

TEAM INC  
Form 10-K  
August 07, 2015  
Table of Contents

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

**FORM 10-K**

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**  
**For the fiscal year ended May 31, 2015**

**OR**

“ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**  
**For the transition period from                      to**

**Commission File Number 001-08604**

**TEAM, INC.**

**(Exact Name of Registrant as Specified in Its Charter)**

**Delaware**  
**(State or Other Jurisdiction of**  
**Incorporation or Organization)**

**74-1765729**  
**(I.R.S. Employer**  
**Identification No.)**

**13131 Dairy Ashford, Suite 600, Sugar Land, Texas**  
**(Address of Principal Executive Offices)**  
**(281) 331-6154**

**77478**  
**(Zip Code)**

**(Registrant's Telephone Number, Including Area Code)**

**Securities registered pursuant to Section 12(b) of the Act:**

<b>Title of Each Class</b>	<b>Name of Each Exchange on Which Registered</b>
<b>Common Stock, \$0.30 par value</b>	<b>New York Stock Exchange</b>
<b>Securities registered pursuant to Section 12(g) of the Act: None</b>	

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this

Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of the voting stock held by non-affiliates on November 30, 2014 was approximately \$522 million, determined using the closing price of shares of common stock on the New York Stock Exchange on that date of \$40.61.

For purposes for the foregoing calculation only, all directors, executive officers, the Team, Inc. Salary Deferral Plan and Trust and known 5% or greater beneficial owners have been deemed affiliates.

The Registrant had 20,910,719 shares of common stock, par value \$0.30, outstanding and 546,977 shares of treasury stock as of July 29, 2015.

### **Documents Incorporated by Reference**

Portions of our Definitive Proxy Statement for the 2015 Annual Meeting of Stockholders are incorporated by reference into Part III of this report. These will be filed no later than September 28, 2015.

Table of Contents**FORM 10-K INDEX**

<u>PART I</u>		1
<u>ITEM 1.</u>	<u>BUSINESS</u>	1
	<u>General Information</u>	1
	<u>Narrative Description of Business</u>	2
	<u>Acquisitions</u>	6
	<u>Marketing and Customers</u>	6
	<u>Seasonality</u>	7
	<u>Employees</u>	7
	<u>Regulation</u>	7
	<u>Intellectual Property</u>	8
	<u>Competition</u>	8
	<u>Available Information</u>	8
<u>ITEM 1A.</u>	<u>RISK FACTORS</u>	8
<u>ITEM 1B.</u>	<u>UNRESOLVED STAFF COMMENTS</u>	12
<u>ITEM 2.</u>	<u>PROPERTIES</u>	12
<u>ITEM 3.</u>	<u>LEGAL PROCEEDINGS</u>	13
<u>ITEM 4.</u>	<u>MINE SAFETY DISCLOSURES</u>	13
<u>PART II</u>		14
<u>ITEM 5.</u>	<u>MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES</u>	14
<u>ITEM 6.</u>	<u>SELECTED FINANCIAL DATA</u>	16
<u>ITEM 7.</u>	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	17
<u>ITEM 7A.</u>	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	27
<u>ITEM 8.</u>	<u>CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA</u>	28
<u>ITEM 9.</u>	<u>CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</u>	28
<u>ITEM 9A.</u>	<u>CONTROLS AND PROCEDURES</u>	28
	<u>Management's Annual Report on Internal Control Over Financial Reporting</u>	28
<u>ITEM 9B.</u>	<u>OTHER INFORMATION</u>	29
<u>PART III</u>		30
<u>ITEM 10.</u>	<u>DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE</u>	30
<u>ITEM 11.</u>	<u>EXECUTIVE COMPENSATION</u>	30
<u>ITEM 12.</u>	<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS</u>	30
<u>ITEM 13.</u>	<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE</u>	30
<u>ITEM 14.</u>	<u>PRINCIPAL ACCOUNTING FEES AND SERVICES</u>	30
<u>PART IV</u>		31
<u>ITEM 15.</u>	<u>EXHIBITS, FINANCIAL STATEMENT SCHEDULES</u>	31

SIGNATURES

---

**Table of Contents**

*Certain items required in Part III of this Form 10-K can be found in our 2015 Proxy Statement and are incorporated herein by reference. A copy of the 2015 Proxy Statement will be provided, without charge, to any person who receives a copy of this Form 10-K and submits a written request to Team, Inc., Attn: Corporate Secretary, 13131 Dairy Ashford, Suite 600, Sugar Land, Texas, 77478.*

**PART I**

**ITEM 1. BUSINESS**

**General Information**

**Introduction.** Unless otherwise indicated, the terms Team, Inc., Team, the Company, we, our and us are used to report to refer to Team, Inc., to one or more of our consolidated subsidiaries or to all of them taken as a whole. We are incorporated in the State of Delaware and our company website can be found at [www.teamindustrialservices.com](http://www.teamindustrialservices.com). Our corporate headquarters is located at 13131 Dairy Ashford, Suite 600, Sugar Land, Texas, 77478 and our telephone number is (281) 331-6154. Our stock is traded on the New York Stock Exchange ( NYSE ) under the symbol TISI and our fiscal year ends on May 31 of each calendar year.

We are a leading provider of specialty industrial services, including inspection and assessment, required in maintaining high temperature and high pressure piping systems and vessels that are utilized extensively in the refining, petrochemical, power, pipeline and other heavy industries. We conduct operations in three segments: Inspection and Heat Treating Services ( IHT ) Group, Mechanical Services ( MS ) Group and Quest Integrity ( Quest Integrity ) Group. While our services are aligned in three business groups, we believe our services broadly fall into three different classifications that have unique customer demand drivers: inspection and assessment services, turnaround services, and on-stream services.

Inspection and assessment services are offered in both IHT and Quest Integrity. IHT provides basic and advanced non-destructive testing services for the process, pipeline and power sectors, pipeline integrity management services, as well as associated engineering and assessment services. These services can be offered while facilities are running (on-stream), during facility turnarounds or during new construction or expansion activities. Quest Integrity provides integrity and reliability management solutions for the process, pipeline and power sectors. These solutions encompass two broadly-defined disciplines: (1) highly specialized in-line inspection services for unpiggable process piping and pipelines using proprietary in-line inspection tools and analytical software; and (2) advanced condition assessment services through a multi-disciplined engineering team. We believe there is a general growth in market demand for inspection and assessment services as improved inspection technologies enable better information about asset reliability to be available to facility owners and operators.

Turnaround services are offered in both IHT and MS. These services are project-related and demand is a function of the number and scope of scheduled and unscheduled facility turnarounds as well as new industrial facility construction or expansion. Turnaround services include the field machining, technical bolting, field valve repair, heat exchanger repair, and isolation test plugging services that are part of MS and the field heat treating services that are part of IHT.

On-stream services are offered by MS and represent the services offered while plants are operating and under pressure. These services include leak repair, fugitive emissions control and hot tapping. We believe demand for on-stream services is a function of the population of the existing infrastructure of operating industrial facilities.

## Edgar Filing: TEAM INC - Form 10-K

We offer these services in over 150 locations throughout the world. Our industrial services are available 24 hours a day, 7 days a week, 365 days a year. We market our services to companies in a diverse array of heavy industries which include the petrochemical, refining, power, pipeline, steel, pulp and paper industries, as well as municipalities, shipbuilding, original equipment manufacturers ( OEMs ), distributors, and some of the world's largest engineering and construction firms. Our services are also provided across a broad geographic reach.

## Table of Contents

### **Narrative Description of Business**

#### **IHT Group:**

IHT offers both inspection services and heat treating services which are generally associated with turnaround or project activities. A description of these services is as follows:

***Non-Destructive Evaluation and Testing Services.*** Machined parts and industrial structures can be complex systems that experience extreme loads and fatigue during their lifetime. Our Non-Destructive Evaluation ( NDE ), or Non-Destructive Testing ( NDT ), enables the inspection of these components without permanently altering the equipment. It is a highly valuable technique that is often used to validate the integrity of materials, detect instabilities, discover performance outside of tolerances, identify failed components, or highlight an inadequate control system. Inspection services frequently require industry recognized training and certification processes. We maintain training and certification programs, which are designed to meet or exceed industry standards. As assets continue to age and compliance regulations advance, inspection techniques are playing a critical role in fit-for-life service assessments.

***Radiographic Testing.*** Radiographic Testing ( RT ) is used to detect discontinuities in ferrous and nonferrous castings, welds or forgings using X-ray or gamma ray radiation. RT reveals both external and internal defects, internal assembly details and changes in thickness. Our licensed technicians utilize conventional, computed and real-time radiography testing techniques depending upon the complexity and needs of our customers.

***Ultrasonic Testing.*** Ultrasonic Testing ( UT ) uses high frequency ultrasonic waves to detect surface breaking and internal imperfections, measure material thickness and determine acceptance or rejection of a test object based on a reference code or standard. We offer ten different types of UT methods, including traditional scans as well as automated and high speed ultrasonic Electro Magnet Acoustic Transducer ( EMAT ) testing. Each method is utilized to meet a specific material or process application requirement.

***Magnetic Particle Inspection.*** Magnetic Particle Inspection is a NDT process for detecting surface and slightly subsurface discontinuities in ferromagnetic materials such as iron, nickel, cobalt, and some of their alloys. The process puts a magnetic field into the test object. When the part is magnetized, flaws perpendicular to the magnetic field direction cause flux leakage. If a lapse or a crack is present the magnetic particles will be attracted to the flawed area, providing our technician with what is called an indication. Our technician will then evaluate the indication to assess the location, size, shape and extent of these imperfections.

***Liquid Penetrant Inspection.*** Liquid Penetrant Inspection is one of the most widely used NDE/ NDT methods. Its popularity can be attributed to two main factors: its relative ease of use and its flexibility. Liquid Penetrant Inspection can be used to inspect almost any material. At Team, we utilize Liquid Penetrant Inspection to detect surface discontinuities in both ferromagnetic and non-ferromagnetic materials. In castings and forgings, there may be cracks or leaks in new products or fatigue cracks in in-service components.

***Positive Material Identification.*** Positive Material Identification ( PMI ) quickly and accurately identifies the composition of more than 100 different engineering alloys onsite. Team can perform PMI on virtually any size or shape of pipe, plate, weld, welding materials, machined parts or castings.

***Electromagnetic Testing.*** Electromagnetic Testing applies to a family of test methods that use magnetism and electricity to detect or measure cracks, flaws, corrosion or heat damage in conductive materials. Magnetic properties and geometric analysis are used to determine the best technique to identify defects. Our electromagnetic services enable our technicians to evaluate small cracks, pits, dents and general thinning in tubing with small diameters, large



steel surfaces such as storage tank floors, and everything in between.

***Alternating Current Field Measurement.*** Originally developed for inspection of fatigue cracking, our Alternating Current Field Measurement ( ACFM ) is an advanced technique for detecting surface cracks and pinpointing the location, length and depth of the defect. Our ACFM works through paint and coatings and in a wide range of temperatures. Results are automatically recorded and accepted by certification authorities.

---

**Table of Contents**

***Eddy Current Testing.*** Eddy Current Testing ( ET ) is ideal for nonferrous materials such as heat exchanger tubes, condensers, boilers, tubing and aircraft surfaces. Team s ET uses electromagnetic induction to detect flaws in conductive materials, displaying the presence of very small cracks, pits, dents and general thinning.

***Long-Range Guided Ultrasonics.*** Guided wave inspection is a method of ultrasonic testing that enables the detection and location of pipe defects above and below ground without disruption of service. This technique only requires a small area of excavation to perform the testing where applicable. Guided ultrasonics sends a bilateral signal over hundreds of feet allowing long ranges of piping to be inspected at one time.

***Phased Array Ultrasonic Testing.*** Phased Array Ultrasonics ( PAUT ) provides sharper detection capability for off-angle cracks and is capable of displaying multiple presentations simultaneously. PAUT applies computer-controlled excitation to individual elements in a multi-element probe. By varying the timing of the excitation, the sound beam can be swept through a range of angles. The shape of the beam may also be modified to a specific focal distance or spot.

***Tank Inspection and Management Programs.*** Our wholly-owned subsidiary, TCI Services Inc. ( TCI ), is a storage tank management company that performs inspections, engineering and repair services across the U.S. for above ground storage tanks. Backed by Team s in-house engineering, documentation and certification services including API 653 evaluations TCI s on-site tank inspections, repair and maintenance services help keep customers tanks fully operational and compliant with stringent industry standards.

***Rope Access.*** In July 2013, Team acquired a leading provider of industrial rope access services. With these services, we provide a range of innovative and cost-effective solutions to suit the customer s individual requirements for inspection and maintenance services to the energy and industrial markets. Our rope access solutions allow for work to be carried out more quickly than traditional methods using scaffolding, keeping costs and job duration to a minimum. We provide these services under full accreditation by the Industrial Rope Access Trade Association ( IRATA ), whose guidelines are recognized by the industry as the safest method of working at height.

***Mechanical Integrity Services.*** Maintaining the integrity of equipment is more than simply performing inspections. A well-implemented Mechanical Integrity ( MI ) program involves multiple components that improve the safety and reliability of a facility s equipment. Our MI programs ensure the continued integrity and fitness for service of piping systems, pressure vessels, tanks and related components. Our mechanical integrity engineers are well versed in pertinent codes and standards of the Occupational Safety and Health Administration s process safety management ( PSM ) and U.S. Environmental Protection Agency s ( EPA ) risk management program ( RMP ) regulations.

***Field Heat Treating Services.*** Field Heat Treating Services include electric resistance and gas-fired combustion, primarily utilized by industrial customers to enhance the metallurgical properties of their process piping and equipment. Electric resistance heating is the transfer of high energy power sources through attached heaters to the plant component to preheat weld joints, to remove contaminants and moisture prior to welding, post-weld heat treatments and to relieve metal thermal stresses induced by the welding process. Specialty heat treating processes are performed using gas-fired combustion on large pressure vessels for stress relieving to bake specialty paint coatings and controlled drying of abrasion and temperature resistant refractories. Special high frequency heating, commonly called induction heating, is used for expanding metal parts for assembly or disassembly, expanding large bolting for industrial turbines and stress relieving projects which is cost prohibitive for electric resistance or gas-fired combustion.

**MS Group:**

MS offers both on-stream services and turnaround/project related services as follows:

***Leak Repair Services.*** Our leak repair services consist of on-stream repairs of leaks in pipes, valves, flanges and other parts of piping systems and related equipment. Our on-stream repairs utilize composite repair, drill and

---

**Table of Contents**

tap repair, and both standard and custom-designed clamps and enclosures for piping systems. We use specially developed techniques, sealants and equipment for repairs. Many of our repairs are furnished as interim measures which allow plant systems to continue operating until more permanent repairs can be made during plant shut downs. Our leak repair services involve inspection of the leak by our field crew who records pertinent information about the faulty part of the system and transmits the information to our engineering department for determination of appropriate repair techniques. Repair materials such as clamps and enclosures are custom designed and manufactured at our ISO-9001 certified manufacturing centers and delivered to the job site. We maintain an inventory of raw materials and semi-finished clamps and enclosures to reduce the time required to manufacture the finished product.

***Fugitive Emissions Control Services.*** We provide fugitive volatile organic compound ( VOC ) emission leak detection services that include identification, monitoring, data management and reporting primarily for the chemical, refining and natural gas processing industries. These services are designed to monitor and record VOC emissions from specific process equipment and piping components as required by environmental regulations and customer requests, typically assisting the customer in enhancing an ongoing maintenance program and/or complying with present and/or future environmental regulations. We provide specialty trained technicians in the use of portable organic chemical analyzers and data loggers to measure potential leaks at designated plant components maintained in customer or our proprietary databases. The measured data is used to prepare standard reports in compliance with the EPA and local regulatory requirements. We also provide enhanced custom-designed reports to customer specifications.

***Hot Tapping Services.*** Our hot tapping services consist of providing a full range of hot tapping, Line-stop and Freeze-stop services with capabilities for up to 48" diameter pipelines. Hot tapping services involve utilizing special equipment to cut a hole in a pressurized pipeline so that a new branch pipe can be connected onto the existing pipeline without interrupting operations. Line-stop services permit the line to be depressurized downstream so that maintenance work can be performed on the piping system. We typically perform these services by mechanically cutting into the pipeline similar to a hot tap and installing a special plugging device to stop the process flow. The Hi-stop is a proprietary procedure that allows stopping of the process flow in extreme pressures and temperatures. In some cases, we may use a line freezing procedure by injecting liquid nitrogen into installed special external chambers around the pipe to stop the process flow. Inflatable bag stops are used when a pipe is out of round or inside surface conditions of the pipe prevent a standard line stop. It can also be used to back up a line stop. A small hot tap is made into a pipe and an inflatable pipe plug is inserted into the pipe to allow the plug to stop the flow in the pipe. Additionally, we provide innovative line stop applications for unique service applications to meet customers' needs.

***Field Machining Services and Technical Bolting Services.*** We use portable machining equipment to repair or modify machinery, equipment, vessels and piping systems not easily removed from a permanent location. As opposed to conventional machining processes where the work piece rotates and the cutting tool is fixed, in field machining, the work piece remains fixed in position and the cutting tool rotates. Other common descriptions for this service are on-site or in-place machining. Field machining services include flange facing, pipe cutting, line boring, journal turning, drilling and milling. We provide customers technical bolting as a complementary service to field machining during plant shut downs or maintenance activities. These services involve the use of hydraulic or pneumatic equipment with industry standard bolt tightening techniques to achieve reliable and leak-free connections following plant maintenance or expansion projects. Additional services include bolt disassembly and hot bolting, which is a technique to remove and replace a bolt while in service and hot.

***Valve Repair Services.*** We perform on-site repairs to manual and control valves and pressure and safety relief valves as well as specialty valve actuator diagnostics and repair. We are certified and authorized to perform testing and repairs to pressure and safety relief valves by The National Board of Boiler and Pressure Vessel Inspectors. This certification requires specific procedures, testing and documentation to maintain the safe operation of these essential plant valves. We provide special transportable trailers to the plant site which contain specialty machines to

manufacture valve components without removing the valve from the piping system. In addition, we provide preventive maintenance programs for VOC specific valves and valve data management programs.

---

**Table of Contents**

***Heat Exchanger and Maintenance Services.*** We provide turnkey heat exchanger services that allow for blind to blind disassembly and re-assembly. Utilizing our expanding fleet of bundle extractors that allow us to pull and push the tube bundles, as well as field machining and bolting equipment, we can make complete repairs to minimize downtime by using one contractor. A complete service allows us to unbolt the exchanger heads and remove the tube bundle for inspection and repair. Team is certified by The National Board of Boiler and Pressure Vessel Inspectors to make welded code repairs when necessary to the many components that make up the assembly. Based on the inspection, the bundle tubes can be replaced or plugged. Assembly of the exchanger is documented by our rigid quality control process providing documented procedures and final as assembled bolted values.

***Isolation and Test Plug Services.*** We install isolation plugs to provide a mechanical block of flammable atmosphere to allow for pipe cutting and welding without having to purge the piping system. The plugs are mechanically expanded to seal on the inside pipe surface and provide a venting system to prevent pressure from building up in the piping system while the system is opened. Test plugs are used to verify the integrity of welded joints by providing sealing surfaces on both sides of the weld and pressuring the void cavity in between. The test plugs allow the customer to comply with American Society of Mechanical Engineers ( ASME ) hydrostatic test requirements for welded joints without having to pressurize the whole system which may result in shutdown of other systems or environmental issues with the test medium.

***Valve Insertion Services.*** We offer professional installation services for our patented InsertValve . The valve installs under pressure, eliminating the need for line shut downs in the event of planned or emergency valve cut-ins. Designed for a wide range of line sizes and types, the InsertValve wedge gate sits on the valve body, not the pipe bottom. This unique feature prevents the seat from coming into contact with the cut pipe edges to significantly extend valve life. If a repair is ever needed, it is the only valve on the market that can be repaired under pressure.

***Project Services.*** Our Project Services capabilities are a full project management solution provided to turnaround, new construction, routine maintenance and specialty welding projects. This integrated service offering brings all of Team s service capabilities to bear for the seamless planning, training and execution of these projects meeting the demands of the customer in a timely and safe manner.

**Quest Integrity Group:**

Quest Integrity offers integrity management solutions to the energy industry in the form of advanced quantitative inspection and engineering assessment services and products. Quest Integrity s advanced quantitative inspection services utilize proprietary non-destructive testing and examination (NDT/NDE) instrumentation to provide technology-enabled in-line inspections of fired heaters, piping systems and steam reformers, primarily to the process, pipeline and power industries. Additionally, Quest Integrity offers engineering assessment services enabled by proprietary software and a variety of analytical models. Effective July 1, 2013, Quest Integrity became a stand-alone reportable segment of Team.

Quest Integrity s major service offerings are described as follows:

***Furnace Tube Inspection System.*** Furnace Tube Inspection System ( FTIS ) in-line inspection service provides an untethered 360-degree 100% coverage ultrasonic inspection of the internal and external surfaces of serpentine coils of fired heaters, which are found in refineries. FTIS allows us to detect and quantify internal/external pipe/tube wall loss, deformation and fouling and thereby identify weak points in such heaters in order to provide customers with timely, actionable information to better manage their infrastructure.

***InVista*** . Our proprietary InVista in-line inspection service provides an untethered 360-degree 100% coverage ultrasonic inspection of the internal and external surfaces of pipelines that are considered unpiggable or too challenging to inspect by traditional inspection methods, due to a number of factors. InVista allows us to detect and quantify pipe/tube internal/external wall loss, deformation, pitting and fouling in such pipelines. Our InVista service also provides an integrated fitness-for-service report which forecasts remaining life of the pipeline and displays the information in a highly intuitive format, providing an integrated solution set for pipeline customers.

## **Table of Contents**

***Pipeline Integrity Management.*** We offer turn-key Pipeline Integrity Management ( PIM ) services, including project management, integrity engineering and integrity management development services, in-line inspection support, land surveying, and materials equipment selection and procurement. We offer these resources on an integrated basis with our InVista and HYDRA in-line inspection services and engineering assessment capabilities, or individually as applicable.

***Engineering Assessment Services.*** Using proprietary software and a variety of analytical models, we offer a variety of advanced engineering assessment services to customers in the process, power, pipeline, and petrochemical industries including fitness-for-service, computational mechanics, failure analysis, pipeline analysis, risk-based asset management, and materials consulting.

## **Acquisitions**

In July 2015, we acquired the Qualspec Group ( Qualspec ) for total cash consideration of \$255.0 million, which could be increased by \$10.0 million depending upon the operating results of Qualspec through the end of calendar year 2015. Qualspec is a leading provider of NDT services in the United States, with significant operations in the West Coast, Gulf Coast and Mid-Western areas of the country. The acquisition is expected to add about \$180.0 million of annual revenue to our operations and nearly 1,000 new employees to our human capital resources. The purchase of Qualspec was financed through borrowings under our new banking credit facility.

In June 2015, we purchased an advanced valve leader located in Long Beach, California, with a portfolio of projects from various sectors including oil and gas refining, pipelines and power generation for a total cash consideration of \$10.3 million. The agreement also includes earn-out consideration based upon the achievement of certain performance targets over a three year period for an additional amount of up to \$4.0 million.

In August 2014, we purchased a valve repair company in the U.K. for total consideration of \$3.1 million, net of cash acquired of \$0.2 million, including estimated contingent consideration of \$0.3 million. Our purchase price allocation resulted in \$2.1 million being allocated to fixed assets and net working capital and \$1.0 million being applied to goodwill and intangible assets.

In July 2013, we purchased a leading provider of industrial rope access services, for total consideration of approximately \$12.9 million including net working capital of \$1.3 million and \$11.6 million allocated to goodwill and intangible assets. We estimate \$9.2 million of the goodwill recognized to be deductible for tax purposes. The purchase price allocation included contingent consideration valued at \$1.9 million. The contingent consideration is based upon the achievement of operating earnings thresholds over a six year period for an amount of up to \$4.0 million.

In September 2012, we purchased TCI, a leading provider of inspection and repair services of above ground storage tanks. The TCI acquisition included total consideration of approximately \$23.2 million, including net working capital of \$4.1 million, \$2.6 million in fixed assets and \$16.4 million allocated to goodwill and intangible assets. We expect \$6.7 million of the goodwill recognized to be deductible for tax purposes. The purchase price included \$5.0 million of deferred consideration and \$1.9 million of contingent consideration which we revalued during the second quarter of fiscal year 2014, resulting in the recognition of a non-cash gain of \$2.1 million.

In August 2012, we also purchased a specialty remote digital video inspection company in New Zealand for approximately \$3.0 million in cash.

## **Marketing and Customers**



Our industrial services are marketed principally by personnel based at our service locations. We believe that these service locations are situated to facilitate timely responses to customer needs with on-call expertise, which is an important feature of selling and providing our services. Our array of integrated services also allows us to

## **Table of Contents**

benefit from the procurement trends of many of our customers who are seeking reductions in the number of contractors and vendors in their facilities. No single customer accounted for 10% or more of consolidated revenues during any of the last three fiscal years.

Generally, customers are billed on a time and materials basis, although some work may be performed pursuant to a fixed-price bid. Services are usually performed pursuant to purchase orders issued under written customer agreements. While most purchase orders provide for the performance of a single job, some provide for services to be performed on a run and maintain basis. Substantially all our agreements and contracts may be terminated by either party on short notice. The agreements generally specify the range of services to be performed and the hourly rates for labor. While many contracts cover specific plants or locations, we also enter into multiple-site regional or national contracts which cover multiple plants or locations.

## **Seasonality**

We experience some seasonal fluctuations. Historically, the refining industry has scheduled plant shutdowns (commonly referred to as turnarounds ) for the fall and spring seasons. The timing of large turnarounds can significantly impact our revenues.

## **Employees**

At May 31, 2015, we had approximately 4,800 employees in our worldwide operations. Our employees in the U.S. are predominantly not unionized. Most of our Canadian employees and certain employees outside of North America, primarily Europe, are unionized. There have been no employee work stoppages to date and we believe our relations with our employees and their representative organizations are good.

## **Regulation**

A significant portion of our business activities are subject to foreign, federal, state and local laws and regulations. These regulations are administered by various foreign, federal, state and local health and safety and environmental agencies and authorities, including the Occupational Safety and Health Administration of the U.S. Department of Labor and the EPA. Failure to comply with these laws and regulations may involve civil and criminal liability. From time to time, we are also subject to a wide range of reporting requirements, certifications and compliance as prescribed by various federal and state governmental agencies that include, but are not limited to, the EPA, the Nuclear Regulatory Commission, Chemical Safety Board, Department of Transportation and Federal Aviation Administration. Expenditures relating to such regulations are made in the normal course of our business and are neither material nor place us at any competitive disadvantage. We do not currently expect that compliance with such laws and regulations will require us to make material expenditures.

From time to time, during the operation of our environmental consulting and engineering services, the assets of which were sold in 1996, we handled small quantities of certain hazardous wastes or other substances generated by our customers. Under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (the Superfund Act ), the EPA is authorized to take administrative and judicial action to either cause parties who are responsible under the Superfund Act for cleaning up any unauthorized release of hazardous substances to do so, or to clean up such hazardous substances and to seek reimbursement of the costs thereof from the responsible parties, who are jointly and severally liable for such costs under the Superfund Act. The EPA may also bring suit for treble damages from responsible parties who unreasonably refuse to voluntarily participate in such a clean-up or funding thereof. Responsible parties include anyone who owns or operates the facility where the release occurred (either currently and/or at the time such hazardous substances were disposed of), or who by contract arranges for disposal,

treatment, transportation for disposal or treatment of a hazardous substance, or who accepts hazardous substances for transport to disposal or treatment facilities selected by such person from which there is a release. We believe that our risk of liability is minimized since our handling consisted solely of maintaining and storing small samples of materials for laboratory analysis that are classified as hazardous. Due to its prohibitive costs, we accordingly do not currently carry insurance to cover liabilities which we may incur under the Superfund Act or similar environmental statutes.

---

## **Table of Contents**

### **Intellectual Property**

We hold various patents, trademarks, trade secrets and licenses, which have not historically been material to our consolidated business operations. However, Quest Integrity has significant trade secrets and intellectual property pertaining to its in-line inspection tool technologies. This subsidiary was acquired in fiscal year 2011 and a significant amount of the purchase price was allocated to these intangible assets.

### **Competition**

In general, competition stems from a large number of other outside service contractors. More than 100 different competitors are currently active in our markets. We believe we have a competitive advantage over most service contractors due to the quality, training and experience of our technicians, our nationwide and increasingly international service capability, our broad range of services, and our technical support and manufacturing capabilities supporting the service network. However, there are other competitors that may offer a similar range of coverage or services and include, but are not limited to, Acuren Group, Inc., Furmanite Corporation, Guardian Compliance, Mistras Group, Inc. and T.D. Williamson, Inc.

### **Available Information**

As a public company, we are required to file periodic reports with the Securities and Exchange Commission (the SEC) within established deadlines. Any document we file with the SEC may be viewed or copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Additional information regarding the Public Reference Room can be obtained by calling the SEC at (800) SEC-0330. Our SEC filings are also available to the public through the SEC's website located at [www.sec.gov](http://www.sec.gov). Our internet website address is [www.teamindustrialservices.com](http://www.teamindustrialservices.com). Information contained on our website is not part of this report on Form 10-K. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, Proxy Statements and current reports on Form 8-K filed with (or furnished to) the SEC are available on our website, free of charge, as soon as reasonably practicable after we file or furnish such material. We also post our code of ethical conduct, our governance principles, our social responsibility policy and the charters of our Board of Directors (the Board) committees on our website. Our governance documents are available in print to any stockholder that submits a written request to Team, Inc., Attn: Corporate Secretary, 13131 Dairy Ashford, Suite 600, Sugar Land, Texas 77478.

### **ITEM 1A. RISK FACTORS**

Past financial performance is not necessarily a reliable indicator of future performance, and investors in our common stock should not use historical performance to anticipate results or future period trends. Investing in our common stock involves a high degree of risk. The risk factors described below should be carefully considered in addition to other information contained or incorporated by reference herein. We operate in a continually changing business environment and new risk factors emerge from time to time. We cannot predict such risk factors, nor can we assess the impact, if any, of such risk factors on our business or the extent to which any factors may cause actual results to differ materially from those projected. The following risks and uncertainties should be considered in evaluating our outlook of future Company performance.

*The economic environment may affect our customers' demand for our services.* Future economic uncertainty may reduce the availability of liquidity and credit and, in many cases, reduce demand for our customers' products. Disruption of the credit markets could also adversely affect our customers' ability to finance on-going maintenance and new projects, resulting in contract cancellations or suspensions, and project delays. An extended or deep recession

may result in plant closures or other contractions in our customer base. These factors may also adversely affect our ability to collect payment for work we have previously performed. Furthermore, our ability to expand our business could be limited if, in the future, we are unable to increase our credit capacity under favorable terms or at all. Such disruptions, should they occur, could materially impact our results of operations, financial position or cash flows.

---

**Table of Contents**

***Our revenues are heavily dependent on certain industries.*** Sales of our services are dependent on customers in certain industries, particularly the refining and petrochemical industries. As experienced in the past, and as expected to occur in the future, downturns characterized by diminished demand for services in these industries could have a material impact on our results of operations, financial position or cash flows. Certain of our customers have employees represented by unions and could be subject to temporary work stoppage which could impact our activity level.

***We sell our services in highly competitive markets, which places pressure on our profit margins and limits our ability to maintain or increase the market share of our services.*** Our competition generally stems from other outside service contractors, many of whom offer a similar range of services. Future economic uncertainty could generally reduce demand for industrial services and thus create a more competitive bidding environment for new and existing work. No assurances can be made that we will continue to maintain our pricing model and our profit margins or increase our market share.

***No assurances can be made that we will be successful in maintaining or renewing our contracts with our customers.*** A significant portion of our contracts and agreements with customers may be terminated by either party on short notice. Although we actively pursue the renewal of our contracts, we cannot assure that we will be able to renew these contracts or that the terms of the renewed contracts will be as favorable as the existing contracts. If we are unable to renew or replace these contracts, or if we renew on less favorable terms, we may suffer a material reduction in revenue and earnings.

***No assurances can be made that we will be successful in hiring or retaining members of a skilled technical workforce.*** We have a skilled technical workforce and an industry recognized technician training program for each of our service lines that prepares new employees as well as further trains our existing employees. The competition for these individuals is intense. The loss of the services of a number of these individuals, or failure to attract new employees, could adversely affect our ability to perform our obligations on our customers' projects or maintenance and consequently could negatively impact the demand for our products and services.

***Unsatisfactory safety performance can affect customer relationships, result in higher operating costs and negatively impact our ability to hire and retain a skilled technical workforce.*** Our workers are subject to the normal hazards associated with providing services at industrial facilities. Even with proper safety precautions, these hazards can lead to personal injury, loss of life, destruction of property, plant and equipment, lower employee morale and environmental damage. We are intensely focused on maintaining a strong safety environment and reducing the risk of accidents to the lowest possible level. Poor safety performance may limit or eliminate potential revenue streams from many of our largest customers and may materially increase our future insurance and other operating costs. Although we maintain insurance coverage, such coverage may be inadequate to protect us from all expenses related to these risks.

***The implementation of a new enterprise resource planning ( ERP ) system may disrupt the Company's operations or its system of internal controls.*** In the second quarter of fiscal year 2014, we initiated the design and implementation of a new ERP system, which is expected to be fully installed by the end of fiscal year 2017. As this system continues to be deployed throughout the Company, delays or difficulties may be encountered in effectively and efficiently processing transactions and conducting business operations until such time as personnel are familiar with all appropriate aspects and capabilities of the upgraded systems.

***The Company's operations and information systems are subject to cybersecurity risks.*** Team continues to increase its dependence on digital technologies to conduct its operations. Many of the Company's files are digitized and more employees are working in almost paperless and remote environments. We have also outsourced certain information

technology development, maintenance and support functions. As a result, the Company may be exposed to potentially severe cyber incidents at both its internal locations and outside vendor locations that could result in a theft of intellectual property and/or disruption of its operations for an extended period of time resulting in the loss of critical data and in higher costs to correct and remedy the effects of such incidents, although no such material incidents have occurred to date to the Company's knowledge.

---

**Table of Contents**

***Our operations and properties are subject to extensive governmental regulation under environmental laws.*** Environmental laws and regulations can impose substantial sanctions for violations or operational changes that may limit our services. We must conform our operations to applicable regulatory requirements and adapt to changes in such requirements in all locations in which we operate. These actions may increase the overall costs of providing our services. Some of our services involve handling or monitoring highly regulated materials, including VOCs or hazardous wastes. Environmental laws and regulations generally impose limitations and standards for regulated materials and require us to obtain permits and comply with various other requirements. The improper characterization, handling, disposal or monitoring of regulated materials or any other failure by us to comply with increasingly complex and strictly enforced federal, state and local environmental laws and regulations or associated environmental permits could subject us to the assessment of administrative, civil and criminal penalties, the imposition of investigatory or remedial obligations, or the issuance of injunctions that could restrict or prevent our ability to operate our business and complete contracted services. A defect in our services or faulty workmanship could result in an environmental liability if, as a result of the defect or faulty workmanship, a contaminate is released into the environment.

***We currently maintain liability insurance to limit any potential loss, but there can be no assurance that our insurance will fully protect us against a claim or loss.*** We perform services in hazardous environments on or around high-pressure, high temperature systems and our employees are exposed to a number of hazards, including exposure to hazardous materials, explosion hazards and fire hazards. Incidents that occur at these large industrial facilities or systems, regardless of fault, may be catastrophic and adversely impact our employees and third parties by causing serious personal injury, loss of life, damage to property or the environment, and interruption of operations. Our contracts typically require us to indemnify our customers for injury, damage or loss arising out of our presence at our customers' location, regardless of fault, or the performance of our services and provide for warranties for materials and workmanship. We may also be required to name the customer as an additional insured under our insurance policies. We maintain insurance coverage against these and other risks associated with our business. Due to the high cost of general liability coverage, we maintain insurance with a self-insured retention of \$3.0 million per occurrence. This insurance may not protect us against liability for certain events, including events involving pollution, product or professional liability, losses resulting from business interruption or acts of terrorism or damages from breach of contract by the Company. We cannot assure you that our insurance will be adequate in risk coverage or policy limits to cover all losses or liabilities that we may incur. Moreover, in the future, we cannot assure that we will be able to maintain insurance at levels of risk coverage or policy limits that we deem adequate. Any future damages caused by our products or services that are not covered by insurance or are in excess of policy limits could have a material adverse effect on our results of operations, financial position or cash flows.

***We are involved and are likely to continue to be involved in legal proceedings, which will increase our costs and, if adversely determined, could have a material effect on our results of operations, financial position or cash flows.*** We are currently a defendant in legal proceedings arising from the operation of our business and it is reasonable to expect that we will be named in future actions. Most of the legal proceedings against us arise out of the normal course of performing services at customer facilities, and include claims for workers' compensation, personal injury and property damage. Legal proceedings can be expensive to defend and can divert the attention of management and other personnel for significant periods of time, regardless of the ultimate outcome. An unsuccessful defense of a liability claim could have an adverse effect on our business, results of operations, financial position or cash flows.

***Economic, political and other risks associated with international operations could adversely affect our business.*** A portion of our operations are conducted and located outside the United States and, accordingly, our business is subject to risks associated with doing business internationally, including changes in foreign currency exchange rates, instability in political or economic conditions, difficulty in repatriating cash proceeds, differing employee relations, differing regulatory environments, trade protection measures, and difficulty in administering and enforcing corporate policies which may be different than the normal business practices of local cultures. In many foreign countries,



particularly in those with developing economies, it is common to engage in business

---

**Table of Contents**

practices that are prohibited by U.S. and foreign anti-corruption regulations applicable to us such as the U.S. Foreign Corrupt Practices Act and the United Kingdom Bribery Act. Our international business operations may include projects in countries where corruption is prevalent. Although we have, and continue to, implement policies and procedures designed to ensure compliance with these laws, there can be no assurance that all of our employees, contractors or agents, including those representing us in countries where practices which violate such anti-corruption laws may be customary, will not take actions in violation of our policies and procedures. Any violation of foreign or U.S. laws by our employees, contractors or agents, even if such violation is prohibited by our policies and procedures, could have a material adverse effect on our results of operations, financial position or cash flows.

***Our growth strategy entails risk for investors.*** We intend to continue to pursue acquisitions in, or complementary to, the specialty maintenance and construction services industry to complement and diversify our existing business. We may not be able to continue to expand our market presence through attractive acquisitions, and any future acquisitions may present unforeseen integration difficulties or costs. From time to time, we make acquisitions of other businesses that enhance our services or geographic scope. No assurances can be made that we will realize the cost savings, synergies or revenue enhancements that we may anticipate from any acquisition, or that we will realize such benefits within the time frame that we expect. If we are not able to address the challenges associated with acquisitions and successfully integrate acquired businesses, or if our integrated product and service offerings fail to achieve market acceptance, our business could be adversely affected. The consideration paid in connection with an acquisition may also affect our share price or future financial results depending on the structure of such consideration. To the extent we issue stock or other rights to purchase stock, including options or other rights, existing shareholders may be diluted and earnings per share may decrease. In addition, acquisitions may result in the incurrence of additional debt.

***The price of our outstanding securities may be volatile.*** It is possible that in some future quarter (or quarters) our revenues, operating results or other measures of financial performance will not meet the expectations of public stock market analysts or investors, which could cause the price of our outstanding securities to decline or be volatile. Historically, our quarterly and annual sales and operating results have fluctuated. We expect fluctuations to continue in the future. In addition to general economic and political conditions, the following factors may affect our sales and operating results: the timing of significant customer orders, the timing of planned maintenance projects at customer facilities, changes in competitive pricing, wide variations in profitability by product line, variations in operating expenses, rapid increases in raw material and labor costs, the timing of announcements or introductions of new products or services by us, our competitors or our respective customers, the acceptance of those services, our ability to adequately meet staffing requirements with qualified personnel, relative variations in manufacturing efficiencies and costs, and the relative strength or weakness of international markets. Since our quarterly and annual revenues and operating results vary, we believe that period-to-period comparisons are not necessarily meaningful and should not be relied upon as indicators of our future performance.

***Our business may be adversely impacted by work stoppages, staffing shortages and other labor matters.*** At May 31, 2015, we had approximately 4,800 employees, approximately 900 of whom were located in Canada and Europe where employees predominantly are represented by unions. Although we believe that our relations with our employees are good and we have had no strikes or work stoppages, no assurances can be made that we will not experience these and other types of conflicts with labor unions, works councils, other groups representing employees, or our employees in general, or that any future negotiations with our labor unions will not result in significant increases in the cost of labor.

***Climate change legislation or regulations restricting emissions of greenhouse gases could result in reduced demand for our services and products.*** Scientific studies have suggested that emissions of certain gases, commonly referred to as greenhouse gases may be contributing to warming of the earth's atmosphere. As a result, there have been a variety of regulatory developments, proposals or requirements and legislative initiatives that have been introduced in

the United States (and other parts of the world) that are focused on restricting the emission of carbon dioxide, methane and other greenhouse gases. The adoption and implementation of any regulations which impose limiting emissions of carbon dioxide and other greenhouse gases from customers for whom we provide repair and maintenance services could affect demand for our products and services.

## **Table of Contents**

***Interruptions in the proper functioning of our information systems could disrupt operations and cause increases in costs and/or decreases in revenues.*** The proper functioning of our information systems is critical to the successful operation of our business. Although our information systems are protected through physical and software safeguards, our information systems are still vulnerable to natural disasters, power losses, telecommunication failures and other problems. If critical information systems fail or are otherwise unavailable, our business operations could be adversely affected.

***New regulations related to conflict-free minerals may cause us to incur additional expenses.*** The SEC has established new annual disclosure and reporting requirements for those companies who use conflict minerals sourced from the Democratic Republic of Congo and adjoining countries in their products. These requirements could limit the pool of suppliers who can provide conflict-free minerals and as a result, we cannot ensure that we will be able to obtain these minerals at competitive prices. Compliance with these new requirements may also increase our costs. In addition, we may face challenges with our customers if we are unable to sufficiently verify the origins of the minerals used in our products.

***Other risk factors.*** Other risk factors may include interruption of our operations, or the operations of our customers due to fire, hurricanes, earthquakes, power loss, telecommunications failure, terrorist attacks, labor disruptions, health epidemics and other events beyond our control.

Any one of these factors, or a combination of these factors, could materially affect our future results of operations, financial position or cash flows and whether any forward-looking statements in this Form 10-K ultimately prove to be accurate.

## **ITEM 1B. UNRESOLVED STAFF COMMENTS**

NONE

## **ITEM 2. PROPERTIES**

We own several facilities used in our operations. Our 120,000 square foot facility in Alvin, Texas consists of our primary training facility, equipment center and ISO-9001 certified manufacturing facility for clamps, enclosures, and sealants. Additionally, we own a 39,000 square foot manufacturing facility in Houston, Texas. We also own offices for our branch service locations in the following areas:

Beaumont, Texas (27,000 ft<sup>2</sup>)

Pasadena, Texas (27,000 ft<sup>2</sup>)

Tulsa, Oklahoma (23,000 ft<sup>2</sup>)

Stafford, Texas (20,000 ft<sup>2</sup>)

Edmonton, Alberta (17,000 ft<sup>2</sup>)

Milwaukee, Wisconsin (10,000 ft<sup>2</sup>)

All other facilities used in our operations are provided through operating leases.

Included in assets held for sale is \$5.2 million pertaining to 50 acres of undeveloped land purchased in October 2007. The property was sold on July 29, 2015, for a sales price of \$5.3 million.

We believe that our property and equipment are adequate for our current needs, although additional investments are expected to be made in property and equipment for expansion, replacement of assets at the end of their useful lives and in connection with corporate development activities.

---

**Table of Contents**

**ITEM 3. LEGAL PROCEEDINGS**

*Con Ed Matter* We have, from time to time, provided temporary leak repair services for the steam operations of Consolidated Edison Company of New York ( Con Ed ) located in New York City. In July 2007, a Con Ed steam main located in midtown Manhattan ruptured causing one death and other injuries and property damage. As of May 31, 2015, ninety-two lawsuits are currently pending against Con Ed, the City of New York and Team in the Supreme Courts of New York located in Kings, New York and Bronx County, alleging that our temporary leak repair services may have contributed to the cause of the rupture. The lawsuits seek generally unspecified compensatory damages for personal injury, property damage and business interruption. Additionally, on March 31, 2008, we received a letter from Con Ed alleging that our contract with Con Ed requires us to indemnify and defend Con Ed for additional claims filed against Con Ed as a result of the rupture. Con Ed filed an action to join Team and the City of New York as defendants in all lawsuits filed against Con Ed that did not include Team and the City of New York as direct defendants. We are vigorously defending the lawsuits and Con Ed s claim for indemnification. We are unable to estimate the amount of liability to us, if any, associated with these lawsuits and the claim for indemnification. We maintain insurance coverage, subject to a deductible limit of \$250,000, which we believe should cover these claims. We have not accrued any liability in excess of the deductible limit for the lawsuits. We do not believe the ultimate outcome of these matters will have a material adverse effect on our financial position, results of operations or cash flows.

In December 2014, our subsidiary, Quest Integrity, filed three patent infringement lawsuits against three different defendants, two in the US District of Delaware ( Delaware Cases ) and one in US District of Western Washington ( Washington Case ). Quest Integrity alleges that the three defendants infringed Quest Integrity s patent, entitled 2D and 3D Display System and Method for Furnace Tube Inspection . This Quest Integrity patent generally teaches a system and method for displaying inspection data collected during the inspection of furnace tubes in petroleum and petro-chemical refineries. The subject patent litigation is specific to the visual display of the collected data and does not relate to Quest Integrity s underlying advanced inspection technology. In these lawsuits, Quest Integrity is seeking temporary and permanent injunctive relief, as well as monetary damages. Defendants have denied they infringe any valid claim of Quest Integrity s patent, and have asserted declaratory judgment counterclaims that the patent at issue is invalid and/or unenforceable, and not infringed. In June 2015, the US District of Delaware denied our motions for preliminary injunctive relief in the Delaware Cases (that is, our request that the defendants stop using our patented systems and methods during the pendency of the actions); the Delaware Cases are expected to proceed to trial on our claims during the second calendar quarter of 2016. The preliminary injunction hearing for the Washington Case is expected to occur in the first half of calendar 2016.

We are involved in various other lawsuits and are subject to various claims and proceedings encountered in the normal conduct of business. In our opinion, any uninsured losses that might arise from these lawsuits and proceedings will not have a materially adverse effect on our consolidated financial statements.

**ITEM 4. MINE SAFETY DISCLOSURES**

NOT APPLICABLE

**Table of Contents****PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****Market Information**

Our stock is traded on the NYSE under the symbol TISI. The table below reflects the high and low sales prices of our common stock by quarter for the fiscal years ended May 31, 2015 and 2014, respectively.

	Sales Price	
	High	Low
<b>2015</b>		
Quarter ended:		
August 31, 2014	\$ 43.53	\$ 36.09
November 30, 2014	\$ 44.36	\$ 35.18
February 28, 2015	\$ 41.42	\$ 35.44
May 31, 2015	\$ 41.22	\$ 35.60
<b>2014</b>		
Quarter ended:		
August 31, 2013	\$ 41.77	\$ 35.20
November 30, 2013	\$ 41.13	\$ 32.33
February 28, 2014	\$ 48.09	\$ 37.70
May 31, 2014	\$ 45.05	\$ 40.00

 **Holders**

There were 159 holders of record of our common stock as of July 29, 2015 excluding beneficial owners of stock held in street name.

**Dividends**

No cash dividends were declared or paid during the fiscal years ended May 31, 2015, 2014 and 2013. We are limited in our ability to pay cash dividends without the consent of our bank syndicate. Accordingly, we have no present intention to pay cash dividends in the foreseeable future. Additionally, any future dividend payments will continue to depend on our financial condition, market conditions and other matters deemed relevant by the Board.

**Securities Authorized for Issuance Under Equity Compensation Plans**

This information has been omitted from this report on Form 10-K as we intend to file such information in our definitive proxy statement no later than 120 days following the close of our fiscal year ended May 31, 2015. The information required regarding equity compensation plans is hereby incorporated by reference.

**Table of Contents**

**Performance Graph**

The following performance graph compares the performance of our common stock to the NYSE Composite Index and a Peer Group Index. The comparison assumes \$100 was invested on May 31, 2010 in our common stock, the NYSE Composite Index and a Peer Group Index. The values of each investment are based on share price appreciation, with reinvestment of all dividends, assuming any were paid. For each graph, the investments are assumed to have occurred at the beginning of each period presented. The following companies are included in our Peer Group Index used in the graph: Furmanite Corporation, Matrix Service Company, Englobal Corporation and Mistras Group, Inc.

**5/10 5/11 5/12 5/13 5/14 5/15**

Mr. Shisler owns (i) 18,561 shares of Common Stock and (ii) 5,000 options to purchase Common Stock, and, in each case, which were granted to him pursuant to the 2006 Plan. On February 8, 2012, the Standstill Agreement was entered into by the Reporting Persons. As a result of the Standstill Agreement, the BD Parties and Mr. Shisler may be deemed to be a group pursuant to Rule 13d 5(b)(1) promulgated under the Act. The BD Parties each disclaim beneficial ownership of any shares of Common Stock owned by Mr. Shisler, and Mr. Shisler disclaims beneficial ownership of any shares of Common Stock owned by any other Reporting Person.

As of the date hereof, no Reporting Person owns any shares of Common Stock other than those set forth in this Item 5.



(c) Transactions in the class of securities reported on that were effected during the past sixty days or since the most recent filing of Schedule 13D, whichever is less, by the Reporting Persons are described below:

<b>Transaction</b>	<b>Effecting</b>	<b>Shares</b>	<b>Shares</b>	<b>Price</b>	<b>Description</b>
<b>Date</b>	<b>Person(s)</b>	<b>Acquired</b>	<b>Disposed</b>	<b>Per Share</b>	<b>of Transaction</b>
02/14/2014	Becker Drapkin QP		5,165	\$4.9096 (1)	Open Market Transaction
02/14/2014	Becker Drapkin, L.P.		764	\$4.9096 (1)	Open Market Transaction
02/14/2014	BD Partners IV		2,671	\$4.9096 (1)	Open Market Transaction
03/07/2014	Becker Drapkin QP		750,769	\$7.9224 (2)	Open Market Transaction
03/07/2014	Becker Drapkin, L.P.		111,111	\$7.9224 (2)	Open Market Transaction
03/07/2014	BD Partners IV		388,267	\$7.9224 (2)	Open Market Transaction
03/07/2014	Becker Drapkin QP		386,007	\$7.4347 (2)	Open Market Transaction
03/07/2014	Becker Drapkin, L.P.		57,127	\$7.4347 (2)	Open Market Transaction
03/07/2014	BD Partners IV		199,627	\$7.4347 (2)	Open Market Transaction

(1) Excluding commission of \$0.04 per share.

(2) Excluding commission of \$0.02 per share.

(d) No person other than the Reporting Persons has the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the shares of Common Stock set forth above.

(e) As of March 7, 2014, the Reporting Persons cease to be the beneficial owners of more than five percent of the Common Stock.

#### Item 7. Material to be Filed as Exhibits

Item 7 of the Schedule 13D is hereby amended and restated in its entirety as follows:

The following exhibits are filed as exhibits hereto:

<b>Exhibit</b>	<b>Description of Exhibit</b>
24.1	Power of Attorney, dated November 20, 2013, signed by Steven R. Becker (incorporated by reference to Exhibit 24.1 to the Schedule 13D relating to the Common Stock of the Issuer filed on November 20, 2013 by the Reporting Persons with the SEC)
24.2	Power of Attorney, dated November 20, 2013, signed by Matthew A. Drapkin (incorporated by reference to Exhibit 24.2 to the Schedule 13D relating to the Common Stock of the Issuer filed on November 20, 2013 by the Reporting Persons with the SEC)
99.1	Joint Filing Agreement, dated August 9, 2012 (incorporated by reference to Exhibit 1 to the Schedule 13D relating to the Common Stock of the Issuer filed on August 9, 2012 by the Reporting Persons with the SEC)

- 99.2 Agreement, dated February 8, 2012, by and among Pixelworks, Inc.; Steven R. Becker; Matthew A. Drapkin; BC Advisors, LLC; Becker Drapkin Management, L.P.; Becker Drapkin Partners (QP), L.P.; Becker Drapkin Partners, L.P.; BD Partners IV, L.P. and Bradley Shisler (incorporated by reference to Exhibit 1 to the Schedule 13D relating to the Common Stock of the Issuer filed on February 10, 2012 by the Reporting Persons with the SEC)
- 99.3 Amendment No. 1 to Agreement, dated August 9, 2012, by and among Pixelworks, Inc.; Steven R. Becker; Matthew A. Drapkin, BC Advisors, LLC; Becker Drapkin Management, L.P.; Becker Drapkin Partners (QP), L.P., Becker Drapkin Partners, L.P.; BD Partners IV, L.P.; and Bradley Shisler.
- (incorporated by reference to Exhibit 1 to the Schedule 13D relating to the Common Stock of the Issuer filed on August 9, 2012 by the Reporting Persons with the SEC)
- 99.4 Form of Rule 10b5-1 Plan, dated February 13, 2014 (excluding Appendix A) (incorporated by reference to Exhibit 99.4 to the Schedule 13D relating to the Common Stock of the Issuer filed on February 13, 2014 by the Reporting Persons with the SEC)
- 99.5 Resignation Letter, dated March 7, 2014, by Steven R. Becker (included herewith)
- 99.6 Resignation Letter, dated March 7, 2014, by Bradley Shisler (included herewith)

**SIGNATURE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: March 7, 2014

**BECKER DRAPKIN MANAGEMENT, L.P.**

By: BC Advisors, LLC  
Its: General Partner

By: /s/ Ashley Sekimoto  
Name: Ashley Sekimoto  
Title: Attorney-in-Fact

**BECKER DRAPKIN PARTNERS (QP), L.P.**

By: Becker Drapkin Management, L.P.  
Its: General Partner

By: BC Advisors, LLC  
Its: General Partner

By: /s/ Ashley Sekimoto  
Name: Ashley Sekimoto  
Title: Attorney-in-Fact

**BECKER DRAPKIN PARTNERS, L.P.**

By: Becker Drapkin Management, L.P.  
Its: General Partner

By: BC Advisors, LLC  
Its: General Partner

By: /s/ Ashley Sekimoto  
Name: Ashley Sekimoto  
Title: Attorney-in-Fact

**BD PARTNERS IV, L.P.**

By: Becker Drapkin Management, L.P.  
Its: General Partner

By: BC Advisors, LLC  
Its: General Partner

By: /s/ Ashley Sekimoto  
Name: Ashley Sekimoto

Edgar Filing: TEAM INC - Form 10-K

Title: Attorney-in-Fact

**BC ADVISORS, LLC**

By: /s/ Ashley Sekimoto

Name: Ashley Sekimoto

Title: Attorney-in-Fact

**STEVEN R. BECKER**

/s/ Ashley Sekimoto

Name: Ashley Sekimoto

Title: Attorney-in-Fact

**MATTHEW A. DRAPKIN**

/s/ Ashley Sekimoto

Name: Ashley Sekimoto

Title: Attorney-in-Fact

**BRADLEY SHISLER**

/s/ Bradley Shisler

---

**EXHIBIT INDEX**

<b>Exhibit</b>	<b>Description of Exhibit</b>
24.1	Power of Attorney, dated November 20, 2013, signed by Steven R. Becker (incorporated by reference to Exhibit 24.1 to the Schedule 13D relating to the Common Stock of the Issuer filed on November 20, 2013 by the Reporting Persons with the SEC)
24.2	Power of Attorney, dated November 20, 2013, signed by Matthew A. Drapkin (incorporated by reference to Exhibit 24.2 to the Schedule 13D relating to the Common Stock of the Issuer filed on November 20, 2013 by the Reporting Persons with the SEC)
99.1	Joint Filing Agreement, dated August 9, 2012 (incorporated by reference to Exhibit 1 to the Schedule 13D relating to the Common Stock of the Issuer filed on August 9, 2012 by the Reporting Persons with the SEC)
99.2	Agreement, dated February 8, 2012, by and among Pixelworks, Inc.; Steven R. Becker; Matthew A. Drapkin; BC Advisors, LLC; Becker Drapkin Management, L.P.; Becker Drapkin Partners (QP), L.P.; Becker Drapkin Partners, L.P.; BD Partners IV, L.P. and Bradley Shisler (incorporated by reference to Exhibit 1 to the Schedule 13D relating to the Common Stock of the Issuer filed on February 10, 2012 by the Reporting Persons with the SEC)
99.3	Amendment No. 1 to Agreement, dated August 9, 2012, by and among Pixelworks, Inc.; Steven R. Becker; Matthew A. Drapkin, BC Advisors, LLC; Becker Drapkin Management, L.P.; Becker Drapkin Partners (QP), L.P., Becker Drapkin Partners, L.P.; BD Partners IV, L.P.; and Bradley Shisler.  (incorporated by reference to Exhibit 1 to the Schedule 13D relating to the Common Stock of the Issuer filed on August 9, 2012 by the Reporting Persons with the SEC)
99.4	Form of Rule 10b5-1 Plan, dated February 13, 2014 (excluding Appendix A) (incorporated by reference to Exhibit 99.4 to the Schedule 13D relating to the Common Stock of the Issuer filed on February 13, 2014 by the Reporting Persons with the SEC)
99.5	Resignation Letter, dated March 7, 2014, by Steven R. Becker (included herewith)
99.6	Resignation Letter, dated March 7, 2014, by Bradley Shisler (included herewith)