held in violation of any preemptive rights of shareholders, optionholders, warrantholders or other persons. The Company owns all of the shares of capital stock of the Subsidiaries, free and clear of all liens, claims, security interests, restrictions, stockholders' agreements, voting trusts and any other encumbrances whatsoever, except as described in the Prospectus. There is no commitment, plan, preemptive right or arrangement to issue, and no outstanding option, warrant or other right calling for the issuance of, shares of capital stock of the Company or any of the Subsidiaries or any security or other instrument which by its terms is convertible into, exercisable for or exchangeable for capital stock of the Company or any of the Subsidiaries, except as described in the Prospectus. There is outstanding no security or other instrument which by its terms is convertible into or exchangeable for capital stock of the Company or any of the Subsidiaries, except as described in the Prospectus.

(vii) The financial statements of the Company included in the Registration Statement and the Prospectus fairly present in all material respects, with respect to the Company, the financial position, the results of operations and the other information purported to be shown therein at the respective dates and for the respective periods to which they apply. Such financial statements have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods involved, are correct and complete and are in accordance with the books and records of the Company. The accountants whose reports on the audited financial statements are filed with the Commission as a part of the Registration Statement are, and during the periods covered by their reports included in the Registration Statement and the Prospectus were, independent certified public accountants with respect to the Company within the meaning of the Act and the Regulations. No other financial statements are required by Form S-1 or otherwise to be included in the Registration Statement or the Prospectus. There has at no time been a material adverse change in the financial condition, results of operations, business, properties, assets, liabilities, or future prospects of the Company or any of the Subsidiaries from the latest information set forth in the Registration Statement or the Prospectus.

(viii) There is no litigation, arbitration, claim, governmental or other proceeding (formal or informal) or investigation before any court or before any public body or board pending, or, to the knowledge of the Company, threatened or in prospect (or any basis therefor) with respect to the Company or any of the Subsidiaries, or any of their respective operations, business, properties or assets, except as may be properly described in the Prospectus or such as individually or in the aggregate do not now have and could not reasonably be expected in the future to have a Material Adverse Effect. Neither the Company nor any of the Subsidiaries is

involved in any labor dispute nor, to the knowledge of the Company, is such dispute threatened, which dispute could reasonably be expected to have a Material Adverse Effect. Neither the Company nor any of the Subsidiaries is in violation of, or in default with respect to, the provisions of its articles of incorporation or by-laws or any law, rule, regulation, order, judgment or decree which could reasonably be expected to have a Material Adverse Effect; nor is the Company or any of the Subsidiaries required to take any action in order to avoid any such violation or default with respect thereto.

(ix) Except as described in the Prospectus, the Company and each of the Subsidiaries have (1) good and indefeasible title to all real property and good and marketable title to all other material properties and assets described in the Prospectus as owned by the Company or any of the Subsidiaries and (2) valid, subsisting and enforceable leases for all of the properties and assets, real or personal, described in the Prospectus as leased by them, in each case free and clear of any security interests, mortgages, pledges, liens, encumbrances or charges of any kind, other than those described in the Prospectus and those that could not, individually or in the aggregate, have a Material Adverse Effect.

(x) The Company and each of the Subsidiaries, and to the knowledge of the Company, any other party, is not now and is not expected by the Company to be in violation or breach of, or in default with respect to, complying with any term, obligation or provision of any contract, agreement, instrument, lease, license, indenture, mortgage, deed of trust, note, arrangement or understanding which is material to the Company or any of the Subsidiaries and no event has occurred which with notice or lapse of time or both would constitute such a default, and each such contract, agreement, instrument, lease, license, indenture, mortgage, deed of trust, note, arrangement or understanding is in full force and is the legal, valid and binding obligation of the parties thereto and is enforceable as to the Company, each of the Subsidiaries and, to the knowledge of the Company, each other party thereto, in accordance with its terms, subject to applicable bankruptcy, insolvency and other laws affecting the enforceability of creditor's rights generally and the effects of general principles of equity. The Company and each of the Subsidiaries enjoys peaceful and undisturbed possession under all property leases and licenses under which it is operating, the loss of any of which would not have a Material Adverse Effect. Neither the Company nor any of the Subsidiaries is in violation or breach of, or in default with respect to, any term of its certificate of incorporation (or other charter document) or by-laws or of any franchise, license, permit, judgment, decree, order, statute, rule or regulation, which breach or default of such franchise, license, permit, judgment, decree, order, statute, rule or regulation could reasonably be expected to have a Material Adverse Effect.

(xi) The Company and the Subsidiaries have filed all federal, state, local and foreign tax returns which are required to be filed through the date hereof, or have received extensions thereof, and have paid all taxes shown on such returns and all

assessments received by them to the extent that the same are material and have become due.

(xii) None of the Company, any Subsidiary, director, officer, agent, employee or other person associated with or acting on behalf of the Company and the Subsidiaries has, directly or indirectly: used any corporate funds for unlawful contributions, gifts, entertainment or other unlawful expenses relating to political activity; made any unlawful payment to foreign or domestic government officials or employees or to foreign or domestic political parties or campaigns from corporate funds; violated any provision of the Foreign Corrupt Practices Act of 1977, as amended; or made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment. No transaction has occurred between or among the Company or the Subsidiaries and any officers or directors or any affiliates or affiliates of any such officer or director, except as described in the Prospectus.

(xiii) The Company and each of the Subsidiaries (A) are in compliance with any and all applicable federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or waste, pollutants or contaminants ("Environmental Laws"), (B) have received all permits, licenses or other approvals required of it under applicable Environmental Laws to conduct its business and (C) are in compliance with all terms and conditions of any such permit, license or approval, except for such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals that would not, singly or in the aggregate, have a Material Adverse Effect. There has been no storage, disposal, generation, transportation, handling or treatment of hazardous substances or solid wastes by the Company or any of the Subsidiaries (or to the knowledge of the Company, any of their predecessors in interest) at, upon or from any of the property now or previously owned or leased by the Company or any of the Subsidiaries in violation of any applicable law, ordinance, rule, regulation, order, judgment, decree or permit or which would require remedial action by the Company or any of the Subsidiaries under any applicable law, ordinance, rule, regulation, order, judgment, decree or permit, except for any violation or remedial action which would not result in, or which would not be reasonably likely to result in, singularly or in the aggregate with all such violations and remedial actions, a Material Adverse Effect; there has been no spill, discharge, leak, emission, injection, escape, dumping or release of any kind onto such property or into the environment surrounding such property of any solid wastes or hazardous substances due to or caused by the Company or any of the Subsidiaries, except for any such spill, discharge, leak, emission, injection, escape, dumping or release which would not result in or would not be reasonably likely to result in, singularly or in the aggregate with all such spills, discharges, leaks, emissions, injections, escapes, dumpings and releases, a Material Adverse Effect; and the terms "hazardous substances" and "solid wastes" shall have the meanings

specified in any applicable local, state and federal laws or regulations with respect to environmental protection;

(xiv) The Company and the Subsidiaries have all requisite corporate power and authority to execute, deliver and perform this Agreement. All necessary corporate proceedings of the Company and the Subsidiaries have been duly taken to authorize the execution, delivery and performance of this Agreement. This Agreement has been duly authorized, executed and delivered by the Company, is the legal, valid and binding obligation of the Company and is enforceable as to the Company in accordance with its terms, subject to applicable bankruptcy, insolvency and other laws affecting the enforceability of creditor's rights generally and the effects of general principles of equity. No consent, authorization, approval, order, license, certificate or permit of or from, or declaration or filing with, any federal, state, local, foreign or other governmental authority or any court or other tribunal is required by the Company or the Subsidiaries for the execution, delivery or performance by the Company of this Agreement (except filings under the Act which have been or will be made before the applicable Closing Date and such consents consisting only of consents under "blue sky" or securities laws which have been obtained at or prior to the date of this Agreement). No consent of any party to any contract, agreement, instrument, lease, license, indenture, mortgage, deed of trust, note, arrangement or understanding to which the Company or the Subsidiaries is a party, or to which any of their respective properties or assets are subject, is required for the execution, delivery or performance of this Agreement, and the execution, delivery and performance of this Agreement will not violate, result in a breach of, conflict with, accelerate the due date of any payments under, or (with or without the giving of notice or the passage of time or both) entitle any party to terminate or call a default under any such contract, agreement, instrument, lease, license, indenture, mortgage, deed of trust, note, arrangement or understanding, or violate or result in a breach of any term of the certificate of incorporation (or other charter document) or by-laws of the Company or any of the Subsidiaries, or violate, result in a breach of or conflict with any law, rule, regulation, order, judgment or decree binding on the Company or any of the Subsidiaries or to which any of their respective operations, business, properties or assets are subject.

(xv) The Shares have been duly and validly authorized. The Firm Shares, when issued and delivered in accordance with this Agreement, and the Option Shares, when issued and delivered in accordance with this Agreement, will be duly and validly issued, fully paid and nonassessable, without any personal liability attaching to the ownership thereof, and will not be issued in violation of any preemptive rights of shareholders, optionholders, warrant holders and any other persons and the Underwriters will receive good title to the Firm Shares and the Option Shares purchased by them, respectively, free and clear of all liens, security interests, pledges, charges, encumbrances, shareholders' agreements and voting trusts.

(xvi) All types and series of capital stock of the Company, the Firm Shares and the Option Shares conform to all statements relating thereto contained in the Registration Statement or the Prospectus.

(xvii) Subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus, and except as may otherwise be properly described therein, there has not been any material adverse change in the assets or properties, business or results of operations or financial condition of the Company or the Subsidiaries, whether or not arising from transactions in the ordinary course of business; neither the Company nor the Subsidiaries have sustained any material loss or interference with its respective business or properties from fire, explosion, earthquake, flood or other calamity, whether or not covered by insurance; since the date of the latest balance sheet included in the Registration Statement and the Prospectus, except as reflected in the Registration Statement, neither the Company nor the Subsidiaries, have undertaken any liability or obligation, direct or contingent, except for liabilities or obligations undertaken in the ordinary course of business; and neither the Company nor the Subsidiaries have (A) issued any securities or incurred any liability or obligation, primary or contingent, for borrowed money, (B) entered into any transaction not in the ordinary course of business or (C) declared or paid any dividend or made any distribution on any of its capital stock or redeemed, purchased or otherwise acquired or agreed to redeem, purchase or otherwise acquire any shares of its capital stock.

(xviii) The Company and each Subsidiary maintain insurance covering their properties, operations, personnel and businesses that, in the Company's reasonable judgment, insures against such losses and risks as are adequate in accordance with customary industry practice to protect the Company and the Subsidiaries and their businesses.

(xix) The Company and each Subsidiary maintain a system of internal accounting controls sufficient to provide reasonable assurance that (a) transactions are executed in accordance with management's general or specific authorizations, (b) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability, (c) access to assets is permitted only in accordance with management's general or specific authorization and (d) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(xx) Neither the Company nor its Subsidiaries or any of their respective officers, directors or affiliates (as defined in the Regulations), have taken or will take, directly or indirectly, prior to the termination of the underwriting syndicate contemplated by this Agreement, any action designed to stabilize or manipulate the price of any security of the Company, or which has caused or resulted in, or which might in the future reasonably be expected to cause or result in, stabilization or

manipulation of the price of any security of the Company, to facilitate the sale or resale of any of the Firm Shares or the Option Shares.

(xxi) The Company has obtained from each of its executive officers and directors, their enforceable written agreement, in form and substance satisfactory to counsel for the Underwriters, that for a period of 180 days from the date on which the public offering of the Shares commences they will not, without your prior written consent, offer, pledge, sell, contract to sell, grant any option for the sale of or otherwise dispose of, directly or indirectly, any shares of Common Stock or other securities of the Company (or any security or other instrument which by its terms is convertible into, exercisable for or exchangeable for shares of Common Stock or other securities of the Company, including, without limitation, any shares of Common Stock issuable under any employee stock options), beneficially owned by them, except with respect to Shares being sold in connection herewith.

(xxii) The Company and Subsidiary are not, and after giving effect to the offering and sale of the Shares, will not be an "investment company" or an entity "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended (the "Investment Company Act").

(xxiii) Hein & Associates LLP, who have certified certain financial statements of the Company, are independent public accountants as required by the Act and the rules and regulations of the Commission thereunder.

(xxiv) No person or entity has the right to require registration of shares of Common Stock or other securities of the Company because of the filing or effectiveness of the Registration Statement, other than such rights as described in the Prospectus and which have been duly and effectively waived.

(xxv) Except as may be set forth in the Prospectus, the Company has not incurred any liability for a fee, commission or other compensation on account of the employment of a broker or finder in connection with the transactions contemplated by this Agreement.

(xxvi) No transaction has occurred between or among the Company, the Subsidiaries or any of their officers or directors or any affiliates of any such officers or directors that is required to be described in and is not described in the Registration Statement and the Prospectus.

(xxvii) The Common Stock, including the Shares, are authorized for quotation on the Nasdaq National Market.

(b) The Selling Stockholders, severally and not jointly, represent and warrant to, and agree with, the several Underwriters that:

(i) There is no litigation, arbitration, claim, governmental or other proceeding (formal or informal), or investigation before any court or beneficiary, public body or board pending, threatened, or in prospect (or any basis therefor known to such Selling Stockholder) with respect to such Selling Stockholder or any of such Selling Stockholder's business, properties or assets. Such Selling Stockholder is not in violation of, or in default with respect to, any law, rule, regulation, order, judgment, or decree; nor is such Selling Stockholder required to take any action in order to avoid such violation or default.

(ii) Such Selling Stockholder has all requisite power and authority to execute, deliver, and perform this Agreement. This Agreement has been duly executed and delivered by or on behalf of such Selling Stockholder, is the legal, valid and binding obligation of such Selling Stockholder, and is enforceable as to such Selling Stockholder in accordance with its terms. No consent, authorization, approval, order, license, certificate, or permit of or from, or declaration or filing with, any federal, state, local or other governmental authority or any court or other tribunal is required by such Selling Stockholder for the execution, delivery or performance of this Agreement (except filings under the Act which have been made before the applicable Closing Date and such consents consisting only of consents under "blue sky" or securities laws which have been obtained at or prior to the date of this Agreement) by such Selling Stockholder. No consent of any party to any contract, agreement, instrument, lease, license, indenture, mortgage, deed of trust, note, arrangement or understanding to which such Selling Stockholder is a party, or to which any of such Selling Stockholder's properties or assets are subject, is required for the execution, delivery or performance of this Agreement; and the execution, delivery and performance of this Agreement will not violate, result in a breach of, conflict with, or (with or without the giving of notice or the passage of time or both) entitle any party to terminate or call a default under any such contract, agreement, instrument, lease, license, indenture, mortgage, deed of trust, note, arrangement or understanding, or violate, result in or breach of, or conflict with, any law, rule, regulation, order, judgment or decree binding on such Selling Stockholder or to which any of such Selling Stockholder's operations, business, properties, or assets are subject.

(iii) Such Selling Stockholder has good title to the Selling Stockholder shares and Option Shares, as the case may be, to be sold by such Selling Stockholder pursuant to this Agreement, free and clear of all liens, security interests, pledges, charges, encumbrances, stockholders' agreements and voting trusts and when delivered in accordance with this Agreement, the Underwriters will receive good title to the Selling Stockholder Shares and the Option Shares purchased by them, respectively, from such Selling Stockholder, free and clear of all liens, security interests, pledges, charges, encumbrances, stockholders' agreements and voting trusts.

(iv) Neither such Selling Stockholder nor any of such Selling Stockholder's affiliates (as defined in the Regulations) has taken or will take, directly or indirectly, prior to the termination of the underwriting syndicate contemplated by this Agreement, any action designed to stabilize or manipulate the price of any security of the Company, or which has caused or resulted in, or which might in the future reasonably be expected to cause or result in, stabilization or manipulation of the price of any security of the Company, to facilitate the sale or resale of any of the Selling Stockholder Shares or the Option Shares.

(v) All Information furnished or to be furnished to the Company by or on behalf of such Selling Stockholder for use in connection with the preparation of the Registration Statement and the Prospectus is true in all respects and does not and will not include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading.

(vi) Except as may be set forth in the Prospectus, such Selling Stockholder has not incurred any liability for a fee, commission or other compensation on account of the employment of a broker or finder in connection with the transactions contemplated by this Agreement.

(vii) Such Selling Stockholder has no knowledge that, and does not believe that, any representation or warranty of the Company in Section 4(a) is incorrect.

(viii) Such Selling Stockholder has not, directly or indirectly: used any corporate funds for unlawful contributions, gifts, entertainment, or other unlawful expenses relating to political activity; made any unlawful payment to foreign or domestic government officials or employees or to foreign or domestic political parties or campaigns from corporate funds; violated any provision of the Foreign Corrupt Practices Act of 1977, as amended; or made any bribe, rebate, payoff, influence payment, kickback, or other unlawful payment.

(ix) No transaction has occurred between such Selling Stockholder and the Company that is required to be described in the Registration Statement or the Prospectus.

5. Conditions of the Underwriters' Obligations. The obligations of the Underwriters under this Agreement are several and not joint. The respective obligations of the Underwriters to purchase the Shares are subject to each of the following terms and conditions:

(a) The Prospectus shall have been timely filed with the Commission in accordance with Section 6(a)(i) of this Agreement.

(b) No order preventing or suspending the use of any preliminary prospectus or the Prospectus shall have been or shall be in effect and no order suspending the effectiveness

of the Registration Statement shall be in effect and no proceedings for such purpose shall be pending before or threatened by the Commission, and any requests for additional information on the part of the Commission (to be included in the Registration Statement or the Prospectus or otherwise) shall have been complied with to the satisfaction of the Representatives.

(c) The representations and warranties of the Company and of the Selling Stockholders contained in this Agreement and in the certificates delivered pursuant to Section 5(d) shall be true and correct when made and on and as of each Closing Date as if made on such date and the Company and the Selling Stockholders shall have performed all covenants and agreements and satisfied all the conditions contained in this Agreement required to be performed or satisfied by them at or before such Closing Date.

(d) The Representatives shall have received on each Closing Date (i) a certificate, addressed to the Representatives and dated such Closing Date, of the chief executive officer and the chief financial officer of the Company to the effect that the persons executing such certificate have carefully examined the Registration Statement, the Prospectus and this Agreement and that the representations and warranties of the Company in this Agreement are true and correct on and as of such Closing Date with the same effect as if made on such Closing Date and the Company has performed all covenants and agreements and satisfied all conditions contained in this Agreement required to be performed or satisfied by it at or prior to such Closing Date and (ii) certificates, addressed to the Representatives and dated such Closing Date, of each of the Selling Stockholders to the effect that the representations and warranties of such Selling Stockholders are true and correct on and as of such Closing Date and such Selling Stockholder has performed all covenants and agreements and satisfied all conditions contained in this Agreement required to be performed or satisfied by such Selling Stockholder at or prior to such Closing Date.

(e) The Representatives shall have received at the time this Agreement is executed and on each Closing Date, signed letters from Hein & Associates LLP, addressed to the Representatives and dated, respectively, the date of this Agreement and each such Closing Date, in the form and scope reasonably satisfactory to the Representatives, with reproduced copies or signed counterparts thereof for each of the Underwriters confirming that they are independent accountants within the meaning of the Act and the Regulations, that the response to Item 10 of the Registration Statement is correct in so far as it relates to them and stating in effect that:

(i) in their opinion the audited financial statements included in the Registration Statement and the Prospectus (including the related schedules and notes) and reported on by them comply as to form in all material respects with the applicable accounting requirements of the Act, the Exchange Act and the related published rules and regulations thereunder;

(ii) on the basis of specified procedures as of a specified date not more than five days prior to the date of their letter (which procedures do not constitute an examination made in accordance with generally accepted accounting principles) and

which include a reading of the latest available unaudited interim consolidated financial statements of the Company and the Subsidiaries, a reading of the minutes of the meetings of the shareholders and directors of the Company and inquiries of certain officials of the Company and the Subsidiaries who have responsibility for financial and accounting matters of the Company and the Subsidiaries as to transactions and events subsequent to the date of the latest audited financial statements, except as disclosed in the Registration Statement and the Prospectus, nothing came to their attention which caused them to believe that:

(A) the amounts in "Summary Financial Data," and included in the Registration Statement and the Prospectus do not agree with the corresponding amounts in the audited financial statements from which such amounts were derived; or

(B) there were any decreases in net lease or sales revenue, income before income taxes and net income or any increases in long-term debt of the Company or any decreases in the capital stock, working capital or the shareholders' equity in the Company, as compared with the amounts shown on the Company's audited Balance Sheet for the fiscal year ended January 31, 1996, included in the Registration Statement or the audited Statement of Operations, for such year; and

(iii) information of an accounting, financial or statistical nature (which is limited to accounting, financial or statistical information derived from the general accounting records of the Company) set forth in the Registration Statement and the Prospectus and reasonably specified by the Representatives agrees with the accounting records of the Company.

References to the Registration Statement and the Prospectus in this paragraph (e) are to such documents as amended and supplemented at the date of such letter.

(f) The Representatives shall have received on each Closing Date from Norton, Jacobs, Kuhn & McTopy, L.L.P., counsel for the Company, an opinion, addressed to the Representatives and dated such Closing Date, and in form and scope satisfactory to counsel for the Underwriters, with reproduced copies or signed counterparts thereof for each of the Underwriters, to the effect that:

(i) The Company and its Subsidiaries are corporations duly organized, validly existing and in good standing under the laws of the jurisdiction of their incorporation, with full corporate power and authority to own, lease, license and use their

properties and assets and to conduct their business in the manner described in the Prospectus. The Company and its Subsidiaries have all necessary consents, authorizations, approvals, orders, certificates and permits of and from, and declarations and filings with, all federal, state, foreign, local and other governmental authorities and all courts and other tribunals, to own, lease, license and use their properties and assets and to conduct their business in the manner described in the Prospectus. The Company has no subsidiary or subsidiaries and does not control, directly or indirectly, any corporation, partnership, joint venture, association or other business organization, except for those set forth on Schedule II hereto.

(ii) The Company and its Subsidiaries have been duly qualified to do business and are in good standing under the laws of each other jurisdiction in which they own or lease properties or conduct any business so as to require such qualification or are subject to no material liability or disability by reason of failure to be so qualified in any such jurisdiction (such counsel being entitled to rely in respect of the opinion in this clause upon opinions of local counsel and in respect of matters of fact upon certificates of officers of the Company or the Subsidiaries, provided that such counsel shall state that they believe that both you and they are justified in relying upon such opinions and certificates);

(iii) The Company has authorized, issued and outstanding capital stock as set forth in the "actual" column of the capitalization table under the caption "Capitalization" in the Prospectus. The certificates evidencing the shares are in due and proper legal form. Each outstanding share of Common Stock has been duly and validly authorized and issued and is fully paid and nonassessable, without any personal liability attaching to the ownership thereof, and has not been issued and is not owned or held in violation of any preemptive right of shareholders. The Company owns all of the shares of capital stock of the Subsidiaries, except as disclosed in the Prospectus, and to the knowledge of such counsel, such shares have been duly and validly authorized and issued, are fully paid and non-assessable, and (except as set forth in the Prospectus) are owned directly or indirectly by the Company, and are owned by the Company free and clear of all liens, claims, security interests, restrictions, shareholders' agreements, voting trusts and any other encumbrances whatsoever. There is no commitment, plan or arrangement to issue, and no outstanding option, warrant or other right calling for the issuance of, any share of capital stock of the Company or any security or other instrument which by its terms is convertible into, exercisable for or exchangeable for capital stock of the Company, except as described in the Prospectus. There is outstanding no security or other instrument which by its terms is convertible into, exercisable for or exchangeable for capital stock of the Company or any of the Subsidiaries, except as described in the Prospectus.

(iv) There is no litigation, arbitration, claim, governmental or other proceeding (formal or informal) or investigation before any court or before any public body or board pending, or to the best of such counsel's knowledge threatened or in prospect (or any basis therefor) with respect to the Company, any of the Subsidiaries or any of their respective operations, businesses, properties, assets or financial condition except as may be properly described in the Prospectus or such as individually or in the aggregate do not now have and could not reasonably be expected in the future to have a Material Adverse Effect.

(v) Neither the Company nor any of the Subsidiaries or any other party is now or is expected by the Company to be in violation or breach of, or in default with respect to, complying with any term, obligation or provision of any contract, agreement, instrument, lease, license, indenture, mortgage, deed of trust, note, arrangement or understanding which is material to the Company and known to such counsel, and to the knowledge of such counsel, no event has occurred which with notice or lapse of time or both would constitute such a default.

(vi) Neither the Company nor any of the Subsidiaries is in violation or breach of, or in default with respect to, any term of its certificate of incorporation (or other charter document) or bylaws.

(vii) The Company has all requisite power and authority to execute, deliver and perform this Agreement and to issue and sell the Shares. All necessary corporate proceedings of the Company have been taken to authorize the execution, delivery and performance by the Company of this Agreement. This Agreement has been duly authorized, executed and delivered by the Company, is the legal, valid and binding obligation of the Company, and (subject to applicable bankruptcy, insolvency and other laws affecting the enforceability of creditor's rights generally and the effects of general principles of equity) is enforceable as to the Company in accordance with its terms. No consent, authorization, approval, order, license, certificate or permit of or from, or declaration or filing with, any federal, state, foreign, local or other governmental authority or any court or other tribunal is required by the Company for the execution, delivery or performance by the Company of this Agreement (except filings under the Act which have been made prior to the Closing Date and consents consisting only of consents under "blue sky" or securities laws). No consent of any party to any contract, agreement, instrument, lease, license, indenture, mortgage, deed of trust, note, arrangement or understanding to which the Company or any of the Subsidiaries is a party, or to which any of their respective properties or assets are subject, is required for the execution, delivery or performance of this Agreement; and the execution, delivery and performance of this Agreement will not violate, result in a breach of, conflict with or (with or without the giving of notice or the passage of time or both) entitle any party to terminate or call a default under any such contract, agreement, instrument, lease, license, indenture, mortgage, deed of trust, note, arrangement or understanding, or violate or result in a breach of any term of the certificate of incorporation (or other charter document) or by-laws of the Company or any of the Subsidiaries, or violate, result in a breach of, or conflict with any law, rule, regulation, order, judgment, or decree binding on the Company or any of the Subsidiaries or to which any of their respective operations, businesses, properties or assets are subject.

(viii) The Shares are duly and validly authorized. Such opinion delivered at each of the Closing Dates shall state that each Share, as the case may be, to be delivered on that date is duly and validly issued, fully paid and non-assessable, with no personal liability attaching to the ownership thereof, and is not issued in violation

of any preemptive rights of shareholders, and the Underwriters have received good title to the Shares purchased by them from the Company for the consideration contemplated herein. The Shares and all series of preferred stock conform to all statements relating thereto contained in the Registration Statement or the Prospectus.

(ix) Any contract, agreement, instrument, lease or license required to be described in the Registration Statement or the Prospectus has been properly described therein. Any contract, agreement, instrument, lease or license required to be filed as an exhibit to the Registration Statement has been filed with the Commission as an exhibit to or has been incorporated as an exhibit by reference into the Registration Statement.

(x) Insofar as statements in the Prospectus purport to summarize the status of litigation or the provisions of laws, rules, regulations, orders, judgments, decrees, contracts agreements, instruments, leases or licenses, such statements have been prepared or reviewed by such counsel and to the knowledge of such counsel, accurately reflect the status of such litigation and provisions purported to be summarized and are correct in all material respects.

(xi) Neither the Company nor any of the Subsidiaries is an "investment company" as defined in Section 3(a) of the Investment Company Act and, if the Company and the Subsidiaries conduct their businesses as set forth in the Prospectus, will not become an "investment company" and will not be required to be registered under the Investment Company Act.

(xii) No person or entity has the right to require registration of shares of Common Stock or other securities of the Company because of the filing or effectiveness of the Registration Statement.

(xiii) The Registration Statement has become effective under the Act. No Stop Order has been issued and no proceedings for that purpose have been instituted or are threatened, pending or contemplated.

(xiv) The Registration Statement, any Rule 430A Prospectus and the Prospectus, and any amendment or supplement thereto (other than financial statements and other financial data and schedules which are or should be contained in any thereof, as to which such counsel need express no opinion), comply as to form in all material respects with the requirements of the Act and the Regulations. The conditions for the use of Form S-1 have been satisfied with respect to the Registration Statement.

(xv) Since the effective date of the Registration Statement, no event has occurred which should have been set forth in an amendment or supplement to the Registration Statement or the Prospectus which has not been set forth in such an amendment or supplement.

In addition, such counsel shall state that such counsel has participated in the preparation of the Registration Statement and the Prospectus and in conferences with officers and other representatives of the Company, representatives of the Representatives and representatives of the independent accountants of the Company, at which conferences the contents of the Registration Statement and the Prospectus and related matters were discussed and, although such counsel has not independently verified and is not passing upon and does not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement and the Prospectus (except as specified in the foregoing opinion), on the basis of the foregoing and relying as to materiality upon the representations of executive officers of the Company after conferring with such executive officers, no facts have come to the attention of such counsel which lead such counsel to believe that the Registration Statement at the time it became effective contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that the Prospectus, except for the financial statements and other financial and statistical data included therein as to which counsel need express no opinion, as amended or supplemented on the date thereof contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

In rendering their opinion as aforesaid, such counsel may rely, as to matters of fact, to the extent such counsel deems proper, on certificates of responsible officers of the Company, provided that executed copies of such certificates are provided to the Representatives.

(g) The Representatives shall have received on each Closing Date from counsel for each of the Selling Stockholders, an opinion, addressed to the Representatives and dated such Closing Date, and in form and scope satisfactory to counsel for the Underwriters, with reproduced copies or signed counterparts thereof for each of the Underwriters, to the effect that:

(i) There is no litigation, arbitration, claim, governmental or other proceeding (formal or informal), or investigation before any court or beneficiary, public body or board pending, threatened, or in prospect (or any basis therefor known to such Selling Stockholder) with respect to such Selling Stockholder or any of such Selling Stockholder's business, properties or assets. Such Selling Stockholder is not in violation of, or in default with respect to, any law, rule, regulation, order, judgment, or decree; nor is such Selling Stockholder required to take any action in order to avoid such violation or default.

(ii) Such Selling Stockholder has all requisite power and authority to execute, deliver, and perform this Agreement. This Agreement has been duly executed and delivered by or on behalf of such Selling Stockholder, is the legal, valid and binding obligation of such Selling Stockholder, and is enforceable as to such Selling Stockholder in accordance with its terms. No consent, authorization,

approval, order, license, certificate, or permit of or from, or declaration or filing with, any federal, state, local or other governmental authority or any court or other tribunal is required by such Selling Stockholder for the execution, delivery or performance of this Agreement (except filings under the Act which have been made before the applicable Closing Date and such consents consisting only of consents under "blue sky" or securities laws which have been obtained at or prior to the date of this Agreement) by such Selling Stockholder. No consent of any party to any contract, agreement, instrument, lease, license, indenture, mortgage, deed of trust, note, arrangement or understanding to which such Selling Stockholder is a party, or to which any of such Selling Stockholder's properties or assets are subject, is required for the execution, delivery or performance of this Agreement; and the execution, delivery and performance of this Agreement will not violate, result in a breach of, conflict with, or (with or without the giving of notice or the passage of time or both) entitle any party to terminate or call a default under any such contract, agreement, instrument, lease, license, indenture, mortgage, deed of trust, note, arrangement or understanding, or violate, result in or breach of, or conflict with, any law, rule, regulation, order, judgment or decree binding on such Selling Stockholder or to which any of such Selling Stockholder's operations, business, properties, or assets are subject.

(iii) Such Selling Stockholder has good title to the Selling Stockholder shares and Option Shares, as the case may be, to be sold by such Selling Stockholder pursuant to this Agreement, free and clear of all liens, security interests, pledges, charges, encumbrances, stockholders' agreements and voting trusts and when delivered in accordance with this Agreement, the Underwriters will receive good title to the Selling Stockholder Shares and the Option Shares purchased by them, respectively, from such Selling Stockholder, free and clear of all liens, security interests, pledges, charges, encumbrances, stockholders' agreements and voting trusts.

(iv) Neither such Selling Stockholder nor any of such Selling Stockholder's affiliates (as defined in the Regulations) has taken or will take, directly or indirectly, prior to the termination of the underwriting syndicate contemplated by this Agreement, any action designed to stabilize or manipulate the price of any security of the Company, or which has caused or resulted in, or which might in the future reasonably be expected to cause or result in, stabilization or manipulation of the price of any security of the Company, to facilitate the sale or resale of any of the Selling Stockholder Shares or the Option Shares.

(v) All Information furnished or to be furnished to the Company by or on behalf of such Selling Stockholder for use in connection with the preparation of the Registration Statement and the Prospectus is true in all respects and does not and will not include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading.

(vi) Except as may be set forth in the Prospectus, such Selling Stockholder has not incurred any liability for a fee, commission or other compensation on account of the employment of a broker or finder in connection with the transactions contemplated by this Agreement.

(vii) Counsel for such Selling Stockholder has no knowledge that, and does not believe that, any representation or warranty of the Company in Section 4(a) is incorrect.

(viii) To counsel's knowledge, such Selling Stockholder has not, directly or indirectly: used any corporate funds for unlawful contributions, gifts, entertainment, or other unlawful expenses relating to political activity; made any unlawful payment to foreign or domestic government officials or employees or to foreign or domestic political parties or campaigns from corporate funds; violated any provision of the Foreign Corrupt Practices Act of 1977, as amended; or made any bribe, rebate, payoff, influence payment, kickback, or other unlawful payment.

(ix) No transaction has occurred between such Selling Stockholder and the Company that is required to be described in the Registration Statement or the Prospectus.

(h) All proceedings taken in connection with the sale of the Firm Shares and the Option Shares as herein contemplated shall be satisfactory in form and substance to the Representatives and its counsel, and the Underwriters shall have received from Vinson & Elkins L.L.P., a favorable opinion, addressed to the Representatives and dated such Closing Date, with respect to such matters as the Representatives may reasonably request, and the Company shall have furnished to Vinson & Elkins L.L.P., such documents as they may reasonably request for the purpose of enabling them to pass upon such matters.

(i) The Company shall not have sustained (i) since the date of the latest audited financial statements included in the Prospectus, any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Prospectus and (ii) since the respective dates as of which information is given in the Prospectus, there shall not have been any change in the capital stock, short-term debt or long-term debt of the Company or any change, or any development involving a prospective change, in or affecting the general affairs, management, financial position, stockholders' equity or results of operations of the Company, otherwise than as set forth or contemplated in the Prospectus, the effect of which, in any such case described in Clause (i) or (ii), in the judgment of the Representatives, makes it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares being delivered at such Time of Delivery on the terms and in the manner contemplated in the Prospectus.

(j) The Company has obtained and delivered to the Underwriters executed copies of an agreement from each of its officers and directors, substantially to the effect set forth in Subsection 6(a)(viii) hereof in form and substance satisfactory to you.

(k) At the Firm Shares Closing Date, the Company shall have executed and entered into a Warrant Agreement in substantially the form attached hereto (Exhibit A) granting and issuing to the Representatives a warrant to purchase pursuant to such Warrant Agreement 200,000 shares of Common Stock.

6. Covenants of the Company.

(a) The Company covenants and agrees as follows:

(i) The Company shall use its best efforts to cause the Registration Statement to become effective as promptly as possible. If the Registration Statement has become or becomes effective with a form of prospectus omitting Rule 430A information, or filing of the Prospectus is otherwise required under Rule 424(b), the Company will file the Prospectus, properly completed, pursuant to Rule 424(b) within the time period prescribed and will provide evidence satisfactory to you of such timely filing. The Company shall notify you immediately, and confirm such notice in writing, (A) when the Registration Statement and any post-effective amendment thereto become effective, (B) of the receipt of any comments from the Commission or the "blue sky" or securities authority of any jurisdiction regarding the Registration Statement, any posteffective amendment thereto, the Prospectus or any amendment or supplement thereto and (C) of the receipt of any notification with respect to a Stop Order. The Company shall not file any amendment of the Registration Statement or supplement to the Prospectus unless the Company has furnished the Representatives a copy for their review prior to filing and shall not file any such proposed amendment or supplement to which the Representatives reasonably object. The Company shall use its best efforts to prevent the issuance of any Stop Order and, if issued, to obtain as soon as possible the withdrawal thereof.

(ii) During the time when a prospectus relating to the Shares is required to be delivered hereunder or under the Act or the Regulations, the Company shall comply so far as it is able with all requirements imposed upon it by the Act, as now existing and as hereafter amended, and by the Regulations, as from time to time in force, so far as necessary to permit the continuance of sales of or dealings in the Shares in accordance with the provisions hereof and the Prospectus. If, at any time when a prospectus relating to the Shares is required to be delivered under the Act and the Regulations, any event as a result of which the Prospectus as then amended or supplemented would include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein in the light of the circumstances under which they were made not misleading, or if it shall be necessary to amend or supplement the Prospectus to comply with the Act or the Regulations, the Company promptly shall prepare and file with the Commission, subject to the

fourth sentence of paragraph (i) of this Section 6(a), an amendment or supplement which shall correct such statement or omission or an amendment which shall effect such compliance.

(iii) Prior to 10:00 a.m., New York City Time, on the New York Business Day next succeeding the date of this Agreement and from time to time, the Company shall furnish the Underwriters with copies of the Prospectus in New York City in such quantities as you may reasonably request. The Company shall make generally available to its security holders and to the Representatives as soon as practicable, but not later than 45 days after the end of the 12-month period beginning at the end of the fiscal quarter of the Company during which the Effective Date (or 90 days if such 12-month period coincides with the Company's fiscal year), an earnings statement (which need not be audited) of the Company, covering such 12-month period, which shall satisfy the provisions of Section 11(a) of the Act or Rule 158 of the Regulations.

(iv) If the Company elects to rely upon Rule 462(b), the Company shall file a Rule 462(b) Registration Statement with the Commission in compliance with Rule 462(b) by 10:00 p.m., Washington, D.C. time, on the date of this Agreement, and the Company shall at the time of filing either pay to the Commission the filing fee for the Rule 462(b) Registration Statement or give irrevocable instructions for the payment of such fee pursuant to Rule 111(b) under the Act.

(v) The Company shall furnish to the Representatives and counsel for the Underwriters, without charge, signed copies of the Registration Statement (including all exhibits and amendments thereto) and to each other Underwriter a copy of the Registration Statement (without exhibits thereto) and all amendments thereof and, so long as delivery of a prospectus by an Underwriter or dealer may be required by the Act or the Regulations, as many copies of any preliminary prospectus and the Prospectus and any amendments thereof and supplements thereto as the Representatives may reasonably request.

(vi) The Company shall cooperate with the Representatives and their counsel in endeavoring to qualify the Shares for offer and sale under the laws of such jurisdictions as the Representatives may designate and shall maintain such qualifications in effect so long as required for the distribution of the Shares; provided, however, that the Company shall not be required in connection therewith, as a condition thereof, to qualify as a foreign corporation or to execute a general consent to service of process in any jurisdiction or subject itself to taxation as doing business in any jurisdiction.

(vii) For a period of five years after the date of this Agreement, the Company shall supply to the Representatives, and to each other Underwriter who may so request in writing, copies of such financial statements and other periodic and special reports as the Company may from time to time distribute generally to the

holders of any class of its capital stock and to furnish to the Representatives a copy of each annual or other report it shall be required to file with the Commission.

(viii) Without the prior written consent of the Representatives, for a period of 180 days from the date on which a public offering of the Shares commences, the Company shall not issue, sell or register with the Commission or otherwise dispose of, directly or indirectly, any securities of the Company (or any securities convertible into or exercisable or exchangeable for securities of the Company), except for the issuance of the Shares pursuant to the Registration Statement; and the Company agrees that it will deliver to the Representatives agreements of the Company's officers and directors to the same effect.

(ix) On or before completion of this offering, the Company shall make all filings required under applicable securities laws and by the Nasdaq National Market.

(x) During a period of five years from the effective date of the Registration Statement, the Company shall furnish to you copies of all reports or other communications (financial or other) furnished to stockholders and deliver to you (i) as soon as they are available, copies of any reports and financial statements furnished to or filed with the Commission or any national securities exchange on which any class of securities of the Company is listed and (ii) such additional information concerning the business and financial condition of the Company as you may from time to time reasonably request (such financial statements to be on a consolidated basis to the extent the accounts of the Company and its subsidiaries are consolidated in reports furnished to its stockholders generally or to the Commission).

(xi) The Company shall use the net proceeds received by it from the sale of the Shares pursuant to this Agreement in the manner specified in the Prospectus under the caption "Use of Proceeds."

(xii) Prior to each Closing Date and for a period of 25 days thereafter, you shall be given reasonable written prior notice of any press release or other direct or indirect communication and of any press conference with respect to the Company, the financial conditions, results of operations, business, properties, assets, liabilities of the Company, or this offering.

(b) The Company agrees to pay, or reimburse if paid by the Representatives, whether or not the transactions contemplated hereby are consummated or this Agreement is terminated, all costs and expenses relating to the registration and public offering of the Shares including those relating to: (i) the preparation, printing, filing and distribution of the Registration Statement including all exhibits thereto, each preliminary prospectus, the Prospectus, all amendments and supplements to the Registration Statement and the Prospectus, and any documents required to be delivered with any Preliminary Prospectus or the Prospectus, and the printing, filing and distribution of the Agreement Among Underwriters, this Agreement and related documents; (ii) the preparation and delivery of

certificates for the Shares to the Underwriters; (iii) the registration or qualification of the Shares for offer and sale under the securities or Blue Sky laws of the various jurisdictions referred to in Section 6(a)(vi), including the fees and disbursements of counsel for the Underwriters in connection with such registration and qualification and the preparation, printing, distribution and shipment of preliminary and supplementary Blue Sky memoranda; (iv) the furnishing (including costs of shipping and mailing) to the Representatives and to the Underwriters of copies of each preliminary prospectus, the Prospectus and all amendments or supplements to the Prospectus, and of the several documents required by this Section to be so furnished, as may be reasonably requested for use in connection with the offering and sale of the Shares by the Underwriters or by dealers to whom Shares may be sold; (v) the filing fees of the National Association of Securities Dealers, Inc. in connection with its review of the terms of the public offering; (vi) the furnishing (including costs of shipping and mailing) to the Representatives and to the Underwriters of copies of all reports and information required by Section 6(a)(vii); (vii) inclusion of the Shares for quotation on the Nasdaq National Market; (viii) the cost and charges of any transfer agent or registration; and (ix) all transfer taxes, if any, with respect to the sale and delivery of the Shares by the Company to the Underwriters. In addition, the Company will pay the Representatives a nonaccountable expense allowance in an amount equal to 1.0% of the gross amount of funds raised by the offering of the Shares. Except as otherwise contemplated by Section 9 hereof, the Underwriters will pay their own counsel fees and expenses to the extent not otherwise covered by clause (iii) above, and their own travel and travel-related expenses in connection with the distribution of the Shares.

7. Indemnification.

(a) (i) The Company agrees to indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act against any and all losses, claims, damages and liabilities, joint or several (including any reasonable investigation, legal and other expenses incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding or any claim asserted), to which they, or any of them, may become subject under the Act, the Exchange Act or other federal, state or foreign law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus, the Registration Statement or the Prospectus or any amendment thereof or supplement thereto, or arise out of or are based upon any omission or alleged omission to state therein such fact required to be stated therein or necessary to make such statements therein not misleading. The Selling Stockholders agree, jointly and severally, to indemnify such Underwriter and each person, if any, who controls any Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, against any and all losses, claims, damages and liabilities, joint or several (including any reasonable investigation, legal and other expenses incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding or any claim asserted), to which they, or any of them, may become subject under the Act, the Exchange Act or other Federal or state law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities

arise out of or are based upon any untrue statement or alleged untrue statement or alleged untrue statement of a material fact with respect to such Selling Stockholders contained in any preliminary prospectus, the Registration Statement or the Prospectus or any amendment thereof or supplement thereto (which amendments or supplements are furnished to such Selling Stockholders), or which arise out of or are based upon any omission or alleged omission to state therein such fact required to be stated therein or necessary to make such statements therein not misleading, but only with reference to information relating to such Selling Stockholders furnished in writing to the Company by or on behalf of such Selling Stockholders expressly for use in connection with the preparation of the Registration Statement and Prospectus or any amendment thereof or supplement thereto. Such indemnity shall not inure to the benefit of any Underwriter (or any person controlling such Underwriter) on account of any losses, claims, damages or liabilities arising from the sale of the Shares to any person by such Underwriter if such untrue statement or omission or alleged untrue statement or omission was made in such preliminary prospectus, the Registration Statement or the Prospectus, or such amendment or supplement, in reliance upon and conformity with information furnished in writing to the Company by the Representatives on behalf of any Underwriter specifically for use therein. The obligations of each of the Selling Stockholders, pursuant to this Section 7(a) and Section 8, shall be limited to an amount not exceeding the product of the Per Share Price to Public of the Shares as set forth on the cover page of the Prospectus and the number of Shares being sold by each of them. In no event shall the indemnification agreement contained in this Section 7(a) inure to the benefit of any Underwriter (or to the benefit of any person controlling such Underwriter) on account of any losses, claims, damages, liabilities or actions arising from the sale of the Shares upon the public offering to any person by such Underwriter if such losses, claims, damages, liabilities or actions arise out of, or are based upon, a statement or omission or alleged omission in a preliminary prospectus and if, in respect to such statement, omission or alleged omission, the Prospectus differs in a material respect from such preliminary prospectus and a copy of the Prospectus has not been sent or given to such person at or prior to the confirmation of such sale to such person. This indemnity agreement will be in addition to any liability which the Company and Selling Stockholders may otherwise have.

(b) Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, each person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, each director of the Company, and each officer of the Company who signs the Registration Statement and each Selling Stockholder, to the same extent as the foregoing indemnity from the Company and the Selling Stockholders to each Underwriter, but only insofar as such losses, claims, damages or liabilities arise out of or are based upon any untrue statement or omission or alleged untrue statement or omission which was made in any Preliminary Prospectus, any Rule 430A Prospectus, the Registration Statement or the Prospectus, or any amendment thereof or supplement thereto, which were made in reliance upon and in conformity with information furnished in writing to the Company by the Representatives on behalf of any Underwriter for specific use therein; provided, however, that the obligation of each Underwriter to indemnify the Company (including any controlling person, director or officer thereof) and the Selling Stockholders shall be limited to the excess of the net proceeds received by such Underwriter

from the offering of Shares and all expenses, penalties and other damages incurred by such Underwriter by reason of such untrue statement or omission or alleged untrue statement or omission. For all purposes of this Agreement the amounts of the selling concession and reallowance set forth in the Prospectus constitute the only information furnished in writing by or on behalf of any Underwriter expressly for inclusion in any Preliminary Prospectus, any Rule 430A Prospectus, the Registration Statement or the Prospectus or any amendment or supplement thereto.

(c) Any party that proposes to assert the right to be indemnified under this Section will, promptly after receipt of notice of commencement of any action, suit or proceeding against such party in respect of which a claim is to be made against an indemnifying party or parties under this Section, notify each such indemnifying party of the commencement of such action, suit or proceeding, enclosing a copy of all papers served. No indemnification provided for in Section 7(a) or 7(b) shall be available to any party who shall fail to give notice as provided in this Section 7(c) if the party to whom notice was not given was unaware of the proceeding to which such notice would have related and was prejudiced by the failure to give such notice but the omission so to notify such indemnifying party of any such action, suit or proceeding shall not relieve it from any liability that it may have to any indemnified party for contribution or otherwise than under this Section. In case any such action, suit or proceeding shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate in, and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof and the approval by the indemnified party of such counsel, the indemnifying party shall not be liable to such indemnified party for any legal or other expenses, except as provided below and except for the reasonable costs of investigation subsequently incurred by such indemnified party in connection with the defense thereof. The indemnified party shall have the right to employ its counsel in any such action, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the employment of counsel by such indemnified party has been authorized in writing by the indemnifying parties, (ii) the indemnified party shall have reasonably concluded that there may be a conflict of interest between the indemnifying parties and the indemnified party in the conduct of the defense of such action (in which case the indemnifying parties shall not have the right to direct the defense of such action on behalf of the indemnified party) or (iii) the indemnifying parties shall not have employed counsel to assume the defense of such action within a reasonable time after notice of the commencement thereof, in each of which cases the reasonable fees and expenses of counsel shall be at the expense of the indemnifying parties. An indemnifying party shall not be liable for any settlement of any action, suit, proceeding or claim effected without its written consent.

8. Contribution. In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in Sections 7(a) and (b) is due in accordance with its terms but for any reason is held to be unavailable from the Company, the Selling Stockholders or the

Underwriters, the Company, the Selling Stockholders and the Underwriters shall contribute to the aggregate losses, claims, damages and liabilities (including any investigation, legal and other expenses reasonably incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding or any claims asserted, but after deducting any contribution received by the Company from persons other than the Underwriters, such as the Selling Stockholders, persons who control the Company within the meaning of the Act, officers of the Company who signed the Registration Statement and directors of the Company, who may also be liable for contribution) to which the Company and the Selling Stockholders and one or more of the Underwriters may be subject in such proportion as is appropriate to reflect the relative benefits received by the Company and the Selling Stockholders on the one hand and the Underwriters on the other from the offering of the Shares or, if such allocation is not permitted by applicable law or indemnification is not available as a result of the indemnifying party not having received notice as provided in Section 7 hereof, in such proportion as is appropriate to reflect not only the relative benefits referred to above but also the relative fault of the Company and the Selling Stockholders on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative benefits received by the Company, the Selling Stockholders and the Underwriters shall be deemed to be in the same proportion as (x) the total proceeds from the Offering (net of underwriting discounts but before deducting expenses) received by the Company, or the Selling Stockholders, from the sale of the Shares, as set forth in the table on the cover page of the Prospectus (but not taking into account the use of the proceeds of such sale of Shares by the Company), bear to (y) the underwriting discount received by the Underwriters, as set forth in the table on the cover page of the Prospectus. The relative fault of the Company, the Selling Stockholders and the Underwriters shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact related to information supplied by the Company, the Selling Stockholders or the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company, the Selling Stockholders and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 8 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above. Notwithstanding the provisions of this Section 8, (i) in no case shall any Underwriter (except as may be provided in the Agreement Among Underwriters) be liable or responsible for any amount in excess of the underwriting discount applicable to the Shares purchased by such Underwriter hereunder, (ii) in no case shall any of the Selling Stockholders be liable or responsible for any amount in excess of the product of the Per Share Price to public of the Shares as set forth on the cover page of the Prospectus and the number of Shares being sold by each of them subject to the limitation expressed in Section 7(a), and (iii) the Company shall be liable and responsible for any amount in excess of the underwriting discount and the amount referred to in clause (ii); provided, however, that no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 8, each person, if any, who controls an Underwriter within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act shall have the same rights to contribution as such Underwriter, and each person, if any, who controls the Company within the meaning of the Section 15 of the Act or Section 20(a) of the Exchange Act, each officer of the

Company who shall have signed the Registration Statement and each director of the Company shall have the same rights to contribution as the Company, subject in each case to clauses (i), (ii) and (iii) in the immediately preceding sentence of this Section 8. Any party entitled to contribution will, promptly after receipt of notice of commencement of any action, suit or proceeding against such party in respect of which a claim for contribution may be made against another party or parties under this Section, notify such party or parties from whom contribution may be sought, but the omission so to notify such party or parties from whom contribution may be sought shall not relieve the party or parties from whom contribution may be sought from any other obligation it or they may have hereunder or otherwise than under this Section. No party shall be liable for contribution with respect to any action, suit, proceeding or claim settled without its written consent. The Underwriters' obligations to contribute pursuant to this Section 8 are several in proportion to their respective underwriting commitments and not joint.

9. Termination. This Agreement may be terminated with respect to the Shares to be purchased on any Closing Date by the Representatives by notifying the Company at any time prior to the purchase of the Shares:

(a) in the absolute discretion of the Representatives at or before any Closing Date: (i) if on or prior to such date, any domestic or international event or act or occurrence has materially disrupted, or in the opinion of the Representatives will in the future materially disrupt, the securities markets; (ii) if there has occurred any outbreak or material escalation of hostilities or other calamity or crisis the effect of which on the financial markets of the United States is such as to make it, in the judgment of the Representatives, inadvisable to proceed with the Offering; (iii) if there shall be such a material adverse change in, general financial, political or economic conditions or the effect of international conditions on the financial markets in the United States such as to make it, in the judgment of the Representatives, inadvisable or impracticable to market the Shares; (iv) if trading in the Shares has been suspended by the Commission or trading generally on the New York Stock Exchange, Inc., the American Stock Exchange, Inc. or the Nasdaq National Market has been suspended or limited, or minimum or maximum ranges for prices for securities shall have been fixed, or maximum ranges for prices for securities have been required, by said exchanges or by order of the Commission, the National Association of Securities Dealers, Inc., or any other governmental or regulatory authority; or (v) if a banking moratorium has been declared by any state or federal authority, or

(b) at or before any Closing Date, if any of the conditions specified in Section 5 shall not have been fulfilled when and as required by this Agreement.

If this Agreement is terminated pursuant to any of its provisions, neither the Company nor the Selling Stockholders shall be under any liability to any Underwriter, and no Underwriter shall be under any liability to the Company or the Selling Stockholders, except that (y) if this Agreement is terminated by the Representatives or the Underwriters because of any failure, refusal or inability on the part of the Company to comply with the terms or to fulfill any of the conditions of this Agreement, the Company will reimburse the Underwriters for all out-of-pocket expenses (including the fees and disbursements of their counsel) incurred by them in connection with the proposed

purchase and sale of the Shares or in contemplation of performing their obligations hereunder and (z) no Underwriter who shall have failed or refused to purchase the Shares agreed to be purchased by it under this Agreement, without some reason sufficient hereunder to justify cancellation or termination of its obligations under this Agreement, shall be relieved of liability to the Company and the Selling Stockholders or to the other Underwriters for damages occasioned by its failure or refusal.

10. Substitution of Underwriters. If one or more of the Underwriters shall fail (other than for a reason sufficient to justify the cancellation or termination of this Agreement under Section 9) to purchase on any Closing Date the Shares agreed to be purchased on such Closing Date by such Underwriter or Underwriters, the Representatives may find one or more substitute underwriters to purchase such Shares or make such other arrangements as the Representatives may deem advisable or one or more of the remaining Underwriters may agree to purchase such Shares in such proportions as may be approved by the Representatives, in each case upon the terms set forth in this Agreement. If no such arrangements have been made by the close of business on the business day following such Closing Date:

(a) if the number of Shares to be purchased by the defaulting Underwriters on such Closing Date shall not exceed 10% of the Shares that all the Underwriters are obligated to purchase on such Closing Date, then each of the nondefaulting Underwriters shall be obligated to purchase such Shares on the terms herein set forth in proportion to their respective obligations hereunder; provided, that in no event shall the maximum number of Shares that any Underwriter has agreed to purchase pursuant to Section 1 be increased pursuant to this Section 10 by more than one-ninth of such number of Shares without the written consent of such Underwriter, or

(b) if the number of Shares to be purchased by the defaulting Underwriters on such Closing Date shall exceed 10% of the Shares that all the Underwriters are obligated to purchase on such Closing Date, then the Company shall be entitled to an additional business day within which it may, but is not obligated to, find one or more substitute underwriters reasonably satisfactory to the Representatives to purchase such Shares upon the terms set forth in this Agreement.

In any such case, either the Representatives or the Company shall have the right to postpone the applicable Closing Date for a period of not more than five business days in order that necessary changes and arrangements (including any necessary amendments or supplements to the Registration Statement or Prospectus) may be effected by the Representatives and the Company. If the number of Shares to be purchased on such Closing Date by such defaulting Underwriter or Underwriters shall exceed 10% of the Shares that all the Underwriters are obligated to purchase on such Closing Date, and none of the nondefaulting Underwriters or the Company shall make arrangements pursuant to this Section within the period stated for the purchase of the Shares that the defaulting Underwriters agreed to purchase, this Agreement shall terminate with respect to the Shares to be purchased on such Closing Date without liability on the part of any nondefaulting Underwriter to the Company and the Selling Stockholders and without liability on the part of the Company and the Selling Stockholders, except in both cases as provided in Sections 6(b), 7, 8 and 9. The provisions of this

Section shall not in any way affect the liability of any defaulting Underwriter to the Company or the Selling Stockholders or the nondefaulting Underwriters arising out of such default. A substitute underwriter hereunder shall become an Underwriter for all purposes of this Agreement.

11. Miscellaneous. The respective agreements, representations, warranties, indemnities and other statements of the Company or its officers, of the Selling Stockholders, and of the Underwriters set forth in or made pursuant to this Agreement shall remain in full force and effect, regardless of any investigation made by or on behalf of any Underwriter or the Selling Stockholder or the Company or any of the officers, directors or controlling persons referred to in Sections 7 and 8 hereof, and shall survive delivery of and payment for the Shares. The provisions of Sections 6(b), 7, 8 and 9 shall survive the termination or cancellation of this Agreement.

This Agreement has been and is made for the benefit of the Underwriters, the Company and the Selling Stockholders and their respective successors and assigns and, to the extent expressed herein, for the benefit of persons controlling any of the Underwriters, the Company, and the directors and officers of the Company, and their respective successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. The term "successors and assigns" shall not include any purchaser of Shares from any Underwriter merely because of such purchase.

All notices and communications hereunder shall be in writing and mailed or delivered, or by telefax or telegraph if subsequently confirmed by letter, (a) if to the Representatives, to Rodman & Renshaw, Inc., Two World Financial Center, 225 Liberty Street, 30th Floor, New York, New York 10281, Attention: Peter Blum, Managing Director, telecopy: (212) 416-7439, (b) if to the Company, to the Company's agent for service as such agent's address appears on the cover page of the Registration Statement, and (c) if to any Selling Stockholder, to such Selling Stockholder at its address set forth in Schedule III hereto.

This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflict of laws.

This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, or neuter, singular or plural, as the identity of the person or persons or entity or entities require.

All section headings herein are for convenience of reference only and are not part of this Agreement, and no construction or inference shall be derived therefrom.

Please confirm that the foregoing correctly sets forth the agreement among us.

Very truly yours,  
MITCHAM INDUSTRIES, INC.

By: -----  
Billy F. Mitcham

-----  
Billy F. Mitcham, Jr.

-----  
Billy F. Mitcham, Sr.

-----  
Paul C. Mitcham  
ALAMO ATLAS GROUP, INC.

By: -----  
Name:

Confirmed on behalf of themselves and as the Representatives of the several Underwriters named in Schedule I annexed hereto:

RODMAN & RENSHAW, INC.  
SIMMONS & COMPANY INTERNATIONAL

By: -----  
(Rodman & Renshaw, Inc.)

SCHEDULE I

| NAME OF UNDERWRITER                       | NUMBER OF FIRM<br>SHARES TO BE<br>PURCHASED |
|---|---|
| -----                                     | -----                                       |
| Rodman & Renshaw, Inc. . . . .            |   |
| Simmons & Company International . . . . . |   |
| Total . . . . .                           | -----                                       |

SUBSIDIARIES

-----

Mitcham Canada Ltd. . . . .

SCHEDULE III

Billy F. Mitcham, Jr. . . . .  
Address:

Billy F. Mitcham, Sr. . . . .  
Address:

Paul C. Mitcham . . . . .  
Address:

Alamo Atlas Group, Inc. . . . .  
Address:

WARRANT FOR COMMON STOCK  
W/CASHLESS EXERCISE

MITCHAM INDUSTRIES, INC.

Warrant for the Purchase of Shares of Common Stock,  
par value \$0.01 per share

No. \_\_\_\_\_ Shares \_\_\_\_\_

THIS CERTIFIES that, for receipt in hand of \$\_\_\_\_\_, and other value received, \_\_\_\_\_ (the "Holder"), is entitled to subscribe for and purchase from MITCHAM INDUSTRIES, INC., a Texas corporation (the "Company"), upon the terms and conditions set forth herein, at any time or from time to time after [one year after the effective date], and before 5:00 P.M. on [two years after the effective date], New York time (the "Exercise Period"), \_\_\_\_\_ shares of the Company's Common Stock, par value \$0.01 per share ("Common Stock"), at a price of \$\_\_\_\_\_ per share [120% of the offering price] (the "Exercise Price"). This Warrant is the warrant or one of the warrants (collectively, including any warrants issued upon the exercise or transfer of any such warrants in whole or in part, the "Warrants") issued pursuant to the Underwriting Agreement, dated \_\_\_\_\_, between Rodman & Renshaw, Inc. and Simmons & Company International, as representatives of the several Underwriters named therein, and the Company. As used herein the term "this Warrant" shall mean and include this Warrant and any Warrant or Warrants hereafter issued as a consequence of the exercise or transfer of this Warrant in whole or in part. This Warrant may not be sold, transferred, assigned or hypothecated until [one year after the effective date] except that it may be transferred, in whole or in part, to (i) one or more officers or partners of the Holder (or the officers or partners of any such partner); (ii) any other underwriting firm or member of the selling group which participated in the public offering of Common Stock (the "Offering") which commenced on [effective date] (or the officers or partners of any such firm); (iii) a successor to the Holder, or the officers or partners of such successor; (iv) a purchaser of substantially all of the assets of the Holder; or (v) by operation of law; and the term the "Holder" as used herein shall include any transferee to whom this Warrant has been transferred in accordance with the above.

The number of shares of Common Stock issuable upon exercise of the Warrants (the "Warrant Shares") and the Exercise Price may be adjusted from time to time as hereinafter set forth.

1. Manner of Exercise; Payment for Shares. This Warrant may be exercised during the Exercise Period, as to the whole or any lesser number of whole Warrant Shares, by the surrender of this Warrant (with the election in the form attached hereof duly executed) to the Company at its office at Post Office Box 1175, 44000 Highway 75 South, Huntsville, Texas 77342, or at such other place as is designated in writing by the Company, together with a certified or bank cashier's check payable to the order of the Company in an amount equal to the Exercise Price multiplied by the number of Warrant Shares for which this Warrant is being exercised (the "Stock Purchase Price").

2. Cashless Exercise. (a) In lieu of the payment of the Stock Purchase Price, the Holder shall have the right (but not the obligation), to require the Company to convert this Warrant, in whole or in part, into shares of Common Stock (the "Conversion Right") as provided for in this Section 2. Upon exercise of the Conversion Right, the Company shall deliver to the Holder (without payment by the Holder of any of the Stock Purchase Price) that number of shares of Common Stock (the "Conversion Shares") equal to the quotient obtained by dividing (x) the value of this Warrant (or portion thereof as to which the Conversion Right is being exercised if the Conversion Right is being exercised in part) at the time the Conversion Right is exercised (determined by subtracting the aggregate Stock Purchase Price of the shares of Common Stock as to which the Conversion Right is being exercised in effect immediately prior to the exercise of the Conversion Right from the aggregate Current Market Price (as defined in Section 6(e) hereof) of the shares of Common Stock as to which the Conversion Right is being exercised immediately prior to the exercise of the Conversion Right) by (y) the Current Market Price of one share of Common Stock immediately prior to the exercise of the Conversion Right.

(b) The Conversion Rights provided under this Section 2 may be exercised in whole or in part and at any time and from time to time while any Warrants remain outstanding. In order to exercise the Conversion Right, the Holder shall surrender to the Company, at its offices, this Warrant with the Notice of Conversion in the form attached hereof duly executed. The presentation and surrender shall be deemed a waiver of the Holder's obligation to pay all or any portion of the aggregate purchase price payable for the shares of Common Stock as to which such Conversion Right is being exercised. This Warrant (or so much thereof as shall have been surrendered for conversion) shall be deemed to have been converted immediately prior to the close of business on the day of surrender of such Warrant for conversion in accordance with the foregoing provisions.

3. Delivery of Warrant Shares; Partial Exercise. Upon each exercise of the Holder's rights to purchase Warrant Shares or Conversion Shares, the Holder shall be deemed to be the holder of record of the Warrant Shares or Conversion Shares issuable upon such exercise or conversion, notwithstanding that the transfer books of the Company shall then be closed or certificates representing such Warrant Shares or Conversion Shares shall not then have been actually delivered to the Holder. As soon as practicable after each such exercise or conversion of this Warrant, the Company shall issue and deliver to the Holder a certificate or certificates for the Warrant Shares or Conversion Shares issuable upon such exercise or conversion, registered in the name of the Holder or its designee. If this Warrant should be exercised or converted in part only, the Company shall, upon surrender of this Warrant for cancellation, execute and deliver a new Warrant evidencing the right of the Holder to purchase the balance of the Warrant Shares (or portions thereof) subject to purchase hereunder.

4. Registry; Transfer of Warrants. Any Warrants issued upon the transfer or exercise or conversion in part of this Warrant shall be numbered and shall be registered in a Warrant Register as they are issued. The Company shall be entitled to treat the registered holder of any Warrant on the Warrant Register as the owner in fact thereof for all purposes and shall not be bound to recognize any equitable or other claim to or interest in such Warrant on the part of any other person, and shall not be liable for any registration or transfer of Warrants which are registered or to be registered in the name of a fiduciary or the nominee of a fiduciary unless made with the actual knowledge that a

fiduciary or nominee is committing a breach of trust in requesting such registration or transfer, or with the knowledge of such facts that its participation therein amounts to bad faith. This Warrant shall be transferable only on the books of the Company upon delivery thereof duly endorsed by the Holder or by his duly authorized attorney or representative, or accompanied by proper evidence of succession, assignment, or authority to transfer. In all cases of transfer by an attorney, executor, administrator, guardian, or other legal representative, duly authenticated evidence of his or its authority shall be produced. Upon any registration of transfer, the Company shall deliver a new Warrant or Warrants to the person entitled thereto. This Warrant may be exchanged, at the option of the Holder thereof, for another Warrant, or other Warrants of different denominations, of like tenor and representing in the aggregate the right to purchase a like number of Warrant Shares (or portions thereof), upon surrender to the Company or its duly authorized agent. Notwithstanding the foregoing, the Company shall have no obligation to cause Warrants to be transferred on its books to any person if, in the opinion of counsel to the Company, such transfer does not comply with the provisions of the Securities Act of 1933, as amended (the "Act"), and the rules and regulations thereunder.

5. Reservation of Shares; Shares to be Fully Paid. The Company shall at all times reserve and keep available out of its authorized and unissued Common Stock, solely for the purpose of providing for the exercise of the rights to purchase all Warrant Shares and/or Conversion Shares granted pursuant to the Warrants, such number of shares of Common Stock as shall, from time to time, be sufficient therefor. The Company covenants that all shares of Common Stock issuable upon exercise of this Warrant, upon receipt by the Company of the full Exercise Price therefor, and all shares of Common Stock issuable upon conversion of this Warrant, shall be validly issued, fully paid, and nonassessable, without any personal liability attaching to the ownership thereof, and will not be issued in violation of any preemptive rights of stockholders, optionholders, warrantholders and any other persons and the Holders will receive good title to the securities purchased by them, respectively, free and clear of all liens, security interests, pledges, charges, encumbrances, stockholders' agreements and voting trusts which might be created by acts or omissions to act of the Company.

6. Anti-Dilution Provisions. (a) In case the Company shall at any time after the date the Warrants were first issued (i) declare a dividend on the outstanding Common Stock payable in shares of its capital stock, (ii) subdivide the outstanding Common Stock, (iii) combine the outstanding Common Stock into a smaller number of shares, or (iv) issue any shares of its capital stock by reclassification of the Common Stock (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing corporation), then, in each case, the Exercise Price, and the number and kind of securities issuable upon exercise or conversion of this Warrant, in effect at the time of the record date for such dividend or of the effective date of such subdivision, combination, or reclassification, shall be proportionately adjusted so that the Holder after such time shall be entitled to receive the aggregate number and kind of shares which, if such Warrant had been exercised or converted immediately prior to such time, he would have owned upon such exercise or conversion and been entitled to receive by virtue of such dividend, subdivision, combination, or reclassification. Such adjustment shall be made successively whenever any event listed above shall occur.

(b) In case the Company shall distribute to all holders of Common Stock (including any such distribution made to the stockholders of the Company in connection with a consolidation or merger in which the Company is the continuing corporation) evidences of its indebtedness, cash (other than any cash dividend which, together with any cash dividends paid within the 12 months prior to the record date for such distribution, does not exceed 5% of the Current Market Price at the record date for such distribution) or assets (other than distributions and dividends payable in shares of Common Stock), or rights, options, or warrants to subscribe for or purchase Common Stock, or securities convertible into or exchangeable for shares of Common Stock, then, in each case, the Exercise Price shall be adjusted by multiplying the Exercise Price in effect immediately prior to the record date for the determination of stockholders entitled to receive such distribution by a fraction, the numerator of which shall be (i) the Current Market Price per share of Common Stock on such record date, less the fair market value (as determined in good faith by the board of directors of the Company, whose determination shall be conclusive absent manifest error) of the portion of the evidences of indebtedness or assets so to be distributed, or of such rights, options, or warrants or convertible or exchangeable securities, or the amount of such cash, applicable to one share, and the denominator of which shall be (ii) such Current Market Price per share of Common Stock. Such adjustment shall be made whenever any such distribution is made, and shall become effective on the record date for the determination of stockholders entitled to receive such distribution.

(c) For the purpose of any computation under this Section 6, the Current Market Price per share of Common Stock on any date shall be deemed to be the average of the daily closing prices for the 30 consecutive trading days immediately preceding the date in question. The closing price for each day shall be the last reported sales price regular way or, in case no such reported sale takes place on such day, the closing bid price regular way, in either case on the principal national securities exchange (including, for purposes hereof, the NASDAQ National Market) on which the Common Stock is listed or admitted to trading or, if the Common Stock is not listed or admitted to trading on any national securities exchange, the highest reported bid price for the Common Stock as furnished by the National Association of Securities Dealers, Inc. through NASDAQ or a similar organization if NASDAQ is no longer reporting such information. If on any such date the Common Stock is not listed or admitted to trading on any national securities exchange and is not quoted by NASDAQ or any similar organization, the fair value of a share of Common Stock on such date, as determined in good faith by the board of directors of the Company, whose determination shall be conclusive absent manifest error, shall be used.

(d) No adjustment in the Exercise Price shall be required if such adjustment is less than \$.05; provided, however, that any adjustments which by reason of this Section 6 are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 6 shall be made to the nearest cent or to the nearest one-thousandth of a share, as the case may be.

(e) In any case in which this Section 6 shall require that an adjustment in the Exercise Price be made effective as of a record date for a specified event, the Company may elect to defer, until the occurrence of such event, issuing to the Holder, if the Holder exercised or converted this Warrant after such record date, the shares of Common Stock, if any, issuable upon such exercise or conversion over and above the shares of Common Stock, if any, issuable upon such

exercise or conversion on the basis of the Exercise Price in effect prior to such adjustment; provided, however, that the Company shall deliver to the Holder a due bill or other appropriate instrument evidencing the Holder's right to receive such additional shares upon the occurrence of the event requiring such adjustment.

(f) Upon each adjustment of the Exercise Price as a result of the calculations made in this Section, this Warrant shall thereafter evidence the right to purchase, at the adjusted Exercise Price, that number of shares (calculated to the nearest thousandth) obtained by dividing (i) the product obtained by multiplying the number of shares purchasable upon exercise of this Warrant prior to adjustment of the number of shares by the Exercise Price in effect prior to adjustment of the Exercise Price, by (ii) the Exercise Price in effect after such adjustment of the Exercise Price.

(g) Whenever there shall be an adjustment as provided in this Section 6, the Company shall promptly cause written notice thereof to be sent by registered mail, postage prepaid, to the Holder, at its address as it shall appear in the Warrant Register, which notice shall be accompanied by an officer's certificate setting forth the number of Warrant Shares purchasable upon the exercise of this Warrant and the Exercise Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment and the computation thereof, which officer's certificate shall be conclusive evidence of the correctness of any such adjustment absent manifest error.

(h) The Company shall not be required to issue fractions of shares of Common Stock or other capital stock of the Company upon the exercise or conversion of this Warrant. If any fraction of a share would be issuable on the exercise or conversion of this Warrant (or specified portions thereof), the Company shall purchase such fraction for an amount in cash equal to the same fraction of the Current Market Price of such share of Common Stock on the date of exercise or conversion of this Warrant.

7. Merger or Consolidation of the Company; Sale, Lease, or Conveyance of Property; Reclassification of the Shares. (a) In case of any consolidation with or merger of the Company with or into another corporation (other than a merger or consolidation in which the Company is the surviving or continuing corporation), or in case of any sale, lease, or conveyance to another corporation of the property and assets of any nature of the Company as an entirety or substantially as an entirety, such successor, leasing, or purchasing corporation, as the case may be, shall (i) execute with the Holder an agreement providing that the Holder shall have the right thereafter to receive upon exercise or conversion of this Warrant solely the kind and amount of shares of stock and other securities, property, cash, or any combination thereof receivable upon such consolidation, merger, sale, lease, or conveyance by a holder of the number of shares of Common Stock for which this Warrant might have been exercised or converted immediately prior to such consolidation, merger, sale, lease, or conveyance, and (ii) make effective provision in its certificate of incorporation or otherwise, if necessary, to effect such agreement. Such agreement shall provide for adjustments which shall be as nearly equivalent as practicable to the adjustments in Section 6.

(b) In case of any reclassification or change of the shares of Common Stock issuable upon exercise or conversion of this Warrant (other than a change in par value or from no par value to a specified par value, or as a result of a subdivision or combination, but including any change in the shares into two or more classes or series of shares), or in case of any consolidation or merger of another corporation into the Company in which the Company is the continuing corporation

and in which there is a reclassification or change (including a change to the right to receive cash or other property) of the shares of Common Stock (other than a change in par value, or from no par value to a specified par value, or as a result of a subdivision or combination, but including any change in the shares into two or more classes or series of shares), the Holder shall have the right thereafter to receive upon exercise or conversion of this Warrant solely the kind and amount of shares of stock and other securities, property, cash, or any combination thereof receivable upon such reclassification, change, consolidation, or merger by a holder of the number of shares of Common Stock for which this Warrant might have been exercised or converted immediately prior to such reclassification, change, consolidation, or merger. Thereafter, appropriate provision shall be made for adjustments which shall be as nearly equivalent as practicable to the adjustments in Section 6.

(c) The above provisions of this Section 7 shall similarly apply to successive reclassifications and changes of shares of Common Stock and to successive consolidations, mergers, sales, leases, or conveyances.

8. Prior Notice of Certain Events. In case at any time the Company shall propose

(a) to pay any dividend or make any distribution on shares of Common Stock in shares of Common Stock or make any other distribution (other than regularly scheduled cash dividends which are not in a greater amount per share than the most recent such cash dividend) to all holders of Common Stock; or

(b) to issue any rights, warrants, or other securities to all holders of Common Stock entitling them to purchase any additional shares of Common Stock or any other rights, warrants, or other securities; or

(c) to effect any reclassification or change of outstanding shares of Common Stock, or any consolidation, merger, sale, lease, or conveyance of property, described in Section 7; or

(d) to effect any liquidation, dissolution, or winding-up of the Company; or

(e) to take any other action which would cause an adjustment to the Exercise Price;

then, and in any one or more of such cases, the Company shall give written notice thereof, by registered mail, postage prepaid, to the Holder at the Holder's address as it shall appear in the Warrant Register, mailed at least 15 days prior to (i) the date as of which the holders of record of shares of Common Stock to be entitled to receive any such dividend, distribution, rights, warrants, or other securities are to be determined, (ii) the date on which any such reclassification, change of outstanding shares of Common Stock, consolidation, merger, sale, lease, conveyance of property, liquidation, dissolution, or winding-up is expected to become effective, and the date as of which it is expected that holders of record of shares of Common Stock shall be entitled to exchange their shares for securities or other property, if any, deliverable upon such reclassification, change of outstanding shares, consolidation, merger, sale, lease, conveyance of property, liquidation, dissolution, or winding-up, or (iii) the date of such action which would require an adjustment to the Exercise Price.

9. Taxes. The issuance of any shares or other securities upon the exercise or conversion of this Warrant, and the delivery of certificates or other instruments representing such shares or other securities, shall be made without charge to the Holder for any tax or other charge in respect of such issuance. The Company shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of any certificate in a name other than that of the Holder and the Company shall not be required to issue or deliver any such certificate unless and until the person or persons requesting the issue thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

10. Indemnification. (a) Subject to the conditions set forth below, the Company agrees to indemnify and hold harmless each Eligible Holder, its officers, directors, partners, employees, agents, and counsel, and each person, if any, who controls any such person within the meaning of Section 15 of the Act or Section 20(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), from and against any and all loss, liability, charge, claim, damage, and expense whatsoever (which shall include, for all purposes of this Section 10, but not be limited to, reasonable attorneys' fees and any and all reasonable expense whatsoever incurred in investigating, preparing, or defending against any litigation, commenced or threatened, or any claim whatsoever, and any and all amounts paid in settlement of any claim or litigation), as and when incurred, arising out of, based upon, or in connection with (i) any untrue statement or alleged untrue statement of a material fact contained (A) in any registration statement, preliminary prospectus, or final prospectus (as from time to time amended and supplemented), or any amendment or supplement thereto, relating to the sale of any of the Underwriters' Securities, or (B) in any application or other document or communication (in this Section 10 collectively called an "application") executed by or on behalf of the Company or based upon written information furnished by or on behalf of the Company filed in any jurisdiction in order to register or qualify any of the Underwriters' Securities under the securities or blue sky laws thereof or filed with the Commission or any securities exchange; or any omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, unless such statement or omission was made in reliance upon and in conformity with written information furnished to the Company with respect to such Eligible Holder by or on behalf of such person expressly for inclusion in any registration statement, preliminary prospectus, or final prospectus, or any amendment or supplement thereto, or in any application, as the case may be, or (ii) any breach of any representation, warranty, covenant, or agreement of the Company contained in this Warrant. The foregoing agreement to indemnify shall be in addition to any liability the Company may otherwise have, including liabilities arising under this Warrant.

If any action is brought against any Eligible Holder or any of its officers, directors, partners, employees, agents, or counsel, or any controlling persons of such person (an "indemnified party") in respect of which indemnity may be sought against the Company pursuant to the foregoing paragraph, such indemnified party or parties shall promptly notify the Company in writing of the institution of such action (but the failure so to notify shall not relieve the Company from any liability pursuant to this Section 10(a) and the Company shall promptly assume the defense of such action, including the employment of counsel (reasonably satisfactory to such indemnified party or parties) and payment of expenses. Such indemnified party or parties shall have the right to employ its or their own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such indemnified party or parties unless the employment of such counsel shall have been authorized in writing by the Company in connection with the defense of such action or the Company

shall not have promptly employed counsel reasonably satisfactory to such indemnified party or parties to have charge of the defense of such action or such indemnified party or parties shall have reasonably concluded that there may be a conflict of interest between the indemnified party or parties and the Company in the conduct of the defense of such action in any of which events such fees and expenses shall be borne by the Company and the Company shall not have the right to direct the defense of such action on behalf of the indemnified party or parties. Anything in this Section 10 to the contrary notwithstanding, the Company shall not be liable for any settlement of any such claim or action effected without its written consent, which shall not be unreasonably withheld. The Company shall not, without the prior written consent of each indemnified party that is not released as described in this sentence, settle or compromise any action, or permit a default or consent to the entry of judgment in or otherwise seek to terminate any pending or threatened action, in respect of which indemnity may be sought hereunder (whether or not any indemnified party is a party thereto), unless such settlement, compromise, consent, or termination includes an unconditional release of each indemnified party from all liability in respect of such action. The Company agrees promptly to notify the Eligible Holders of the commencement of any litigation or proceedings against the Company or any of its officers or directors in connection with the sale of any Underwriters' Securities or any preliminary prospectus, prospectus, registration statement, or amendment or supplement thereto, or any application relating to any sale of any Underwriters' Securities.

(b) The Holder agrees to indemnify and hold harmless the Company, each director of the Company, each officer of the Company who shall have signed any registration statement covering Underwriters' Securities held by the Holder, each other person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act, and its or their respective counsel, to the same extent as the foregoing indemnity from the Company to the Holder in Section 10(a), but only with respect to statements or omissions, if any, made in any registration statement, preliminary prospectus, or final prospectus (as from time to time amended and supplemented), or any amendment or supplement thereto, or in any application, in reliance upon and in conformity with written information furnished to the Company with respect to the Holder by or on behalf of the Holder expressly for inclusion in any such registration statement, preliminary prospectus, or final prospectus, or any amendment or supplement thereto, or in any application, as the case may be. If any action shall be brought against the Company or any other person so indemnified based on any such registration statement, preliminary prospectus, or final prospectus, or any amendment or supplement thereto, or in any application, and in respect of which indemnity may be sought against the Holder pursuant to this Section 10(b), the Holder shall have the rights and duties given to the Company, and the Company and each other person so indemnified shall have the rights and duties given to the indemnified parties, by the provisions of Section 10(a).

(c) To provide for just and equitable contribution, if (i) an indemnified party makes a claim for indemnification pursuant to Section 10(a) or 10(b) (subject to the limitations thereof) but it is found in a final judicial determination, not subject to further appeal, that such indemnification may not be enforced in such case, even though this Agreement expressly provides for indemnification in such case, or (ii) any indemnified or indemnifying party seeks contribution under the Act, the Exchange Act or otherwise, then the Company (including for this purpose any contribution made by or on behalf of any director of the Company, any officer of the Company who signed any such registration statement, any controlling person of the Company, and its or their respective counsel), as one entity, and the Eligible Holders of the Underwriters' Securities included in such registration in the aggregate (including for this purpose any contribution by or on behalf of an indemnified party),

as a second entity, shall contribute to the losses, liabilities, claims, damages, and expenses whatsoever to which any of them may be subject, on the basis of relevant equitable considerations such as the relative fault of the Company and such Eligible Holders in connection with the facts which resulted in such losses, liabilities, claims, damages, and expenses. The relative fault, in the case of an untrue statement, alleged untrue statement, omission, or alleged omission, shall be determined by, among other things, whether such statement, alleged statement, omission, or alleged omission relates to information supplied by the Company or by such Eligible Holders, and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement, alleged statement, omission, or alleged omission. The Company and the Holder agree that it would be unjust and inequitable if the respective obligations of the Company and the Eligible Holders for contribution were determined by pro rata or per capita allocation of the aggregate losses, liabilities, claims, damages, and expenses (even if the Holder and the other indemnified parties were treated as one entity for such purpose) or by any other method of allocation that does not reflect the equitable considerations referred to in this Section 10(c). In no case shall any Eligible Holder be responsible for a portion of the contribution obligation imposed on all Eligible Holders in excess of its pro rata share based on the number of shares of Common Stock owned (or which would be owned upon exercise of all Underwriters' Securities) by it and included in such registration as compared to the number of shares of Common Stock owned (or which would be owned upon exercise of all Underwriters' Securities) by all Eligible Holders and included in such registration. No person guilty of a fraudulent misrepresentation (within the meaning of Section 10(f) of the Act) shall be entitled to contribution from any person who is not guilty of such fraudulent misrepresentation. For purposes of this Section 10(c), each person, if any, who controls any Eligible Holder within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act and each officer, director, partner, employee, agent, and counsel of each such Eligible Holder or control person shall have the same rights to contribution as such Eligible Holder or control person and each person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act, each officer of the Company who shall have signed any such registration statement, each director of the Company, and its or their respective counsel shall have the same rights to contribution as the Company, subject in each case to the provisions of this Section 10(c). Anything in this Section 10(c) to the contrary notwithstanding, no party shall be liable for contribution with respect to the settlement of any claim or action effected without its written consent. This Section 10(c) is intended to supersede any right to contribution under the Act, the Exchange Act or otherwise.

11. Replacement of Warrants. Upon receipt of evidence satisfactory to the Company of the loss, theft, destruction, or mutilation of any Warrant (and upon surrender of any Warrant if mutilated), and upon reimbursement of the Company's reasonable incidental expenses, the Company shall execute and deliver to the Holder thereof a new Warrant of like date, tenor, and denomination.

12. No Rights as a Stockholder. The Holder of any Warrant shall not have, solely on account of such status, any rights of a stockholder of the Company, either at law or in equity, or to any notice of meetings of stockholders or of any other proceedings of the Company, except as provided in this Warrant.

13. Headings. The headings in this Warrant are for convenience only and shall not limit or otherwise affect the meaning.

14. Governing Law. This Warrant shall be construed in accordance with the laws of the State of New York applicable to contracts made and performed within such State, without regard to principles of conflicts of law.

Dated: \_\_\_\_\_, 1997

MITCHAM INDUSTRIES, INC.

By:

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Billy F. Mitcham

[Seal]

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Secretary

FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer the attached Warrant.)

FOR VALUE RECEIVED, \_\_\_\_\_ hereby sells, assigns, and transfers unto \_\_\_\_\_ a Warrant to purchase \_\_\_\_\_ shares of Common Stock, par value \$0.01 per share, of Mitcham Industries, Inc. (the "Company"), together with all right, title, and interest therein, and does hereby irrevocably constitute and appoint \_\_\_\_\_ attorney to transfer such Warrant on the books of the Company, with full power of substitution.

Dated: \_\_\_\_\_

Signature \_\_\_\_\_

NOTICE

The signature on the foregoing Assignment must correspond to the name as written upon the face of this Warrant in every particular, without alteration or enlargement or any change whatsoever.

To: Mitcham Industries, Inc.  
Post Office Box 1175  
4400 Highway 75 South  
Huntsville, Texas 77342

ELECTION TO EXERCISE

The undersigned hereby exercises his or its rights to purchase \_\_\_\_\_  
Warrant Shares covered by the within Warrant and tenders payment herewith in  
the amount of \$\_\_\_\_\_ in accordance with the terms thereof, and requests  
that certificates for such securities be issued in the name of, and delivered  
to:

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(Print Name, Address and Social Security  
or Tax Identification Number)

and, if such number of Warrant Shares shall not be all the Warrant Shares  
covered by the within Warrant, that a new Warrant for the balance of the  
Warrant Shares covered by the within Warrant be registered in the name of, and  
delivered to, the undersigned at the address stated below.

Dated: \_\_\_\_\_ Name \_\_\_\_\_  
(Print)

Address: \_\_\_\_\_

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(Signature)

To: Mitcham Industries, Inc.  
Post Office Box 1175  
4400 Highway 75 South  
Huntsville, Texas 77342

CASHLESS EXERCISE FORM  
(To be executed upon conversion of the attached Warrant)

The undersigned hereby irrevocably elects to surrender its Warrant for the number of shares of Common Stock as shall be issuable pursuant to the cashless exercise provisions of the within Warrant, in respect of \_\_\_\_\_ shares of Common Stock underlying the within Warrant, and requests that certificates for such securities be issued in the name of and delivered to:

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(Print Name, Address and Social Security  
or Tax Identification Number)

and, if such number of shares shall not be all the shares exchangeable or purchasable under the within Warrant, that a new Warrant for the balance of the Warrant Shares covered by the within Warrant be registered in the name of, and delivered to, the undersigned at the addressed stated below.

Dated: \_\_\_\_\_ Name \_\_\_\_\_  
(Print)

Address: \_\_\_\_\_

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(Signature)

March 3, 1997

Mitcham Industries, Inc.  
44000 Highway 75 South  
Huntsville, Texas 77342

Gentlemen:

We have acted as legal counsel for Mitcham Industries, Inc., a Texas corporation (the "Company"), with respect to the Registration Statement on Form S-1, Registration No. 333-19997 (the "Registration Statement"), filed by the Company in connection with the registration under the Securities Act of 1933, as amended (the "Act") of the following securities:

- (i) 3,450,000 shares of Common Stock, consisting of 2,875,000 shares of common stock, par value \$0.01 per share ("Common Stock") offered by the Company and up to 575,000 shares of Common Stock offered by certain shareholders of the Company ("Selling Shareholders");
- (ii) Representatives' Warrants (as defined in the Registration Statement) to purchase 200,000 shares of Common Stock; and
- (iii) 200,000 shares of Common Stock underlying the Representatives' Warrants.

The Common Stock, Representatives' Warrants and shares of Common Stock underlying the Representatives' Warrants are collectively referred to herein as the "Registered Securities."

In connection with this opinion, we have examined originals or copies, certified or otherwise identified to our satisfaction, of the following documents and instruments:

1. Articles of Incorporation of the Company, as amended to date;
2. Bylaws of the Company, as amended to date;

3. The Registration Statement, including the Prospectus included therein, as filed with the Securities and Exchange Commission (the "Commission") on January 17, 1997, together with all exhibits thereto and all amendments to the Registration Statement through the date hereof; and
4. Such other instruments and documents as we have deemed necessary for the purpose of rendering the following opinion.

In such examination, we have assumed the genuineness of all signatures and the conformity to original documents of all documents submitted to us as certified or photostatic copies thereof. As to various questions of fact material to our opinion, we have, when the relevant facts were not independently established and to the extent we have deemed such reliance proper, relied upon certificates of public officials and certificates and/or factual representations of officers of the Company.

Based upon and subject to the foregoing, it is our opinion that the Registered Securities have been duly and validly authorized for issuance and, when issued and delivered as described in the Underwriting Agreement (the "Underwriting Agreement"), the form of which is filed as Exhibit 1.1 to the Registration Statement, will be validly issued, fully paid and non-assessable.

We hereby consent to the filing of this opinion with the Securities and Exchange Commission as Exhibit 5.1 to the Registration Statement and further consent to the statements made in the Registration Statement regarding our firm and the use of our name under the heading "Legal Matters" in the Prospectus constituting a part of such Registration Statement.

We are licensed to practice in the State of Texas only and do not express any opinion as to matters governed by the laws of any jurisdiction other than the laws of the State of Texas (without reference to choice-of-law or conflict-of-law provisions, principles or decisions under Texas law, or under any other state, Federal or foreign law); and we have assumed compliance with all other laws, including, without limitation, Federal, foreign and other states' laws.

Very truly yours,

NORTON, JACOBS, KUHN & MCTOPY, L.L.P.

/s/ NORTON, JACOBS, KUHN & MCTOPY, L.L.P.

## CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We consent to the use of our reports on the financial statements and related financial statement schedule as of January 31, 1995 and 1996 and for each of the years in the three year period ended January 31, 1996, dated February 23, 1996, included herein, in this Registration Statement on Form S-1 and to the reference to our Firm under the heading "Experts."

/s/ HEIN + ASSOCIATES LLP

HEIN + ASSOCIATES LLP  
Certified Public Accountants  
Houston, Texas

March 5, 1997