

ION GEOPHYSICAL CORP

Form DEF 14A

April 21, 2008

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

SCHEDULE 14A

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934 (AMENDMENT NO.)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

ION GEOPHYSICAL CORPORATION
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
 - (4) Proposed maximum aggregate value of transaction:
 - (5) Total fee paid:
- Fee paid previously with preliminary materials.

Edgar Filing: ION GEOPHYSICAL CORP - Form DEF 14A

- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

Table of Contents

ION GEOPHYSICAL CORPORATION
2105 CityWest Boulevard, Suite 400
Houston, Texas 77042-2839
(281) 933-3339

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held May 27, 2008

To our Stockholders:

The 2008 Annual Meeting of Stockholders of ION Geophysical Corporation (formerly named Input/Output, Inc.) will be held at 2105 CityWest Boulevard, Houston, Texas, on Tuesday, May 27, 2008, at 10:30 a.m., local time, for the following purposes:

- (1) Election of three directors, each for a three-year term expiring in 2011;
- (2) Approval of certain amendments to ION's 2004 Long-Term Incentive Plan to increase the total number of shares of ION's common stock available for issuance under the plan from 6,700,000 to 7,700,000 shares;
- (3) Ratification of the appointment of Ernst & Young LLP as ION's independent registered public accounting firm (independent auditors) for 2008; and
- (4) Transaction of any other business that may properly come before the Annual Meeting or any adjournment or postponement of the meeting.

ION's Board of Directors has set April 2, 2008, as the record date for the meeting. This means that owners of common stock at the close of business on that date are entitled to receive this notice of meeting and vote at the meeting and any adjournments or postponements of the meeting.

ION will make available a list of stockholders of record as of the record date for inspection during normal business hours from 9:00 a.m. to 5:00 p.m., local time, from May 16, 2008 through May 27, 2008, at ION's principal place of business, located at 2105 CityWest Boulevard, Suite 400, Houston, Texas 77042-2839. This list will also be available at the meeting. For your reference, directions to the meeting location are included in this proxy statement.

Your vote is very important. Whether you own one share or many, your prompt cooperation in voting your proxy is greatly appreciated. Whether or not you plan to attend the meeting, please sign, date and return your enclosed proxy card as soon as possible so that your shares can be voted at the meeting.

By Authorization of the Board of Directors,

David L. Roland
Senior Vice President, General Counsel
and Corporate Secretary

April 21, 2008
Houston, Texas

Table of Contents

**Important Notice Regarding the Availability of Proxy Materials
For the Annual Stockholders Meeting to be held on May 27, 2008**

**The proxy statement, proxy card and our 2007 annual report to stockholders
are available at www.iongeo.com under Investor Relations Investor Materials
Stockholders Meeting.**

The Annual Meeting of Stockholders of ION Geophysical Corporation will be held on May 27, 2008, at 2105 CityWest Boulevard, Houston, Texas, beginning at 10:30 a.m., local time.

The matters intended to be acted upon are:

1. To elect three directors to our Board of Directors, each to serve for a three-year term.
2. To approve certain amendments to our 2004 Long-Term Incentive Plan to increase the total number of shares of our common stock available for issuance under the plan from 6,700,000 to 7,700,000 shares.
3. To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm (independent auditors) for 2008.
4. To consider any other business that may properly come before the annual meeting, or any postponement or adjournment of the meeting.

The Board of Directors recommends voting in favor of the nominees listed in the proxy statement, the amendment to the 2004 Long-Term Incentive Plan and the ratification of the appointment of Ernst & Young LLP.

The following proxy materials are being made available at the website location specified above:

1. The proxy statement for the 2008 Annual Meeting of Stockholders;
2. The 2007 annual report to stockholders; and
3. The form of proxy card being distributed to stockholders in connection with the 2008 Annual Meeting of Stockholders.

If your bank or broker is making available to you voting by telephone or the Internet, it will enclose instructions with the proxy statement to allow you to vote your shares by one of those methods, along with control/identification numbers to authenticate your identity and confirm that your voting instructions have been properly recorded.

Directions to the annual meeting are also provided in the proxy statement under *About the Meeting Where will the Annual Meeting be held?* beginning on page 3.

If the form of proxy is completed, signed and returned, the shares represented by the proxy will be voted at the meeting. Delivery of the proxy does not affect your right to attend the meeting. However, if your shares are held in the name of a bank, broker or other holder of record, you must obtain a proxy from the holder of record, executed in your favor, to be able to vote at the meeting. Otherwise, your shares will be voted in the manner in which you instructed the record holder of your shares.

Table of Contents

**ION GEOPHYSICAL CORPORATION
2105 CityWest Boulevard, Suite 400
Houston, Texas 77042-2839
(281) 933-3339**

April 21, 2008

**PROXY STATEMENT
FOR ANNUAL MEETING OF STOCKHOLDERS
To Be Held May 27, 2008**

Our Board of Directors is furnishing you this proxy statement to solicit proxies on its behalf to be voted at the 2008 Annual Meeting of Stockholders of ION Geophysical Corporation (ION). The meeting will be held at 2105 CityWest Boulevard, Houston, Texas, on May 27, 2008, at 10:30 a.m., local time. The proxies also may be voted at any adjournments or postponements of the meeting.

The mailing address of our principal executive offices is 2105 CityWest Boulevard, Suite 400, Houston, Texas 77042-2839. We are mailing the proxy materials to our stockholders beginning on or about April 21, 2008.

All properly completed and returned proxies for the annual meeting will be voted at the meeting in accordance with the directions given in the proxy, unless the proxy is revoked before the meeting.

Only owners of record of our shares of common stock on April 2, 2008, are entitled to vote at the meeting, or at adjournments or postponements of the meeting. Each owner of common stock on the record date is entitled to one vote for each share of common stock held. On April 2, 2008, there were 95,116,938 shares of common stock issued and outstanding.

TABLE OF CONTENTS

	Page
<u>About the Meeting</u>	3
<u>Item 1 Election of Directors</u>	7
<u>Ownership of Equity Securities of ION</u>	10
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	11
<u>Board of Directors and Corporate Governance</u>	11
<u>Committees of the Board</u>	14
<u>Certain Transactions and Relationships</u>	18
<u>Statement of Policy for the Review, Approval or Ratification of Transactions with Related Persons</u>	19
<u>Executive Officers</u>	21
<u>Executive Compensation</u>	23
<u>Compensation Discussion and Analysis</u>	23
<u>Compensation Committee Report</u>	36
<u>Summary Compensation Table</u>	37
<u>2007 Grants of Plan-based Awards</u>	39
<u>Employment Agreements</u>	40
<u>Outstanding Equity Awards at Fiscal Year End</u>	42
<u>2007 Option Exercises and Stock Vested</u>	43
<u>Potential Payments on Termination or Change of Control</u>	43
<u>2007 Pension Benefits and Nonqualified Deferred Compensation</u>	49
<u>Director Compensation</u>	49
<u>Equity Compensation Plan Information</u>	51
<u>Item 2 Proposal to Amend the 2004 Long-Term Incentive Plan</u>	53
<u>Item 3 Ratification of Appointment of Independent Auditors</u>	58
<u>Report of the Audit Committee</u>	59
<u>Principal Auditor Fees and Services</u>	61
<u>Other Matters</u>	62

Table of Contents

ABOUT THE MEETING

What is a proxy?

A proxy is your legal designation of another person to vote the stock you own on your behalf. That other person is referred to as a proxy. Our Board of Directors has designated Robert P. Peebler and James M. Lapeyre, Jr. as proxies for the 2008 Annual Meeting of Stockholders. By completing and returning the enclosed proxy card, you are giving Mr. Peebler and Mr. Lapeyre the authority to vote your shares in the manner you indicate on your proxy card.

Who is soliciting my proxy?

Our Board of Directors is soliciting proxies on its behalf to be voted at the 2008 Annual Meeting. All costs of soliciting the proxies will be paid by ION. Copies of solicitation materials will be furnished to banks, brokers, nominees and other fiduciaries and custodians to forward to beneficial owners of ION's common stock held by such persons. ION will reimburse such persons for their reasonable out-of-pocket expenses in forwarding solicitation materials. In addition to solicitations by mail, some of ION's directors, officers and other employees, without extra compensation, might supplement this solicitation by letter, telephone or personal interview. ION has also retained Georgeson Inc. to assist with the solicitation of proxies from banks, brokers, nominees and other holders, for a fixed fee of \$8,000 plus reasonable out-of-pocket expenses, which fees and expenses will be paid by ION. We may also ask our proxy solicitor to solicit proxies on our behalf by telephone for a fixed fee of \$5 per phone call and \$5 per telephone vote, plus reasonable expenses.

What is a proxy statement?

A proxy statement is a document that the regulations of the Securities and Exchange Commission require us to give you when we ask you to sign a proxy card designating individuals as proxies to vote on your behalf.

What is the difference between a stockholder of record and a stockholder who holds stock in street name ?

If your shares are registered directly in your name, you are a stockholder of record. If your shares are registered in the name of your broker or bank, you are a street name holder.

What different methods can I use to vote?

Most stockholders have a choice of voting over the Internet, by telephone, or by using a traditional proxy card. Please check your proxy card or the information forwarded by your bank, broker or other holder of record to see which options are available to you.

(a) *In Writing*: All stockholders can vote by written proxy card.

(b) *By Telephone and Internet*: Street name holders may vote by telephone or the Internet if their bank or broker makes those methods available, in which case the bank or broker will enclose the instructions with the proxy statement. The telephone and Internet voting procedures, including the use of control numbers, are designed to authenticate stockholders' identities, to allow stockholders to vote their shares, and to confirm that their instructions have been properly recorded.

(c) *In Person*: All stockholders may vote in person at the meeting. If you are a street name holder who wishes to vote in person, you will need to ask your broker or bank for a legal proxy. You will need to bring the legal proxy with you to the meeting.

Where will the Annual Meeting be held?

ION's 2008 Annual Meeting of Stockholders will be held on the 9th Floor of 2105 CityWest Boulevard in Houston, Texas.

Table of Contents

Directions: The site for the meeting is located on CityWest Boulevard off of Beltway 8, near the intersection of Beltway 8 and Briar Forest Drive. Traveling south on the Beltway 8 feeder road after Briar Forest Drive, turn right on Del Monte Drive. Enter Garage Entrance 3 on your immediate left. Advise the guard that you are attending the ION Annual Meeting. You may be required to show your driver's license or other photo identification. The guard will then direct you where to park in the visitors section of the parking garage. The guard can also direct you to 2105 CityWest Boulevard, which is directly south of the garage. Once in the building, check in with the security desk and then take the elevators to the 9th floor.

Does my vote matter?

Yes! Corporations are required to obtain stockholder approval for the election of directors and other important matters. Stockholder participation is not a mere formality. Stockholder voting is essential for ION to continue to function. It is also important that you vote to assure that a quorum is obtained so that corporate business can be transacted at the meeting.

What is the effect of not voting?

It depends on how ownership of your shares is registered. If you are a stockholder of record, your unvoted shares will not be represented at the meeting and will not count toward the quorum requirement. Assuming a quorum is obtained, your unvoted shares will not be treated as a vote for or against a proposal.

If you own your shares in street name, your broker or bank may represent your shares at the meeting for purposes of obtaining a quorum. As described in the answer to the following question, in the absence of your voting instruction, your broker may or may not vote your shares.

If I don't vote, will my broker vote for me?

If you own your shares in street name and you do not vote, your broker may vote your shares in its discretion on routine matters. With respect to non-routine matters, however, your broker may not vote your shares for you. Where a broker votes your shares on routine matters but cannot vote your shares on non-routine matters because he has not received any instructions from you regarding how to vote, the number of unvoted shares on those matters is reported as broker non-votes. These broker non-vote shares are counted toward the quorum requirement, but, generally speaking, they do not affect the determination of whether a matter is approved. See *How are abstentions and broker non-votes counted?* below. Except for the proposal to amend our 2004 Long-Term Incentive Plan, we believe that the proposals set forth in this proxy statement are routine matters on which brokers will be permitted to vote your shares without instructions from you.

What is the record date and what does it mean?

The record date for the 2008 Annual Meeting of Stockholders is April 2, 2008. The record date is established by the Board of Directors as required by Delaware law. Owners of common stock at the close of business on the record date are entitled to receive notice of the meeting and vote at the meeting and any adjournments or postponements of the meeting.

How can I revoke a proxy?

A stockholder can revoke a proxy by taking any one of the following three actions before it is voted at the meeting:

(a) giving written notice to the Corporate Secretary of ION,

(b) delivering a later-dated proxy, or

(c) voting in person at the meeting.

If you hold shares through a bank or broker, you must contact that bank or broker in order to revoke any prior voting instructions.

Table of Contents

What constitutes a quorum?

The presence, in person or by proxy, of the holders of a majority of the outstanding shares of common stock constitutes a quorum. We need a quorum of stockholders to hold a valid Annual Meeting. If you have signed and returned your proxy card, your shares will be counted toward the quorum. If a quorum is not present, the chairman may adjourn the meeting, without notice other than by announcement at the meeting, until the required quorum is present.

As of the record date, 95,116,938 shares of common stock were outstanding. Thus, the presence of the holders of common stock representing at least 47,558,470 shares will be required to establish a quorum.

What are my voting choices when voting for director nominees, and what vote is needed to elect directors?

In voting on the election of three director nominees to serve until the 2011 Annual Meeting of Stockholders, stockholders may vote in one of the following ways:

- (a) in favor of all nominees,
- (b) withhold votes as to all nominees, or
- (c) withhold votes as to a specific nominee.

Directors will be elected by a plurality vote of holders of the shares of common stock present or represented by proxy at the meeting. This means that all director nominees must receive the highest number of votes cast in order to be re-elected as directors. Stockholders are not permitted to cumulate their votes in the election of directors.

The Board recommends a vote **FOR** all of the nominees.

What are my voting choices when voting on the proposal to amend the ION 2004 Long-Term Incentive Plan and what vote is needed to approve the proposal?

In voting on the proposal to amend the plan, stockholders may vote in one of the following ways:

- (a) in favor of the amendment of the plan,
- (b) against the amendment of the plan, or
- (c) abstain from voting on the amendment of the plan.

The proposal to amend the ION 2004 Long-Term Incentive Plan will require the approval of a majority of the votes cast by holders of common stock in person or represented by proxy at the meeting, so long as the total votes cast on the proposal exceed 50% of the shares of common stock outstanding.

The Board recommends a vote **FOR** this proposal.

What are my voting choices when voting on the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm (independent auditors) and what vote is needed to ratify their appointment?

In voting to ratify the appointment of Ernst & Young LLP as independent auditors for 2008, stockholders may vote in one of the following ways:

- (a) in favor of ratification,
- (b) against ratification, or
- (c) abstain from voting on ratification.

The proposal to ratify the appointment of Ernst & Young LLP will require the approval of a majority of the votes cast by holders of common stock in person or represented by proxy at the meeting.

The Board recommends a vote **FOR** this proposal.

Table of Contents

Will any other business be transacted at the meeting? If so, how will my proxy be voted?

We do not know of any business to be transacted at the Annual Meeting other than those matters described in this proxy statement. We believe that the periods specified in ION's Bylaws for submitting proposals to be considered at the meeting have passed and no proposals were submitted. However, should any other matters properly come before the meeting, and any adjournments or postponements of the meeting, shares with respect to which voting authority has been granted to the proxies will be voted by the proxies in accordance with their judgment.

What if a stockholder does not specify a choice for a matter when returning a proxy?

Stockholders should specify their choice for each matter on the enclosed form of proxy. If no instructions are given, proxies that are signed and returned will be voted **FOR** the election of all director nominees, **FOR** the approval of the amendment of the 2004 Long-Term Incentive Plan and **FOR** the proposal to ratify the appointment of Ernst & Young LLP as independent auditors for 2008.

How are abstentions and broker non-votes counted?

A properly executed proxy card marked "withhold" with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted for purposes of determining whether there is a quorum. Any shares not voted (whether by broker non-vote or otherwise) will have no effect on the election of directors.

An abstention will have the same legal effect as a vote against the proposal to amend the 2004 Long-Term Incentive Plan because it will represent a share present in person or represented by proxy at the meeting and a vote cast on the proposal, thereby increasing the number of affirmative votes required to approve the proposal. Broker non-votes will have no effect on the outcome of this proposal so long as the total votes cast on the proposal exceed 50% of our outstanding shares.

An abstention will have the same legal effect as a vote against the proposal to ratify the appointment of the independent auditors, because it will represent a share present in person or represented by proxy at the meeting and a vote cast on the proposal, thereby increasing the number of affirmative votes required to approve the proposal. Broker non-votes will have no effect on the proposal to ratify the appointment of the independent auditors.

What is the deadline for submitting proposals to be considered for inclusion in the 2009 proxy statement?

Stockholder proposals requested to be included in ION's 2009 proxy statement must be received by ION not later than December 23, 2008. Proposals should be directed to David L. Roland, Senior Vice President, General Counsel and Corporate Secretary, ION Geophysical Corporation, 2105 CityWest Boulevard, Suite 400, Houston, Texas 77042-2839.

What is the deadline for submitting a nomination for director of ION for consideration at the Annual Meeting of Stockholders in 2009?

A proper director nomination may be considered at ION's 2009 Annual Meeting of Stockholders only if the proposal for nomination is received by ION not later than December 23, 2008. All nominations should be directed to David L. Roland, Senior Vice President, General Counsel and Corporate Secretary, ION Geophysical Corporation, 2105 CityWest Boulevard, Suite 400, Houston, Texas 77042-2839.

Will I have electronic access to the proxy materials and Annual Report?

The notice of Annual Meeting and Proxy Statement and the 2007 Annual Report to Stockholders are also posted on ION's Internet website in the Investor Relations section at www.iongeo.com.

Table of Contents

How can I obtain a copy of ION's Annual Report on Form 10-K?

A copy of our 2007 Annual Report on Form 10-K is enclosed with our annual report to stockholders. You may obtain an additional copy of our 2007 Form 10-K at no charge by sending a written request to David L. Roland, Senior Vice President, General Counsel and Corporate Secretary, ION Geophysical Corporation, 2105 CityWest Boulevard, Suite 400, Houston, Texas 77042-2839. Our Form 10-K is also available (i) through the Investor Relations section of our website at www.iongeo.com and (ii) with exhibits on the SEC's website at <http://www.sec.gov>.

Please note that the contents of these and any other websites referenced in this proxy statement are not incorporated into this filing. Further, our references to the URLs for these and other websites listed in this proxy statement are intended to be inactive textual references only.

ITEM 1 ELECTION OF DIRECTORS

Our Board of Directors consists of eight members. The Board is divided into three classes. Members of each class are elected for three-year terms and until their respective successors are duly elected and qualified, unless the director dies, resigns, retires, is disqualified or is removed. Our stockholders elect the directors in a designated class annually. Directors in Class III, which is the class of directors to be elected at this meeting, will serve on the Board until our Annual Meeting in 2011.

The current Class III directors are Robert P. Peebler, John N. Seitz and Sam K. Smith, and their terms will expire at the 2008 Annual Meeting. At its meeting on February 15, 2008, the Board approved the recommendation of the Governance Committee that Messrs. Peebler, Seitz and Smith be nominated to stand for reelection at the meeting to hold office until our 2011 Annual Meeting and until their successors are elected and qualified.

We have no reason to believe that any of the nominees will be unable or unwilling to serve if elected. However, if any nominee should become unable or unwilling to serve for any reason, proxies may be voted for another person nominated as a substitute by the Board of Directors, or the Board of Directors may reduce the number of Directors.

The Board of Directors recommends a vote FOR the election of Robert P. Peebler, John N. Seitz and Sam K. Smith.

Class III Director Nominees For Re-Election For Term Expiring In 2011

ROBERT P. PEEBLER

Director since 1999
Age 60

Robert P. Peebler has been our President and Chief Executive Officer since April 2003 and a member of our Board of Directors since 1999. Prior to joining ION on a full-time basis, Mr. Peebler was the founder, President and Chief Executive Officer of Energy Virtual Partners, an asset development and management company for oil and gas properties. Prior to founding Energy Virtual Partners in April 2001, Mr. Peebler was Vice President of e-Business Strategy and Ventures of the Halliburton Company, a provider of products and services to the petroleum and energy industries. Mr. Peebler joined Halliburton in 1996 when Halliburton acquired Landmark Graphics Corporation, a provider of workstation-based software for oil and gas exploration and production, where he had served as CEO since 1992. Mr. Peebler began his career with Schlumberger, a global oilfield and information services company, in wireline operations and spent 17 years with Schlumberger in various positions, including head of U.S. wireline

operations and executive in charge of strategic marketing for the corporate energy services group. Mr. Peebler is a member of the Finance Committee of our Board of Directors. He holds a Bachelor of Science degree in Electrical Engineering from the University of Kansas.

Table of Contents

JOHN N. SEITZ

Director since 2003
Age 56

John N. Seitz joined our Board of Directors in 2003. Mr. Seitz is a founder and Vice Chairman of the Board of Endeavour International Corporation, an exploration and development company focused on the North Sea. From 2003 until 2006, Mr. Seitz served as co-CEO of Endeavour. From 1977 to 2003, Mr. Seitz held positions of increasing responsibility at Anadarko Petroleum Company, serving most recently as a Director and as President and Chief Executive Officer. Mr. Seitz is a Trustee of the American Geological Institute Foundation. Mr. Seitz also serves on the Board of Managers of Constellation Energy Partners LLC, a company focused on the acquisition, development and exploitation of oil and natural gas properties and related midstream assets. He is a member of the Compensation and Governance Committees of our Board of Directors. Mr. Seitz holds a Bachelor of Science degree in Geology from the University of Pittsburgh, a Master of Science degree in Geology from Rensselaer Institute and is a Certified Professional Geoscientist in Texas. He also completed the Advanced Management Program at the Wharton School of Business.

SAM K. SMITH

Director since 1999
Age 76

Sam K. Smith joined our Board of Directors in 1999. He also served as our interim Chief Executive Officer from 1999 until 2000. From 1989 to 1996, Mr. Smith was Chairman of the Board of Landmark Graphics Corporation, a provider of workstation-based software for oil and gas exploration and production. Prior to that time, Mr. Smith was a special limited partner at Sevin-Rosen Management, a Texas-based venture capital firm that has backed high technology firms, including Compaq, Lotus Development, and Silicon Graphics. Mr. Smith began his career at Texas Instruments, where he held positions of increasing responsibility, such as Group Vice President for the Equipment Group, Texas Instruments defense business. Mr. Smith is a member of the Compensation Committee of our Board of Directors. He holds a Bachelor of Science degree in Electrical Engineering from the University of Oklahoma.

Class I Incumbent Directors Term Expiring In 2009

THEODORE H. ELLIOTT, JR.

Director since 1987
Age 72

Theodore H. Elliott, Jr. joined our Board of Directors in 1987. Since 1981, he has been in the venture capital business as the Chairman of Prime Capital Management Co., Inc., a Connecticut-based venture capital company, and as a private investor. Prior to Prime Capital Management, Mr. Elliott was Vice President of General Electric's venture capital subsidiary. Prior to General Electric, Mr. Elliott was head of investment banking at Clark, Dodge & Co. Inc. He also serves on the Board of Directors and the Compensation and Audit Committees of National Interstate, a specialty property and casualty insurance company based in Ohio. Mr. Elliott is also a director of Carlo Gavazzi Computing Solutions, a subsidiary of Carlo Gavazzi Holding AG, a Swiss-based producer of automation components and computer sub-systems that is listed on the Zurich Stock Exchange. Mr. Elliott is a member of the Audit Committee of our Board of Directors. He has a Bachelor of Art degree and a Master of Business Administration degree from Harvard University and a Juris Doctorate degree from New York University.

JAMES M. LAPEYRE, JR.

Director since 1998
Age 55

James M. Lapeyre, Jr. has been Chairman of our Board of Directors since 1999 and a Director since 1998. Mr. Lapeyre has been President of Laitram L.L.C., a privately-held New Orleans-based manufacturer of food processing equipment and modular conveyor belts, and its predecessors since 1989. Mr. Lapeyre joined our Board of Directors when we bought the DigiCOURSE marine positioning products business from Laitram in 1998. Mr. Lapeyre is Chairman of the Governance Committee and a member of the Compensation Committee of our Board of Directors. He holds a Bachelor of Art degree in History from the University of Texas and Master of Business Administration and Juris Doctorate degrees from Tulane University.

8

Table of Contents

Class II Incumbent Directors Term Expiring In 2010

	Director since 2001
	Age 55

FRANKLIN MYERS

Franklin Myers joined our Board of Directors in 2001. He is currently the Senior Advisor to Cameron International Corporation (previously Cooper Cameron), an international manufacturer of oil and gas flow control equipment. Until March 31, 2008, Mr. Myers was the Senior Vice President and Chief Financial Officer of Cameron. Mr. Myers became Senior Vice President of Cameron in 1995, and served as General Counsel and Corporate Secretary of Cameron from 1995 to 1999, as well as President of the Cooper Energy Services Division from 1998 until 2001. Prior to joining Cameron, Mr. Myers was Senior Vice President and General Counsel of Baker Hughes Incorporated, an oilfield services and equipment provider, and an attorney and partner with the law firm of Fulbright & Jaworski L.L.P. in Houston, Texas. Mr. Myers also currently serves on the Board of Directors of Comfort Systems, Inc., a NYSE-listed provider of heating, ventilation and air conditioning services. Mr. Myers is Chairman of the Compensation Committee, co-Chairman of the Finance Committee and a member of the Governance Committee of our Board of Directors. Mr. Myers holds a Bachelor of Science degree in Industrial Engineering from Mississippi State University and a Juris Doctorate degree with Honors from the University of Mississippi.

	Director since 2003
	Age 60

BRUCE S. APPELBAUM, PhD

Bruce S. Appelbaum, PhD, joined our Board of Directors in 2003. He is currently the Chairman of Mosaic Natural Resources Ltd., an oil and gas exploration and production company focusing on opportunities in the North Sea. Prior to founding Mosaic, Dr. Appelbaum was President of Worldwide Exploration and New Ventures for Texaco, Inc. and a Vice President of Texaco. Dr. Appelbaum joined Texaco in 1990 as Division Manager of Texaco U.S.A.'s offshore exploration division and was elected an officer of Texaco in 2000. Dr. Appelbaum is also a Trustee of the American Geological Institute Foundation and serves on the Advisory Board to the Department of Oceanography at Texas A&M University. He previously served on the Advisory Board of the School of Earth Sciences at Stanford University. Dr. Appelbaum also currently serves as a Director of the CQS Rig Finance Fund Limited, an AIM- and CISX-listed closed-end investment company that invests in secured bonds issued to finance the construction of offshore oil and gas exploration and production infrastructure. Dr. Appelbaum is a member of the Audit Committee of our Board of Directors. He holds a Bachelor of Science degree in Geology from the State University of New York - Buffalo and Master of Science and PhD degrees in Geological Oceanography from Texas A&M University.

	Director since 2004
	Age 66

S. JAMES NELSON, JR.

S. James Nelson, Jr. joined our Board of Directors in 2004. In 2004, Mr. Nelson retired from Cal Dive International, Inc. (now named Helix Energy Solutions Group, Inc.), a marine contractor and operator of offshore oil and gas properties and production facilities, where he was a founding shareholder, Chief Financial Officer, Vice Chairman and

a Director. From 1985 to 1988, Mr. Nelson was the Senior Vice President and Chief Financial Officer of Diversified Energies, Inc., a NYSE-traded company with \$1 billion in annual revenues and the former parent company of Cal Dive. From 1980 to 1985, Mr. Nelson served as Chief Financial Officer of Apache Corporation, an oil and gas exploration and production company. From 1966 to 1980, Mr. Nelson was employed with Arthur Andersen & Co. where, from 1976 to 1980, he was a partner serving on the firm's worldwide oil and gas industry team. Mr. Nelson also currently serves on the Board of Directors and Audit Committee of Oil States International, Inc. (a NYSE-listed diversified oilfield services company), Quintana Maritime Limited (a NASDAQ-listed company owning and operating international dry-bulk vessels) and W&T Offshore, Inc. (a NYSE-listed oil and natural gas exploration and production company). Mr. Nelson, who is also a Certified Public Accountant, is Chairman of the Audit Committee and co-Chairman of the Finance Committee of our Board of Directors. He holds a Bachelor of Science degree in Accounting from Holy Cross College and a Master of Business Administration degree from Harvard University.

Table of Contents**Ownership of Equity Securities of ION**

Except as otherwise set forth below, the following table sets forth information as of February 20, 2008, with respect to the number of shares of common stock owned by (i) each person known by us to be a beneficial owner of more than 5% of our common stock, (ii) each of our directors, (iii) each of our executive officers named in the 2007 Summary Compensation Table included in this proxy statement and (iv) all of our directors and executive officers as a group. Except where information was otherwise known by us, we have relied solely upon filings of Schedules 13D and 13G to determine the number of shares of our common stock owned by each person known to us to be the beneficial owner of more than 5% of our common stock as of such date.

Name of Owner	Common Stock(1)	Rights to Acquire(2)	Restricted Stock(3)	Percent of Common Stock(4)
Laitram, L.L.C.(5)	7,905,344			8.3%
Neuberger Berman Inc.(6)	6,902,782			7.4%
ClearBridge Advisors, LLC(7)	6,183,001			6.6%
Fletcher Asset Management, Inc.(8)	40,800	6,528,398		6.4%
James M. Lapeyre, Jr.(9)	9,123,767	120,000		9.7%
Robert P. Peebler	110,040	1,375,000	69,985	1.6%
Bruce S. Appelbaum(10)	9,544	80,000		*
Theodore H. Elliott, Jr.(11)	29,452	70,000		*
Franklin Myers	71,100	55,000		*
John N. Seitz	10,050	80,000		*
Sam K. Smith	37,095	150,000		*
S. James Nelson, Jr.	4,000	70,000		*
James R. Hollis	23,718	118,750	36,665	*
R. Brian Hanson	27,000	23,750	65,000	*
Charles J. Ledet	12,476	125,000	31,332	*
Teng Beng Koid	24,157	70,000	46,665	*
All directors and executive officers as a group (15 Persons)	9,560,686	2,529,750	295,312	12.7%

* Less than 1%

- (1) Represents shares for which the named person (a) has sole voting and investment power or (b) has shared voting and investment power. Excluded are shares that (i) are restricted stock holdings or (ii) may be acquired through stock option or warrant exercises.
- (2) Represents shares of common stock that may be acquired through conversion of our outstanding shares of Series D-1 Cumulative Convertible Preferred Stock, Series D-2 Cumulative Convertible Preferred Stock and exercise of other rights in the case of Fletcher Asset Management, Inc. and exercise of stock options in the case of our officers and directors, that are currently convertible or exercisable or will be convertible or exercisable on or before April 20, 2008.

- (3) Represents shares subject to a vesting schedule, forfeiture risk and other restrictions. Although these shares are subject to forfeiture provisions, the holder has the right to vote the shares and receive dividends until they are forfeited.
- (4) Assumes shares that such person has rights to acquire are outstanding.
- (5) The address for Laitram, L.L.C. is 220 Laitram Lane, Harahan, Louisiana 70123. Mr. Lapeyre is the President and chief executive officer of Laitram. Please read note 9 below. Mr. Lapeyre disclaims beneficial ownership of any shares held by Laitram.
- (6) The Schedule 13G was filed jointly by Neuberger Berman Inc., Neuberger Berman, LLC, Neuberger Berman Management Inc. and Neuberger Berman Equity Funds. The address for each of the reporting

Table of Contents

persons is 605 Third Avenue, New York, New York 10158. Neuberger Berman, LLC and Neuberger Berman Management Inc. have shared power to make decisions whether to retain or dispose and vote the securities. Neuberger Berman Inc. owns 100% of both Neuberger Berman, LLC and Neuberger Berman Management Inc. and does not own over 1% of the shares of ION. Neuberger Berman, LLC and Neuberger Berman Management Inc. serve as a sub-adviser and investment manager, respectively, of Neuberger Berman's various mutual funds.

- (7) The address for ClearBridge Advisors, LLC is 399 Park Avenue, New York, New York 10022. ClearBridge Advisors, LLC has shared voting power over 5,991,911 shares of common stock and shared dispositive power over 6,183,001 shares of common stock.
- (8) Fletcher Asset Management, Inc. filed its Schedule 13G on behalf of itself and Alphonse Fletcher, Jr., the Chairman and Chief Executive Officer of Fletcher Asset Management, Inc. The address for Fletcher Asset Management, Inc. is 48 Wall Street, 5th Floor, New York, New York 10005. The shares reported in the above table do not include shares of common stock underlying 35,000 shares of our Series D-3 Cumulative Convertible Preferred Stock purchased by Fletcher International Ltd., an affiliate of Fletcher Asset Management, Inc., on February 21, 2008. The Series D-3 Cumulative Convertible Preferred Stock is initially convertible into 2,365,168 shares of the Company's common stock. The number of shares of common stock that may be acquired upon conversion or redemption is subject to adjustment in certain events.
- (9) The shares of common stock include 6,450 shares over which Mr. Lapeyre holds joint voting and investment control with his wife. The shares of common stock also include 30,000 shares previously owned by Mr. Lapeyre's wife and transferred by Mr. Lapeyre's wife into Mr. Lapeyre's account, in which Mr. Lapeyre disclaims beneficial interest. The shares of common stock also include 294,330 shares that Mr. Lapeyre holds as a custodian or trustee for the benefit of his children, 7,905,344 shares owned by Laitram, and 10,500 shares that Mr. Lapeyre holds as a co-trustee with his wife for the benefit of his children, in all of which Mr. Lapeyre disclaims any beneficial interest. Please read note 5 above. Mr. Lapeyre has sole voting power over only 907,143 of the shares of common stock.
- (10) The shares of common stock include 9,544 shares over which Mr. Appelbaum holds joint voting and investment control with his wife.
- (11) These shares of common stock exclude 4,000 shares owned by Mr. Elliott's wife, in which Mr. Elliott disclaims any beneficial interest.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act), requires directors and certain officers of ION, and persons who own more than ten percent of ION's common stock, to file with the Securities and Exchange Commission (SEC) and the New York Stock Exchange (NYSE) initial statements of beneficial ownership on Form 3 and changes in such ownership on Forms 4 and 5. Based on our review of the copies of such reports, we believe that, with two exceptions, during 2007 our directors, executive officers and stockholders holding greater than ten percent of our outstanding shares complied with all applicable filing requirements. A Form 4 reflecting the exercise of ION stock options and sale of a portion of the ION shares by Mr. Elliott was timely filed but contained a typographical error, which was corrected after the filing date. In addition, a Form 4 for each of Messrs. Lapeyre, Appelbaum, Nelson, Elliott, Smith, Seitz and Myers reflecting a grant of ION stock options on December 1, 2007, was filed three days late due to an administrative error.

Board of Directors and Corporate Governance

Governance Initiatives. We maintain a corporate governance program for the purpose of defining responsibilities, setting standards of professional and personal conduct and promoting compliance with these responsibilities and standards. We review our governance practices and update them, as appropriate, based upon Delaware law (the state in which we are incorporated), rules and listing standards of the NYSE and SEC regulations, and practices recommended by our outside advisors.

Table of Contents

Some of our corporate governance initiatives include the following:

Our Board has affirmatively determined that seven of our eight directors meet the NYSE standard for independence. Robert P. Peebler is not independent under applicable standards because he is our current President and Chief Executive Officer, and an employee of ION.

Our Audit Committee has at least one member who qualifies as a financial expert in accordance with Section 407 of the Sarbanes-Oxley Act of 2002.

All members of our Audit Committee, Governance Committee and Compensation Committee are independent.

Our independent directors meet in executive session at each regularly scheduled Board meeting without the presence of management. Each of our Committees meets in executive session at each regularly scheduled Committee meeting without the presence of management, and our Audit Committee meets in private session with representatives of our independent registered public accounting firm at least quarterly without the presence of management.

Every year, our management employees and senior finance and accounting employees affirm their compliance with our Code of Ethics and other principal compliance policies. New employees sign a written certification of compliance with these policies upon commencing employment.

The Board has adopted written Corporate Governance Guidelines to assist its members in fulfilling their responsibilities.

Board members are required to offer their resignation from the Board if they retire or materially change the position they held when they began serving as a director on the Board.

We comply with and operate in a manner consistent with regulations prohibiting loans to our directors and executive officers.

Members of our Disclosure Committee, consisting of management employees and senior finance and accounting employees, review all quarterly and annual reports before filing with the SEC.

We have a hotline and website available to all employees to report ethics and compliance concerns, anonymously if preferred, including concerns related to accounting, accounting controls, financial reporting and auditing matters. The hotline and website are administered and monitored by an independent hotline monitoring company. The Board has adopted a policy and procedures for the receipt, retention and treatment of complaints and employee concerns received through the hotline or website. The policy is available on our website at http://www.iongeo.com/content/released/Hotline_Policy-ION-Nov_5_2007.pdf.

On an annual basis, each director and named executive officer is obligated to complete a questionnaire that requires disclosure of any transactions with ION in which the director or executive officer, or any member of his or her immediate family, has a direct or indirect material interest.

We have included as Exhibit 31 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2007, filed with the SEC, certificates of our Chief Executive Officer and Chief Financial Officer certifying as to the quality of our public disclosure. In addition, in 2007, we submitted to the NYSE a certificate of our Chief Executive Officer certifying that he is not aware of any violation by ION of the NYSE corporate governance listing standards.

Code of Ethics. We require all employees to adhere to our Code of Ethics in addressing legal and ethical issues encountered in conducting their work. The Code of Ethics requires that our employees avoid conflicts of interest, comply with all laws and other legal requirements, conduct business in an honest and ethical manner, promote full and accurate financial reporting, and otherwise act with integrity and in ION's best interest. Our Code of Ethics applies to our directors and all employees, including our Chief Executive Officer and senior financial officers (our Chief Financial Officer, Controller, Treasurer and all other financial officers and executives).

Table of Contents

We have made our Code of Ethics, corporate governance guidelines, charters for the committees of our Board and other information that may be of interest to investors available on the Investor Relations section of our website at http://www.iongeo.com/Investor_Relations/Corporate_Governance/. Copies of this information may also be obtained by writing to us at ION Geophysical Corporation, Attention: Senior Vice President, General Counsel and Corporate Secretary, 2105 CityWest Boulevard, Suite 400, Houston, Texas 77042-2839.

Presiding Non-Management Director. Under NYSE corporate governance listing standards, James M. Lapeyre, Jr. has been designated as the presiding non-management director to lead non-management directors meetings of the Board. Our non-management directors meet at regularly scheduled executive sessions without management, over which Mr. Lapeyre presides.

Communications to Board and Presiding Non-Management Director. Stockholders and other interested parties may communicate with the Board and our presiding non-management director or non-management independent directors as a group by writing to Chairman of the Board (if the intended recipient is the Board) or Presiding Non-management Director (if the intended recipient is the presiding non-management director, or the non-management directors as a whole), c/o Corporate Secretary, ION Geophysical Corporation, 2105 CityWest Boulevard, Suite 400, Houston, Texas 77042-2839. Inquiries sent by mail will be reviewed by our Corporate Secretary and, if they pertain to the functions of the Board or Board committees or if the Corporate Secretary otherwise determines that they should be brought to the intended recipient's attention, they will be forwarded to the intended recipient. Concerns relating to accounting, internal controls, auditing or compliance matters will be brought to the attention of our Audit Committee and handled in accordance with procedures established by the Audit Committee.

Our Corporate Secretary's review of these communications will be performed with a view that the integrity of this process be preserved. For example, items that are unrelated to the duties and responsibilities of the Board, such as personal employee complaints, product inquiries, new product suggestions, resumes and other forms of job inquiries, surveys, business solicitations or advertisements, will not be forwarded to those individuals. In addition, material that is considered to be hostile, threatening, illegal or similarly unsuitable will not be forwarded to them. Except for these types of items, the Corporate Secretary will promptly forward written communications to the intended recipient. Within the above guidelines, the independent directors have granted the Corporate Secretary discretion to decide what correspondence should be shared with ION management and independent directors.

2007 Meetings of the Board and Stockholders. In 2007, the Board of Directors held six meetings and the four standing committees of the Board of Directors held a total of 16 meetings. Overall, the rate of attendance by each director at such meetings exceeded 99%. Each director attended at least 94% of the total meetings of the Board of Directors and the committees on which he served during 2007.

We do not require our Board members to attend our Annual Meeting of Stockholders; however, all of our directors attended our 2007 Annual Meeting held in May 2007.

Independence. In determining independence, each year the Board determines whether directors have any material relationship with ION. When assessing the materiality of a director's relationship with ION, the Board considers all relevant facts and circumstances, not merely from the director's standpoint, but from that of the persons or organizations with which the director has an affiliation, and the frequency or regularity of the services, whether the services are being carried out at arm's length in the ordinary course of business and whether the services are being provided substantially on the same terms to ION as those prevailing at the time from unrelated parties for comparable transactions. Material relationships can include commercial, banking, industrial, consulting, legal, accounting, charitable and familial relationships. Factors that the Board may consider when determining independence for purposes of this determination include (1) not being a current employee of ION or having been employed by ION within the last three years; (2) not having an immediate family member who is, or who has been within the last three

years, an executive officer of ION; (3) not personally receiving or having an immediate family member who has received, during any 12-month period within the last three years, more than \$100,000 per year in direct compensation from ION other than director and committee fees; (4) not being employed or having an immediate family member employed within the last three years as an executive officer of another company where any current executive officer of ION serves or

Table of Contents

has served, at the same time, on that company's compensation committee; (5) not being an employee of or a current partner of, or having an immediate family member who is a current partner of, a firm that is ION's internal or external auditor; (6) not having an immediate family member who is a current employee of such an audit firm who participates in the firm's audit, assurance or tax compliance practice; (7) not being or having an immediate family member who was within the last three years a partner or employee of such an audit firm and who personally worked on ION's audit within that time; (8) not being a current employee, or having an immediate family member who is a current executive officer, of a company that has made payments to, or received payments from, ION for property or services in an amount that, in any of the last three fiscal years, exceeds the greater of \$1 million or 2% of the other company's consolidated gross revenues; or (9) not being an executive officer of a charitable organization to which, within the preceding three years, ION has made charitable contributions in any single fiscal year that has exceeded the greater of \$1 million or 2% of such organization's consolidated gross revenues.

Our Board has affirmatively determined that none of our non-employee directors—James M. Lapeyre, Jr., Bruce S. Appelbaum, Theodore H. Elliott, Jr., Franklin Myers, S. James Nelson, Jr., John N. Seitz and Sam K. Smith—has a material relationship with ION within the meaning of the NYSE's listing standards, and that each of them is independent from management and from our independent registered public accounting firm, as required by NYSE listing standard rules regarding director independence. See *Committees of the Board—Audit Committee* below.

Our Chairman, Mr. Lapeyre, is an executive officer and significant shareholder of Laitram, L.L.C., a company with which ION has ongoing contractual relationships, and Mr. Lapeyre and Laitram together owned approximately 9.7% of our outstanding common stock as of February 20, 2008. Our Board has determined that these contractual relationships have not interfered with Mr. Lapeyre's demonstrated independence from our management, and that the services performed by Laitram for ION are being provided at arm's length in the ordinary course of business and substantially on the same terms to ION as those prevailing at the time from unrelated parties for comparable transactions. In addition, the services provided by Laitram to ION resulted in payments by ION to Laitram in an amount less than 2% of Laitram's 2007 consolidated gross revenues. As a result of these factors, our Board has determined that Mr. Lapeyre, along with each of our other non-management directors, is independent within the meaning of the NYSE's director independence standards. For an explanation of the contractual relationship between Laitram and ION, see *Certain Transactions and Relationships* below.

Committees of the Board

The Board of Directors has established four standing committees to facilitate and assist the Board in the execution of its responsibilities. The four standing committees are the Audit Committee, the Compensation Committee, the Governance Committee and the Finance Committee. The Governance Committee functions as the Board's Nominating Committee. In addition, the Board establishes temporary special committees on an as-needed basis. The Audit Committee, Compensation Committee and Governance Committee are composed entirely of non-employee directors. The Finance Committee consists of three directors, two of whom are non-employee directors. During 2007, the Audit Committee met six times, the Compensation Committee met five times, the Governance Committee met three times, and the Finance Committee met two times.

Table of Contents

The current members of the four standing committees of the Board of Directors are identified below.

Director	Compensation Committee	Audit Committee	Governance Committee	Finance Committee
James M. Lapeyre, Jr.	*		**	
Bruce S. Appelbaum		*		
Theodore H. Elliott, Jr.		*		
Franklin Myers	**		*	**
S. James Nelson, Jr.		**		**
Robert P. Peebler				*
John N. Seitz	*		*	
Sam K. Smith	*			

* Member

** Chair

Audit Committee

The Audit Committee is a separately-designated standing audit committee as defined in Section 3(a)(58)(A) of the Exchange Act. The Audit Committee oversees matters relating to financial reporting, internal controls, risk management and compliance. These responsibilities include appointing, overseeing, evaluating and approving the fees of our independent auditors, reviewing financial information that is provided to our stockholders and others, reviewing with management our system of internal controls and financial reporting process, and monitoring our compliance program and system.

The Audit Committee operates under a written charter, which sets forth the functions and responsibilities of the committee. A copy of the charter can be viewed on our website at http://www.iongeo.com/content/released/audit_committee_charter_ion_march52008.pdf

The Board of Directors has determined that each member of the Audit Committee is financially literate and satisfies the definition of "independent" as established in the NYSE corporate governance listing standards. In addition, the Board of Directors has determined that Mr. Nelson, the Chairman of the Audit Committee, is qualified as an audit committee financial expert within the meaning of SEC regulations, and that he has accounting and related financial management expertise within the meaning of the listing standards of the NYSE and Rule 10A-3 under the Exchange Act.

ION's Corporate Governance Guidelines provide that no member of the Audit Committee may simultaneously serve on the audit committees of more than two other public companies unless the ION Board determines that such simultaneous service would not impair the ability of such director to effectively serve on ION's Audit Committee. In addition, the listing standards of the NYSE provide that if an audit committee member simultaneously serves on the audit committees of more than three public companies, and the listed company does not limit the number of audit committees on which its audit committee members serve, then in each case, the board must determine that such simultaneous service would not impair the ability of such member to effectively serve on the listed company's audit committee. As described above under *Class II Incumbent Directors - Term Expiring In 2010*, Mr. Nelson serves as Chairman of the ION Audit Committee and serves on the audit committees of three other public companies. The ION

Board considered all relevant factors, including the incremental time and responsibilities that such additional service would require of Mr. Nelson and the fact that Mr. Nelson devotes full time to making his capacity as a financial expert available to public companies, and the Board determined that Mr. Nelson's simultaneous service would not impair his ability to effectively serve on ION's Audit Committee.

Compensation Committee

The Compensation Committee has responsibility for the compensation of our executive officers, including our chief executive officer, and the administration of our executive compensation and benefit plans. The

Table of Contents

Compensation Committee also has authority to retain or replace outside counsel, compensation and benefits consultants or other experts to provide it with independent advice, including the authority to approve the fees payable and any other terms of retention. All actions regarding executive officer compensation require Compensation Committee approval. The Compensation Committee completes a comprehensive review of all elements of compensation at least annually. If it is determined that any changes to any executive officer's total compensation are necessary or appropriate, the Compensation Committee obtains such input from management as it determines to be necessary or appropriate. All compensation decisions with respect to executives other than the chief executive officer are determined in discussion with, and frequently based in part upon the recommendation of, the chief executive officer. The Compensation Committee makes all determinations with respect to the compensation of the chief executive officer, including, but not limited to, establishing performance objectives and criteria related to the payment of his compensation, and determining the extent to which such objectives have been established, obtaining such input from the Committee's independent compensation advisors as it deems necessary or appropriate.

As part of its responsibility to administer our executive compensation plans and programs, the Compensation Committee, usually near the beginning of the calendar year, establishes the parameters of the annual incentive plan awards, including establishing the performance goals relative to our performance that will be applicable to such awards and the similar awards for our other senior executives. It also reviews our performance against the objectives established for awards payable in respect of the prior calendar year, and confirms the extent, if any, to which such objectives have been obtained, and the amounts payable to each of our executive officers in respect of such achievement.

The Compensation Committee also determines the appropriate level and type of awards, if any, to be granted to each of our executive officers pursuant to our equity compensation plan, and approves the total annual grants to other key employees, to be granted in accordance with a delegation of authority to our corporate human resources officer.

The Compensation Committee also reviews, and has the authority to recommend to the Board for adoption, any new executive compensation or benefit plans that are determined to be appropriate for adoption by the Company, including those that are not otherwise subject to the approval of our stockholders. It reviews, and has the authority to approve, any contracts or other transactions with current or former elected officers of the corporation. In connection with the review of any such proposed plan or contract, the Compensation Committee may seek from its independent advisors such advice, counsel and information as it determines to be appropriate in the conduct of such review. The Compensation Committee will direct such outside advisors as to the information it requires in connection with any such review, including data regarding competitive practices among the companies with which the Company generally compares itself for compensation purposes.

The Compensation Committee operates pursuant to a written charter that sets forth the functions and responsibilities of the committee. A copy of the charter can be viewed on our website at http://www.iongeo.com/content/released/comp_committee_charterionfeb_2008.pdf. The Board of Directors has determined that each member of the Compensation Committee satisfies the definition of "independent" as established in the NYSE corporate governance listing standards.

Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee are Franklin Myers (Chairman), James M. Lapeyre, Jr., John N. Seitz and Sam K. Smith. No member of the Committee is, or was during 2007, an officer or employee of ION. Mr. Smith was formerly an officer of ION, serving as our interim CEO from 1999 to 2000. Mr. Lapeyre is President and Chief Executive Officer and a significant equity owner of Laitram, L.L.C., which has had a business relationship with ION since 1999 that continued into 2007. During 2007, we paid Laitram and its affiliates a total of approximately \$4.93 million, which consisted of approximately \$4.02 million for manufacturing services, \$837,000 for rent and other

pass-through third party facilities charges, and \$73,000 for other services. See *Certain Transactions and Relationships* below. During 2007:

No executive officer of ION served as a member of the compensation committee of another entity, one of whose executive officers served on the Compensation Committee of ION;

Table of Contents

No executive officer of ION served as a director of another entity, one of whose executive officers served on the Compensation Committee of ION; and

No executive officer of ION served as a member of the compensation committee of another entity, one of whose executive officers served as a director of ION.

Governance Committee

The Governance Committee functions as the Board's nominating and corporate governance committee and advises the Board of Directors with regard to matters relating to governance practices and policies, management succession, and composition and operation of the Board and its committees, including reviewing potential candidates for membership on the Board and recommending to the Board nominees for election as directors of ION. In addition, the Governance Committee reviews annually with the full Board and our Chief Executive Officer the succession plans for senior executive officers and makes recommendations to the Board regarding the selection of individuals to occupy these positions.

In identifying and selecting new director candidates, the Governance Committee considers the Board's current and anticipated strengths and needs and a candidate's experience, knowledge, skills, expertise, integrity, diversity, ability to make independent analytical inquiries, understanding of the company's business environment, willingness to devote adequate time and effort to Board responsibilities, and other relevant factors. The Committee has not established specific minimum age, education, years of business experience or specific types of skills for potential director candidates, but, in general, expects that qualified candidates will have ample experience and a proven record of business success and leadership. The Committee also seeks an appropriate balance of experience and expertise in accounting and finance, technology, management, international business, compensation, corporate governance, strategy, industry knowledge and general business matters. The Governance Committee may rely on various sources to identify potential director nominees, including input from directors, management and others the committee feels are reliable, and professional search firms. During 2007, the Governance Committee did not engage any outside search firm to assist it in identifying or facilitating the screening and interview process of any candidates for director.

The Governance Committee will consider recommendations for director nominations made by a stockholder or other sources (including self-nominees) on the same basis as other candidates. For consideration by the Governance Committee, a recommendation of a candidate must be submitted in writing to the Governance Committee in care of our Corporate Secretary at our principal executive offices. The submission must include sufficient details regarding the qualifications of the potential candidate. In general, nominees for election should possess (1) the highest level of integrity and ethical character, (2) strong personal and professional reputation, (3) sound judgment, (4) financial literacy, (5) independence, (6) significant experience and proven superior performance in professional endeavors, (7) an appreciation for board and team performance, (8) the commitment to devote the time necessary, (9) skills in areas that will benefit the Board, and (10) the ability to make a long-term commitment to serve on the Board.

Also, our Bylaws permit stockholders to nominate individuals for director for consideration at an annual stockholders meeting. A proper director nomination may be considered at ION's 2009 Annual Meeting only if the proposal or nomination is received by ION not later than December 23, 2008. All nominations should be directed to David L. Roland, Senior Vice President, General Counsel and Corporate Secretary, ION Geophysical Corporation, 2105 CityWest Boulevard, Suite 400, Houston, Texas 77042-2839.

The Governance Committee operates pursuant to a written charter, which sets forth the functions and responsibilities of the committee. A copy of the charter can be viewed on our website at http://www.iongeo.com/content/released/Governance_Committee_Charter-ION.pdf. The Board of Directors has

determined that each member of the Governance Committee satisfies the definition of independent as established in the NYSE corporate governance listing standards.

Finance Committee

The Finance Committee has responsibility for overseeing all areas of corporate finance for ION. The Committee is responsible for reviewing with ION management, and has the power and authority to approve on

Table of Contents

behalf of the Board, ION's strategies, plans, policies and actions related to corporate finance, including, but not limited to, (a) capital structure plans and strategies and specific equity or debt financings, (b) capital expenditure plans and strategies and specific capital projects, (c) strategic and financial investment plans and strategies and specific investments, (d) cash management plans and strategies and activities relating to cash flow, cash accounts, working capital, cash investments and treasury activities, including the establishment and maintenance of bank, investment and brokerage accounts, (e) financial aspects of insurance and risk management, (f) tax planning and compliance, (g) dividend policy, (h) plans and strategies for managing foreign currency exchange exposure and other exposures to economic risks, including plans and strategies with respect to the use of derivatives, and (i) reviewing and making recommendations to the Board with respect to any proposal by ION to divest any asset, investment, real or personal property, or business interest if such divestiture is required to be approved by the Board. The Committee does not have oversight responsibility with respect to ION's financial reporting, which is the responsibility of the Audit Committee.

The Finance Committee operates pursuant to a written charter that sets forth the functions and responsibilities of the committee. A copy of the charter can be obtained by writing to us at ION Geophysical Corporation, Attention: Corporate Secretary, 2105 CityWest Boulevard, Suite 400, Houston, Texas 77042-2839. The Board of Directors has determined that a majority of the members of the Finance Committee (including its co-Chairmen) satisfies the definition of "independent" as established in the NYSE corporate governance listing standards.

Stock Ownership Requirements

The Board adopted stock ownership requirements for ION's directors effective January 1, 2006. The Board adopted these requirements in order to align the economic interests of the directors with those of our stockholders and further focus our emphasis on enhancing stockholder value. Under these requirements, each non-employee director is expected to own shares of ION stock equal to a minimum aggregate market value of \$30,000. New directors and current directors whose holdings fall below such minimum level will have one year to increase the director's ownership of ION stock to satisfy the requirements. The stock ownership requirements are subject to modification by the Board in its discretion. As of the date of this proxy statement, all ION directors were in compliance with the stock ownership requirements. The Board has also adopted stock ownership requirements for senior management of ION. See *Executive Compensation Compensation Discussion and Analysis Elements of Compensation Stock Ownership Requirements; Hedging Policy* below.

The Governance Committee and the Board regularly review and evaluate the ION directors' compensation program on the basis of current and emerging compensation practices for directors, emerging legal, regulatory and corporate compliance developments and comparisons with director compensation programs of other similarly-situated public companies.

Certain Transactions and Relationships

Mr. Lapeyre is the President and Chief Executive Officer and a significant equity owner of Laitram, L.L.C. and has served as President of Laitram and its predecessors since 1989. Laitram is a privately-owned, New Orleans-based manufacturer of food processing equipment and modular conveyor belts. Mr. Lapeyre and Laitram together owned approximately 9.7% of our outstanding common stock as of February 20, 2008.

We acquired DigiCourse, Inc., our marine positioning products business, from Laitram in 1998 and renamed it I/O Marine Systems, Inc. In connection with that acquisition, we entered into a Continued Services Agreement with Laitram under which Laitram agreed to provide us with certain accounting, software, manufacturing and maintenance services. Manufacturing services consist primarily of machining of parts for our marine positioning systems. The term of this written agreement expired in September 2001 but we and Laitram continue to operate under its terms. In

addition, when we have requested, the legal staff of Laitram has advised us on certain intellectual property matters with regard to our marine positioning systems. Under a Lease of Commercial Property dated February 1, 2006, between Lapeyre Properties, L.L.C. (an affiliate of Laitram) and I/O Marine Systems, Inc., we agreed to lease certain office and warehouse space from Lapeyre

Table of Contents

Properties until January 2011. During 2007, we paid Laitram and its affiliates a total of approximately \$4.93 million, which consisted of approximately \$4.02 million for manufacturing services, \$837,000 for rent and other pass-through third party facilities charges, and \$73,000 for other services. For the 2006 and 2005 fiscal years, we paid Laitram and its affiliates a total of approximately \$3.57 million and \$2.72 million, respectively, for these services. In the opinion of our management, the terms of these services are fair and reasonable and as favorable to us as those that could have been obtained from unrelated third parties at the time of their performance.

Statement of Policy for the Review, Approval or Ratification of Transactions with Related Persons

The Board of Directors of ION has established the following policy and procedures to be followed prior to any transaction, arrangement, or relationship or series of similar transactions, arrangements or relationships, including any indebtedness or guarantee of indebtedness, between ION and a Related Party (as defined below) where the aggregate amount involved is expected to exceed \$120,000 in any calendar year (Related Party Transactions):

1. *Policy.* The Governance Committee of the Board should review the material facts of any Related Party Transaction and approve or ratify the transaction. In making its determination to approve or ratify, the Governance Committee should consider such factors as (i) the extent of the Related Party's interest in the Related Party Transaction, (ii) if applicable, the availability of other sources of comparable products or services, (iii) whether the terms of the Related Party Transaction are no less favorable than terms generally available in unaffiliated transactions under like circumstances, (iv) the benefit to ION, and (v) the aggregate value of the Related Party Transaction.

2. *Pre-Approval.* The Governance Committee has reviewed the types of Related Party Transactions described below in *Standing Pre-Approval for Certain Related Party Transactions* and determined that each of the Related Party Transactions described therein are deemed to be pre-approved or ratified (as applicable) by the Governance Committee under the terms of this policy. In addition, the Board of Directors has delegated to the Chairman of the Governance Committee the authority to pre-approve or ratify (as applicable) any Related Party Transaction in which the aggregate amount involved is expected to be less than \$1 million.

3. *Related Party.* For purposes of this policy and procedure, Related Party means:

a. Any person who is or was an executive officer, director or nominee for election as a director (since the beginning of the last fiscal year); or

b. Any person or group who is a greater than 5% beneficial owner of ION voting securities; or

c. Any immediate family member of any of the foregoing, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, and anyone residing in such person's home (other than a tenant or employee).

4. *No Approval by Related Party.* No director of ION may engage in any Board or Governance Committee approval of any Related Party Transaction in which he or she is a Related Party; *provided, however*, that such director must provide to the Board all material information reasonably requested concerning the Related Party Transaction.

5. *On-Going Transactions.* If a Related Party Transaction is ongoing for a significant period of time beyond the initial approval or ratification, the Governance Committee should periodically review and assess the Related Party Transaction to confirm that the Related Party Transaction remains appropriate.

6. *Existing Transactions.* In conjunction with implementing this policy and procedure, the Governance Committee shall review any existing Related Party Transactions entered into during the last fiscal year and make a determination

whether to ratify or rescind such transaction.

7. *Standing Pre-Approval for Certain Related Party Transactions.* The Governance Committee has reviewed the types of Related Party Transactions described below and determined that each of the

Table of Contents

following types of Related Party Transactions shall be deemed to be pre-approved by the Committee, even if the aggregate amount involved will exceed \$120,000:

a. *Employment of executive officers.* Any employment by ION of an executive officer of ION.

b. *Director compensation.* Any compensation paid to a director in his or her capacity as a director.

c. *Certain transactions with other companies.* Any transaction with another company at which a Related Person's only relationship is as an employee, director or beneficial owner of less than 10% of that company's shares, if the aggregate amount involved does not exceed the greater of \$1,000,000 or 2% of that company's total annual revenues. Also, any transactions involving accounting, software, manufacturing, legal, lease, maintenance and other services with Laitram, L.L.C. as provided in the Continued Services Agreement between ION and Laitram, the Lease of Commercial Property dated February 1, 2006, between Lapeyre Properties L.L.C. (an affiliate of Laitram) and I/O Marine Systems, Inc. or any other agreement or arrangement with Laitram or its affiliates; *provided* that such services are consistent with the general types of services provided by Laitram and its affiliates to ION in the past and *provided further* that the aggregate amount involved does not exceed the greater of \$1,000,000 or 2% of Laitram's total annual revenues.

d. *Certain ION charitable contributions.* Any charitable contribution, grant or endowment by ION to a charitable organization, foundation or university at which a Related Person's only relationship is as a volunteer, an employee (other than an executive officer) or a director, regent or similar position, if the aggregate amount involved does not exceed the greater of \$100,000 or 2% of the charitable organization's total annual receipts.

e. *Transactions where all shareholders receive proportional benefits.* Any transaction where the Related Person's interest arises solely from the ownership of ION's common stock and all holders of ION's common stock received the same benefit on a *pro rata* basis (e.g. dividends).

f. *Transactions involving competitive bids.* Any transaction involving a Related Party where the rates or charges involved are determined by competitive bids.

g. *Regulated transactions.* Any transaction with a Related Party involving the rendering of services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority.

h. *Certain banking-related services.* Any transaction with a Related Party involving services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture, or similar services.

8. *Code of Ethics.* No approval or ratification of a transaction hereunder shall be deemed to satisfy or supersede the requirements of ION's Code of Ethics applicable to any Related Person and to the extent applicable, any transactions subject to this policy shall also be considered in light of the requirements set forth in that document.

Table of Contents**EXECUTIVE OFFICERS**

Our current executive officers are as follows:

Name	Age	Position with ION
Robert P. Peebler	60	President, Chief Executive Officer and Director
R. Brian Hanson	43	Executive Vice President and Chief Financial Officer
James R. Hollis	47	Executive Vice President and Chief Operating Officer, ION Solutions
Teng Beng Koid	44	Executive Vice President and Chief Operating Officer, Global Business Development
Charles J. Ledet	44	Executive Vice President and Chief Operating Officer, ION Systems
Christopher M. Friedemann	43	Senior Vice President, Corporate Marketing
David L. Roland	46	Senior Vice President, General Counsel and Corporate Secretary
Michael L. Morrison	37	Vice President and Corporate Controller

For a description of the business background of Mr. Peebler, see *Class III Director Nominees For Re-Election For Term Expiring In 2011* above.

R. Brian Hanson has been our Executive Vice President and Chief Financial Officer since May 2006. Prior to joining ION, Mr. Hanson served as the Executive Vice President and Chief Financial Officer of Alliance Imaging, Inc., a NYSE-listed provider of diagnostic imaging services to hospitals and other healthcare providers, from July 2004 until November 2005. From 1998 to 2003, Mr. Hanson held a variety of positions at Fisher Scientific International, Inc., a NYSE-listed manufacturer and supplier of scientific and healthcare products and services, including Vice President Finance of the Healthcare group from 1998 to 2002 and Chief Operating Officer from 2002 to 2003. From 1986 until 1998, Mr. Hanson served in various positions with Culligan Water Conditioning, an international manufacturer of water treatment products and producer and retailer of bottled water products, most recently as Vice President of Finance and Chief Financial Officer. Mr. Hanson received a Bachelor's degree in engineering from the University of New Brunswick and a Master of Business Administration degree from Concordia University in Montreal.

James R. Hollis has been Executive Vice President and Chief Operating Officer of the ION Solutions Group since the division's formation in January 2007. Prior to leading ION Solutions, Mr. Hollis served as Vice President, New Ventures FireFly beginning in November 2005 and Vice President Land Imaging Systems beginning in November 2003. Mr. Hollis joined ION in July 2003 as Business Unit Manager Land Surface Systems. Prior to joining ION, Mr. Hollis served in various positions at Landmark Graphics, a provider of workstation-based software for oil and gas exploration and production, most recently as General Manager Exploration and Development Solutions. Mr. Hollis joined Landmark Graphics when Landmark acquired Western Atlas Software in 1996. Mr. Hollis managed the Seismic Modeling Software Product line for Western Atlas. Mr. Hollis joined Western Atlas in 1993 when Western Atlas acquired Sierra Geophysics in 1993, where Mr. Hollis led the depth imaging and velocity modeling support and consulting services. Mr. Hollis holds a Bachelor of Science degree in Geophysics from the University of California, Santa Barbara and a Master of Science degree in Geophysics from the University of Utah.

Charles J. Ledet has been Executive Vice President and Chief Operating Officer of the ION Systems Group since December 2007. From June to December 2007, Mr. Ledet was Senior Vice President of ION's Land Imaging Systems division. From February 2005 to June 2007, he served as Senior Vice President of ION's Marine Imaging Systems group. Between 1998 and 2005, Mr. Ledet held several technical and management positions within the Marine Imaging Systems group, including Director of Marine Engineering and Business Unit Manager for Towed Streamer Systems. Mr. Ledet joined ION in 1998 when ION acquired DigiCOURSE Inc., a New Orleans-based provider of marine seismic positioning system solutions. He started at DigiCOURSE in 1990, serving in a variety of technical management and operations roles. Prior to his

Table of Contents

employment with DigiCOURSE, Mr. Ledet held various technical positions with Boeing Petroleum Services and Litton Data Systems. Mr. Ledet holds Bachelor's and Master's degrees in Electrical Engineering from the University of New Orleans.

Teng Beng Koid joined ION in 2004 as Vice President of Business Development and in October 2007 became Executive Vice President & Chief Operating Officer for Global Business Development. Prior to joining ION, during 2004 Mr. Koid served as Vice President of Strategic Accounts at Halliburton Company, a provider of products and services to the petroleum and energy industries. Prior to 2004, Mr. Koid held a variety of positions at Landmark Graphics, a division of Halliburton, including Vice President of Asset Performance Consulting, Vice President of Global Business Development, and Region Vice President for Asia Pacific. Prior to joining Landmark, Mr. Koid was a senior manager for IBM, specializing in the oil and gas industry. Mr. Koid graduated with Honors from the University Science Malaysia with a Bachelor degree in Computer Science and holds a Master of Business Administration degree from Bath University.

Christopher M. Friedemann joined ION in August 2003 as our Vice President, Commercial Development and became our Senior Vice President, Corporate Marketing in January 2007. Mr. Friedemann's accountabilities encompass corporate marketing, strategic planning and corporate development. Before joining ION, Mr. Friedemann served as the Managing Director of RiverBend Associates, a privately held management consulting firm based in Texas. Prior to founding RiverBend in January 2002, he served as President of Tradeum, a venture-backed software company that was sold to VerticalNet in April 2000, at which time Mr. Friedemann assumed the role of Managing Director-Europe. Before joining Tradeum in January 2000, Mr. Friedemann was Principal and Partner at the management consulting firm of McKinsey & Company. Mr. Friedemann also has experience as a Senior Reservoir Engineer with Exxon, in field operations with Unocal and in energy merchant banking with Bankers Trust. Mr. Friedemann holds a Bachelor of Science degree with Distinction in Petroleum Engineering from Stanford University and a Master of Business Administration degree from Stanford's Graduate School of Business.

David L. Roland joined ION as Vice President, General Counsel and Corporate Secretary in April 2004 and became a Senior Vice President in January 2007. Prior to joining ION, Mr. Roland held several positions within the legal department of Enron Corp., an energy trading and pipeline company, most recently as Vice President and Assistant General Counsel. Prior to joining Enron in 1998, Mr. Roland was an attorney with Caltex Corporation, an international oil and gas marketing and refining company. Mr. Roland was an attorney with the law firm of Gardere & Wynne (now Gardere Wynne Sewell LLP) from 1988 until 1994, when he joined Caltex. Mr. Roland holds a Bachelor of Business Administration degree from the University of Houston and a Juris Doctorate degree with Distinction from St. Mary's University.

Michael L. Morrison joined ION in June 2002 as our Assistant Controller, and became our Controller and Director of Accounting in November 2002 and Vice President and Corporate Controller in January 2007. Prior to joining ION, Mr. Morrison held several positions at Enron Corp., an energy trading and pipeline company, most recently as Director of Transaction Support. Mr. Morrison had held a variety of positions at Deloitte & Touche, LLP, a public accounting firm, from January 1994 until he joined Enron in June 2000. Mr. Morrison holds a Bachelor of Business Administration degree in Accounting from Texas A&M University.

Table of Contents

EXECUTIVE COMPENSATION

Introductory note: The following discussion of executive compensation contains descriptions of various employee benefit plans and employment-related agreements. These descriptions are qualified in their entirety by reference to the full text or detailed descriptions of the plans and agreements, which are filed or incorporated by reference as exhibits to our annual report on Form 10-K for the year ended December 31, 2007. In this discussion, the terms ION, we, our and us refer to ION Geophysical Corporation and its consolidated subsidiaries, except where the context otherwise requires or as otherwise indicated.

Compensation Discussion and Analysis

This Compensation Discussion and Analysis provides an overview of the Compensation Committee of our Board of Directors, a discussion of the background and objectives of our compensation programs for our senior executives, and a discussion of all material elements of the compensation of each of the executive officers identified in the following table, whom we refer to as our named executive officers:

Name	Title
Robert P. Peebler	President, Chief Executive Officer and Director (our principal executive officer)
R. Brian Hanson	Executive Vice President and Chief Financial Officer (our principal financial officer)
James R. Hollis	Executive Vice President and Chief Operating Officer, ION Solutions
Teng Beng Koid	Executive Vice President and Chief Operating Officer, Global Business Development
Charles J. Ledet	Executive Vice President and Chief Operating Officer, ION Systems

Introduction/Corporate Governance

Compensation Committee

The Compensation Committee of our Board of Directors reviews and approves, or recommends to the Board for approval, all salary and other remuneration for our executive officers and oversees matters relating to our employee compensation and benefit programs. The Committee is composed of the following directors:

Franklin Myers, Chairman
 James M. Lapeyre, Jr.
 John N. Seitz
 Sam K. Smith

No member of the Committee is an employee of ION. The Board of Directors has determined that each member of the Committee satisfies the definition of independent as established in the New York Stock Exchange corporate governance listing standards.

The Committee operates pursuant to a written charter that sets forth its functions and responsibilities. A copy of the charter can be viewed on our website at http://www.iongeo.com/content/released/comp_committee_charterionfeb_2008.pdf. The Chairman of the Committee is in charge of the Committee's meeting agendas and, with the assistance of our Corporate Secretary, establishes the Committee's meetings and calendar. For a description of the responsibilities of the Compensation Committee, see *Item 1. Election of Directors Committees of the Board Compensation Committee* above.

Table of Contents

Compensation Consultant

During 2005, 2006 and 2007, the Compensation Committee retained Towers Perrin on several occasions as its independent compensation advisor to advise the Committee on our compensation practices and to assist in developing and implementing our executive compensation program and philosophy. Towers Perrin evaluated our long-term incentive strategy and our stock plans, analyzed our outstanding stock options, restricted stock and other stock-based awards, and provided the Committee with recommendations on our overall long-term incentive strategy and the number of shares to propose to add to our stock plans for future grants to employees and directors, which the Committee and the Board of Directors later approved. In addition, the firm provided the Committee with a summary of changes to disclosure requirements related to executive officer and director compensation. At the request of the Committee, the firm also performed an analysis of competitive compensation levels for our Chief Executive Officer. During 2006, Towers Perrin also provided the Governance Committee of our Board of Directors with an analysis of prevailing industry compensation levels for our directors. During 2007, Towers Perrin did not advise our company or our executive officers on matters outside of these engagements by the Board or its committees.

Role of Management in Establishing and Awarding Compensation

On an annual basis, our Chief Executive Officer, with the assistance of our Human Resources department, recommends to the Compensation Committee any proposed increases in base salary, bonus payments and equity awards for our executive officers other than himself. No executive officer is involved in determining his own salary increase, bonus payment or equity award. When making officer compensation recommendations, our Chief Executive Officer takes into consideration compensation benchmarks, which include industry standards for similar sized organizations serving similar markets, as well as comparable positions, the level of inherent importance and risk associated with the position and function, and the executive's job performance over the previous year. See *Objectives of Our Executive Compensation Programs Benchmarking* and *Elements of Compensation Base Salary* below.

Our Chief Executive Officer, with the assistance of our Human Resources department and input from our executive officers and other members of senior management, also formulates and proposes to the Compensation Committee an employee bonus incentive plan for the ensuing year. For a description of our process for formulating the employee bonus incentive plan and the factors that we consider, see *Elements of Compensation Annual Incentive Compensation* below.

The Committee reviews and approves all compensation and awards to executive officers and all bonus incentive plans. With respect to equity compensation awarded to employees other than executive officers, the Compensation Committee reviews and approves all grants of restricted stock and stock options above 5,000 shares, generally based upon the recommendation of the Chief Executive Officer, and has delegated option and restricted stock granting authority to the Chief Executive Officer for grants to non-executive officers of up to 5,000 shares. Our Chief Executive Officer provides a report to the Compensation Committee of all options and restricted stock awarded by him under this delegated authority.

On its own initiative, at least once a year, the Compensation Committee reviews the performance and compensation of our Chief Executive Officer and, following discussions with the Chief Executive Officer and other members of the Board of Directors, establishes his compensation level. Where it deems appropriate, the Compensation Committee will also consider market compensation information from Towers Perrin or other independent sources. See *Objectives of Our Executive Compensation Programs Benchmarking* below.

Certain members of our senior management generally attend each meeting of the Compensation Committee, including our Chief Executive Officer, our Vice President of Human Resources, and our General Counsel/Corporate Secretary. However, no member of management votes on items before the Compensation Committee. The Compensation

Committee and Board of Directors do solicit the views of our Chief Executive Officer on compensation matters, particularly as they relate to the compensation of the other named executive officers and the other members of senior management reporting to the Chief Executive Officer. The Committee often conducts an executive session during each meeting, during which members of management are not present.

Table of Contents

Compensation Committee Activity

During 2007, the Compensation Committee met in person or by conference call five times. In two of those meetings, the Committee also met in executive session with no members of management present. All members of the Committee participated in all meetings. In addition to the five meetings above, the Committee took action by unanimous written consent, as permitted under Delaware law and our Bylaws, for a total of nine times during 2007, primarily to approve individual employee grants of restricted stock, stock options and restricted stock units. We believe that each of these individual grants made by unanimous written consent of the Committee complied with the applicable grant date requirements under Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment (FAS 123R).

During 2007 and the first quarter of 2008, the Committee took the following actions:

Reviewed the 2007 and 2008 employee bonus plans submitted by our Chief Executive Officer and approved each plan after making revisions to them.

Considered and approved proposed employee bonus awards payable under our 2006 and 2007 bonus plans and proposed discretionary bonus awards for certain employees in recognition of their performance during 2006 and 2007.

Engaged Towers Perrin for:

an analysis of our long-term incentive strategy, our stock plans and our outstanding stock options, restricted stock and other stock-based awards, and

a recommendation on our strategy and the number of shares to propose to add to our stock plans for future grants to employees and directors.

Approved amendments to our 2004 Long-Term Incentive Plan, as recommended by Towers Perrin, to increase the number of shares available for grant to employees and directors under the plan and recommended the proposed amendments to our Board to be submitted to our stockholders for approval at our 2007 and 2008 annual stockholders meetings.

Participated in the Board review of the succession plan for our Chief Executive Officer and other key members of senior management.

Considered and approved annual base salary increases for individual executive officers and the overall percentage of annual base salary increase applicable to our employees as a whole.

Considered and approved annual employee stock option and restricted stock awards, including awards for individual executive officers.

Approved certain amendments to the employment agreements of our Chief Executive Officer and Chief Financial Officer.

Approved grants of restricted stock, stock options and restricted stock units to various employees.

Reviewed and discussed with management this Compensation Discussion and Analysis.

Objectives of Our Executive Compensation Programs

General Compensation Philosophy and Policy

Through our compensation programs, we seek to achieve the following general goals:

attract and retain qualified and productive executive officers and key employees by providing total compensation competitive with that of other executives and key employees employed by companies of similar size, complexity and industry of business;

encourage our executives and key employees to achieve strong financial and operational performance;