

SEITEL INC
Form 10-Q
November 08, 2018
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)
☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2018
OR
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number: 001-10165

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

Delaware	76-0025431
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

10811 S. Westview Circle Drive	
Building C, Suite 100	77043
Houston, Texas	
(Address of principal executive offices)	(Zip Code)
(713) 881-8900	
(Registrant's telephone number, including area code)	

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

(Explanatory Note: The registrant is a voluntary filer and is therefore not subject to the filing requirements of the Securities Exchange Act of 1934. However, during the preceding 12 months, the registrant has filed all reports that it would have been required to file by Section 13 or 15(d) of the Securities Exchange Act of 1934 if the registrant was subject to the filing requirements of the Securities Exchange Act of 1934 during such timeframe.)

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated

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filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒ (Do not check if a smaller reporting company)

Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of November 5, 2018, there were 100 shares of the Company’s common stock outstanding, par value \$.001 per share.

Table of Contents

TABLE OF CONTENTS

	Page
PART I. <u>FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements</u>	<u>3</u>
<u>Condensed Consolidated Balance Sheets (Unaudited)</u>	<u>3</u>
<u>Condensed Consolidated Statements of Operations (Unaudited)</u>	<u>4</u>
<u>Condensed Consolidated Statements of Comprehensive Loss (Unaudited)</u>	<u>5</u>
<u>Condensed Consolidated Statement of Stockholder's Equity (Unaudited)</u>	<u>6</u>
<u>Condensed Consolidated Statements of Cash Flows (Unaudited)</u>	<u>7</u>
<u>Notes to Condensed Consolidated Interim Financial Statements (Unaudited)</u>	<u>8</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>30</u>
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>37</u>
Item 4. <u>Controls and Procedures</u>	<u>38</u>
PART II. <u>OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	<u>38</u>
Item 1A. <u>Risk Factors</u>	<u>39</u>
Item 6. <u>Exhibits</u>	<u>39</u>
<u>SIGNATURES</u>	<u>40</u>

Table of Contents

PART I—FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

SEITEL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

	(Unaudited)	
	September 30, 2018	December 31, 2017
ASSETS		
Cash and cash equivalents	\$ 81,521	\$ 70,581
Receivables		
Trade, net of allowance for doubtful accounts of \$176	8,676	23,330
Notes and other	2,557	2,617
Due from Seitel Holdings, Inc.	—	1,191
Seismic data library, net of accumulated amortization of \$1,292,277 and \$1,274,808, respectively	62,976	74,542
Property and equipment, net of accumulated depreciation and amortization of \$17,367 and \$17,346, respectively	1,332	1,599
Prepaid expenses, deferred charges and other	5,134	1,842
Intangible assets, net of accumulated amortization of \$48,948 and \$49,485, respectively	900	900
Goodwill	180,253	187,243
Deferred income taxes	233	203
TOTAL ASSETS	\$ 343,582	\$ 364,048
LIABILITIES AND STOCKHOLDER'S EQUITY		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 23,183	\$ 20,198
Income taxes payable	41	2,777
Senior Notes	249,194	248,142
Obligations under capital leases	1,117	1,363
Deferred revenue	15,802	13,095
Deferred income taxes	880	1,359
TOTAL LIABILITIES	290,217	286,934
COMMITMENTS AND CONTINGENCIES (Note J)		
STOCKHOLDER'S EQUITY		
Common stock, par value \$.001 per share; 100 shares authorized, issued and outstanding	—	—
Additional paid-in capital	400,596	400,592
Retained deficit	(334,598)	(314,671)
Accumulated other comprehensive loss	(12,633)	(8,807)
TOTAL STOCKHOLDER'S EQUITY	53,365	77,114
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$ 343,582	\$ 364,048

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

Table of Contents

SEITEL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(In thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
REVENUE	\$22,195	\$24,013	\$54,008	\$68,308
EXPENSES:				
Depreciation and amortization	10,130	17,714	28,522	61,946
Impairment of goodwill	—	—	4,496	—
Cost of sales	7	31	112	74
Selling, general and administrative	10,855	5,049	21,369	15,700
	20,992	22,794	54,499	77,720
INCOME (LOSS) FROM OPERATIONS	1,203	1,219	(491)	(9,412)
Interest expense, net	(5,984)	(6,139)	(18,070)	(18,536)
Foreign currency exchange gains (losses)	(238)	(3)	874	(88)
Other income	13	—	85	96
Loss before income taxes	(5,006)	(4,923)	(17,602)	(27,940)
Provision (benefit) for income taxes	(286)	1,421	(1,168)	1,419
NET LOSS	\$(4,720)	\$(6,344)	\$(16,434)	\$(29,359)

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

Table of Contents

SEITEL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (Unaudited)

(In thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net loss	\$(4,720)	\$(6,344)	\$(16,434)	\$(29,359)
Foreign currency translation adjustments	1,739	4,752	(3,826)	8,143
Comprehensive loss	\$(2,981)	\$(1,592)	\$(20,260)	\$(21,216)

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

Table of Contents

SEITEL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY (Unaudited)

(In thousands, except share amounts)

	Common Stock Shares	Amount	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Loss
Balance, December 31, 2017	100	\$	—\$ 400,592	\$(314,671)	\$ (8,807)
Amortization of stock-based compensation costs	—	—	4	—	—
Net loss	—	—	—	(16,434)	—
Dividends to Seitel Holdings, Inc.	—	—	—	(3,684)	—
Impact of adoption of new accounting standard	—	—	—	191	—
Foreign currency translation adjustments	—	—	—	—	(3,826)
Balance, September 30, 2018	100	\$	—\$ 400,596	\$(334,598)	\$ (12,633)

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

Table of Contents

SEITEL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(In thousands)

	Nine Months Ended September 30,	
	2018	2017
Cash flows from operating activities:		
Reconciliation of net loss to net cash provided by operating activities:		
Net loss	\$(16,434)	\$(29,359)
Depreciation and amortization	28,522	61,946
Impairment of goodwill	4,496	—
Deferred income tax benefit	(1,272)	(1,172)
Foreign currency exchange losses (gains)	(874)	88
Amortization of deferred financing costs	1,052	952
Amortization of stock-based compensation	4	9
Gain on sale of seismic data and property and equipment	(54)	(96)
Non-cash revenue	(1,837)	(1,554)
Decrease in receivables	14,748	12,470
Decrease (increase) in other assets	(2,404)	35
Increase (decrease) in deferred revenue	3,425	(3,532)
Increase in accounts payable and other liabilities	2,139	4,494
Net cash provided by operating activities	31,511	44,281
Cash flows from investing activities:		
Cash invested in seismic data	(17,654)	(20,518)
Cash paid to acquire property and equipment	(208)	(362)
Cash from sale of seismic data and property and equipment	61	3
Advances to Seitel Holdings, Inc.	(554)	(11)
Net cash used in investing activities	(18,355)	(20,888)
Cash flows from financing activities:		
Principal payments on capital lease obligations	(205)	(178)
Dividends to Seitel Holdings, Inc.	(1,939)	—
Net cash used in financing activities	(2,144)	(178)
Effect of exchange rate changes	(72)	1,061
Net increase in cash and cash equivalents	10,940	24,276
Cash and cash equivalents at beginning of period	70,581	55,997
Cash and cash equivalents at end of period	\$81,521	\$80,273
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$11,992	\$11,974
Income taxes, net of refunds received	\$3,722	\$774
Supplemental schedule of non-cash investing and financing activities:		
Additions to seismic data library	\$1,362	\$1,250
The accompanying notes are an integral part of these condensed consolidated financial statements.		

Table of Contents

SEITEL, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

September 30, 2018

NOTE A-BASIS OF PRESENTATION

Seitel, Inc. is a wholly-owned subsidiary of Seitel Holdings, Inc. (“Holdings”). Holdings is an investment entity in which Centerbridge Capital Partners II, L.P. and Centerbridge Capital Partners SBS II, L.P. (together with Centerbridge Capital Partners II, L.P., “Centerbridge”) have owned a 99.8% interest since July 17, 2018. Prior to that time, ValueAct Capital Master Fund, L.P. (“ValueAct”) owned a majority interest and Centerbridge owned a minority interest. On July 17, 2018, Holdings, ValueAct and Centerbridge entered into a Securities Purchase Agreement through which Centerbridge exercised its rights under the Amended and Restated Securities Holders Agreement, dated May 23, 2011 to acquire all of ValueAct’s ownership interest in Holdings (the “July 2018 Transaction”). The July 2018 Transaction resulted in a change of control at the Holdings level; however, the fair value of the assets acquired and liabilities assumed related to this business combination have not been pushed-down to the Seitel, Inc. consolidated financial statements at this time.

The accompanying condensed consolidated financial statements of Seitel, Inc. and its subsidiaries (collectively, the “Company”) have been prepared in accordance with United States generally accepted accounting principles (“GAAP”) for interim financial information and with the instructions of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. In preparing the Company’s financial statements, a number of estimates and assumptions are made by management that affect the accounting for and recognition of assets, liabilities, revenues and expenses. Operating results for the three and nine months ended September 30, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018. The condensed consolidated balance sheet of the Company as of December 31, 2017 has been derived from the audited balance sheet of the Company as of that date. These financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. The Company’s \$250.0 million 9½% senior notes (the “9½% Senior Notes”) mature on April 15, 2019. While the Company is currently evaluating its options to refinance all or a portion of this debt, no firm plans for refinancing have been reached. As a result of the debt maturing in less than one year from the issuance of these financial statements and the Company not having firm plans in place related to a refinancing, substantial doubt is raised about the Company’s ability to continue as a going concern. The ability to continue as a going concern is dependent upon the Company’s ability to restructure or refinance at least a portion of its outstanding debt as it matures. There is no assurance that the Company will be able to refinance or extend principal payments due at maturity or pay them with proceeds of other capital transactions and the Company’s cash flow may not be sufficient to repay all such maturing debt. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Effective January 1, 2018, the Company adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2014-09, “Revenue from Contracts with Customers (Topic 606)” utilizing the modified retrospective approach, recognizing approximately \$0.2 million that was in deferred revenue as of December 31, 2017 to retained earnings. This amount represents the cumulative catch-up of revenue recognition on uncompleted contracts as of January 1, 2018 on non-exclusive data licenses (resale licenses) of seismic surveys that are in the process of being created and where the resale licensing customers have been granted the same legally enforceable rights and access to and use of the results of the acquisition work performed as the original acquisition underwriting clients. Prior to adoption of the new standard, the Company recognized revenue on these resale licenses when the data was available for delivery. Upon adoption, the Company now recognizes the revenue for these specific resale licensing agreements during the remaining survey creation period, resulting in revenue being recognized earlier. Other than this change in policy, ongoing application of the new standard will not have a significant impact to the Company’s revenue recognition but has resulted in expanded disclosures. See further discussion and expanded revenue recognition

disclosures at Note B - “Revenue Recognition.”

Effective April 1, 2018, the Company adopted ASU No. 2017-04, “Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.” The new standard simplifies the measurement of goodwill impairment by eliminating Step 2 from the goodwill impairment test. Prior to adoption of the new standard, Step 2 measured a goodwill impairment loss by comparing the implied fair value of a reporting unit’s goodwill with the carrying amount of that goodwill. In order to compute the implied fair value of goodwill under Step 2, an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities following the same procedure that would be required for purchase price allocation in a business combination. Under the new standard, a goodwill impairment loss is measured using the difference between the carrying amount and the fair value of the reporting unit limited to the total carrying amount of that reporting unit’s

Table of Contents

goodwill. The Company performed a goodwill impairment test as of June 30, 2018 utilizing the simplified method as prescribed by ASU No. 2017-04. See further discussion at Note D - “Goodwill and Other Intangibles.”

NOTE B-REVENUE RECOGNITION

Revenues are primarily derived from licensing of seismic data to customers for fixed consideration. These seismic data licenses represent a single performance obligation and revenue is recognized when a contract with a customer exists and the Company satisfies its performance obligation to the customer either over time in the case of revenue from data acquisition or at a point in time for the majority of its revenue from non-exclusive licenses. If a contract contains multiple performance obligations (seismic data license and reproduction or data processing services), the Company allocates the transaction price to the related performance obligations based on their relative standalone selling prices typically using the residual approach. The Company does not adjust the amount of consideration per the contract for the effects of a significant financing component when the Company expects, at contract inception, that the period between the transfer of a promised good or service to a customer and when the customer pays for that good or service will be one year or less, which is in substantially all cases. Additionally, the Company does not typically extend payment terms beyond one year in its contracts with customers.

The following table presents the Company’s revenues disaggregated by component (in thousands):

	Three Months		Nine Months	
	Ended		Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Acquisition underwriting revenue	\$3,281	\$6,941	\$7,914	\$18,213
Resale licensing revenue	17,978	16,472	44,051	48,545
Total seismic revenue	21,259	23,413	51,965	66,758
Solutions and other	936	600	2,043	1,550
Total revenue	\$22,195	\$24,013	\$54,008	\$68,308

Revenue from Data Acquisition

The Company generates revenue when it creates a new seismic survey that is initially licensed by one or more of its customers to use the resulting data. The payments for the initial licenses, representing the fixed consideration stated per the contract, are sometimes referred to as acquisition underwriting or prefunding. Customers make periodic payments throughout the new survey creation period based on milestones stated per the contract, which generally correspond to costs incurred and work performed. These payments are non-refundable. Contracts signed up to the time the Company makes a firm commitment to create the new seismic survey are considered acquisition underwriting. Any subsequent license of the data while the survey is in progress or once it is completed is considered a resale license (see “Revenue from Non-Exclusive Data Licenses”).

The data license and acquisition services provided by the Company represent a single performance obligation as the data acquisition services are not distinct from the corresponding data license; therefore, acquisition underwriting revenue is recognized throughout the new survey creation period using the proportional performance method. The proportional performance amount at each reporting period is calculated using an input method based upon costs incurred and work performed to date as a percentage of total estimated costs and work required. Management believes that this method is the most reliable and representative measure of progress for its new survey creation projects and satisfaction of its performance obligation for recognition of its acquisition underwriting revenue. On average, the duration of the new survey creation process is approximately 12 to 18 months.

Under the contracts related to the new survey, the Company creates new seismic data designed in conjunction with its customers and specifically suited to the geology of the area using the most appropriate technology available. The Company outsources the substantial majority of the work required to complete data acquisition projects to third-party contractors. The Company’s payments to these third-party contractors comprise the substantial majority of the total estimated costs of the projects and are paid throughout the new survey creation period. A typical survey includes specific activities required to complete the survey creation, each of which has value to the customers. Typical activities, that often occur concurrently, include:

• permitting for land access, mineral rights, and regulatory approval;

surveying;
drilling for the placement of energy sources;
recording the data in the field; and
processing the data.

Table of Contents

The customers paying for the initial licenses to the data created from a new survey have access to and receive legally enforceable rights to any resulting product of each activity described above. The customers also receive access to and use of the newly acquired, processed data.

The customers' access to and use of the results of the work performed and of the newly acquired, processed data is governed by a master license agreement, which is a separate agreement from the acquisition contract. The Company's acquisition contracts require the customer either to have a master license agreement in place or to execute one at the time the acquisition contract is signed. The Company typically maintains sole ownership of the newly acquired data, which is added to its library, and is free to license the data to other customers.

Revenue from Non-Exclusive Data Licenses

The Company recognizes a substantial portion of its revenue from licensing of data that has already been created and is available for delivery. This seismic data license represents a single performance obligation that is typically recognized at a point in time. The revenue is sometimes referred to as resale licensing revenue, late sales or shelf sales.

These sales fall under the following four basic forms of non-exclusive license contracts, each of which is subject to the terms and conditions contained in a customer's master license agreement.

Specific license contract—The customer licenses specific data from the data library, including data currently in progress, at the time the contract is entered into and holds this license for a long-term period.

Library card license contract—The customer initially receives only the right to access a certain amount of data. The customer selects which data to access and hold long-term under its license agreement. The length of the selection period under a library card contract is limited in time and varies from customer to customer.

Review and possession license contract—The customer receives the right to review a certain quantity of data for a limited period of time. During the review period, the customer may select specific data from that available for review to hold long-term under its license agreement. Any data not selected for long-term licensing must be returned to the Company at the end of the review period.

Review only license contract—The customer obtains rights to review a certain quantity of data for a limited period of time, but does not obtain the right to select specific data to hold long-term.

The Company's non-exclusive license contracts specify the following:

- that all customers must also have in place or execute a master license agreement that governs the use of all data received under each non-exclusive license contract;
- the specific payment terms, generally ranging from 30 days to 12 months, and that such payments are non-cancelable and non-refundable;
- the actual data that is accessible by the customer; and
- that the data is licensed in its present form, as is, where is, and that the Company is under no obligation to make any enhancements, modifications or additions to the data unless specific terms to the contrary are included.

Non-exclusive licenses provide each customer a right to use the seismic data licensed as it exists at contract execution. Therefore, revenue from the non-exclusive licensing of seismic data is typically recognized at the point in time when the following criteria are met:

- the Company has an approved agreement with the customer;
- the transaction price is determinable;
- collection of consideration (transaction price) is probable;
- the customer has selected the specific data or the contract has expired without full selection; and
- the data is currently available for delivery.

Copies of the licensed data are available to the customer immediately upon request.

For licenses that have been invoiced for which payment is due or has been received, but that have not met the aforementioned criteria, revenue is deferred. This normally occurs under the library card, review and possession or review only license contracts because the data selection may occur over time.

Table of Contents

In situations where the non-exclusive license provided to the customer is for seismic data in progress and the resale licensing customer is granted the same legally enforceable rights and access to and use of the results of the acquisition work performed as the original acquisition underwriting clients, effective January 1, 2018, the Company recognizes such resale revenue over time during the remaining survey creation period using the proportional performance method, instead of when the data is available for delivery. This change is due to the adoption of ASU 2014-09 as discussed in Note A - "Basis of Presentation."

Revenue from Non-Monetary Exchanges

In certain cases, the Company will take ownership of a customer's seismic data or revenue interest therein (collectively referred to as "data") in exchange for a non-exclusive license to selected seismic data from the Company's library or, in some cases, reproduction or data processing services. In connection with specific data acquisition contracts, the Company may choose to receive both cash and ownership of seismic data from the customer as consideration for the underwriting of new data acquisition. These transactions are referred to as non-monetary exchanges. A non-monetary exchange for data always complies with the following criteria:

- the data licensed to a customer is always distinct from the data received from that customer;
- the customer forfeits ownership of the data received by the Company; and
- the Company retains ownership of the data licensed to a customer.

In non-monetary exchange transactions, the Company records a data library asset for the seismic data received at the time the contract is entered into and recognizes revenue on the transaction in equal value in accordance with its policy on revenue from resale data licenses or data acquisition, or as services are provided by our Seitel Solutions business unit ("Solutions"), as applicable. The resale data license to the customer is in the form of one of the four basic forms of contracts discussed above. These transactions are valued at the fair value of the data received by the Company or the fair value of the license granted or services provided to the customer, whichever is more readily determinable.

Fair value of the data exchanged is determined using a multi-step process as follows:

First, the Company considers the value of the data received from the customer. In determining the value of the data received, the Company considers the age, quality, current demand and future marketability of the data and, in the case of 3D seismic data, the cost that would be required to create the data. In addition, the Company applies a limitation on the value it assigns per square mile on the data received.

Second, the Company determines the value of the license granted to the customer. Typically, the range of cash transactions by the Company for licenses of similar data during the prior six months are evaluated. In evaluating the range of cash transactions, the Company does not consider transactions that are disproportionately high or low.

Due to the Company's revenue recognition policies, revenue recognized on non-monetary exchange transactions may not occur at the same time that the seismic data acquired is recorded as an asset. The activity related to non-monetary exchanges was as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2018		September 30, 2017	
Seismic data library additions	\$ 1,362	\$	—	\$ 1,250
Revenue recognized on specific data licenses or selections of data	1,322	—	1,385	1,250
Revenue recognized related to acquisition contracts	—	103	—	229
Revenue recognized related to Solutions and other revenue	418	44	452	75
Revenue from Solutions				

Revenue from Solutions is recognized as the services for reproduction and delivery of seismic data are provided to customers.

Trade Receivables: Trade receivables include amounts billed and currently due from customers and unbilled amounts typically arising from data acquisition contracts when revenue recognized exceeds the amounts billed to the customer, and right to payment is not just subject to the passage of time. Trade receivables are stated at their net estimated realizable value. The Company maintains an allowance for doubtful accounts to provide for the estimated amount of receivables that will not be collected.

Deferred Commissions: The Company's incremental direct costs of obtaining a contract, which primarily consist of sales commissions, are recognized as expense as revenue is recognized on the corresponding contract. Therefore, sales commissions

Table of Contents

are deferred on licenses that have been invoiced for which payment is due or has been received, but that have not met the criteria needed for revenue recognition. Deferred commissions are included in prepaid expenses, deferred charges and other assets in the consolidated balance sheets and were \$0.2 million as of both September 30, 2018 and December 31, 2017.

Contract Liabilities: The Company's contract liabilities consist of billings in excess of revenue recognized and are included in deferred revenue in the consolidated balance sheets. The Company's deferred revenue balance is comprised of (i) deferred revenue on data acquisition projects, (ii) data licensing contracts where selection of specific data had not yet occurred, (iii) data licensing contracts with data products not yet available and (iv) data licensing contracts where any other revenue recognition criteria has not yet been met. The deferred revenue will be recognized as work progresses on the data acquisition contracts, when selection of specific data is made by the customer, upon expiration of the data selection period specified in the data licensing contracts if full selection has not occurred, as the data products become available or as all of the revenue recognition criteria are met. Revenue recognized that had been previously deferred was \$3.7 million during the nine months ended September 30, 2018 and \$6.5 million during the nine months ended September 30, 2017.

At September 30, 2018, we had a deferred revenue balance of \$15.8 million, compared to the December 31, 2017 balance of \$13.1 million. The deferred revenue balance as of September 30, 2018 is scheduled to be recognized no later than the following, based on the contractual expiration of the selection period or the Company's estimate of progress on acquisition projects and the availability of data products, although some revenue may be recognized earlier (in thousands):

2018	\$ 11,110
2019	2,851
2020 and thereafter	1,841

Remaining Performance Obligations: Remaining performance obligations represents the transaction price of executed acquisition contracts for which work has not been performed. In addition to the \$15.8 million total deferred revenue balance as of September 30, 2018, an additional \$6.3 million related to the aggregate amount of transaction price allocated to remaining performance obligations remained. The Company expects to recognize revenue of approximately \$4.8 million related to those remaining performance obligations during 2018 with the remainder in 2019.

NOTE C-SEISMIC DATA LIBRARY

The Company's seismic data library consists of seismic surveys that are offered for license to customers on a non-exclusive basis. Costs associated with creating, acquiring or purchasing the seismic data library are capitalized and amortized principally on the income forecast method subject to a straight-line amortization period of four years, applied on a quarterly basis at the individual survey level.

Costs of Seismic Data Library

For newly created data, the capitalized costs include costs paid to third parties for the acquisition of data and related permitting, surveying and other activities associated with the data creation activity. In addition, the Company capitalizes certain internal costs related to processing the created data and reprocessing existing data. Such costs include salaries and benefits of the Company's processing personnel and certain other costs incurred for the benefit of the processing activity. The Company believes that the internal processing costs capitalized are not greater than, and generally are less than, those that would be incurred and capitalized if such activity were performed by a third party. Capitalized costs for internal data processing were \$0.6 million for each of the three months ended September 30, 2018 and 2017 and \$1.8 million and \$2.0 million for the nine months ended September 30, 2018 and 2017, respectively.

For data received through a non-monetary exchange, the Company capitalizes an amount equal to the fair value of the data received by the Company or the fair value of the license granted or services provided to the customer, whichever is more readily determinable. See Note B – "Revenue Recognition – Revenue from Non-Monetary Exchanges" for discussion of the process used to determine fair value.

For purchased seismic data, the Company capitalizes the purchase price of the acquired data.

Data Library Amortization

The Company amortizes each survey in its seismic data library using the greater of the amortization that would result from the application of the income forecast method to each survey's revenue, subject to a minimum amortization rate, or a straight-line basis over four years, commencing at the time such survey is completed and available for licensing to customers on a non-exclusive basis.

Table of Contents

The Company applies the income forecast method by forecasting the ultimate revenue expected to be derived from a particular data library component over the estimated useful life of each survey comprising part of such component. This forecast is made by the Company annually and reviewed quarterly. If, during any such review, the Company determines that the ultimate revenue for a library component is expected to be significantly different than the most recent estimate of total revenue for such library component, the Company revises the amortization rate attributable to future revenue from each survey in such component. The Company applies a minimum amortization rate of 70%. In addition, in connection with the forecast reviews and updates, the Company evaluates the recoverability of its seismic data library investment, and if required, records an impairment charge with respect to such investment. See discussion on “Seismic Data Library Impairment” below.

The greater of the income forecast or straight-line amortization policy is applied quarterly on a cumulative basis at the individual survey level. Under this policy, the Company first records amortization using the income forecast method. The cumulative amortization recorded for each survey is then compared with the cumulative straight-line amortization. If the cumulative straight-line amortization is higher for any specific survey, additional amortization expense is recorded, resulting in accumulated amortization being equal to the cumulative straight-line amortization for such survey. This requirement is applied regardless of future-year revenue estimates for the library component of which the survey is a part and does not consider the existence of deferred revenue with respect to the library component or to any survey.

The actual aggregate rate of amortization depends on the specific seismic surveys licensed and selected by the Company’s customers during the period and the amount of straight-line amortization recorded. The income forecast amortization rates can vary by component and, as of October 1, 2018, is 70% for all components. For those seismic surveys which have been fully amortized, no amortization expense is required on revenue recorded.

Seismic Data Library Impairment

The Company evaluates its seismic data library investment by grouping individual surveys into components based on its operations and geological and geographical trends, resulting in the following data library segments for purposes of evaluating impairments: (I) North America 3D onshore comprised of the following components: (a) Texas Gulf Coast, (b) Eastern Texas, (c) Permian, (d) Anadarko Basin in North Texas/Oklahoma, (e) Southern Louisiana/Mississippi, (f) Northern Louisiana, (g) Rocky Mountains, (h) Utica/Marcellus in Pennsylvania, Ohio and West Virginia, (i) other United States, (j) Montney in British Columbia and Alberta, (k) Horn River in British Columbia, (l) Duvernay in Alberta and (m) other Canada; (II) United States 2D; (III) Canada 2D; (IV) Mexico; (V) Gulf of Mexico offshore; and (VI) international data outside North America. The Company believes that these library components constitute the lowest levels of independently identifiable cash flows.

The Company evaluates its seismic data library investment for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The Company considers the level of sales performance in each component compared to projected sales, as well as industry conditions, among others, to be key factors in determining when its seismic data investment should be evaluated for impairment. In evaluating sales performance of each component, the Company generally considers five consecutive quarters of actual performance below forecasted sales to be an indicator of potential impairment.

The impairment evaluation is based first on a comparison of the undiscounted future cash flows over each component’s remaining estimated useful life with the carrying value of each library component. If the undiscounted cash flows are equal to or greater than the carrying value of such component, no impairment is recorded. If undiscounted cash flows are less than the carrying value of any component, the forecast of future cash flows related to such component is discounted to fair value and compared with such component’s carrying amount. The difference between the library component’s carrying amount and the discounted future value of the expected revenue stream is recorded as an impairment charge.

For purposes of evaluating potential impairment losses, the Company estimates the future cash flows attributable to a library component by evaluating, among other factors, historical and recent revenue trends, oil and gas prospectivity in particular regions, general economic conditions affecting its customer base and expected changes in technology and other factors that the Company deems relevant. The cash flow estimates exclude expected future revenues attributable

to non-monetary data exchanges and future data creation projects.

The estimation of future cash flows and fair value is highly subjective and inherently imprecise. Estimates can change materially from period to period based on many factors, including those described in the preceding paragraph.

Accordingly, if conditions change in the future, the Company may record impairment losses relative to its seismic data library investment, which could be material to any particular reporting period.

The Company did not have any impairment charges during the nine months ended September 30, 2018 or 2017.

Table of Contents**NOTE D-GOODWILL AND OTHER INTANGIBLES**

At least annually on October 1st, and more frequently if warranted, the Company assesses its goodwill and indefinite lived intangible assets for impairment. Due to the July 2018 Transaction, the Company performed a goodwill impairment test as of June 30, 2018 and determined that the carrying amount of the reporting unit was less than its fair value and recorded a goodwill impairment loss of approximately \$4.5 million. The fair value of the reporting unit used for the goodwill impairment test was determined based on the purchase price paid in the July 2018 Transaction.

No impairment losses were recorded for goodwill in periods prior to June 30, 2018 or during the three months ended September 30, 2018. Changes in the carrying amount of goodwill for the nine months ended September 30, 2018 were as follows (in thousands):

	September 30, 2018
Balance at beginning of year	\$ 187,243
Impairment loss	(4,496)
Translation adjustments	(2,494)
Balance at September 30, 2018	\$ 180,253

In addition to goodwill, the Company also assessed its tradename indefinite lived intangible assets for impairment and determined that those assets were not impaired.

NOTE E-INCOME TAXES

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the “Tax Act”) was signed into law making significant changes to the Internal Revenue Code. The changes include, but are not limited to, a decrease in the U.S. corporate tax rate from 35% to 21%, the transition of U.S. international taxation from a worldwide tax system to a territorial system, allowing for immediate expensing of certain qualified property, modifications to many business deductions and credits and providing various tax incentives. Due to the complexities involved in the accounting for the enactment of the new law, the Securities and Exchange Commission staff released Staff Accounting Bulletin 118 on December 23, 2017, which allowed companies to record a provisional impact of the Tax Act during a measurement period, not to exceed one year, in situations where companies do not have the necessary information available, prepared, or analyzed in reasonable detail to complete the accounting for certain income tax effects of the Tax Act for the reporting period which includes enactment. The Company recorded its provisional estimates related to the realizability of the Company’s alternative minimum tax credit and taxes on mandatory deemed repatriation of foreign earnings as of December 31, 2017 which resulted in a benefit to income taxes of \$2.4 million. As of September 30, 2018, the Company finalized its determination of cumulative undistributed foreign earnings through December 31, 2017, which resulted in a one-time increase to taxable income of \$17.8 million for the deemed repatriation. No additional tax expense was recorded related to the mandatory deemed repatriation of foreign earnings due to the use of the Company’s 2017 net operating loss that was previously offset by a valuation allowance.

Beginning in 2018, the Tax Act may also trigger a taxable deemed dividend to the extent that the annual earnings of the Company’s foreign subsidiaries exceed a specified threshold based on the value of tangible foreign operating assets. The deemed dividend, if any, from this global intangible low-taxed income (“GILTI”) may be offset by the use of other tax attributes. The Company is allowed to make an accounting policy choice to either treat any taxes on GILTI inclusions as a current-period expense when incurred or factor such amounts into the Company’s measurement of its deferred taxes. The Company has elected to treat any future U.S. inclusions in taxable income related to GILTI as a current-period expense when incurred.

NOTE F-DEBT

The following is a summary of the Company’s debt (in thousands):

	September 30, 2018	December 31, 2017
9½% Senior Notes	\$ 250,000	\$ 250,000
Less: unamortized debt issuance costs	(806)	(1,858)
	\$ 249,194	\$ 248,142

9½% Senior Unsecured Notes: On March 20, 2013, the Company issued, in a private placement, \$250.0 million aggregate principal amount of its 9½% Senior Notes. As required by their terms, the 9½% Senior Notes were exchanged for senior notes

Table of Contents

of like amounts and terms in a publicly registered exchange offer in August 2013. The 9½% Senior Notes mature on April 15, 2019. Interest is payable in cash, semi-annually on April 15 and October 15 of each year. The 9½% Senior Notes are unsecured and are jointly and severally guaranteed by substantially all of the Company's significant 100% owned U.S. subsidiaries on a senior basis. The 9½% Senior Notes contain restrictive covenants which limit the Company's ability to, among other things, incur additional indebtedness, incur liens, pay dividends and make other restricted payments, engage in transactions with affiliates, and complete mergers, acquisitions and sales of assets. Upon a change of control (as defined in the indenture), each holder of the 9½% Senior Notes will have the right to require the Company to offer to purchase all of such holder's notes at a price equal to 101% of the principal amount, plus accrued and unpaid interest. The July 2018 Transaction did not result in a change of control as defined in the indenture.

NOTE G-STOCKHOLDER'S EQUITY

In prior years and during the six months ended June 30, 2018, Holdings did not maintain a cash account. Therefore, the Company made payments, as needed, on Holdings' behalf for corporate expenditures such as taxes and share repurchases for employees that have left the Company and who held equity instruments in Holdings. The Company received payments on the outstanding balance only when Holdings received cash from stock issuances. Prior to the dividend discussed below, the balance due from Holdings was \$1.7 million (the "Holdings Receivable").

In July 2018, Holdings established a cash account; however, since it is a holding company, it is reliant on funding from Seitel, Inc. to cover most of its expenditures. As part of the July 2018 Transaction, Holdings incurred \$1.9 million of expenses related to the transaction and for share repurchases for employees and directors that have left the Company. These payments were funded by a cash dividend from Seitel, Inc. to Holdings. Additionally, in September 2018, the Board of Directors of Seitel, Inc. approved an additional dividend for the Holdings Receivable resulting in a total dividend in the third quarter of 2018 of \$3.7 million. The expectation is that future permitted payments such as taxes and share repurchases will be treated as dividends to Holdings.

NOTE H-FAIR VALUE MEASUREMENTS

Authoritative guidance on fair value measurements provides a framework for measuring fair value and establishes a fair value hierarchy that prioritizes the inputs used to measure fair value, giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

The Company uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. In measuring the fair value of the Company's assets and liabilities, market data or assumptions are used that the Company believes market participants would use in pricing an asset or liability, including assumptions about risk when appropriate. The Company's assets that are measured at fair value on a recurring basis include the following (in thousands):

	Fair Value Measurements Using			
	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)

At September 30, 2018:

Cash equivalents	\$81,342	\$81,342	\$	—\$	—
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At December 31, 2017:

Cash equivalents	\$70,298	\$70,298	\$	—\$	—
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The Company had no transfers of assets between any of the above levels during the nine months ended September 30, 2018 or 2017.

Cash equivalents include treasury bills and money market funds that invest in United States government obligations and Canadian investment accounts, all with original maturities of three months or less. The original costs of these assets approximate fair value due to their short-term maturities.

Other Financial Instruments:

At September 30, 2018, the carrying value of the Company's debt was \$249.2 million, net of \$0.8 million of unamortized debt issuance costs. At December 31, 2017, the carrying value was \$248.1 million, net of \$1.9 million of unamortized debt issuance costs. The estimated fair value of the debt was approximately \$249.9 million at September 30, 2018 and \$250.3 million at December 31, 2017. The fair value of the Company's 9½% Senior Notes is based on quoted market prices (Level 1 inputs).

Table of Contents**NOTE I-STATEMENT OF CASH FLOW INFORMATION**

Cash and cash equivalents at September 30, 2018 and December 31, 2017 included \$0.1 million and \$0.6 million, respectively, of restricted cash related to collateral on seismic operations bonds.

For purposes of the statement of cash flows, the Company considers all highly liquid investments or debt instruments with an original maturity of three months or less to be cash equivalents. The Company maintains its day-to-day operating cash and temporary excess cash with various banking institutions that, in turn, invest in time deposits and U.S. Treasury bills.

Income taxes paid during the nine months ended September 30, 2018 and 2017 were \$4.3 million and \$0.8 million, respectively. During the nine months ended September 30, 2018, the Company also received income tax refunds totaling \$0.5 million.

The Company had non-cash additions to its seismic data library comprised of the following (in thousands):

	Nine Months Ended September 30,	
	2018	2017
Non-monetary exchanges related to resale licensing	\$1,210	\$1,250
Non-monetary exchanges related to data processing and reproduction services	152	—
Total non-cash additions to seismic data library	\$1,362	\$1,250

Non-cash revenue consisted of the following (in thousands):

	Nine Months Ended September 30,	
	2018	2017
Acquisition revenue on underwriting from non-monetary exchange contracts	\$—	\$229
Licensing revenue from specific data licenses and selections on non-monetary exchange contracts	1,385	1,250
Solutions and other revenue recognized from non-monetary exchange contracts	452	75
Total non-cash revenue	\$1,837	\$1,554

NOTE J-COMMITMENTS AND CONTINGENCIES

The Company is involved from time to time in ordinary, routine claims and lawsuits incidental to its business. In the opinion of management, uninsured losses, if any, resulting from the ultimate resolution of these matters should not be material to the Company's financial position, results of operations or cash flows. However, it is not possible to predict or determine the outcomes of the legal actions brought against it or by it, or to provide an estimate of all additional losses, if any, that may arise. At September 30, 2018, the Company has recorded the estimated amount of potential exposure it may have with respect to claims. Such amounts are not material to the financial statements.

NOTE K-RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" with the objective of increasing transparency and comparability among organizations by requiring lessees to recognize assets and liabilities on the balance sheet for the present value of the rights and obligations created by all leases with terms of more than 12 months. The ASU will also require disclosures designed to give financial statement users information on the amount, timing and uncertainty of cash flows arising from leases. The amendments in this ASU are to be applied using a modified retrospective approach and will be effective for the Company as of January 1, 2019, but early adoption is permitted. The Company is currently evaluating the impact of adopting this new standard on its consolidated financial statements as of January 1, 2019 and believes that the most significant change will be to the Company's balance sheet as its asset and liability balances will increase for operating leases that are currently off-balance sheet.

Other new pronouncements issued but not yet effective are not expected to have a material impact on the Company's financial position, results of operations or liquidity.

NOTE L-SUPPLEMENTAL GUARANTORS CONSOLIDATING CONDENSED FINANCIAL INFORMATION

On March 20, 2013, the Company completed a private placement of 9½% Senior Notes in the aggregate principal amount of \$250.0 million. The Company's payment obligations under the 9½% Senior Notes are jointly and severally guaranteed on a

Table of Contents

senior basis by substantially all of the Company's significant 100% owned U.S. subsidiaries ("Guarantor Subsidiaries"). All subsidiaries of the Company that do not guarantee the 9½% Senior Notes are referred to as Non-Guarantor Subsidiaries.

The indenture governing the 9½% Senior Notes provides that the guarantees by the Guarantor Subsidiaries will be released in the following customary circumstances: (i) upon a sale or other disposition, whether by merger, consolidation or otherwise, of the equity interests of that guarantor to a person that is not the Company or a restricted subsidiary of the Company; (ii) the guarantor sells all or substantially all of its assets to a person that is not the Company or a restricted subsidiary of the Company; (iii) the guarantor is properly designated as an unrestricted subsidiary or ceases to be a restricted subsidiary; (iv) upon legal defeasance of the 9½% Senior Notes or satisfaction and discharge of the indenture governing the 9½% Senior Notes; (v) the guarantor becomes an immaterial subsidiary or (vi) the guarantor, having also been a guarantor under a credit facility, is released from its guarantee obligations under a credit facility and does not guarantee any indebtedness of the Company or the Guarantor Subsidiaries.

The consolidating condensed financial statements are presented below and should be read in connection with the condensed consolidated financial statements of the Company. Separate financial statements of the Guarantor Subsidiaries are not presented because (i) the Guarantor Subsidiaries are wholly-owned and have fully and unconditionally guaranteed the 9½% Senior Notes on a joint and several basis and (ii) the Company's management has determined such separate financial statements are not material to investors.

The following consolidating condensed financial information presents the consolidating condensed balance sheets as of September 30, 2018 and December 31, 2017, the consolidating condensed statements of operations and statements of comprehensive income (loss) for the three and nine months ended September 30, 2018 and September 30, 2017 and the consolidating condensed statements of cash flows for the nine months ended September 30, 2018 and 2017 of

(a) the Company; (b) the Guarantor Subsidiaries; (c) the Non-Guarantor Subsidiaries; (d) elimination entries; and (e) the Company, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries on a consolidated basis.

Investments in subsidiaries are accounted for under the equity method. The principal elimination entries eliminate investments in subsidiaries, intercompany balances, intercompany transactions and intercompany sales.

Table of Contents

CONSOLIDATING CONDENSED BALANCE SHEET

As of September 30, 2018

(In thousands)

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating Eliminations	Consolidated Total
ASSETS					
Cash and cash equivalents	\$—	\$ 79,219	\$ 2,302	\$—	\$ 81,521
Receivables					
Trade, net	—	6,897	1,779	—	8,676
Notes and other	2,357	44	156	—	2,557
Intercompany receivables (payables)	(92,218)	92,203	15	—	—
Investment in subsidiaries	414,731	423,102	710	(838,543)	—
Net seismic data library	—	49,962	13,014	—	62,976
Net property and equipment	—	521	811	—	1,332
Prepaid expenses, deferred charges and other	390	2,668	2,076	—	5,134
Intangible assets, net	900	—	—	—	900
Goodwill	—	105,170	75,083	—	180,253
Deferred income taxes	—	45	188	—	233
TOTAL ASSETS	\$326,160	\$ 759,831	\$ 96,134	\$ (838,543)	\$ 343,582
LIABILITIES AND STOCKHOLDER'S EQUITY					
LIABILITIES					
Accounts payable and accrued liabilities	\$ 10,945	\$ 9,953	\$ 2,285	\$—	\$ 23,183
Income taxes payable	23	18	—	—	41
Senior Notes	249,194	—	—	—	249,194
Obligations under capital leases	—	—	1,117	—	1,117
Deferred revenue	—	14,573	1,229	—	15,802
Deferred income taxes	—	—	880	—	880
TOTAL LIABILITIES	260,162	24,544	5,511	—	290,217
STOCKHOLDER'S EQUITY					
Common stock	—	—	—	—	—
Additional paid-in capital	400,596	—	—	—	400,596
Parent investment	—	764,105	133,722	(897,827)	—
Retained deficit	(334,598)	(28,818)	(30,090)	58,908	(334,598)
Accumulated other comprehensive loss	—	—	(13,009)	376	(12,633)
TOTAL STOCKHOLDER'S EQUITY	65,998	735,287	90,623	(838,543)	53,365
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$326,160	\$ 759,831	\$ 96,134	\$ (838,543)	\$ 343,582

Table of Contents

CONSOLIDATING CONDENSED BALANCE SHEET

As of December 31, 2017

(In thousands)

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating Eliminations	Consolidated Total
ASSETS					
Cash and cash equivalents	\$—	\$ 43,380	\$ 27,201	\$ —	\$ 70,581
Receivables					
Trade, net	—	19,183	4,147	—	23,330
Notes and other	2,357	151	109	—	2,617
Due from Seitel Holdings, Inc.	—	1,191	—	—	1,191
Intercompany receivables (payables)	(75,641)	73,244	2,397	—	—
Investment in subsidiaries	411,423	425,736	702	(837,861)	—
Net seismic data library	—	57,703	16,839	—	74,542
Net property and equipment	—	593	1,006	—	1,599
Prepaid expenses, deferred charges and other	31	1,164	647	—	1,842
Intangible assets, net	900	—	—	—	900
Goodwill	—	107,688	79,555	—	187,243
Deferred income taxes	—	51	152	—	203
TOTAL ASSETS	\$339,070	\$ 730,084	\$ 132,755	\$ (837,861)	\$ 364,048
LIABILITIES AND STOCKHOLDER'S EQUITY					
LIABILITIES					
Accounts payable and accrued liabilities	\$5,007	\$ 9,421	\$ 5,770	\$ —	\$ 20,198
Income taxes payable	—	12	2,765	—	2,777
Senior Notes	248,142	—	—	—	248,142
Obligations under capital leases	—	—	1,363	—	1,363
Deferred revenue	—	11,568	1,527	—	13,095
Deferred income taxes	—	—	1,359	—	1,359
TOTAL LIABILITIES	253,149	21,001	12,784	—	286,934
STOCKHOLDER'S EQUITY					
Common stock	—	—	—	—	—
Additional paid-in capital	400,592	—	—	—	400,592
Parent investment	—	764,105	156,782	(920,887)	—
Retained deficit	(314,671)	(55,022)	(27,652)	82,674	(314,671)
Accumulated other comprehensive loss	—	—	(9,159)	352	(8,807)
TOTAL STOCKHOLDER'S EQUITY	85,921	709,083	119,971	(837,861)	77,114
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$339,070	\$ 730,084	\$ 132,755	\$ (837,861)	\$ 364,048

Table of Contents

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS

For the Three Months Ended September 30, 2018

(In thousands)

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating Eliminations	Consolidated Total
REVENUE	\$—	\$ 19,783	\$ 2,734	\$ (322)	\$ 22,195
EXPENSES:					
Depreciation and amortization	—	8,489	1,641	—	10,130
Cost of sales	—	7	—	—	7
Selling, general and administrative	237	9,951	989	(322)	10,855
	237	18,447	2,630	(322)	20,992
INCOME (LOSS) FROM OPERATIONS	(237)	1,336	104	—	1,203
Interest income (expense), net	(6,461)	448	29	—	(5,984)
Foreign currency exchange losses	—	—	(238)	—	(238)
Other income	—	13	—	—	13
Dividend income from subsidiary	—	23,062	—	(23,062)	—
Income (loss) before income taxes and equity in income (loss) of subsidiaries	(6,698)	24,859	(105)	(23,062)	(5,006)
Provision (benefit) for income taxes	—	55	(341)	—	(286)
Equity in income of subsidiaries	1,978	236	—	(2,214)	—
NET INCOME (LOSS)	\$(4,720)	\$ 25,040	\$ 236	\$ (25,276)	\$ (4,720)

Table of Contents

CONSOLIDATING CONDENSED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

For the Three Months Ended September 30, 2018

(In thousands)

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating Eliminations	Consolidated Total
Net income (loss)	\$(4,720)	\$ 25,040	\$ 236	\$ (25,276)	\$ (4,720)
Foreign currency translation adjustments	—	—	1,739	—	1,739
Comprehensive income (loss)	\$(4,720)	\$ 25,040	\$ 1,975	\$ (25,276)	\$ (2,981)

Table of Contents

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS

For the Three Months Ended September 30, 2017

(In thousands)

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating Eliminations	Consolidated Total
REVENUE	\$—	\$ 13,148	\$ 11,405	\$ (540)	\$ 24,013
EXPENSES:					
Depreciation and amortization	—	14,011	3,703	—	17,714
Cost of sales	—	244	1	(214)	31
Selling, general and administrative	169	3,916	1,290	(326)	5,049
	169	18,171	4,994	(540)	22,794
INCOME (LOSS) FROM OPERATIONS	(169)	(5,023)	6,411	—	1,219
Interest income (expense), net	(6,046)	(142)	49	—	(6,139)
Foreign currency exchange losses	—	(2)	(1)	—	(3)
Income (loss) before income taxes and equity in income (loss) of subsidiaries	(6,215)	(5,167)	6,459	—	(4,923)
Provision (benefit) for income taxes	—	(5)	1,426	—	1,421
Equity in income (loss) of subsidiaries	(129)	5,033	—	(4,904)	—
NET INCOME (LOSS)	\$(6,344)	\$ (129)	\$ 5,033	\$ (4,904)	\$(6,344)

Table of Contents

CONSOLIDATING CONDENSED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

For the Three Months Ended September 30, 2017

(In thousands)

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating Eliminations	Consolidated Total
Net income (loss)	\$(6,344)	\$ (129)	\$ 5,033	\$ (4,904)	\$ (6,344)
Foreign currency translation adjustments	—	—	4,752	—	4,752
Comprehensive income (loss)	\$(6,344)	\$ (129)	\$ 9,785	\$ (4,904)	\$ (1,592)

Table of Contents

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS

For the Nine Months Ended September 30, 2018

(In thousands)

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating Eliminations	Consolidated Total
REVENUE	\$—	\$ 48,272	\$ 6,984	\$ (1,248)	\$ 54,008
EXPENSES:					
Depreciation and amortization	—	21,952	6,570	—	28,522
Impairment of goodwill	—	2,518	1,978	—	4,496
Cost of sales	—	339	56	(283)	112
Selling, general and administrative	497	18,604	3,233	(965)	21,369
	497	43,413	11,837	(1,248)	54,499
INCOME (LOSS) FROM OPERATIONS	(497)	4,859	(4,853)	—	(491)
Interest income (expense), net	(19,079)	761	248	—	(18,070)
Foreign currency exchange gains (losses)	—	(1)	875	—	874
Other income	—	63	22	—	85
Dividend income from subsidiary	—	23,062	—	(23,062)	—
Income (loss) before income taxes and equity in income (loss) of subsidiaries	(19,576)	28,744	(3,708)	(23,062)	(17,602)
Provision (benefit) for income taxes	—	102	(1,270)	—	(1,168)
Equity in income (loss) of subsidiaries	3,142	(2,438)	—	(704)	—
NET INCOME (LOSS)	\$(16,434)	\$ 26,204	\$ (2,438)	\$ (23,766)	\$ (16,434)

Table of Contents

CONSOLIDATING CONDENSED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

For the Nine Months Ended September 30, 2018

(In thousands)

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating Eliminations	Consolidated Total
Net income (loss)	\$(16,434)	\$ 26,204	\$ (2,438)	\$ (23,766)	\$ (16,434)
Foreign currency translation adjustments	—	—	(3,850)	24	(3,826)
Comprehensive income (loss)	\$(16,434)	\$ 26,204	\$ (6,288)	\$ (23,742)	\$ (20,260)

Table of Contents

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS

For the Nine Months Ended September 30, 2017

(In thousands)

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating Eliminations	Consolidated Total
REVENUE	\$—	\$ 46,241	\$ 23,549	\$ (1,482)	\$ 68,308
EXPENSES:					
Depreciation and amortization	—	48,493	13,478	(25)	61,946
Cost of sales	—	571	7	(504)	74
Selling, general and administrative	429	12,553	3,696	(978)	15,700
	429	61,617	17,181	(1,507)	77,720
INCOME (LOSS) FROM OPERATIONS	(429)	(15,376)	6,368	25	(9,412)
Interest income (expense), net	(17,959)	(608)	31	—	(18,536)
Foreign currency exchange losses	—	—	(88)	—	(88)
Other income	—	—	96	—	96
Income (loss) before income taxes and equity in income (loss) of subsidiaries	(18,388)	(15,984)	6,407	25	(27,940)
Provision (benefit) for income taxes	—	(6)	1,425	—	1,419
Equity in income (loss) of subsidiaries	(10,971)	4,982	—	5,989	—
NET INCOME (LOSS)	\$(29,359)	\$(10,996)	\$ 4,982	\$ 6,014	\$(29,359)

Table of Contents

CONSOLIDATING CONDENSED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

For the Nine Months Ended September 30, 2017

(In thousands)

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating Eliminations	Consolidated Total
Net income (loss)	\$(29,359)	\$(10,996)	\$ 4,982	\$ 6,014	\$(29,359)
Foreign currency translation adjustments	—				