

INPUT OUTPUT INC  
Form DEF 14A  
April 12, 2006

**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

**INPUT/OUTPUT, INC.**

(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.

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**

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS To Be Held May 17, 2006

ABOUT THE MEETING

ITEM 1 ELECTION OF DIRECTORS

EXECUTIVE OFFICERS

EXECUTIVE COMPENSATION

Performance Graph

REPORT OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS OF

INPUT/OUTPUT, INC.

ITEM 2 PROPOSAL TO AMEND THE INPUT/OUTPUT, INC. 2004 LONG-TERM INCENTIVE

PLAN

ITEM 3 RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

REPORT OF THE AUDIT COMMITTEE

CHANGE IN INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

PRINCIPAL AUDITOR FEES AND SERVICES

APPENDIX A

---

**Table of Contents**

**INPUT/OUTPUT, INC.  
12300 Parc Crest Drive  
Stafford, Texas 77477  
(281) 933-3339**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
To Be Held May 17, 2006**

To our Stockholders:

The 2006 Annual Meeting of Stockholders of Input/Output, Inc. will be held at the offices of I/O's subsidiary company, GX Technology Corporation, located at 2101 City West Boulevard, Building III, Suite 900, Houston, Texas, on Wednesday, May 17, 2006, at 10:30 a.m., local time, for the following purposes:

- (1) Election of two directors for a three-year term expiring in 2009;
- (2) Approval of certain amendments to the Input/Output, Inc. 2004 Long-Term Incentive Plan, with the principal amendments being (i) the proposed increase of the total number of shares of I/O's common stock available for issuance under the plan from 2,600,000 to 4,300,000 shares and (ii) the addition of equity compensation awards to non-employee directors;
- (3) Ratification of the appointment of Ernst & Young LLP as I/O's independent auditors for 2006; and
- (4) Transaction of any other business that may properly come before the Annual Meeting or any adjournment or postponement of the meeting.

I/O's Board of Directors has set March 23, 2006 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.

We will make available a list of stockholders as of the close of business on May 5, 2006, for inspection during normal business hours from 9:00 a.m. to 5:00 p.m., local time, through May 16, 2006, at I/O's principal place of business, located at 12300 Parc Crest Drive, Stafford, Texas 77477. This list will also be available at the meeting.

By order of the Board of Directors,

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

April 13, 2006  
Stafford, Texas

**YOUR VOTE IS VERY IMPORTANT**

**We encourage you to read the proxy statement. To be sure that your vote counts and a quorum is assured, please sign, date and return the enclosed proxy card whether or not you plan to attend the meeting.**

---

**Table of Contents**

**INPUT/OUTPUT, INC.  
12300 Parc Crest Drive  
Stafford, Texas 77477  
(281) 933-3339**

April 13, 2006

**PROXY STATEMENT  
FOR ANNUAL MEETING OF STOCKHOLDERS  
To Be Held May 17, 2006**

Our Board of Directors is furnishing you this proxy statement to solicit proxies on its behalf to be voted at the 2006 Annual Meeting of Stockholders of Input/Output, Inc. (I/O). The meeting will be held at the offices of our subsidiary company, GX Technology Corporation, located at 2101 City West Boulevard, Building III, Suite 900, Houston, Texas, on May 17, 2006, 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 12300 Parc Crest Drive, Stafford, Texas 77477. We are mailing the proxy materials to our stockholders beginning on or about April 13, 2006.

All properly executed written proxies that our stockholders deliver pursuant to this solicitation 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 at the close of business on March 23, 2006, 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 March 23, 2006, there were 79,925,015 shares of common stock issued and outstanding.

**ABOUT THE MEETING**

**What is a proxy?**

It is your legal designation of another person to vote the stock you own. That other person is called a proxy. If you designate someone as your proxy in a written document, that document is also called a proxy, or a proxy card. Our Board of Directors has designated Robert P. Peebler and James M. Lapeyre, Jr. as proxies for the 2006 Annual Meeting of Stockholders.

**Who is soliciting my proxy?**

Our Board of Directors is soliciting proxies on its behalf to be voted at the 2006 Annual Meeting. All costs of soliciting the proxies will be paid by I/O. Copies of solicitation materials will be furnished to banks, brokers, nominees and other fiduciaries and custodians to forward to beneficial owners of I/O's common stock held by such persons. I/O will reimburse such persons for their reasonable out-of-pocket expenses in forwarding solicitation materials. In addition to solicitations by mail, some of I/O's directors, officers and other employees, without extra

compensation, might supplement this solicitation by letter, telephone or personal interview. I/O has also retained Georgeson Shareholder Communications Inc. to assist with the solicitation of proxies from banks, brokers, nominees and other holders, for a fixed fee of \$7,500 plus

---

## **Table of Contents**

reasonable out-of-pocket expenses, which fees and expenses will be paid by I/O. We may also ask our proxy solicitor to solicit proxies on our behalf by telephone for a fixed fee of \$5.00 per phone call, plus reasonable expenses.

### **What is a proxy statement?**

It 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 in your name, you are a stockholder of record.

If your shares are in the name of your broker or bank, your shares are held in street name.

### **What different methods can I use to vote?**

(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?**

I/O's 2006 Annual Meeting of Stockholders will be held at the offices of I/O's subsidiary company, GX Technology Corporation, located at 2101 City West Boulevard, Building III, Suite 900, Houston, TX 77042. The main phone number for the GXT offices is (713) 789-7250.

*Parking Information:* The GXT offices are located on City West 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 Input/Output Annual Meeting. You will 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 Building III, which is directly south of the garage. In Building III, check in at the security desk, where you will be directed to the elevators. Take the elevators to the GXT offices on the ninth 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 I/O 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.

## **Table of Contents**

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 don't 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 the Input/Output, Inc. 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 2005 Annual Meeting of Stockholders is March 23, 2006. 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:

- (a) receive notice of the meeting, and
- (b) 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:

- (a) giving written notice to the Corporate Secretary of I/O,
- (b) delivering a later-dated proxy, or
- (c) voting in person at the meeting.

### **What constitutes a quorum?**

The presence, in person or by proxy, of the holders of a majority of the outstanding shares of outstanding 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 votes 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, 79,925,015 shares of common stock, representing the same number of votes, were outstanding. Thus, the presence of the holders of common stock representing at least 39,962,508 votes 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 two director nominees to serve until the 2009 Annual Meeting of Stockholders, stockholders may vote in one of the following ways:

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

**Table of Contents**

Directors will be elected by a plurality vote of the shares of common stock present or represented by proxy at the meeting. This means that both 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** both of the nominees.

**What are my voting choices when voting on the proposal to amend the Input/Output, Inc. 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 Input/Output, Inc. 2004 Long-Term Incentive Plan requires 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 exceeds 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 auditors and what vote is needed to ratify their appointment?**

In voting to ratify the appointment of Ernst & Young LLP as independent auditors for 2006, 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 approval by 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.

**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 I/O'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 both director nominees, **FOR** the approval of the amendment of the Input/Output, Inc. 2004 Long-Term Incentive Plan and **FOR** the proposal to ratify the appointment of Ernst & Young LLP as independent auditors for 2006.

**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

**Table of Contents**

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 Input/Output, Inc. 2004 Long-Term Incentive Plan because it represents a share present in person or represented by proxy at the meeting and entitled to vote, thereby increasing the number of affirmative votes required to approve the amendment of this plan. 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 has the same legal effect as a vote against the proposal to ratify the appointment of the independent auditors, because it will represent a vote cast, thereby increasing the number of affirmative votes required to approve the proposal. Broker non-votes 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 2007 proxy statement?**

Stockholder proposals requested to be included in I/O's 2007 proxy statement must be received by I/O not later than December 7, 2006. Proposals should be directed to David L. Roland, Vice President, General Counsel and Corporate Secretary, Input/Output, Inc., 12300 Parc Crest Drive, Stafford, Texas 77477.

**What is the deadline for submitting a nomination for director of I/O for consideration at the Annual Meeting of Stockholders in 2007?**

A proper director nomination may be considered at I/O's 2007 Annual Meeting of Stockholders only if the proposal or nomination is received by I/O not later than December 7, 2006. All nominations should be directed to David L. Roland, Vice President, General Counsel and Corporate Secretary, Input/Output, Inc., 12300 Parc Crest Drive, Stafford, Texas 77477.

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

A copy of our 2005 Annual Report on Form 10-K is enclosed with our annual report to stockholders. You may obtain an additional copy of our 2005 Form 10-K by sending a written request to David L. Roland, Vice President, General Counsel and Corporate Secretary, Input/Output, Inc., 12300 Parc Crest Drive, Stafford, Texas 77477. We will furnish the Form 10-K at no charge. Our Form 10-K is also available through the Investor Relations portion of our website at [www.i-o.com](http://www.i-o.com). Our Form 10-K is also available 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. Pursuant to I/O's Restated Certificate of Incorporation, 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 I, which is the class of directors to be elected at this meeting, will serve on the Board until our Annual Meeting in 2009.

The current Class I directors are Theodore H. Elliott, Jr. and James M. Lapeyre, Jr., and their terms will expire at the 2006 Annual Meeting. Messrs. Elliott and Lapeyre have each been nominated to stand for reelection at the meeting to hold office until our 2009 Annual Meeting and until his successor is elected and qualified.

We have no reason to believe that either of the nominees will be unable or unwilling to serve if elected. However, if either nominee should become unable or unwilling to serve for any reason, proxies may be voted

**Table of Contents**

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 Theodore H. Elliott, Jr. and James M. Lapeyre, Jr.**

**Class I Director Nominees For Re-Election For Term Expiring In 2009**

THEODORE H. ELLIOTT, JR. Director since 1987  
Age 70

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 MUPAC, 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.

JAMES M. LAPEYRE, JR. Director since 1998  
Age 53

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. Mr. Lapeyre is Chairman of the Governance Committee and a member of the Compensation Committee of our Board of Directors.

**Class II Incumbent Directors Term Expiring In 2007**

FRANKLIN MYERS Director since 2001  
Age 53

Franklin Myers joined our Board of Directors in 2001. He is currently the Senior Vice President and Chief Financial Officer of Cooper Cameron Corporation, an international manufacturer of oil and gas flow control equipment. Mr. Myers has been Senior Vice President at Cooper Cameron since 1995 and served as General Counsel and Corporate Secretary from 1995 to 1999, as well as President of the Cooper Energy Services Division from 1998 until 2002. Prior to joining Cooper Cameron, Mr. Myers was Senior Vice President and General Counsel of Baker Hughes Incorporated, a leading 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 and a member of the Governance Committee of our Board of Directors.

BRUCE S. APPELBAUM, PhD Director since 2003  
Age 58

Edgar Filing: INPUT OUTPUT INC - Form DEF 14A

Bruce S. Appelbaum 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 co-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 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

**Table of Contents**

Board of the School of Earth Sciences at Stanford University. Dr. Appelbaum is a member of the Audit Committee of our Board of Directors.

S. JAMES NELSON, JR.

Age 63

Director since 2004

S. James Nelson, Jr. joined our Board of Directors in August 2004. Prior to joining the I/O Board, Mr. Nelson was a founding shareholder, Chief Financial Officer, Vice Chairman and a Director of Cal Dive International, Inc., a marine contractor and operator of offshore oil and gas properties and production facilities. 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 the Chairman of the Audit Committee of our Board of Directors.

**Class III Incumbent Directors Term Expiring In 2008**

ROBERT P. PEEBLER

Age 58

Director since 1999

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 I/O 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.

JOHN N. SEITZ

Age 54

Director since 2003

John N. Seitz joined our Board of Directors in 2003. Mr. Seitz is the co-CEO of Endeavour International Corporation, an exploration and development company with a North Sea focus. 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 and also serves as a director of Elk Resources, Inc., a private exploration and production company with operations in the Rockies. Mr. Seitz is a member of the Compensation and Governance Committees of our Board of Directors.

SAM K. SMITH

Age 73

Director since 1999

Sam K. Smith joined our Board of Directors in 1999. He also served as our Chief Executive Officer from 1999 until 2000. From 1989 to 1996, Mr. Smith was Chairman of the Board of Landmark Graphics Corporation. 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

**Table of Contents**

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.

**Ownership of Equity Securities in I/O**

Except as otherwise set forth below, the following table sets forth information as of February 20, 2006, 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 Summary Compensation Table included later 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.

| <b>Name of Owner</b>   | <b>Common Stock(1)</b> | <b>Rights to Acquire(2)</b> | <b>Restricted Stock(3)</b> | <b>Percent of Common Stock(4)</b> |
|--|------------------------|-----------------------------|----------------------------|-----------------------------------|
| Royce & Associates, LLC(5)                                   | 10,042,600             |                             |                            | 12.6%                             |
| Laitram, L.L.C.(6)   | 7,905,344              |                             |                            | 10.0%                             |
| Wells Fargo & Company(7)                                     | 5,593,879              |                             |                            | 7.0%                              |
| Wells Fargo & Company(7)                                     | 5,300,855              |                             |                            | 6.7%                              |
| Fletcher Asset Management, Inc.(8)                           | 187,000                | 7,669,434                   |                            | 9.0%                              |
| CNH Partners LLC(9)  |                        | 5,280,093                   |                            | 6.2%                              |
| James M. Lapeyre, Jr.(10)                                    | 9,046,420              | 95,000                      |                            | 11.5%                             |
| Robert P. Peebler  | 104,340                | 1,006,944                   |                            | 1.4%                              |
| Bruce S. Appelbaum(11)                                       | 6,815                  | 48,333                      |                            | *                                 |
| Theodore H. Elliott, Jr.(12)                                 | 11,000                 | 147,000                     |                            | *                                 |
| Franklin Myers   | 16,100                 | 85,000                      |                            | *                                 |
| John N. Seitz  | 10,050                 | 48,333                      |                            | *                                 |
| Sam K. Smith   | 31,638                 | 125,000                     |                            | *                                 |
| S. James Nelson, Jr.   | 4,000                  | 12,917                      |                            | *                                 |
| Michael K. Lambert   | 115,000                | 66,360                      | 5,000                      | *                                 |
| J. Michael Kirksey   | 14,000                 | 83,750                      |                            | *                                 |
| Christopher M. Friedemann                                    | 19,072                 | 57,500                      | 21,666                     | *                                 |
| David L. Roland  | 5,001                  | 16,250                      | 14,999                     | *                                 |
| All directors and executive officers as a group (13 Persons) | 9,384,662              | 1,800,637                   | 54,998                     | 13.8%                             |

\* 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 Series D-1 Cumulative Convertible Preferred Stock and exercise of other rights in the case of Fletcher Asset Management, Inc., conversion of our outstanding 5.50% Convertible Senior Notes in the case of CNH Partners LLC, and

exercise of stock options in the case of our officers and directors, that are convertible or exercisable through April 30, 2006.

- (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.

**Table of Contents**

- (5) The address for Royce & Associates, LLC is 1414 Avenue of the Americas, New York, New York 10019.
- (6) 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 10 below. Mr. Lapeyre disclaims beneficial ownership of any shares held by Laitram.
- (7) Wells Fargo & Company filed its Schedule 13G on behalf of the following subsidiaries: Wells Capital Management Incorporated, Wells Fargo Funds Management, LLC and Wells Fargo Bank, National Association. The address for Wells Fargo & Company is 420 Montgomery Street, San Francisco, California 94104, and the address for Wells Capital Management Incorporated is 525 Market Street, San Francisco, California 94105. Wells Fargo & Company has sole voting power over only 5,224,076 of the shares of common stock. Wells Capital Management Incorporated has sole voting power over only 2,715,213 of the shares of common stock.
- (8) The address for Fletcher Asset Management, Inc. is HSBC Tower, 29<sup>th</sup> Floor, 452 Fifth Avenue, New York, New York 10018.
- (9) CNH Partners, LLC shares the power to vote and dispose of the securities with CNH CA Master Account, L.P. The address for CNH Partners, LLC and CNH CA Master Account, L.P. is Two Greenwich Plaza, 3<sup>rd</sup> Floor, Greenwich, Connecticut 06830.
- (10) The shares of common stock include 10,500 shares over which Mr. Lapeyre holds joint voting and investment control with his wife. The shares of common stock also include 247,500 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, all of which Mr. Lapeyre disclaims any beneficial interest. Please read note 6 above. Mr. Lapeyre has sole voting power over only 872,576 of the shares of common stock. These shares of common stock exclude 30,000 shares owned by Mr. Lapeyre's wife, of which Mr. Lapeyre disclaims beneficial interest.
- (11) The shares of common stock include 4,290 shares over which Mr. Appelbaum holds joint voting and investment control with his wife.
- (12) These shares of common stock exclude 4,000 shares owned by Mr. Elliott's wife, of which Mr. Elliott disclaims 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 I/O, and persons who own more than ten percent of I/O'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, and written representations from certain reporting persons that no Forms 5 were required for those persons, we believe that, with four exceptions, during 2005 our directors, executive officers and stockholders holding greater than ten percent of our outstanding shares complied with all applicable filing requirements. A Form 4 for each of Messrs. Appelbaum, Lapeyre, Seitz and Smith reflecting the issuance of shares of common stock of the Company in May 2005 in lieu of the annual outside director retainer fee was filed three days after the required filing date.

**Board of Directors and Corporate Governance**

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 I/O.

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.

Within the last three years, the Board has added two highly qualified and independent directors at the recommendation of the Governance Committee.

Our independent directors meet in executive session at each regularly scheduled Board meeting without the presence of management.

Our outside independent auditors meet separately in private sessions with our Audit Committee at least once every quarter. The employee responsible for our internal audit function reports directly to the Audit Committee throughout the year.

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.

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.i-o.com/Investor\\_Relations/Corporate\\_Governance/Employee\\_Hotline/](http://www.i-o.com/Investor_Relations/Corporate_Governance/Employee_Hotline/).