

TEAM INC
Form DEF 14A
August 28, 2006

Schedule 14A Information

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement Confidential, for Use of the Commission Only
(as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement 2006 Annual Meeting of Shareholders
- Definitive Additional Materials
- Soliciting Material Pursuant to § 240.14a-11(c) or § 240.14a-12

TEAM, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required
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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

TEAM, INC.

200 Hermann Drive

Alvin, Texas 77511

(281) 331-6154

Notice of 2006 Annual Meeting of Shareholders

To Be Held on Thursday, September 28, 2006

To the Shareholders of Team, Inc.:

The 2006 Annual Meeting of Shareholders of Team, Inc. (the Company) will be held on Thursday, September 28, 2006 at 3:00 p.m. at the Company's offices, 200 Hermann Drive, Alvin, Texas 77511 for the following purposes:

1. To elect three persons to serve as Class II Directors to hold office until the 2009 Annual Meeting of Shareholders.
2. To approve the Team, Inc. 2006 Stock Incentive Plan.
3. To transact such other business as may properly come before the meeting and all adjournments thereof.

Further information regarding the meeting and the above proposals is set forth in the accompanying Proxy Statement. The Board of Directors has fixed the close of business on August 17, 2006 as the record date for determination of shareholders who are entitled to notice of and to vote either in person or by proxy at the 2006 Annual Meeting of Shareholders and any adjournment thereof.

All shareholders are cordially invited to attend the meeting in person. Even if you plan to attend the meeting, YOU ARE REQUESTED TO SIGN, DATE AND RETURN THE ACCOMPANYING PROXY AS SOON AS POSSIBLE.

By Order of the Board of Directors

Philip J. Hawk

Chairman of the Board of Directors

and Chief Executive Officer

August 25, 2006

YOUR VOTE IS IMPORTANT.

PLEASE SIGN, DATE AND RETURN THE ACCOMPANYING PROXY CARD PROMPTLY.

TEAM, INC.

200 Hermann Drive

Alvin, Texas 77511

(281) 331-6154

PROXY STATEMENT

GENERAL

This Proxy Statement and the accompanying proxy card are furnished in connection with the solicitation of proxies by the Board of Directors of Team, Inc., a Texas corporation (the Company), for use at the 2006 Annual Meeting of Shareholders and at any adjournment thereof (such meeting or adjournment(s) thereof referred to as the 2006 Annual Meeting), to be held at the time and place and for the purposes set forth in the accompanying Notice of 2006 Annual Meeting of Shareholders. This Proxy Statement and accompanying proxy card are being mailed to shareholders beginning on August 28, 2006.

The Company will bear the costs of soliciting proxies in the accompanying form. In addition to the solicitation made hereby, proxies may also be solicited by telephone, telegram or personal interview by officers and employees of the Company. The Company will reimburse brokers or other persons holding stock in their names or in the names of their nominees for their reasonable expenses in forwarding proxy material to beneficial owners of stock.

All duly executed proxies received prior to the 2006 Annual Meeting will be voted in accordance with the choices specified thereon, unless revoked as described below. As to any matter for which no choice has been specified in a proxy, the shares represented thereby will be voted by the persons named in the proxy: FOR the election of the three nominees named herein for Class II Directors to hold office until the 2009 Annual Meeting of Shareholders; FOR approval of the Team, Inc. 2006 Stock Incentive Plan; and in the discretion of such person in connection with any other business that may properly come before the meeting. Shareholders may revoke their proxy at any time prior to the exercise thereof by (i) written notice to Mr. Gregory T. Sangalis of the Company at the above address of the Company, (ii) the execution and delivery of a later dated proxy or (iii) voting in person at the 2006 Annual Meeting. However, a proxy will not be revoked simply by attending the 2006 Annual Meeting and not voting. Proxy cards that are not signed or that are not returned have no effect for any purpose.

VOTING SECURITIES

As of the close of business on August 17, 2006, the record date for determining shareholders entitled to vote at the 2006 Annual Meeting, the Company had 8,661,968 shares of common stock, \$0.30 par value per share (Common Stock), outstanding and entitled to vote. Each share of Common Stock is entitled to one vote with respect to each matter to be acted upon at the 2006 Annual Meeting. The holders of a majority of the total shares of Common Stock of the Company issued and outstanding as of August 17, 2006, whether present in person or represented by proxy, will constitute a quorum for the transaction of business at the meeting. Any abstentions, and any withholds in the election of directors, are counted for purposes of determining the presence or absence of a quorum while broker non-votes are not counted. Additionally, abstentions and/or withholds are counted as shares at the meeting in tabulations of the votes cast on proposals presented to shareholders, whereas broker non-votes are not counted as shares at the meeting for purposes of determining whether a proposal has been approved.

PROPOSAL ONE ELECTION OF DIRECTORS

General

The Company's Restated Articles of Incorporation and Bylaws provide that the Company's Board of Directors will consist of not less than six nor more than nine persons, the exact number to be fixed from time-to-time by the Board of Directors. The Board of Directors has fixed the current number of Directors at seven. The Company's directors are divided into three classes designated as Class I, Class II and Class III. Each class consists, as nearly as possible, of one-third of the total number of directors constituting the entire Board of Directors. The Class I directors serve for a term expiring at the 2008 annual meeting of shareholder, Class II directors serve for a term expiring at the 2006 Annual Meeting and the Class III directors serve for a term expiring at the 2007 annual meeting of shareholders. At each annual meeting of shareholders successors to the class of directors whose term expires at that annual meeting shall be elected for a term expiring at the third succeeding annual meeting. Each director holds office until the annual meeting for the year in which his term expires and until his successor has been elected and qualified.

The Board of Directors has nominated three persons for election as Class II Directors to serve a three-year term expiring on the date of the Company's 2009 Annual Meeting of Shareholders, and until their successors are duly elected and qualified. Messrs. Jack M. Johnson, Jr., Vincent D. Foster and Robert A. Peiser have been nominated by the Board of Directors to stand for election as such Class II Directors.

On August 14, 2006, the Board of Directors unanimously voted to reduce the size of the Company's Board of Directors from eight to seven members in light of the earlier resignation of Mr. E. Patrick Manuel from the Board of Directors. Mr. E. Theodore Laborde has indicated that he will not stand for re-election to the Board as a Class II Director at the 2006 Annual Meeting. Accordingly, the Board nominated Mr. Peiser to join the Class II Director slate together with the incumbent Class II Directors Messrs. Johnson and Foster.

Directors are elected by a plurality of votes cast at the 2006 Annual Meeting. Shareholders may not cumulate their votes for the election of directors. Unless contrary instructions are set forth in the proxies, the persons with full power of attorney to act as proxies at the 2006 Annual Meeting will vote all shares represented by such proxies for the election of the nominees named therein as directors. Should any of the nominees become unable or unwilling to accept nomination or election, it is intended that the persons acting under the proxy will vote for the election, in the nominee's stead, of such other persons as the Board of Directors of the Company may recommend. The Company's management has no reason to believe that any of the nominees will be unable or unwilling to stand for election or to serve if elected.

Nominees

The Board of Directors unanimously recommends a vote FOR the election of the nominees listed below.

Set forth below is certain information as of August 17, 2006 concerning the nominees for election at the 2006 Annual Meeting as Class II directors, including the business experience of each nominee for at least the past five years:

<u>Name</u>	<u>Age</u>	Present Position	Director
		With the Company	Since

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Jack M. Johnson, Jr.	68	Director	1992
Vincent D. Foster	49	Director	2005
Robert A. Peiser	58	Director	N/A

Mr. Johnson has been Managing General Partner of Wintermann & Company, a partnership that manages approximately 25,000 acres of real estate in Texas used in farming, ranching and oil and gas exploration activities, for more than the past five years. Mr. Johnson is also President of Winco Agriproducts, an agricultural

products company that primarily processes rice for seed and commercial sale. Mr. Johnson is also a director of Security State Bank in Anahuac, Texas.

Mr. Foster is a Founding Member and Senior Managing Director of Main Street Capital Partners, a licensed Small Business Investment Company, that currently manages a \$100 million fund. The fund is the third in a series of funds co-founded by Mr. Foster since 1997. Prior to founding Main Street Partners, he spent 19 years with Arthur Andersen where he was a partner. He is a CPA and serves on the boards of three other publicly traded corporations. Mr. Foster serves as non-executive Chairman of the Board of Directors of U.S. Concrete, Inc., a Director of Quanta Services, Inc. and a Director of Carriage Services, Inc. where he also serves as the Chairman of the Audit Committee.

Mr. Peiser is the President and CEO of Imperial Sugar Company, a publicly traded refiner and marketer of sugar products. He has been in that position since April 2002 and also serves on its Board of Directors. From 1999 until joining Imperial Sugar, Mr. Peiser was the Chairman and CEO of Vitality Beverages, Inc., a privately owned beverage packaging and distribution company based in Tampa, Florida. Currently, in addition to serving on Imperial Sugar Company's Board of Directors, he is a member of the Board of Directors and serves on the Audit and Compensation Committees of AVSC Corp., a privately held audio-visual services company.

Directors Continuing in Office

Set forth below is certain information concerning the four directors continuing in office until the expiration of their respective terms, including the business experience of each director for at least the past five years:

Name	Age	Present Position	Director		Expiration of
		With the Company	Since	Class	Present Term
Philip J. Hawk	52	Chairman & CEO	1998	Class I	2008
Louis A. Waters	68	Director	1998	Class I	2008
Sidney B. Williams	72	Director	1973	Class III	2007
Emmett J. Lescroart	55	Director	2004	Class III	2007

Mr. Hawk was appointed Chairman of the Board and Chief Executive Officer of the Company in November 1998. Mr. Hawk is also a director of NCI Building Systems, Inc.

Mr. Waters presently manages personal investments. He is also the Chief Executive Officer of Simdesk Technologies, Inc., a privately held software company. He retired in March 2002 as Chairman of the Board of Tyler Technologies, Inc. (Tyler), a New York Stock Exchange listed company. Tyler's principal business is providing information management services to local governments. Mr. Waters was elected to Tyler's Board of Directors in August 1997 and elected Chairman of the Board in October 1997.

Mr. Williams is the sole shareholder of a professional corporation which is a partner in the law firm of Chamberlain, Hrdlicka, White, Williams & Martin in Houston, Texas. He has been a partner in that firm for more than the past five years.

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Mr. Lescroart is a Managing Director of Chapman Associates, a private investment banking firm. He is also an independent private investor managing his personal investments and has done this since 1996. He owned and operated EJM Capital, LLC, a private investment banking firm before joining Chapman Associates in 2005. For twenty years prior to 1996, he was employed with Cooperheat Company in positions of increased responsibility and authority, becoming chief executive officer in 1983 and remaining in that position until resigning in 1996 to pursue his personal investments business. In August 2004, certain of the assets of a successor to the Cooperheat entity were acquired by the Company.

Meetings and Committees of the Board

The Board of Directors held eight meetings during the fiscal year ended May 31, 2006. No director attended fewer than 75% of the meetings held during the period for which he served as a member of the Board and the Committees on which he served except for Mr. Waters who attended five of the eight Board meetings and six of nine Audit Committee meetings and Mr. Manuel who, prior to his resignation from the Board, missed the first two meetings of the Compensation Committee during fiscal year 2006. The Company does not have a formal policy regarding director attendance at annual meetings of shareholders, however, it does encourage all directors to attend all meetings of shareholders. Except for Mr. Waters, all directors were in attendance at the 2005 Annual Meeting of the Shareholders.

The Board of Directors has an Executive Committee, an Audit Committee, a Compensation Committee, and a Corporate Governance and Nominating Committee. The Executive Committee is composed of Messrs. Hawk, Williams and Waters. The Executive Committee is responsible for assisting with the general management of the business and affairs of the Company as needed during intervals between meetings of the Board of Directors. The Executive Committee did not formally meet during fiscal 2006.

Audit Committee

The Audit Committee, which met nine times during fiscal 2006, is charged with the duties of recommending the appointment of the independent certified public accountants; reviewing their fees; ensuring that proper guidelines are established for the dissemination of financial information to the Company's shareholders; meeting periodically with the independent certified public accountants, the Board of Directors and certain officers of the Company and its subsidiaries to ensure the adequacy of internal controls and reporting; reviewing consolidated financial statements; and performing any other duties or functions deemed appropriate by the Board. The Board of Directors has adopted a written charter for the Audit Committee. The Board has determined that Vincent D. Foster and Louis A. Waters are audit committee financial experts within the meaning of SEC regulations. In addition, the Board of Directors has determined that each member of the Audit Committee is independent, as independence is defined in Section 121A of the listing standards for the American Stock Exchange. The Audit Committee is established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended. Mr. Foster is Chairman of the Audit Committee and serves with Messrs. Waters, Laborde, and Johnson.

Compensation Committee

The Compensation Committee, which met four times during fiscal 2006, reviews management performance and makes recommendations to the Board of Directors concerning management compensation and other employment benefits. Mr. Johnson is the Chairman of the Compensation Committee and serves with Messrs. Williams and Lescroart.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee, which met twice during fiscal 2006 and twice during June 2006 relating to fiscal year end matters, is charged with recommending director nominees to the Board of Directors; evaluating the contribution and performance of members and committees of the Board; developing appropriate corporate governance principles for the Company; and ensuring the processes of the Board are sufficient and consistent with its oversight role of the Company. Each member of the Corporate Governance and Nominating Committee is independent, as that term is defined in Section 121A of the American Stock Exchange listing standards. The Board of Directors has adopted a written charter for the committee and a copy of the committee's charter is posted on the Company's website at www.teamindustrialservices.com on the Investors page under Governance. Mr. Williams is Chairman of the Corporate Governance and

Nominating Committee and serves with Mr. Waters.

The Corporate Governance and Nominating Committee will consider director nominees who the committee believes have demonstrated a high level of personal and professional integrity and exceptional ability and judgment. The committee will examine whether a director nominee is likely to be effective, in conjunction with other nominees and the continuing directors, in serving the long-term interest of the Company's shareholders. The committee will also examine other qualifications of a director nominee, including experience in formulating policy in areas relevant to the Company's activities as well as skills and business experience that complement the other directors on the Board.

The Corporate Governance and Nominating Committee and Board of Directors will consider nominees for the Board of Directors that are recommended by any shareholder entitled to vote for the election of directors. A nominating shareholder must submit any recommendation in writing to the Corporate Governance and Nominating Committee, c/o the Company's Secretary, 200 Hermann Drive, Alvin, Texas 77511, by May 31 each year for consideration for the next annual meeting of shareholders. Such recommendation must be accompanied by a description of each nominee's qualifications, experience and background, as well as a statement signed by each such nominee consenting to being nominated and, if elected, to serving as director. The committee evaluates nominees recommended by shareholders in the same manner it does other nominees, as described above. The Chairman of the Board recommended Mr. Peiser for consideration as a director nominee to the Corporate Governance and Nominating Committee. The committee considered several candidates and interviewed three candidates before nominating and recommending the election of Mr. Peiser to the Board.

Audit Committee Report

The Audit Committee consists of the four members of the Company's Board of Directors identified above. Each committee member is independent, as that term is defined in Section 121A of the American Stock Exchange listing standards. The duties and responsibilities of the Audit Committee are set forth in a written charter adopted by the Board of Directors.

The Audit Committee has reviewed and discussed the audited financial statements for the fiscal year ended May 31, 2006 with management and has discussed with KPMG LLP, the independent auditors for the Company, the matters required to be discussed by Statement on Accounting Standards (SAS) No. 61, *Communication with Audit Committees*, as amended by SAS No. 90, *Audit Committee Communications*.

The Audit Committee has also received the written disclosures and the letter from the independent accountants required by Independence Standards Board Standard No. 1 (Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees), and has discussed the auditors' independence with KPMG.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2006 filed with the Securities and Exchange Commission.

Vincent D. Foster, Chairman

Jack M. Johnson, Jr.

E. Theodore Laborde

Louis A. Waters

Compensation Committee Report

Pursuant to rules adopted by the Securities and Exchange Commission, the Compensation Committee (the Committee) of the Board of Directors, which is composed entirely of non-employee directors, has furnished the following report on executive compensation:

The Committee's major responsibilities include, but are not limited to, the following:

1. Reviewing the Company's major compensation and benefit practices, policies and programs with respect to executive officers;
2. Reviewing executive officers' salaries and bonuses; and
3. Administering Company stock option plans.

The Committee is authorized to act on behalf of the Board on all issues pertaining to the compensation of, and the grant of options to, the executive officers. However, it is the practice of the Committee to fully review its activities and recommendations with the full Board.

Compensation Philosophy

The Committee's compensation philosophy operates on several levels. First, the Committee must ensure that the compensation is competitive to attract and retain highly qualified executives. To facilitate the first objective, the Committee, as a rule, considers various compensation surveys and proxy statement compensation information for companies of comparable size and complexity to the Company and with whom the Company competes for talent. Second, to motivate its executives, the Committee links executive pay levels to the Company's performance through the grant of options pursuant to the Company's stock option programs. Third, the Committee endeavors to reward outstanding individual contributions to the Company and to set compensation at levels that reflect each executive officer's individual contribution towards the Company's goals through its bonus and equity based incentives. The Committee endeavors to support the Company's commitment to generating increases in shareholder value. The compensation and related programs are designed to reward and motivate executives for the accomplishment of the Company's commitment to its shareholders.

Assessment and Oversight of Executive Compensation

In carrying out its duties during fiscal 2006, the Committee requested and received from the Company's management a detailed compensation tally sheet for each of the Company's senior executives. These tally sheets included all components of compensation (including salaries, annual bonuses, stock options, restricted stock, other perquisites, retirement programs, and severance programs) for each of the last three fiscal years.

In addition, the Committee retained a nationally recognized compensation consulting firm to (i) review the overall executive compensation program, (ii) make recommendations regarding the overall compensation framework, and (iii) assess compensation guidelines vis-a-vis peer companies.

The consulting firm's study confirmed the appropriateness of the Company's overall compensation philosophy and major program elements. Currently, the major elements of the Company's executive compensation program are base salary, annual cash bonus opportunity, stock option grants, and other benefits (401K program, medical benefits, life and disability insurance). Other than a car allowance or company car, all other perquisites or benefits available to the Company's senior executives are the same as those available to all Company employees. The exception to

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the above statement is Mr. Hawk, the Company's Chief Executive Officer, who currently has an employment agreement with the Company that (i) sets future stock option award levels, (ii) provides certain severance payments in the event of his involuntary termination and (iii) includes non-compete provisions. Mr. Hawk's current agreement expires in January 2008.

While the Committee is satisfied with the overall structure and direction of the compensation program, the consultant's study identified several refinements that could be made to the program. The Committee intends to implement refinements in the program over the next year to address these specific areas.

Regarding salary levels, the Committee believes that levels should generally be targeted at the median level for the competitive market. The adjustments to fiscal 2007 salary levels for the officers reflect in part the feedback from the study.

Regarding annual cash bonuses, the Committee believes that overall levels should be consistent with the overall performance of the Company. Historically, including fiscal 2006, the Company has had a discretionary bonus plan for senior executives. The Chief Executive Officer provided the Committee with specific bonus recommendations for each officer as well as a proposed total bonus pool for all Company employees. The Committee assessed the bonus recommendations for all officers and determined the appropriate bonus recommendation for the Chief Executive Officer in view of overall Company performance, individual performance, and the resulting size of the overall bonus pool relative to Company earnings. For fiscal 2006, the total expenses related to annual incentive bonuses for all employees including officers was approximately 17% of total Company earnings before interest and taxes but after the bonus accrual. Going forward, the Committee intends to establish a more structured annual bonus program establishing target bonuses and required Company performance levels to achieve the target for each key position. Similar to historical practice, the Committee intends to limit the total incentive compensation expense to a maximum share of total earnings.

Regarding long-term incentives, the Committee has determined that the use of stock options is the appropriate vehicle for the Company. The Committee explored the greater use of restricted stock and other approaches, but concluded that stock options provide the appropriate incentive that is fully aligned with shareholders to continue to increase the value of the Company. The Committee and the Board are recommending that shareholders approve an omnibus equity incentive plan that allows the Committee greater flexibility in the structure of specific awards. Going forward, the Committee intends to emphasize non-qualified stock options. The Committee has announced that it intends to maintain an average annual maximum burn rate (annual stock option awards as percentage of total outstanding shares) of approximately three percent.

Unlike many other companies its size, the Company offers no other executive perquisites other than a car allowance. The Company does not provide supplemental executive retirement plans (SERP), deferred compensation programs, special allowances, special medical or insurance plans. While committed to maintaining a competitive overall program, the Committee prefers this streamlined approach with minimal special executive benefits. The Committee is considering the consulting firm's recommendations that the Company establish a fixed vacation allowance for all officers regardless of tenure and establishes a formal severance policy for executive officers in the event of their involuntary termination with or without a change of control event.

Fiscal 2006 Compensation Decisions

In determining fiscal 2006 awards, the Committee recognized the expansion of the Company's business that was achieved during the year as reflected in the 35% sales growth and 145% growth in net income. The total return to shareholders for the year (reflecting appreciation in stock price) was 65%. The Committee also noted the five year average annual return to shareholders of nearly 60%. With this strong performance as context, the Committee awarded significantly larger annual bonuses to all officers than in previous years. The Chief Executive Officer's annual bonus was \$175,000.

Each officer also received a salary increase for fiscal year 2007. The increase for each officer reflected the Committee's assessment of the officer's performance as well as input from the consultant's study on peer group salary levels. The Chief Executive Officer's annual salary was increased from \$395,000 to \$450,000.

Each officer is eligible for stock option grants which are generally determined based on the scope of responsibility associated with the position. During fiscal year 2006, a total of 93,000 stock options were awarded to the Chief Executive Officer pursuant to his employment agreement.

This Compensation Committee Report was primarily prepared by management at the direction of the Committee, and approved by the Committee.

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Jack M. Johnson, Jr., Chairman

Emmett J. Lescroart

Sidney B. Williams

Compensation Committee Interlocks and Insider Participation

No member of the Compensation Committee of the Board of Directors of the Company was, during fiscal 2006, an officer or employee of the Company or any of its subsidiaries, or was formerly an officer of the Company or any of its subsidiaries or had any relationship requiring disclosure by the Company. During fiscal 2006, no executive officer of the Company served as (i) a member of the compensation committee (or other board committee performing equivalent functions) of another entity, one of whose executive officers served on the Compensation Committee of the Board of Directors, (ii) a director of another entity, one of whose executive officers served on the Compensation Committee of the Board of Directors, or (iii) a member of the compensation committee (or other board committee performing equivalent functions) of another entity, one of whose executive officers served as a director of the Company.

Compensation of Directors

All non-employee directors currently receive an annual fee of \$30,000, of which two-thirds (\$20,000) is paid in cash in four equal quarterly installments. The remaining \$10,000 is paid in the form of Common Stock. The stock payments are made July 1 of each year with the number of shares determined by dividing \$10,000 by the closing price per share on the preceding business day. Three hundred ninety-nine shares were issued to each non-employee director on July 1, 2006. In addition, the Chairman of the Audit Committee is paid an additional \$10,000 fee in cash per year.

In December 1991, the Company adopted the Non-Employee Directors Stock Option Plan (the Non-Employee Director Plan). The Non-Employee Director Plan authorizes the award of stock options for an aggregate of 610,000 shares of Common Stock to non-employee directors of the Company. The purpose of the Non-Employee Director Plan is to attract and retain the services of experienced and knowledgeable independent individuals as directors, to extend to them the opportunity to acquire a proprietary interest in the Company so that they will apply their best efforts for the benefit of the Company, and to provide such individuals with an additional incentive to continue in their positions.

Pursuant to the Non-Employee Director Plan, each non-employee director receives an automatic grant of stock options upon such director's appointment, reappointment, election or reelection to the Board of Directors equal to the product obtained by multiplying 5,000 by the number of years, or any part of any year, that such director is appointed or elected to serve on the Board of Directors. The exercise price of the options is equal to the fair market value of the Company's Common Stock on the date of grant, and the options expire ten years after the date of grant. Options to purchase 5,000 shares vest on the date of grant and each anniversary thereafter until all of the options granted are fully vested. During fiscal 2006, Messrs. Waters and Foster were granted options to purchase 15,000 shares and 5,000 shares, respectively, with an exercise price of \$21.74 per share, pursuant to their election to the Board of Directors at the 2005 Annual Meeting of Shareholders.

Stockholder Communications with the Board of Directors

The Board of Directors welcomes communications from its shareholders and has adopted a procedure for receiving and addressing those communications. The process for shareholders to communicate with the Board of Directors is to send such communications in writing to Philip J. Hawk, Chairman of the Board, Team, Inc., 200 Hermann Drive, Alvin, Texas 77511.

Certain Transactions and Legal Proceedings

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Director Sidney B. Williams is the sole shareholder of a professional corporation that is a partner in the law firm of Chamberlain, Hrdlicka, White, Williams and Martin of Houston, Texas. That law firm rendered services to the Company during fiscal 2006. Fees to the law firm did not exceed five percent (5%) of the law firm's gross revenue for its last full fiscal year.

The Company and Emmett J. Lescroart were parties to a Consulting Agreement effective July 30, 2004 under which Mr. Lescroart was to provide assistance to Company officers in operating the Company's heat treating business from time to time as requested by Company management for base fees of \$900 per day. In fiscal 2006, no compensation was paid to Mr. Lescroart under the Consulting Agreement. The Company and Mr. Lescroart terminated this Consulting Agreement in August 2006.

Executive and Other Officers

The following table sets forth information regarding the current executive officers of the Company as of August 17, 2006:

<u>Name of Director or Officer</u>	<u>Age</u>	<u>Officer Since</u>	<u>Position with Company</u>
Philip J. Hawk	52	1998	Chairman of the Board and Chief Executive Officer
Kenneth M. Tholan	67	1996	President and Chief Operating Officer
Ted W. Owen	54	1998	Senior Vice President-Chief Financial Officer and Treasurer
John P. Kearns	50	1996	Senior Vice President
Gregory T. Sangalis	50	2005	Senior Vice President-Law & Administration and Secretary

Information concerning the business experience of Mr. Hawk is provided under the section entitled Directors Continuing in Office.

Mr. Tholan joined the Company in June 1996 and shortly thereafter was elected as Vice President. In 1997, he was named Executive Vice President and Chief Operating Officer and in January 1998 was promoted to President of the Company. Mr. Tholan is a director of a privately-held security consulting firm, Secure Solutions International, Inc., located in Houston, Texas.

Mr. Owen joined the Company in February 1998 and in April 1998 was elected Vice President, Chief Financial Officer, Secretary and Treasurer. He was promoted to Senior Vice President in 2003.

Mr. Kearns joined the Company in 1980 as a design engineer and assumed the position of Vice President of Engineering and Manufacturing in 1996. He was promoted to Senior Vice President in 1998. Throughout his career with the Company, Mr. Kearns has been involved with the Company's engineering, manufacturing and research and development functions.

Mr. Sangalis joined the Company and was elected Senior Vice President Law & Administration in January 2005. Before joining the Company, he was a Managing Director of a private equity fund based in Houston, Texas called Main Street Equity Ventures II, L.P.

Executive Compensation and Other Matters

The following table sets forth compensation information for the fiscal years ended May 31, 2006, 2005 and 2004 for the Chief Executive Officer and the other executive officers of the Company earning in excess of \$100,000 during the Company's 2006 fiscal year (the "Named Executive Officers"):

SUMMARY COMPENSATION TABLE

Name and Principal Position	Annual Compensation			Long-Term Compensation Awards	
	Year			Restricted Stock Awards\$(1)	Securities Underlying Options(2)
	Ending May 31	Salary(\$)	Bonus(\$)		
Philip J. Hawk Chairman of the Board and Chief Executive Officer	2006	400,399	175,000		93,000
	2005	377,900	105,000		12,000
	2004	302,515	150,000		
Kenneth M. Tholan President and Chief Operating Officer	2006	283,477	155,000	226,000	10,000
	2005	262,708	105,000	47,500	15,000
	2004	203,669	107,000		8,000
Ted W. Owen Senior Vice President Chief Financial Officer and Treasurer	2006	243,477	75,000		17,000
	2005	223,631	60,000		17,000
	2004	182,477	58,000		4,000
John P. Kearns Senior Vice President	2006	174,900	85,000		15,000
	2005	162,169	50,000		8,000
	2004	136,592	50,000		40,000
Gregory T. Sangalis (3) Senior Vice President Law & Administration and Secretary	2006	216,054	80,000		5,000
	2005	64,738	20,000		50,000

- (1) Represents the value of 7,500 shares of a restricted stock awarded to Mr. Tholan which vested as of May 31, 2006 at the closing price of \$31.45 and 2,500 shares of a restricted stock award which vested as of May 31, 2005 at the closing price of \$19.00. In September 2004, the Company executed a Restricted Stock Award Agreement with Mr. Tholan. The Agreement awards up to 15,000 shares of restricted stock which may vest upon the achievement of specific financial targets related to earnings before interest and taxes for the years 2005, 2006 and 2007. The named executives are entitled to receive dividends on awards of restricted stock during the restricted period.
- (2) Represents the number of stock options awarded in the years indicated.
- (3) Mr. Sangalis joined the Company in January 2005. Therefore, amounts reflected in 2005 are for a partial year.

Employment Agreements

Mr. Hawk is a party to an employment agreement with the Company in which he is to serve as the Company's Chief Executive Officer until the earlier of (i) January 31, 2008, (ii) his voluntary resignation or (iii) his termination with or without cause by the Company. Mr. Hawk has agreed not to compete with the Company during the term of the agreement and for a period of two years following termination of his employment. Also, Mr. Hawk has agreed not to disclose any confidential information regarding the Company without the prior written consent of the Company. If there is a change of control of the Company, Mr. Hawk may elect to terminate his employment and would then be entitled to receive a lump sum in cash equal to 200% of his then current base salary and 200% of the average of the performance bonuses he received for the previous three years.

OPTION GRANTS IN FISCAL 2006 UPDATE

The following table sets forth additional information relating to the Named Executive Officers with respect to (i) stock options granted in fiscal 2006, and (ii) the total number of exercised options through fiscal 2006 and the value of the unexercised in-the-money options at the end of fiscal 2006.

Name	Number of Securities Underlying Options(1)	Percentage of Total Options Granted to Employees in Fiscal 2006	Exercise Price	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(2)	
					5%	10%
Philip J. Hawk	20,000	5.4%	\$ 18.45	8/12/2015	\$ 232,062	\$ 588,091
	23,000	6.2%	\$ 19.25	8/17/2015	\$ 278,443	\$ 705,629
	50,000	13.4%	\$ 26.55	1/17/2016	\$ 834,858	\$ 2,115,693
Kenneth M. Tholan	10,000	2.7%	\$ 18.45	8/12/2015	\$ 116,031	\$ 294,045
Ted W. Owen	17,000	4.6%	\$ 18.45	8/12/2015	\$ 197,253	\$ 499,877
John P. Kearns	15,000	4.0%	\$ 18.45	8/12/2015	\$ 174,047	\$ 441,068
Gregory T. Sangalis	5,000	1.3%	\$ 18.45	8/12/2015	\$ 58,016	\$ 147,023

- (1) A total of 140,000 options were awarded to the Named Executive Officers during fiscal 2006 (shown in the table above); since the end of fiscal 2006, no additional options have been awarded. In January 2005, the Board authorized the future award to Mr. Hawk of 400,000 stock options to be priced at the fair market value at the date of grant and awarded as Mr. Hawk exercises existing options, capped at 100,000 new stock options in any one calendar year. Any balance of new options remaining (up to the full remaining number of the 400,000 options) will be issued during calendar year 2008.
- (2) Potential realizable value is based on the assumption that the Common Stock price appreciates at the annual rate shown (compounded annually) from the date of grant until the end of the option term. The stock prices at the end of the option term for the options granted in fiscal year 2006 vary between \$ 18.45 and \$26.55, assuming 5% and 10% appreciation rates, respectively, for options granted to all officers. The amounts of hypothetical appreciation reflect required calculations at rates set by the Securities and Exchange Commission and, therefore, are not intended to represent either historical appreciation or anticipated future appreciation in the price of Common Stock.

**AGGREGATED OPTION EXERCISES IN FISCAL 2006 AND
FISCAL YEAR END OPTION VALUES**

The following table provides certain information with respect to options exercised during fiscal 2006 by each of the Named Executive Officers:

Name	Number of		Number of		Value of Unexercised	
	Shares	Value	Unexercised Options at		in-the-Money Options at	
	Acquired on	Realized	End of Fiscal 2006		End of Fiscal 2006(1)	
	Exercise	(\$)	Exercisable	Unexercisable	Exercisable	Unexercisable
Philip J. Hawk	138,000	3,053,026	253,000	102,000	6,903,600	650,963
Kenneth M. Tholan	50,500	893,286	22,500	20,000	619,375	305,500
Ted W. Owen	18,514	503,085	44,736	30,750	1,138,786	442,058
John P. Kearns	7,500	198,750	62,500	22,000	1,703,765	312,880
Gregory T. Sangalis	5,931	81,492	6,569	37,500	95,842	547,125

- (1) The value of unexercised in-the-money options is the difference between (i) the closing price of the Company's Common Stock on the last trading day of fiscal 2006 (\$31.45) and (ii) the exercise price of the in-the-money options, multiplied by the number of underlying shares subject to the options.

Long-Term Incentive Plan Awards in Fiscal Year Ended May 31, 2006

There were no awards of restricted stock made to any Named Executive Officer during the fiscal year ended May 31, 2006.

Equity Compensation Plan Information

The following table sets forth information as of May 31, 2006, with respect to the Company's equity compensation plans previously approved by stockholders and equity compensation plans not previously approved by shareholders.

Plan Category	Equity Compensation Plans		
	Number of securities to be issued upon exercise of outstanding options, warrants and rights(a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column(a))(c)

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Equity compensation plans approved by shareholders	1,272,696	\$ 13.79	0
Equity compensation plans not approved by shareholders (1)	160,934	3.63	Not Applicable
Total	1,433,630	\$ 12.65	0

(1) Represents options granted to the Company's CEO as an inducement for his employment in November, 1998. All such options are now fully vested.

COMPARISON OF TOTAL SHAREHOLDER RETURN

The following graph compares the Company's cumulative total shareholder return on its Common Stock for a five-year period (May 31, 2001 to May 31, 2006), with the cumulative total return of the American Stock Exchange Market Value Index (ASEMVI), and a peer group of companies selected by the Company. The Peer Group is described in more detail below. The graph assumes that the value of the investment in the Company's Common Stock and each index was \$100 at May 31, 2001 and that all dividends were reinvested. Total returns are based on market capitalization. The following graph is based on historical data and is not necessarily indicative of future performance.

The peer group is composed of four companies which provide industrial and/or leak repair services. The returns of each company have been weighted according to their respective market capitalization for purposes of arriving at a peer group average. The members of the peer group are T-3 Energy Services, Inc., Xanser Corporation, Matrix Service Company and Versar, Inc.

* \$100 invested on 5/31/01 in stock or index-including reinvestment of dividends. Fiscal year ending May 31.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information regarding the beneficial ownership of the Company's Common Stock (the only class of voting securities of the Company) as of August 1, 2006 of (a) each person known by the Company to be the beneficial owner of more than 5% of the outstanding Common Stock, (b) each director or nominee for director of the Company, (c) the Named Executive Officers and (d) all executive and other officers and directors of the Company as a group. The information shown assumes the exercise by each person (or all directors and officers as a group) of the stock options owned by such person that are currently exercisable or exercisable within 60 days of August 1, 2006. Unless otherwise indicated, the address of each person named below is the address of the Company at 200 Hermann Drive, Alvin, Texas 77511.

<u>Name and Address of Beneficial Owner</u>	<u>Number of Shares Beneficially Owned(1)</u>	<u>Percentage of Outstanding Common Stock</u>
Philip J. Hawk	374,050(2)	4.0%
Kenneth M. Tholan	87,822(3)	1.0%
Ted W. Owen	68,804(4)	*
John P. Kearns	82,661(5)	*
Gregory T. Sangalis	16,862(6)	*
Sidney B. Williams	131,102(7)	1.4%
1200 Smith Street, Suite 1400		
Houston, Texas 77002		
E. Theodore Laborde	90,096(8)	1.0%
601 Poydras Street, Suite 1815		
New Orleans, Louisiana 70130		
Jack M. Johnson, Jr.	98,696(9)	1.1%
P. O. Box 337		
Eagle Lake, Texas 77434		
Louis A. Waters	531,719(10)	5.8%
2800 Post Oak Blvd., Suite 5850		
Houston, Texas 77027		
Emmett J. Lescroart	111,999(11)	1.2%
280 Cherry Valley Rd.		
Princeton, New Jersey 08540		
Vincent D. Foster	5,864(12)	*
1300 Post Oak Blvd., Suite 800		

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Houston, Texas 77056		
Robert A. Peiser	0	*
One Imperial Square		
P.O. Box 9		
Sugar Land, Texas 77480		
All directors, nominees and executive officers as a group (13 persons)	1,593,811(13)	17.2%
FMR Corp.	762,928(14)	8.3%
82 Devonshire Street		
Boston, MA 02109		
RS Investment Management	760,620(15)	8.2%
388 Market Street, Suite 1700,		
San Francisco, CA 94111		

* Less than 1% of outstanding Common Stock.

- (1) The information as to beneficial ownership of Common Stock has been furnished, respectively, by the persons and entities listed, except as indicated below. Each individual or entity has sole power to vote and dispose of all shares listed opposite his or its name except as indicated below.
- (2) Includes 253,000 shares which may be acquired pursuant to the exercise of stock options currently exercisable or exercisable within 60 days of August 1, 2006.
- (3) Includes 22,500 shares which may be acquired pursuant to the exercise of stock options currently exercisable or exercisable within 60 days of August 1, 2006 and 12,500 shares of a restricted stock award.
- (4) Includes 54,236 shares which may be acquired pursuant to the exercise of stock options currently exercisable or exercisable within 60 days of August 1, 2006 and 3,554 shares held in an employee benefit plan.
- (5) Includes 62,500 shares which may be acquired pursuant to the exercise of stock options currently exercisable or exercisable within 60 days of August 1, 2006, and 8661 shares held in an employee benefit plan.
- (6) Includes 7,819 shares which may be acquired pursuant to the exercise of stock options currently exercisable or exercisable within 60 days of August 1, 2006, and 112 shares held in an employee benefit plan.
- (7) Includes 2,685 shares owned by Nancy Williams, Mr. Williams wife and 4,000 shares held by Mr. Williams adult children. Mr. Williams disclaims any economic interest in these shares. Also includes 35,000 shares which may be acquired pursuant to the exercise of stock options currently exercisable or exercisable within 60 days of August 1, 2006.
- (8) Includes 45,000 shares which may be acquired pursuant to the exercise of stock options currently exercisable or exercisable within 60 days of August 1, 2006.
- (9) Includes 45,000 shares which may be acquired pursuant to the exercise of stock options currently exercisable or exercisable within 60 days of August 1, 2006.
- (10) Includes 45,000 shares which may be acquired pursuant to the exercise of stock options currently exercisable or exercisable within 60 days of August 1, 2006.
- (11) Includes 25,000 shares which may be acquired pursuant to the exercise of stock options currently exercisable or exercisable within 60 days of August 1, 2006.
- (12) Includes 5,000 shares which may be acquired pursuant to the exercise of stock options currently exercisable or exercisable within 60 days of August 1, 2006.
- (13) Includes 595,055 shares which may be acquired pursuant to the exercise of stock options currently exercisable or exercisable within 60 days of August 1, 2006, 12,500 shares of a restricted stock award and 12,327 shares held in an employee benefit plan.
- (14) Based on NASDAQ report on institutional holders dates June 30, 2006.

(15) Based on NASDAQ report on institutional holders dates June 30, 2006.

Section 16(a) Beneficial Ownership Reporting Compliance

During fiscal year 2006, the following person failed to file timely reports required under Section 16(a) of the Exchange Act (the number of late reports and transactions involved is contained in the parenthesis after his

name): Vincent D. Foster (1:0). Mr. Foster's initial filing of Form 3 after his appointment as a Director was late although he had no beneficial ownership to report. The Company is not aware of any failure to file any reports required in fiscal year 2006.

Code of Ethical Conduct

The Company has adopted a code of ethics that applies to all employees and directors of the Company. A copy of such code, entitled "Team, Inc. Code of Ethical Conduct", has been filed with the Securities and Exchange Commission as an exhibit to the Company's 10-K Report for the fiscal year ended May 31, 2003. Also, a copy of this Code is posted on the Company's website at www.teamindustrialservices.com on the "Investors" page under "Governance". The Company intends to disclose on its website any waivers or amendments to its Code of Ethical Conduct within five business days of such action.

INFORMATION ON INDEPENDENT PUBLIC ACCOUNTANTS

A representative of KPMG LLP is expected to attend the 2006 Annual Meeting with the opportunity to make a statement if such representative desires to do so and to respond to appropriate questions presented at the meeting.

Principal Accountant Fees and Services

The following table sets forth the fees billed by KPMG LLP in each of the past two fiscal years:

	<u>FY 2006</u>	<u>FY 2005</u>
Audit Fees	\$ 945,750	\$ 1,100,000
Audit-Related Fees	\$ 30,000	\$ 152,500
Tax Fees	\$ 25,525	\$ 207,000
All Other Fees	\$ 0	\$ 12,000

Audit-related fees consist of fees associated with the audit of the Company's 401(k) Plan and other required SEC filings with respect to fiscal year 2005. *Tax fees* consist of fees associated with the preparation of the Company's Federal and state income tax returns for fiscal year 2005 and consist of fees associated with tax compliance and consultation in fiscal year 2006.

The Audit Committee meets annually to pre-approve audit and tax fees for the ensuing year. In June 2005, the Audit Committee authorized Mr. Owen to engage KPMG on matters not exceeding \$10,000; provided that KPMG is more efficient or uniquely qualified to perform the work for which it is engaged and that such engagement is reported to the full Audit Committee in a timely manner. More than 90% of fees paid to KPMG pertaining to fiscal 2006 were pre-approved by the Audit Committee.

PROPOSAL TWO APPROVAL OF THE TEAM, INC. 2006 STOCK INCENTIVE PLAN

The Board of Directors of the Company has approved, and proposed that the shareholders approve at the Annual Meeting, the Team, Inc. 2006 Stock Incentive Plan (the Plan). The Plan is an amendment and restatement of the Company's 1998 Incentive Stock Option Plan (the 1998 Plan) which was previously approved by the shareholders of the Company and will consolidate the Company's 2004 Stock Option and Award Plan (the 2004 Plan) in a single restated plan. The purpose of the Plan is to provide greater flexibility by expanding the range of forms of equity instruments available for incentive awards (beyond stock options), and to increase the total number of shares authorized to be issued by 750,000 shares to 2,350,000 shares. Currently, there are 1,500,000 shares authorized under the 1998 Plan and 100,000 shares authorized under the 2004 Plan. Attached to this Proxy Statement as Appendix A is a copy of the Plan, as approved by the Board of Directors and as submitted to the shareholders for their approval.

There is a limited number of authorized shares remaining to be issued under the 1998 Plan and the 2004 Plan thereby limiting the Company's ability to (a) provide incentive compensation to its key employees, and (b) attract new employees. This is particularly important because the Company's compensation philosophy is to compensate its key employees with four major elements of compensation. Currently, the major elements of the Company's executive compensation program are base salary, annual cash bonus opportunity, stock option grants, and other benefits (401K program, medical benefits, life and disability insurance). Other than a car allowance or company car, all other perquisites or benefits available to the Company's senior executives are the same as those available to all Company employees (except for the benefits provided to the Chief Executive Officer under his employment agreement). The Company does not have any pension plan, SERPs or deferred compensation plans. In addition, the Company prefers to align employee incentives with those of the Company's stockholders by using equity-based awards that reward employees for long-term stock appreciation.

It is anticipated that the additional 750,000 shares proposed to be authorized under the Plan, together with the shares remaining under the two plans, will enable the Company to provide sufficient grants of awards for the foreseeable future. The Company's intention is to maintain an average burn rate of approximately three percent for all employees. If the shareholders approve the Plan, no additional awards will be made under the 2004 Plan.

The Company intends to shift from the current emphasis on incentive stock options to non-qualified stock options which will result in more favorable tax treatment to the Company. The Plan will also give flexibility to add certain features to the awards such as bad-boy restrictions and non-competition clauses.

The Company is seeking shareholder approval for the Plan. Shareholder approval is required under the requirements of the American Stock Exchange which are applicable to the Company. By allowing the Company to continue to offer its employees long-term performance-based compensation through the Plan, the Board of Directors believes the Company will continue to be able to attract, motivate, and retain individuals of exceptional talent upon whom, in large measure, the Company's future success depends.

Description of the Plan.

Awards under the Plan consist of the Company's authorized common stock, par value \$0.30 per share. The fair market value of the Company's common stock as of August 17, 2006 was \$25.79 per share. The Plan provides for the grant of incentive stock options, nonstatutory stock options, shares of restricted stock, stock appreciation rights (SARs), stock units and performance share awards. Awards under the Plan may be made to employees, including officers and directors who may be employees, and non-employee directors, consultants and advisors. Currently all employees of the Company are eligible to receive awards under the Plan, however, approximately 110 current employees participate in equity-based awards. As amended, an aggregate of 2,350,000 shares of Common Stock will be reserved for issuance under the Plan. No eligible individual may be granted options or rights under the Plan in any single fiscal year of the Company, the total number of shares subject to which

exceeds 250,000 shares (the Maximum Award Limit).

The Plan is administered by the Board of Directors or by the Compensation Committee (referred to herein as the Committee). The Committee has full authority, subject to the terms of the Plan, to determine the individuals to whom awards are made, the number of shares of common stock represented by each award, the time or times at which options are granted and exercisable, the exercise price of options, and the time or times at which shares of restricted stock, SARs, stock units or performance shares will be issued, vested or exercisable.

The Plan may be amended by the Board of Directors. However, the Plan may not be amended without the consent of the holders of a majority of the shares of stock then outstanding to increase the aggregate number of shares of stock that may be issued under the Plan or the Maximum Award Limit.

Description of Stock Options under the Plan

The Plan authorizes the award of both incentive stock options, for which option holders may receive favorable tax treatment under the Code, and nonstatutory stock options, for which option holders do not receive special tax treatment. For further information regarding the tax treatment of options granted under the Plan, see Tax Treatment of Awards below.

Incentive stock options may be granted only to employees. Non-qualified stock options may be granted to employees, directors, consultants and advisors. The exercise price of each option shall be determined by the Committee, and must be equal to or greater than the fair market value of the stock on the date of grant of the option; provided that the exercise price of an incentive stock option granted to an employee who owns more than 10% of the Company's common stock may not be less than 110% of the fair market value of the underlying shares of common stock on the date of grant.

The optionee may pay the exercise price:

- (1) in cash;
- (2) with the approval of the Committee, by delivering or attesting to the ownership of shares of common stock having a fair market value on the date of exercise equal to the exercise price of the option; or
- (3) by such other method as the Committee shall approve, including payment through a broker in accordance with cashless exercise procedures permitted by Regulation T of the Federal Reserve Board.

Options vest according to the terms and conditions determined by the Committee and specified in the option agreement. The Committee will determine the term of each option up to a maximum of ten years from the date of grant; provided that the term of an incentive stock option granted to an employee who owns more than 10% of the common stock may not exceed five years from the date of grant. The Committee may accelerate the exercisability of any or all outstanding options at any time for any reason.

Description of Restricted Stock.

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Restricted stock awards are grants of common stock subject to a required period of employment or service following the award, referred to as the restricted period, and any other conditions established by the Committee. A recipient of a restricted stock award will become the holder of shares of restricted stock free of all restrictions if he or she completes the restricted period and satisfies any other conditions; otherwise, the shares will be forfeited. Under the Plan, the restricted period may not be more than ten years. The recipient of the restricted stock will have the right to vote the shares of restricted stock and, unless the Committee determines otherwise, will have the right to receive dividends on the shares during the restricted period. The recipient of the restricted stock may not sell, pledge or otherwise encumber or dispose of restricted stock until the conditions imposed by the Committee have been satisfied. The Committee may accelerate the termination of the restricted period or waive any other conditions with respect to any restricted stock.

Description of Stock Units and SARs.

Stock units may be awarded under the Plan. A grant of a stock unit is a right to receive shares of common stock at a future date, or upon the satisfaction of certain conditions set forth in the stock unit award. SARs may be awarded under the Plan. An SAR is an award that may be granted on a stand-alone basis or in tandem with a stock option, and entitles the holder to receive an amount equal to the difference between (i) the fair market value of the shares of stock at the time of exercise of the SAR and (ii) the fair market value of the shares of stock on the date that the SAR was granted. Under the Plan, this amount is paid to the holder upon the exercise of a SAR in the form of shares of stock (valued at their fair market value at the time of exercise), cash or a combination thereof.

New Plan Benefits

Awards to be received by individual participants are not determinable because the Committee determines the amount and nature of any award under the Plan in its sole discretion at the time of grant. As a result, the benefits that might be received by participants receiving discretionary grants under the Plan are not determinable. During the 2006 fiscal year, executive officers were awarded 140,000 stock options at prices ranging from \$18.45 and \$26.55 under the 1998 Plan and the 2004 Plan.

Tax Treatment of Awards

The discussion below summarizes the expected federal income tax treatment of awards under the Plan, under currently applicable laws and regulations. It is only a summary of the effect of U.S. federal income taxation upon recipients of awards and the Company with respect to the grant and exercise of awards under the Plan. It does not purport to be complete and does not discuss the tax consequences arising in the context of a recipient's death or the income tax laws of any municipality, state or foreign country in which the recipient's income or gain may be taxable.

Stock Options

Under current federal tax law, upon the grant of a nonstatutory stock option, no taxable income will be realized by the optionee and the Company will not be entitled to any tax deduction. Upon exercise of a nonstatutory stock option, an optionee will realize ordinary taxable income on the date of exercise. Such taxable income will equal the difference between the option price and the fair market value of the Common Stock on the date of exercise (the Spread at Exercise). The Company will be entitled to a corresponding tax deduction. Upon the grant of an incentive stock option, no taxable income will be realized by an optionee and the Company will not be entitled to any tax deduction. If an optionee exercises the option, without having ceased to be an employee of the Company or any of its subsidiaries at any time during the period from the grant of the option until three months before its exercise, then generally, no such taxable income or deduction will result at the time of the exercise of such option. If no disqualifying disposition of the stock transferred to an optionee upon exercise of the option is made by the option holder (i.e., no disposition occurs within the period that ends on the later to occur of one year after such stock is so transferred and two years after the grant of the option), any profit (or loss) realized by an optionee from a sale or exchange of such stock will be treated under the Code as long-term capital gain (or loss), and no tax deduction will be allowable to the Company with respect thereto. When an optionee exercises an incentive stock option, the Spread at Exercise will be included in alternative minimum taxable income for purposes of the alternative minimum tax provisions of the Code. If a disqualifying disposition of such stock is made by an option holder, the disposition will result in ordinary income at the time of the disposition in an amount equal to the lesser of (i) the gain on the sale or (ii) the Spread at Exercise. If the gain exceeds the Spread at Exercise, the excess is a short-term or long-term capital gain depending upon how long the shares are held prior to the sale. If the stock is sold for less than the exercise price, failure to meet the holding period requirement generally will result in a short-term or long-term capital loss, depending upon how long the shares have been held before the sale, equal to the difference between the exercise price and the sale price.

Stock options awarded under the Plan may provide for accelerated vesting upon a change in control of the Company. The accelerated vesting of options could result in an optionee being considered to receive excess parachute payments (as defined in Section 280G of the Code), which payments are subject to a 20% excise tax imposed on the optionee. If so, the Company would not be able to deduct the excess parachute payments.

Restricted Stock Awards

A recipient generally does not recognize taxable income on the grant of shares of restricted stock, but does recognize ordinary income on the vesting date, or the date the recipient's interest in the stock is freely transferable or is no longer subject to a substantial risk of forfeiture, in an amount equal to the fair market value of the shares on that date. Any dividends paid on the shares of restricted stock before the vesting date are also taxable as compensation income upon receipt.

However, a recipient may elect to recognize income upon the grant of shares of restricted stock, rather than when the recipient's interest is freely transferable and no longer subject to a substantial risk of forfeiture, equal to the fair market value of the shares on the date of the award. If the recipient makes this election, dividends paid with respect to the restricted shares that are paid currently (rather than held subject to forfeiture) will not be treated as compensation, but rather as dividend income, and the recipient will not recognize additional income when the restrictions applicable to the shares of restricted stock lapse. The recipient will not be entitled to any deduction if, after making this election, he or she forfeits any of the shares of restricted stock. If shares of restricted stock are forfeited after this election is made, the recipient will not be entitled to a refund of the ordinary income tax paid on the shares. The recipient may, however, be entitled to receive a capital loss deduction upon forfeiture.

The Company will ordinarily be entitled to a deduction at the same time and in the same amounts as the compensation income recognized by the recipient of a grant of shares restricted stock, subject to the limitations of Section 162(m).

SARs

Under current federal tax law, upon the grant of an SAR, no taxable income will be realized by the holder and the Company will not be entitled to any tax deduction. Upon exercise of an SAR, the holder will realize ordinary taxable income on the date of exercise. Such taxable income will equal the difference between the fair market value of the Common Stock on the date of grant of the SAR and the fair market value of the Common Stock on the date of exercise. The Company will be entitled to a corresponding tax deduction.

Stock Units

A recipient does not recognize taxable income on the grant of stock unit awards, but does recognize ordinary income when they vest, unless settlement of the units is deferred in accordance with the requirements of federal tax law. If these requirements are met, the recipient will recognize taxable income when the shares of Common Stock are delivered. The amount of this ordinary income will be the fair market value of the shares on the date of vesting or delivery, as applicable, plus the amount of cash payable or paid, as applicable. Any dividends paid on stock unit awards are also taxable as compensation income upon vesting or payment, as applicable.

The Company will ordinarily be entitled to a deduction at the same time and in the same amounts as the compensation income recognized by the recipient of a grant of stock unit awards, subject to the limitations of Section 162(m).

Performance Share Awards

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A recipient does not recognize taxable income on the grant of performance share awards, but does recognize ordinary income, to the extent that the designated performance measures are satisfied, when the cash or shares of Common Stock are delivered. The amount of this ordinary income will be the fair market value of the shares on the date of delivery, plus the amount of cash payable or paid, as applicable. Any dividends paid on performance share awards are also taxable as compensation income upon payment.

The Company will ordinarily be entitled to a deduction at the same time and in the same amounts as the compensation income recognized by the recipient of a grant of performance share awards, subject to the limitations of Section 162(m).

Withholding

The Company will retain the right to deduct or withhold, or require the recipient to remit to the Company, an amount sufficient to satisfy federal, state and local taxes, required by law or regulation to be withheld with respect to any taxable event as a result of the Plan.

Change in Control and Excess Parachute Payments

The accelerated vesting of awards upon a change in control could result in a participant being considered to receive excess parachute payments (as defined in Section 280G of the Code), which payments are subject to a 20% excise tax imposed on the participant. If so, the Company would not be able to deduct the excess parachute payments.

Section 162(m) Limitations

Section 162(m) of the Code generally places a \$1 million annual limit on a company's tax deduction for compensation paid to a covered employee. A covered employee is an employee who is, on the last day of the Company's taxable year in which the deduction would otherwise be claimed, the Company's chief executive officer or one of the other four highest paid officers named in its proxy statement. This limit does not apply to compensation that satisfies the applicable requirements for a performance-based compensation exception, one of which is that shareholders approve the material terms of the compensation.

The Plan incorporates the requirements for the performance-based compensation exception applicable to options and SARs, so that all such awards should qualify for the exception. In addition, the Compensation Committee may grant other awards designed to qualify for this exception. However, the Compensation Committee reserves the right to grant awards that do not qualify for this exception, and in some cases, including a change in control, the exception may cease to be available for some or all awards (including options and SARs) that would otherwise so qualify. Thus, it is possible that Section 162(m) may disallow compensation deductions that would otherwise be available to the Company.

THE SUMMARY OF FEDERAL INCOME TAX CONSEQUENCES SET FORTH ABOVE IS FOR GENERAL INFORMATIONAL PURPOSES ONLY AND MAY NOT BE APPLICABLE TO ALL INDIVIDUALS. PARTICIPANTS SHOULD CONSULT THEIR OWN TAX ADVISORS FOR A DETERMINATION AS TO THE SPECIFIC TAX CONSEQUENCES APPLICABLE TO THEM.

Required Vote

Approval of the 2006 Stock Incentive Plan requires the affirmative vote of a majority of the shares of Common Stock present or represented by proxy and entitled to a vote at the 2006 Annual Meeting.

The Board of Directors recommends a vote FOR approval of the 2006 Stock Incentive Plan.

OTHER BUSINESS

Management does not intend to bring any business before the meeting other than the matters referred to in the accompanying notice and at this date has not been informed of any matters that may be presented at the meeting by others. If, however, any other matters properly come before the meeting, it is intended that the persons named in the accompanying proxy will vote, pursuant to the proxy, in accordance with their best judgment on such matters.

ANNUAL REPORT OF FORM 10-K

The Company will send, without charge, a copy of its Annual Report on Form 10-K for the fiscal year ended May 31, 2006, including the financial statements and the financial statement schedules, as filed with the SEC, to any person whose proxy is being solicited, upon written request to Team, Inc., Attention: Gregory T. Sangalis, 200 Hermann Drive, Alvin, Texas 77511.

SHAREHOLDER PROPOSALS

Any proposal by a shareholder to be presented at the Company's Annual Meeting of Shareholders in 2007 must be received by the Company no later than April 29, 2007 in order to be eligible for inclusion in the Company's Proxy Statement and form of proxy used in connection with such meeting.

By Order of the Board of Directors

Gregory T. Sangalis

Senior Vice President

Law & Administration and

Secretary

August 25, 2006

APPENDIX A

TEAM, INC.

2006 STOCK INCENTIVE PLAN

The following Team, Inc. 2006 Stock Incentive Plan (the *Plan*) has been adopted by the Board of Directors of Team, Inc. (the *Company*) effective on August 1, 2006, subject to approval by the stockholders of the Company no later than twelve months following the adoption by the Board of Directors.

I. INTRODUCTORY PROVISIONS; DEFINITIONS

1. *History and Purpose.* The Plan is an amendment and complete restatement of the Company's 1998 Incentive Stock Option Plan and will consolidate the Company's 2004 Stock Option and Award Plan (the *2004 Plan*) in a single restated plan. After approval of the plan by the stockholders, no further equity awards will be made under the 2004 Plan, and the shares authorized under the 2004 Plan are consolidated and incorporated into the Plan. The Plan is intended to advance the interests of the Company, its shareholders, and its subsidiaries by encouraging and enabling selected key employees of the Company, directors, consultants and advisors upon whose judgment, initiative and effort the Company is largely dependent for the successful conduct of its business, to acquire and/or increase and retain a proprietary interest in the Company by ownership of its stock.

2. *Definitions.*

Act means the Securities Exchange Act of 1934, as amended.

Affiliates means, except to the extent otherwise not permitted under Section 424(f) of the Code, any one or more corporations which are members of a parent-subsidary controlled group as such term is defined in Section 1563(a)(1) of the Code, except that at least 50 percent shall be substituted for at least 80 percent each place it appears in Section 1563(a)(1) of the Code.

Award means any form of award authorized and granted under the Plan, whether singly or in combination pursuant to such terms, conditions, restrictions and/or limitations (if any) as the Board may establish. Awards granted under the Plan may include:

- (i) Options;
- (ii) Restricted Stock;
- (iii) Stock Appreciation Rights; and
- (iv) Stock Units and Performance Awards.

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Board means the Board of Directors of the Company.

Change of Control means (i) a merger or consolidation of the Company with or into another corporation in which the Company shall not be the surviving corporation other than a transaction undertaken in order to reincorporate in another state (for purposes thereof, the Company shall not be deemed the surviving corporation in any such transaction if, as the result thereof, it becomes a wholly-owned subsidiary of another corporation); (ii) any sale of all or substantially all of the assets of the Company; (iii) the complete liquidation of the Company; or (iv) the acquisition of beneficial ownership (as defined in Rule 13d-3 under the Act) of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities by any person, as such term is used in Sections 13(d) and 14(d) of the Act, other than the Company, any trustee or other fiduciary holding securities under an employee benefit

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plan of the Company, or any entity owned directly or indirectly by the stockholders of the Company in substantially the same proportion as their ownership of stock of the Company; provided, however, that in no event shall a Change of Control include any transaction following which the former shareholders of the Company continue to represent more than 50% of the combined voting power of the Company's then outstanding securities, in substantially the same proportions as prior to the transaction.

Code means the Internal Revenue Code of 1986, as amended.

Committee means the Compensation Committee, or such other committee as designated by the Board of Directors, vested with authority for administration of the Plan by the Board.

Common Stock or Stock means the Company's \$0.30 par value common stock.

Date of Grant means the date on which an Award is granted under the Plan.

Exercise Price means a price per share of Common Stock that is equal to one hundred percent (100%) of the Fair Market Value of a share of Common Stock on the last date preceding the Date of Grant on which sales of the Common Stock occurred on the American Stock Exchange or other primary market or exchange on which the Common Stock traded.

Fair Market Value of Common Stock as of a given date shall mean the closing sales price of the Common Stock on the applicable exchange or market on the trading day immediately preceding the date as of which Fair Market Value is to be determined or, in the absence of any reported sales of Common Stock on such date, on the first preceding date on which any such sale shall have been reported; provided, however, that if the Common Stock does not trade on the relevant date, such price shall be determined based upon the closing price of the Common Stock on the next preceding date on which trades occurred; and provided further, however, that should the primary market or exchange on which the Common Stock is traded adopt a continuous twenty-four hour trading policy, Fair Market Value for purposes of this Plan shall mean the price of the Common Stock on the last trade prior to 4:30 p.m., New York time.

Incentive Stock Option means an Option intended to qualify, and which qualifies as, an incentive stock option under Section 422 of the Code.

Non-qualified Stock Option means an Option not intended to be (as set forth in the Option Agreement), or which does not qualify as, an Incentive Stock Option.

Option means an option granted under the Plan.

Optionee means a person to whom an Option, which has not expired, has been granted under the Plan.

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Participant means an employee, director, consultant or advisor to the Company, who is granted an Award under the Plan.

Performance Award means the right of a Participant to receive Stock or cash upon satisfaction of performance conditions as described in Part V.

Permitted Transferees means members of the immediate family of the Participant, trusts for the benefit of such immediate family members, and partnerships in which substantially all of the interests are held by the Participant and members of his or her immediate family. An immediate family member shall mean any

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descendant (children, grandchildren and more remote descendants), including step-children and relationships arising from legal adoption, and any spouse of a Participant or a Participant's descendant.

Restricted Period has the meaning ascribed to it in Part IV.

Restricted Stock has the meaning ascribed to it in Part IV.

Stock Appreciation Right means the right of a Participant to receive Stock or cash upon exercise of the Award as described in Part III.

Stock Unit means a right to deferred delivery of Stock or cash under an Award described in Part V.

Successor means the legal representative of the estate of a deceased Optionee or the person or persons who acquire the right to exercise an Option by bequest or inheritance or by reason of the death of any Optionee.

Term of Plan means that period which commences August 1, 2006, and terminates on July 31, 2016, or such earlier date as the Board hereafter determines.

Termination of Employment or Termination of Service means the cessation of an employee's relationship as an employee of the Company or Affiliate (for federal tax purposes), or termination of a director's, consultant's, or advisor's service as such for the Company or Affiliate.

3. *Administration of Plan.* The Plan shall be administered by a Committee of two or more members. The Committee shall report all action taken by it to the Board. Except when the Board determines otherwise, the Committee shall consist of the members of the Compensation Committee of the Board of Directors. All members of the Committee shall qualify as both non-employee directors, as defined in Rule 16b-3(b)(3) promulgated under the Act and outside directors within the meaning of Section 162(m) of the Code. The Committee shall have full and final authority in its discretion, subject to the provisions of the Plan, to determine the key employees to whom and the time or times at which Awards shall be granted and the number of shares of Common Stock covered by each Award; to construe and interpret the Plan; to determine and interpret the terms and provisions of the respective Award agreements, which need not be identical as between Participants, including, but without limitation, terms covering the payment of the Option price; and to make all other determinations and take all other actions deemed necessary or advisable for the proper administration of the Plan. All such actions and determinations shall be conclusively binding for all purposes and upon all persons.
4. *Common Stock Subject to the Plan.* The aggregate number of shares of Common Stock which may be issued pursuant to Awards under the Plan shall not exceed 2,350,000, subject to adjustment under the provisions of Part VI. The shares of Common Stock to be issued under the Plan may be authorized but unissued shares, shares issued and reacquired by the Company or shares bought on the market for the purposes of the Plan. In the event any Award shall, for any reason, terminate or expire or be surrendered without having been exercised in full, the shares subject to such Award but not issued shall again be available for award under the Plan. The maximum number of shares for which Options and Stock Appreciation Rights may be awarded during any fiscal year of the Company to any employee shall be 250,000 (the Maximum Annual Award).

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5. *Award Agreements.* Any Award granted under this Plan shall be evidenced by an agreement (Award Agreement) which shall be approved in form and substance by the Committee. Such Award Agreements may, in the discretion of the Committee, contain (i) forfeiture provisions applicable if a Participant s employment or service terminates for Cause; and/or (ii) non-compete covenants applicable to a Participant who accepts such Award. Each Award Agreement shall be executed by an officer of the Company and the Participant.

II. STOCK OPTIONS

All Options and Option Agreements granted under the provisions of this Plan shall be subject to the following limitations and conditions:

1. *Option Price.* The Option price per share with respect to each Option shall be the Exercise Price.
2. *Period of Option.* The expiration date of each Option shall be fixed by the Committee at the Date of Grant, but in no event shall the expiration date be later than ten years from the Date of Grant.
3. *Holding Period.* No Common Stock issued pursuant to exercise of an Option granted pursuant to this Plan may, unless the Committee determines otherwise, be sold, transferred, assigned or otherwise disposed of within six months following the Date of Grant of the Option.
4. *Shareholder Rights.* Neither an Optionee nor his Successor shall have any of the rights of a shareholder of the Company by reason of holding an Option, and such shareholder rights will not exist until the certificates evidencing the shares of Common Stock purchased under the Option are properly delivered to such Optionee or his Successor.
5. *Exercise of Option.* Each Option shall be exercisable from time to time over a period commencing on the Date of Grant and ending upon the expiration or termination of the Option; provided, however, the Committee may, by the provisions of any Option Agreement, postpone in whole or in part the vesting or exercisability of the Option and limit the number of shares purchasable thereunder in any period or periods of time during which the Option is exercisable. Payment of the Exercise Price for shares of Stock purchased under this Plan shall be made in full and in cash or by certified or cashier s check made payable to the Company or a combination thereof. In addition, if permitted by the Committee or the terms of the Option Agreement, Participants may elect to pay the Exercise Price by tendering, either through actual delivery of shares of Common Stock or though attestation, shares of Common Stock (valued at Fair Market Value) owned by the Participant, or any combination thereof, equivalent to the Exercise Price. The Committee may permit a Participant to pay the Exercise Price by irrevocably authorizing a third party to sell shares of Common Stock (or a sufficient portion of the shares) acquired upon exercise of the Option and remit to the Company a sufficient portion of the sale proceeds to pay the Exercise Price and any tax withholding resulting from such exercise. Exercise of an Option shall not be effective until the Company has received written notice of exercise. Such notice must specify the number of whole shares to be purchased and be accompanied by payment in full of the aggregate Exercise Price for the number of shares purchased. The Company shall not in any case be required to sell, issue, or deliver a fractional share with respect to any Option.
6. *Nontransferability of Option.* Incentive Stock Options awarded under the Plan are not transferable except as designated by the Participant by will or by the laws of descent and distribution. Incentive Stock Options may be exercised during the lifetime of the Participant only by the Participant or his guardian or legal representative. If expressly permitted by the terms of the Option agreement, Non-Qualified Options may be

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transferred by a Participant to Permitted Transferees, provided that there is not any consideration for the transfer. No Option shall be pledged or hypothecated in any way and no Option shall be subject to execution, attachment, or similar process.

7. *Termination of Employment or Service.* Except as provided herein, upon an Optionee's Termination of Employment or Service his Option privileges shall be limited to the shares which were immediately purchasable by him at the date of such termination, and such Option privileges shall be exercisable by such Optionee for three months after the date of such termination, but not any later than the expiration date of the Option, at which time such Option shall expire. The Committee may, by the terms of the Option Agreement, provide for a longer or shorter period during which the Option may be exercised following Termination of Employment or Service. The granting of an Option to an eligible person does not alter in any way the Company's existing rights to terminate such person's employment or service at any time for any reason, nor does it confer upon such person any rights or privileges except as specifically provided for in the Plan.
8. *Death of Optionee.* If an Optionee dies while in the employment or service of the Company, such Optionee's Option shall remain exercisable by the Optionee's Successor until the close of the business day on or immediately preceding the first annual anniversary date of the Optionee's death, or the expiration date, if earlier, at which time such Option shall expire.
9. *Additional Limitations for Incentive Stock Options.* Options granted under the Plan may qualify as incentive stock options as defined in Section 422 of the Code. Incentive Stock Options shall be awarded only to employees. No Incentive Stock Options shall be granted to any employee if, immediately before the Date of Grant, such employee owns more than 10% of the total combined voting power of all classes of stock of the Company or its Affiliates (as determined in accordance with the stock attribution rules contained in Section 424(d) of the Code). Provided, the preceding sentence shall not apply if at the time the Option is granted, the Option Price is increased to an amount equal to 110 percent of the Fair Market Value and such Option by its terms is not exercisable after the expiration of five years from the date such Option is granted. The aggregate Fair Market Value (determined as of the time the Option is granted) of the Stock with respect to which Incentive Stock Options are exercisable for the first time by any employee during any calendar year (under all incentive stock option plans qualified under Section 422 of the Code sponsored by the Company or any Affiliate) shall not exceed \$100,000.00. If any Options are awarded in excess of this limit, the excess options shall be Non-Qualified Stock Options.

III. STOCK APPRECIATION RIGHTS

1. *Definition.* A Stock Appreciation Right is an Award that may be granted and entitles the holder to receive an amount equal to the difference between the Fair Market Value of the shares of Stock at the time of exercise of the Stock Appreciation Right and the Fair Market Value of Stock on the date of grant, subject to the applicable terms and conditions of the Award Agreement and the following provisions of this Part III.
2. *Eligibility.* The Board may, in its discretion, award Stock Appreciation Rights to any Participant.
3. *Exercise.* A Stock Appreciation Right may be exercised under the applicable terms and conditions of the Award Agreement. A Stock Appreciation Right shall entitle the holder to receive, upon exercise of the Stock Appreciation Right, shares of Stock (valued at their Fair Market Value at the time of exercise), cash or a combination thereof, in the discretion of the Board, in an amount equal in value to the excess of the Fair Market Value of the shares of Stock subject to the Stock Appreciation Right as of the date of such exercise over the Fair Market Value on the date of grant.

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4. *Expiration Date.* The Expiration Date with respect to a Stock Appreciation Right shall be determined by the Board, and shall be not later than ten years from the date of grant. If the right is not exercised before the end of the day on which the right ceases to be exercisable, such right shall be deemed exercised as of such date and payment shall be made to the holder in accordance with the Award Agreement.

IV. RESTRICTED STOCK

1. *Definition.* Restricted Stock awards are grants of Stock to Participants, the vesting of which is subject to a required period of employment or service as a director or consultant, and any other conditions established by the Board.
2. *Eligibility.* The Board shall designate the Participants to whom Restricted Stock is to be awarded and the number of shares of Stock that are subject to the award.
3. *Terms and Conditions of Awards.* All shares of Restricted Stock awarded to Participants under the Plan shall be subject to the following terms and conditions and to such other terms and conditions, not inconsistent with the Plan, as shall be prescribed by the Board in its sole discretion and as shall be contained in the Award Agreement.

Restricted Stock awarded to Participants may not be sold, assigned, transferred, pledged or otherwise encumbered, except as hereinafter provided, for a period of 10 years or such shorter period as the Board may determine after the time of the award of such stock (the Restricted Period). Except for such restrictions, the Participant as owner of such shares shall have all the rights of a stockholder, including but not limited to the right to vote such shares and, except as otherwise provided by the Board, the right to receive all dividends paid on such shares.

The Board may in its discretion, at any time after the date of the award of Restricted Stock, adjust the length of the Restricted Period to account for individual circumstances of a Participant or group of Participants.

Except as otherwise determined by the Board in its sole discretion, a Participant whose employment or service with the Company and all Affiliates terminates prior to the end of the Restricted Period for any reason shall forfeit all shares of Restricted Stock remaining subject to any outstanding Restricted Stock Award.

Each certificate issued in respect of shares of Restricted Stock awarded under the Plan shall be registered in the name of the Participant and, at the discretion of the Board, each such certificate may be deposited in a bank designated by the Board. Each such certificate shall bear the following (or a similar) legend:

The transferability of this certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) contained in the Team, Inc. 2006 Stock Incentive Plan and an agreement entered into between the registered owner and Team, Inc. A copy of such plan and agreement is on file in the office of the Secretary of Team, Inc., [address].

At the end of the Restricted Period for Restricted Stock, such Restricted Stock will be transferred free of all restrictions to a Participant (or his Successors).

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Substitution of Cash. The Board may, in its discretion, substitute cash equal to the Fair Market Value (determined as of the date of distribution) of Stock otherwise required to be distributed to a Participant.

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V. STOCK UNITS AND PERFORMANCE SHARE AWARDS

1. *Definition.* A Stock Unit Award is the grant of a right to receive shares of Stock or cash in the future. A Performance Share Award is a grant of a right to receive shares of Stock or Stock Units which is contingent on the achievement of performance or other objectives during a specified period. The number of Performance Shares earned, and the value received for them, will be contingent on the degree to which the performance measures established at the time of the initial award are met.
2. *Eligibility.* The Board shall designate the Participants to whom Stock Units or Performance Share Awards are to be awarded, and the number of units or shares to be the subject of such awards.
3. *Terms and Conditions of Awards.* For each Participant, the Board will determine the timing of awards; the number of Stock Units or Performance Units awarded; the value of Stock Units and Performance Units, which may be stated either in cash or in shares of Stock; the performance measures used for determining whether the Performance Shares are earned; the performance period during which the performance measures will apply; the relationship between the level of achievement of the performance measures and the degree to which Performance Shares are earned; whether, during or after the performance period, any revision to the performance measures or performance period should be made to reflect significant events or changes that occur during the performance period; the number of earned Performance Shares that will be paid in cash and/or shares of Stock; and whether dividend equivalents will be paid on Stock Units, either currently or on a deferred basis.
4. *Payment.* The Board will compare the actual performance to the performance measures established for the performance period and determine the number of units to be paid and their value. Payment for Stock Units or Performance Shares earned shall be wholly in cash, wholly in Stock or in a combination of the two, in a lump sum or installments, and subject to vesting requirements and such other conditions as the Board shall provide. The Board will determine the number of earned Stock Units or Performance Shares to be paid in cash and the number to be paid in Stock. For Stock Units or Performance Shares payable in shares of Stock, one share of Stock will be paid for each share earned, or cash will be paid for each share earned equal to either (a) the Fair Market Value of a share of Stock at the delivery date or the end of the performance period, as applicable, or (b) the Fair Market Value of the Stock averaged for a number of days determined by the Board. For Stock Units or Performance Shares awarded in cash, the value of each share earned will be paid in its initial cash value, or shares of Stock will be distributed based on the cash value of the shares earned divided by (a) the Fair Market Value of a share of Stock at the delivery date or end of the performance period, as applicable, or (b) the Fair Market Value of a share of Stock averaged for a number of days determined by the Board.
5. *Death or Termination of Employment or Service.* A Participant whose employment or service with the Company and Affiliates terminates because of death either (i) during a performance period, or (ii) prior to the delivery date for Stock Units, shall be entitled to the prorated value of earned Performance Shares or Stock Units, at the conclusion of the performance period (or the deferred delivery date) based on the ratio of the months the Participant was employed (or during which he rendered services as a director or consultant) during the period to the total months of the performance period (or from the date of the award of the Stock Units until the deferred delivery date). If the Participant's employment or service with the Company and Affiliates terminates for any reason other than death (i) during a performance period, or (ii) prior to the delivery date for deferred Stock Units, the Performance Shares or Stock Units will be forfeited on the date his employment or service with the Company and Affiliates terminates. Notwithstanding the foregoing provisions, the Board may determine that the Participant will be entitled to receive all or any portion of the Performance Shares or Stock Units that he would otherwise receive, and may accelerate the determination

and payment of the shares or units or make such other adjustments as the Board, in its sole discretion, deems desirable.

VI. GENERAL PROVISIONS

1. *Adjustments.* In the event that the outstanding shares of Common Stock of the Company are hereafter increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Company or of another corporation, by reason of a recapitalization, reclassification, stock split-up, combination of shares, or dividend or other distribution payable in capital stock, appropriate adjustment shall be made by the Committee in the number and kind of shares authorized or outstanding under the Plan, and the Maximum Award Limit. The Committee shall also make adjustments in the event of any distribution of assets to shareholders other than a normal cash dividend. In addition, the Committee shall make appropriate adjustment in the number and kind of shares as to which outstanding Awards, or portions thereof then unexercised, shall be exercisable, to the end that the proportionate interest of the holder of the Participant shall, to the extent practicable, be maintained as before the occurrence of such event. Such adjustment in outstanding Options shall be made without change in the total price applicable to the unexercised portion of the Option but with a corresponding adjustment in the Option price per share. The Company shall not in any case be required to sell, issue, or deliver a fractional share with respect to any Award.
 - (a) In the event that the Board shall adopt resolutions recommending the dissolution or liquidation of the Company, any Option or Stock Appreciation Right Awards granted under the Plan shall terminate as of a date to be fixed by the Committee, provided that not less than thirty (30) days written notice of the date so fixed shall be given to each Participant and each such Participant shall have the right during such period to exercise his Option or Right as to all or any part of the shares covered thereby, including shares as to which such Option or Right would not otherwise be exercisable by reason of an insufficient lapse of time.
 - (b) Upon a Change in Control, each outstanding Award shall become 100% vested as of the date of the Change in Control, provided that the Participant's employment or service has not terminated prior to such date.

In the event of a Reorganization (as hereinafter defined) in which the Company is not the surviving or acquiring company, or in which the Company is or becomes a wholly owned subsidiary of another company after the effective date of the Reorganization, then

- (i) If there is no plan or agreement respecting the Reorganization (Reorganization Agreement) or if the Reorganization Agreement does not specifically provide for the change, conversion or exchange of the shares under outstanding and unexercised stock options for securities of another corporation, then the Committee shall take such action, and the Options shall terminate; or
- (ii) If there is a Reorganization Agreement and if the Reorganization Agreement specifically provides for the change, conversion, or exchange of the shares under outstanding and unexercised stock options and rights for securities of another corporation, then the Committee shall adjust the shares under such outstanding and unexercised stock options and rights (and shall adjust the shares remaining under the Plan which are then available to be optioned under the Plan, if the Reorganization Agreement makes specific provision therefor) in a manner not inconsistent with the provisions of the Reorganization Agreement for the adjustment, change, conversion, or exchange of such stock and such Options and rights.

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- (c) The term *Reorganization* as used herein shall mean any statutory merger, statutory consolidation, sale of all or substantially all of the assets of the Company, or sale, pursuant to an agreement with the Company, of securities of the Company pursuant to which the Company is or becomes a wholly owned subsidiary of another company after the effective date of the Reorganization. The provisions hereof shall comply with Section 424(a) of the Code except to the extent the Committee determines otherwise.
- (d) Adjustments and determinations hereunder shall be made by the Committee, whose decisions shall be final, binding, and conclusive.
2. *Restrictions on Issuing Shares.* The issuance of Shares under the Plan shall be subject to the condition that if at any time the Company shall determine in its discretion that the listing, registration, or qualification of any shares otherwise deliverable upon such exercise upon any securities exchange or under any state or federal law, or that the consent or approval of any regulatory body, is necessary or desirable as a condition of, or in connection with, such exercise or the delivery or purchase of shares pursuant thereto, then in any such event, such exercise shall not be effective unless such listing, registration, qualification, consent, or approval shall have been effected or obtained free of any conditions not acceptable to the Company. Without limiting the foregoing, the Company will not be obligated to sell any Shares hereunder unless the Shares are at the time effectively registered or exempt from registration under the Securities Act of 1933, as amended, and applicable state securities laws. The Participant shall make such investment representations to the Company and shall consent to the imposition of such legends on the stock certificates as are necessary, in the opinion of the Company's counsel, to secure to the Company an appropriate exemption from applicable securities laws.
3. *Withholding of Taxes.* All Awards and payments under the Plan are subject to withholding of all applicable taxes, which withholding obligations may be satisfied, with the consent of the Board, through the surrender of shares of Common Stock which the Participant already owns, or to which a Participant is otherwise entitled under the Plan. The Company shall have the right to deduct from all amounts paid in cash in consequence of the exercise of an Option or Stock Appreciation Right or in connection with an award of Restricted Stock or Stock Units and Performance Share Awards under the Plan any taxes required by law to be withheld with respect to such cash payments. Where a Participant is entitled to receive shares of Common Stock pursuant to the exercise of an Option or a Stock Appreciation Right or with respect to an award of Stock Units and Performance Share Awards pursuant to the Plan, the Company shall have the right to require the Participant to pay to the Company the amount of any taxes that the Company is required to withhold with respect to such shares, or, in lieu thereof, to retain, or sell without notice, a sufficient number of such shares to cover the amount required to be withheld. Upon the disposition (within the meaning of Code Section 424(c)) of shares of Common Stock acquired pursuant to the exercise of an Incentive Stock Option prior to the expiration of the holding period requirements of Code Section 422(a)(1), the employee shall be required to give notice to the Company of such disposition and the Company shall have the right to require the employee to pay to the Company the amount of any taxes that are required by law to be withheld with respect to such disposition. Upon termination of the Restricted Period with respect to an award of Restricted Stock (or such earlier time, if any, as an election is made by the Participant under Code Section 83(b), or any successor provisions thereto, to include the value of such shares in taxable income), the Company shall have the right to require the Participant to pay to the Company the amount of taxes that the Company is required to withhold with respect to such shares of Common Stock or, in lieu thereof, to retain or sell without notice a sufficient number of shares of Common Stock held by it to cover the amount required to be withheld. The Company shall have the right to deduct from all dividends paid with respect to Restricted Stock the amount of taxes that the Company is required to withhold with respect to such dividend payments.

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4. *Use of Proceeds.* The proceeds received by the Company from the sale of Common Stock pursuant to the exercise of Options granted under the Plan shall be added to the Company's general funds and used for general corporate purposes.

5. *Amendment, Suspension, and Termination of Plan.*
 - (a) The Board shall have complete discretionary authority and power to amend, suspend or terminate the Plan at any time, subject to the following provisions:
 - (i) An amendment increasing the number of shares of Common Stock provided in Part I, or the Maximum Award Limit may not be made without shareholder approval.
 - (ii) The Board may not, without the Participant's written consent, modify the terms and conditions of an Award in a manner that impairs any right or obligation previously granted.
 - (iii) No amendment, suspension or termination of the Plan shall, without the Participant's written consent, alter, terminate or impair any right or obligation under any Award previously granted under the Plan.
 - (b) Unless previously terminated, the Plan shall terminate with respect to the issuance of any new Awards, and no more Awards may be granted after July 31, 2016. The Plan shall continue in effect with respect to Awards granted before termination of the Plan until such Awards have been settled, terminated, or forfeited.

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This map is provided for the convenience of shareholders attending the 2006 annual meeting. Complimentary parking will be provided. In case of any difficulty, please telephone the Company at (281) 331-6154.

TEAM, INC.

ANNUAL MEETING

(200 Hermann Drive)

REVOCABLE PROXY

TEAM, INC.

**X PLEASE MARK VOTES
AS IN THIS EXAMPLE**

**THIS PROXY IS SOLICITED BY THE
BOARD OF DIRECTORS**

FOR THE ANNUAL MEETING OF

SHAREHOLDERS SEPTEMBER 28, 2006

The undersigned hereby appoints GREGORY T. SANGALIS AND TED W. OWEN, and each of them, either one of whom may act without joinder of the other, each with full power of substitution and ratification, attorneys and proxies of the undersigned to vote all shares of Team, Inc. which the undersigned is entitled to vote at the annual meeting of shareholders to be held at Team's offices at 200 Hermann Drive, Alvin, Texas 77511, at 3:00 p.m. (local time) on Thursday, September 28, 2006, and at any adjournment(s) or postponement(s) thereof.

1. Election of Class II Directors

Nominees: Vincent D. Foster,

Jack M. Johnson, Jr., and Robert A. Peiser

INSTRUCTION: To withhold authority to vote for any individual nominee, mark For All Except and write that nominee's name in the space provided below.

2. APPROVAL OF THE TEAM, INC. 2006 STOCK INCENTIVE PLAN

3. In their discretion the proxies are authorized to vote upon such other business as may properly come before the meeting.

This Proxy will be voted in accordance with the specifications made hereon. If no contrary specification is made, then this Proxy will be voted FOR the election of the three director nominees named in Item 1, FOR the approval of the Team, Inc. 2006 Stock Incentive Plan and in the discretion of the proxies for such other business as may properly come before the meeting. The undersigned hereby acknowledges receipt of the Notice of Annual Meeting of Shareholders and the Proxy Statement furnished herewith. PLEASE DATE, SIGN AND RETURN THIS PROXY PROMPTLY in the enclosed, pre-addressed stamped envelope

	With-	For All
	For	hold
	Except	

	For	Against	Abstain

Please be sure to sign and date _____ Date

this Proxy in the box below.

Shareholder sign above

Co-holder (if any) sign above

+

+

é Detach above card, sign, date and mail in postage paid envelope provided. é

TEAM, INC.

PLEASE VOTE, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE

IF YOUR ADDRESS HAS CHANGED, PLEASE CORRECT THE ADDRESS IN THE SPACE PROVIDED BELOW AND RETURN THIS PORTION WITH THE PROXY IN THE ENVELOPE PROVIDED.
