

TETRA TECHNOLOGIES INC
Form 11-K
June 28, 2018

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

FORM 11-K

(MARK ONE)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM ____ TO ____

Commission File No. 1-13455

A. Full title of the plan and address of the plan, if different from that of the issuer named below:

TETRA Technologies, Inc. 401(k) Retirement Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

TETRA Technologies, Inc.
24955 Interstate 45 North
The Woodlands, Texas 77380

TABLE OF CONTENTS

Report of Independent Registered Public Accounting Firm 2
Audited Financial Statements
Statements of Net Assets Available for Benefits at December 31, 2017 and 2016 3
Statement of Changes in Net Assets Available for Benefits for the Year Ended December 31, 2017 4
Notes to Financial Statements 5

Supplemental Schedule*
Schedule H, Line 4(i) – Schedule of Assets (Held at End of Year) 11

Other
schedules
required by
29 CFR
2520.103-10
of the
Department
of Labor's
Rules and
Regulations
for Reporting
and

*Note Disclosure
under the
Employee
Retirement
Income
Security Act
of 1974, as
amended,
have been
omitted
because they
are not
applicable.

Report of Independent Registered Public Accounting Firm

To the Plan Participants and the Plan Administrator of TETRA Technologies, Inc. 401(k) Retirement Plan

Opinion on the Financial Statements

We have audited the accompanying statements of net assets available for benefits of TETRA Technologies, Inc. 401(k) Retirement Plan (the Plan) as of December 31, 2017 and 2016, and the related statement of changes in net assets available for benefits for the year ended December 31, 2017, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2017 and 2016, and the changes in its net assets available for benefits for the year ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Plan’s management. Our responsibility is to express an opinion on the Plan’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Plan in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Plan’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Supplemental Schedule

The accompanying supplemental schedule of assets (held at the end of year) as of December 31, 2017 has been subjected to audit procedures performed in conjunction with the audit of the Plan’s financial statements. The information in the supplemental schedule is the responsibility of the Plan’s management. Our audit procedures included determining whether the information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule. In forming our opinion on the information, we evaluated whether such information, including its form and content, is presented in conformity with the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ Ernst & Young LLP

We have served as the Plan's auditor since 1990
Houston, Texas
June 28, 2018

2

TETRA Technologies, Inc. 401(k) Retirement Plan
Statements of Net Assets Available for Benefits

	December 31,	
	2017	2016
ASSETS		
Receivables:		
Notes receivable from participants	\$4,038,823	\$4,574,390
Investments, at fair value	132,093,813	119,507,251
Net assets available for benefits	\$136,132,636	\$124,081,641

See accompanying Notes to Financial Statements.

TETRA Technologies, Inc. 401(k) Retirement Plan
 Statement of Changes in Net Assets Available for Benefits
 Year Ended December 31, 2017

Additions:	
Employer contributions	\$699,407
Participant contributions	8,120,347
Rollover contributions	203,412
Interest and dividends	5,363,658
Interest income on notes receivable from participants	177,061
Net appreciation in fair value of investments	14,790,726
Total additions	29,354,611
Deductions:	
Benefits paid to participants	17,292,045
Administrative expenses	11,571
Total deductions	17,303,616
Net increase	12,050,995
Net assets available for benefits:	
Beginning of year	124,081,641
End of year	\$136,132,636

See accompanying Notes to Financial Statements.

TETRA Technologies, Inc. 401(k) Retirement Plan
Notes to Financial Statements
December 31, 2017

1. Description of Plan

The following description of the TETRA Technologies, Inc. 401(k) Retirement Plan, as amended and restated (the Plan) is provided for general information only. Participants should refer to the Plan Document and Summary Plan Description for a more complete description of the Plan's provisions, a copy of which is available from TETRA Technologies, Inc. (the Company or Plan Administrator).

General

The Plan, which initially became effective January 1, 1990, is a profit sharing plan as defined by Section 401(a) of the Internal Revenue Code of 1986, as amended (the IRC) and contains a provision for salary reduction contributions under Section 401(k) of the IRC. Effective January 1, 2016, the Plan and related Trust Agreement were amended and restated by adopting a volume submitter plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). The Company is the designated administrator of the Plan and the Plan is advised by the 401(k) Committee, which currently consists of certain employees of the Company. T. Rowe Price Trust Company (TRP or Trustee) is the trustee of the Plan.

Eligibility

Employees who have attained age 18 are eligible to participate in the Plan beginning on the first day of any calendar month coincident with or following completion of six months of service. However, the following employees or classes of employees are not eligible to participate: (i) employees who are non-resident aliens and who receive no earned income from the Company which constitutes income from sources within the United States; (ii) leased employees; and (iii) employees who are residents of Puerto Rico.

Contributions

The maximum elective contribution limit is 70% of eligible Plan compensation. Contributions for each participant are limited in any calendar year to annual "regular" and "catch-up" contribution limits as determined pursuant to the IRC. Unless the employee elects otherwise, 4% of each eligible employee's eligible Plan compensation is automatically contributed to the Plan on a pre-tax basis. The Plan provides an automated service which increases the employee's elective contribution rate by 2% at the same time each year until a 6% elective contribution rate has been reached. The 6% elective contribution rate is the amount needed to take advantage of the full Company match, if any. The employee is reminded annually before any such increase takes place and can elect to change the elective contribution rate at any time by contacting TRP. Employees have the option to elect a 0% elective contribution rate or to change their elective contribution rate in accordance with the Plan.

The Company may contribute an amount equal to a specified matching percentage of the participant's elective contribution. Beginning in May 2016, the Company suspended its matching contribution of participants' contributions, but reinstated the matching contribution beginning in August 2017. The Company made matching contributions of 50% of the first 6% of the participant's elective contributions per pay period from August 2017 to December 2017.

The Company may also, at the discretion of the Board of Directors, make a profit sharing contribution to the Plan at the end of each fiscal year. Such Company contribution would be allocated to Plan participants, who are employed on December 31 of such year, in the same ratio that each participant's eligible Plan compensation bears to the total

eligible Plan compensation of all participants. No profit sharing contribution was made for the 2017 Plan year.

Participants have the right to direct the investment of their contributions, including the Company's matching contributions and profit sharing, if any, into any of the investment options offered by the Plan. Participant contributions and Company contributions for which no participant investment direction is given are automatically allocated to age appropriate target date mutual funds. These target date mutual funds provide an asset allocation and investment strategy based on a future retirement date. If the contributions of a participant are automatically allocated to a target date mutual fund, the participant may elect to change such investments in accordance with the Plan.

Company Stock Fund

The Plan permits participants to invest in common stock of the Company through the Plan's Company Stock Fund. The Company Stock Fund may also hold cash or other short-term securities, although these are expected to be a small percentage of the fund.

The Plan limits the amount a participant can invest in the Company Stock Fund, to encourage diversification of participants' accounts. Each payroll period, a participant can direct up to a maximum of 50% of their contributions to the Company Stock Fund. In addition, a participant may not transfer amounts from other investment funds into the Company Stock Fund to the extent the transfer would result in more than 50% of the participant's total account balance being invested in the Company Stock Fund.

Vesting

Participants are immediately vested in their elective contributions, as adjusted for earnings and losses thereon. Vesting in the matching contribution and profit sharing contribution portions of their accounts, if any, as adjusted for earnings and losses thereon, is based on years of service. Participants are 25% vested after two years of service and vest an additional 25% each year thereafter, becoming 100% vested after five years of service. Upon a participant's death, disability or normal retirement, the participant becomes 100% vested in his or her entire account. Except as otherwise described herein, participants forfeit any non-vested matching contribution and profit sharing contribution portions of their accounts in the Plan upon termination of employment with the Company.

Benefit Payments and Forfeitures

Upon termination of employment for any reason, a participant's vested balance is payable in a lump sum or installments. Amounts which are forfeited by participants due to termination of employment are used as a credit against the Company's matching and profit sharing contributions, if any. During 2017, amounts forfeited by participants totaling \$563,209 were used as a credit against Company-paid matching contributions. Cumulative forfeitures relating to prior period activity and available to be applied against any future Company-paid matching contributions or profit sharing were approximately \$144,490 and \$489,311 as of December 31, 2017 and 2016, respectively.

Plan Amendment and Termination

The Company has the right under the Plan to amend or terminate the Plan, subject to applicable law. In the event of Plan termination, participants would become 100% vested in their accounts.

Participant Loans

Participants, during their time of employment, may borrow from their fund accounts a minimum of \$1,000, up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balances. Loan terms range from 1 to 5 years, or up to 15 years for the purchase of the participant's primary residence. The loans are secured by the balances in the participants' accounts and bear interest at rates established at the inception of the loan, set at one percentage point higher than the prime lending rate as posted in the Wall Street Journal (or similar financial publication). Principal and interest are paid ratably, generally through payroll deductions.

Administrative Expenses

Certain administrative expenses are paid by the Company.

2. Summary of Accounting Policies

Basis of Accounting

The accompanying financial statements of the Plan have been prepared using the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). Benefit payments to participants are recorded upon distribution.

6

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates that affect the amounts reported in the financial statements and accompanying notes and schedule. Actual results could differ from those estimates.

Notes Receivable from Participants

Notes receivable from participants represent participant loans that are recorded at their unpaid principal balance plus any accrued but unpaid interest. Interest income on notes receivable from participants is recorded when it is earned. Related fees are recorded as administrative expenses and are recorded when they are incurred. No allowance for credit losses has been recorded as of December 31, 2017 or 2016. If a participant ceases to make loan repayments and the plan administrator deems the participant loan to be a distribution, the participant loan balance is reduced and a benefit payment is recorded.

Investment Valuation and Income Recognition

The Plan's investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price).

Short term investments are valued at cost, which approximates fair value. Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date.

3. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible to the reporting entity at the measurement date for identical assets and liabilities.

Level 2 – Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- quoted prices for similar assets and liabilities in active markets;

- quoted prices for identical or similar assets or liabilities in markets that are not active;

- observable inputs other than quoted prices that are used in the valuation of the asset or liabilities (e.g., interest rate and yield curve quotes at commonly quoted intervals); and

- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Unobservable inputs for the asset or liability (i.e., supported by little or no market activity). Level 3 inputs include management's own assumption about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

The level in the fair value hierarchy within which the fair value measurement is classified is determined based on the lowest priority input that is significant to the fair value measure in its entirety.

The following tables set forth by level within the fair value hierarchy, the Plan's assets carried at fair value for the years ended December 31, 2017 and 2016:

Assets at Fair Value as of December 31,
2017

	Level 1	Level 2	Level 3	Total
TETRA Technologies, Inc. common stock	\$2,902,713	\$ —	—\$	—\$2,902,713
Mutual funds	122,199,136	—	—	122,199,136
	\$125,101,849	\$ —	—\$	—\$125,101,849
Investments measured at net asset value:				
Stable Value Fund (a)				6,991,964
Total assets at fair value				\$132,093,813

Assets at Fair Value as of December 31,
2016

	Level 1	Level 2	Level 3	Total
TETRA Technologies, Inc. common stock	\$2,667,828	\$ —	—\$	—\$2,667,828
Mutual funds	108,176,987	—	—	108,176,987
	\$110,844,815	\$ —	—\$	—\$110,844,815
Investments measured at net asset value:				
Stable Value Fund (a)				\$8,662,436
Total assets at fair value				\$119,507,251

(a) This category includes a common/collective trust fund that is designed to deliver safety and stability by preserving principal and accumulating earnings. This fund is primarily invested in guaranteed investment contracts and synthetic investment contracts. Participant-directed redemptions have no restrictions; however, the Plan is required to provide a one year redemption notice to liquidate its entire share in the fund. The fair value of this fund is based on the net asset value as reported by the issuer of the fund, which is determined based on the fair value of the underlying investment contracts in the fund.

The Plan's valuation methodology used to measure the fair values of Company stock and mutual funds were derived from quoted market prices, as these instruments have active markets. Common collective trust funds are measured at net asset value as determined by the issuer. The net asset value is used as a practical expedient to estimate fair value.

4. Income Tax Status

The underlying volume submitter plan has received an advisory letter from the Internal Revenue Service (IRS) dated March 31, 2014, stating that the form of the Plan is qualified under Section 401(a) of the IRC, and therefore, the related trust is tax exempt. The Plan Administrator has determined that it is eligible to and has chosen to rely on the current IRS advisory letter. Once qualified, the Plan is required to operate in conformity with the IRC to maintain its qualification. The Plan Administrator believes the Plan is being operated in compliance with the applicable requirements of the IRC and, therefore, believes the Plan is qualified and the related trust is tax-exempt.

U.S. generally accepted accounting principles require plan management to evaluate uncertain tax positions taken by the Plan. The financial statement effects of a tax position are recognized when the position is more likely than not, based on the technical merits, to be sustained upon examination by the IRS. The Plan Administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2017, there are no uncertain positions taken or expected to be taken. The Plan has recognized no interest or penalties related to uncertain tax positions. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any tax periods.

5. Reconciliation of the Financial Statements to the Form 5500

The following is a reconciliation of the net assets available for benefits and the changes in net assets available for benefits per the financial statements at December 31, 2017 to the Form 5500:

	December 31, 2017
Net assets available for benefits per the financial statements	\$ 136,132,636
Participant loans reduced by deemed distributions	(58,912)
Net assets available for benefits per the Form 5500	\$ 136,073,724

The following is a reconciliation of benefits paid to participants and deemed distributions of participant loans per the financial statements for the year ended December 31, 2017 to Form 5500:

	December 31, 2017
Benefits paid to participants per the financial statements	\$ 17,292,045
Deemed distributions of participants	58,912
Benefits paid to participants per the Form 5500	\$ 17,350,957

The following is a reconciliation of the net increase in net assets available for benefits per the financial statements to the net income per the Form 5500:

	December 31, 2017
Net increase in net assets available for benefits per the financial statements	\$ 12,050,995
Deemed distributions of participants	(58,912)
Net income per Form 5500	\$ 11,992,083

6. Risks and Uncertainties

The Plan provides for investments in various investment securities, that in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits and participant account balances.

7. Related Party Transactions

Certain investments of the Plan are managed by T. Rowe Price Trust Company, the Trustee of the Plan, and therefore, these transactions qualify as party-in-interest transactions. The Plan also invests in shares of the Company's common stock and these transactions also qualify as party-in-interest transactions. All of these transactions are exempt from the prohibited transactions rules.

Supplemental Schedule

10

Edgar Filing: TETRA TECHNOLOGIES INC - Form 11-K

TETRA Technologies, Inc. 401(k) Retirement Plan
 Schedule H, Line 4(i) – Schedule of Assets (Held at End of Year)
 EIN: 74-2148293 PN: 001
 December 31, 2017

Identity of Issue, Borrower, Lessor, or Similar Party	Description of Investment	Current Value
*T. Rowe Price	Retirement 2025 Fund	\$15,579,427
*T. Rowe Price	Retirement 2030 Fund	11,913,095
*T. Rowe Price	Retirement 2035 Fund	11,604,281
*T. Rowe Price	Retirement 2020 Fund	10,877,883
*T. Rowe Price	Retirement 2040 Fund	10,853,586
*T. Rowe Price	Retirement 2045 Fund	7,987,867
LM Clearbridge	Large Cap Value Fund	7,457,285
*T. Rowe Price	TRP Growth Stock Fund	7,005,597
*T. Rowe Price	TRP Stable Value Fund	6,991,964
*T. Rowe Price	Retirement 2050 Fund	5,677,652
Vanguard	Interm Bond Index Inv	5,540,178
*Participant loans	Loans with various maturities and interest rates ranging from 4.25% to 10.50% per annum	4,038,823
*T. Rowe Price	Retirement 2015 Fund	3,426,396
Carillon	Eagle Mid Cap Growth	3,236,885
*TETRA Technologies, Inc.	TETRA Technologies, Inc. common stock	2,902,713
American Funds	EuroPacific Growth Fund	2,594,756
*T. Rowe Price	Retirement 2055 Fund	2,564,839
Dreyfus	Mid Cap Value Fund	2,368,306
Vanguard	Selected Value Fund	1,858,737
*T. Rowe Price	QM U.S. Small-Cap Growth Equity Fund	1,439,927
UBVLX	Undiscovered Managers Behavioral Value L	1,412,260
PIMCO	Income Inst	1,399,480
*T. Rowe Price	Retirement 2010 Fund	1,290,677
MFS	International Value	1,246,655
Vanguard	Growth Index Fund	1,146,913
Vanguard	Value Index, Inv	831,327
Matthews	Asia Dividend Fund	716,467
Vanguard	Small Cap Index, Inv	654,552
Vanguard	Mid-Cap Index	551,381
*T. Rowe Price	Retirement 2060 Fund	273,136
*T. Rowe Price	TRP Retire Bal Inv	230,140
MFS	Aggressive Growth Allocation	189,618
Vanguard	Developed Markets Index Investor	94,996
PIMCO	Short-Term Inst	64,941
MFS	Growth Allocation	43,874
MFS	Conservative Allocation	22,869
*T. Rowe Price	Retirement 2005 Fund	22,634
Vanguard	Short term Inv	20,146

MFS

Moderate Allocation

373

\$136,132,636

* Party-in-interest

11

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

TETRA Technologies, Inc. 401(k)
Retirement Plan

By: /s/Stuart M. Brightman
Stuart M. Brightman
Chief Executive Officer
TETRA Technologies, Inc.

Date: June 28, 2018

EXHIBIT INDEX

EXHIBIT NO. DESCRIPTION

23.1 Consent of Independent Registered Public Accounting Firm

13