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TEAM INC
Form DEF 14A
August 26, 2003

Schedule 14A Information

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

Filed by the Registrant [X]

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))

[X] Definitive Proxy Statement

[] Definitive Additional Materials

[] Soliciting Material Pursuant to Section 240.14a-11(c) or Section 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):

[X] No fee required

[] Fee computed on table below per Exchange Act Rules 14a-6(i) (1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed
pursuant to Exchange Act Rule 0-11 (set forth the amount on which
the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:

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

- (3) Filing Party:

- (4) Date Filed:

TEAM, INC.
200 HERMANN DRIVE
ALVIN, TEXAS 77511
(281) 331-6154

NOTICE OF 2003 ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON THURSDAY, SEPTEMBER 25, 2003

To the Shareholders of Team, Inc.:

The 2003 Annual Meeting of Shareholders of Team, Inc. (the "Company") will be held on Thursday, September 25, 2003 at 3:00 p.m. at the Company's offices, 200 Hermann Drive, Alvin, Texas 77511 for the following purposes:

- 1. To elect two persons to serve as Class II Directors for a term of three years on the Company's Board of Directors consisting of three classes of directors with staggered terms.
- 2. To consider and vote on a proposal to approve the appointment of KPMG LLP as the independent certified public accountants to audit the Company's accounts for the fiscal year ending May 31, 2004.
- 3. To transact such other business as may properly come before the meeting and all adjournments thereof.

The Board of Directors has fixed the close of business on August 15, 2003 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 2003 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

/s/ PHILIP J HAWK
Philip J. Hawk
Chairman of the Board of Directors
and Chief Executive Officer

August 26, 2003

YOUR VOTE IS IMPORTANT.
PLEASE SIGN, DATE AND RETURN THE ACCOMPANYING PROXY CARD PROMPTLY.

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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"), to vote the common stock of the Company at the 2003 Annual Meeting of Shareholders (the "2003 Annual Meeting"), and at any adjournment thereof, to be held at the time and place and for the purposes set forth in the accompanying Notice. This Proxy Statement and enclosed form of Proxy is being mailed to shareholders beginning on August 28, 2003.

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 2003 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: (1) FOR the election of the two nominees listed herein as Class II Directors for a term of three years; (2) FOR the proposal to approve the appointment of KPMG LLP as independent certified public accountants of the Company for the fiscal year ending May 31, 2004; and (3) 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 written notice to Mr. Ted W. Owen of the Company at the above address of the Company, by the execution and delivery of a later dated proxy or by attendance at the meeting and voting their shares in person. Proxy cards that are not signed or that are not returned are treated as not voted for any purposes.

VOTING SECURITIES

As of the close of business on August 15, 2003, the record date for determining shareholders entitled to vote at the 2003 Annual Meeting, the Company had 7,584,954 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 meeting. The holders of a majority of the total shares of Common Stock of the Company issued and outstanding as of August 15, 2003, whether present in person or represented by proxy, will constitute a quorum for the transaction of business at the meeting. Abstentions, or with respect to the election of directors, withholds, are counted for purposes of determining the presence or absence of a quorum for the transaction of business while broker non-votes are not so 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

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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 number of directors to constitute the Board of Directors at seven, divided into three classes with staggered three-year terms.

The Board of Directors has nominated two Class II Directors to be elected to serve a three-year term expiring on the date of the Annual Meeting of Shareholders of the Company to be held in 2006, and until their successors are duly elected and qualified. Messrs. Jack M. Johnson, Jr. and E. Theodore Laborde have been nominated by the Board of Directors to stand for election as Class II Directors for a three-year term.

Directors are elected by a plurality of votes cast at the Annual Meeting. Unless contrary instructions are set forth in the proxies, the persons with full power of attorney to act as proxies at the 2003 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 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

Set forth below is certain information as of August 15, 2003 concerning the nominees for election at the 2003 Annual Meeting, including the business experience of each for at least the past five years:

| NAME | AGE | PRESENT POSITION WITH THE COMPANY | DIRECTOR SINCE |
|---------------------------|-----|-----------------------------------|----------------|
| Jack M. Johnson, Jr. | 65 | Director | 1992 |
| E. Theodore Laborde..... | 65 | Director | 1991 |

Mr. Johnson has been Managing General Partner of Wintermann & Company, a general partnership that owns approximately 25,000 acres of real estate in Texas, which is 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. Laborde served in various capacities with J&H Marsh & McLennan, Inc., an insurance brokerage firm, in New Orleans for 35 years until his retirement in 1997. From 1982 until his retirement, Mr. Laborde acted as Managing Director of the New Orleans operation. J&H Marsh & McLennan, Inc. is a subsidiary of Marsh & McLennan Companies. Mr. Laborde is a director of Gulf Coast Bank & Trust Co. in New Orleans, Louisiana and is involved in various privately held family businesses.

DIRECTORS CONTINUING IN OFFICE

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

| NAME ---- | AGE --- | PRESENT POSITION WITH THE COMPANY ----- | DIRECTOR SINCE ----- | EXPIRATION OF PRESENT TERM ----- |
|-------------------------|------------|---|----------------------------|--|
| Philip J. Hawk..... | 49 | Chairman of the Board and Chief Executive Officer | 1998 | 2005 |
| George W. Harrison..... | 75 | Director | 1995 | 2004 |
| E. Patrick Manuel..... | 55 | Director | 2001 | 2004 |
| Louis A. Waters..... | 65 | Director | 1998 | 2005 |
| Sidney B. Williams..... | 69 | Director | 1973 | 2004 |

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Mr. Hawk was appointed Chairman of the Board and Chief Executive Officer of the Company in November 1998. From 1993 to 1998, Mr. Hawk held the position of President and Chief Executive Officer of EOTT Energy Partners, L.P., an energy marketing and service company. Mr. Hawk is also a director of ABS Group of Companies and resigned as a director of Highlands Insurance Group in March 2003.

Mr. Waters presently manages personal investments. 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. In addition, Mr. Waters is one of the founders and was the first Chairman of the Board of Browning-Ferris Industries, Inc. ("BFI"). He served as Chairman and Chief Executive Officer from 1969 through 1980, Chairman of BFI's Executive Committee from 1980 through 1988, and Chairman of the Finance Committee from 1988 to March 1997. Mr. Waters also directed BFI's international activities, serving as Chairman and Chief Executive Officer of BFI International, Inc. from 1991 to March 1997, when he retired from full-time duty with BFI.

Mr. Harrison is retired. Prior to his retirement in 1997, he served as Senior Vice President of the Company for more than five years. During his tenure with the Company, Mr. Harrison was involved in most aspects of the Company including operations, engineering, manufacturing, marketing and research and development.

Mr. Manuel is presently an independent investor and a paid consultant to the Company. These have been his principal occupations since April 1999. For more than five years prior to that time, he was the principal shareholder and president of X-Ray Inspection Co., which is now a wholly-owned subsidiary of the Company that engages in the business of NDT inspection services. X-Ray Inspection Co. was purchased by the Company in April 1999. Mr. Manuel is a director of Tri-Parish Bank in Eunice, Louisiana.

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 and has been a partner in that firm for more than the past five years.

Mr. Williams and Mr. Laborde are brothers-in-law.

MEETINGS AND COMMITTEES OF THE BOARD

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The Board of Directors held five regular meetings during the fiscal year ended May 31, 2003. 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.

The Board of Directors has an Executive Committee, an Audit Committee, a Compensation Committee and a Corporate Governance Committee, which will fulfill the functions of a 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 met three times during fiscal 2003.

The Audit Committee is composed of Messrs. Waters, Laborde, and Johnson. The Audit Committee 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 Audit Committee met three times during fiscal 2003. The Board has determined that Louis A. Waters is an audit committee financial expert within the meaning of SEC regulations.

The Compensation Committee, composed of Messrs. Johnson, Harrison, Manuel and Williams, reviews management performance and makes recommendations to the Board of Directors concerning management

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compensation and other employment benefits. The Compensation Committee met once during fiscal 2003 regarding specific employee matters.

In January 2003, the Board of Directors approved the formation of a Corporate Governance Committee, whose purpose will be (i) to ensure the processes of the Board are sufficient and consistent with its oversight role of the Company, (ii) to evaluate the contribution and participation of all Board members and (iii) to make recommendations regarding Board membership. The Corporate Governance committee is comprised of Messrs. Williams and Waters. The Committee did not hold a meeting during fiscal 2003.

AUDIT COMMITTEE REPORT

The audit committee consists of the three members of the Company's Board of Directors identified above. Each committee member is independent, as that term is defined in Section 121 of the American Stock Exchange's ("AMEX") listing standards. In January 2000, the Board of Directors adopted a written charter for the audit committee, which was included as Appendix A to the Proxy Statement of the Company for its 2000 annual meeting.

The audit committee has reviewed and discussed the audited financial statements for the fiscal year ended May 31, 2003 with management and has discussed with KPMG LLP, the independent auditors for the Company, the matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standards).

The audit committee has also received the written disclosures and the letter from the independent accountants required by Independence Standards Board

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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, 2003.

Louis A. Waters, Chairman
Jack M. Johnson, Jr.
E. Theodore Laborde

COMPENSATION COMMITTEE REPORT

Pursuant to rules adopted by the Securities and Exchange Commission, the Compensation Committee of the Board of Directors (the "Committee"), which is composed entirely of outside 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 the Company's stock option plans.

Following review and approval by the Committee, all issues pertaining to the compensation of, and the grant of options to, the executive officers are submitted to the full Board of Directors for approval.

Compensation Philosophy

The Committee's compensation philosophy operates on several different levels. First, the Committee must ensure that the compensation is competitive in order to attract and retain highly qualified executives. In order to facilitate the first objective, the Committee as a rule considers various compensation surveys and proxy statements for companies in the industry of comparable size and complexity to the Company. Second, in

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order to motivate its executives, the Committee links executive pay levels to the performance of the Company 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 stock option programs. The Committee endeavors to support the Company's commitment to providing superior 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.

Compensation Program Components

To achieve its compensation goals, the compensation program consists of four components: base salary, bonuses, various employee benefits (including medical and life insurance and 401(k) plan benefits generally available to the

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employees of the Company) and the Company's stock option plans. The total program is structured to deliver a significant percentage of pay through at-risk pay programs which reward executives if the performance of the Company warrants. Maximizing shareholder value is a basic principle underlying the Company's pay programs.

Annually, the Committee seeks to review the base salary of each executive officer to determine its fairness. During its annual consideration of the base salaries of the executive officers, the Committee considers the level of responsibility, experience and performance of each executive officer. The Committee also takes into account the competitive conditions of the marketplace, the Company's profitability and the cost of living index. When reviewing competitive conditions of the marketplace, the Committee considers the Company's pay levels with those of companies of similar size and complexity. As the Company believes there is no survey data relating to the Company's service industries, the Company studies compensation surveys for companies of a similar size and complexity and various other data and information brought to its attention, including proxy statements of companies in the Company's service industry. Based on such information, the Committee endeavors to ensure that the pay levels fall in the median range of the amounts paid by the comparable companies. In certain circumstances, bonuses may be awarded to those executive officers who have made outstanding individual contributions during the current fiscal year. Subsequent to the end of fiscal 2003, each officer of the Company received an increase in base salary and a bonus commensurate with levels of responsibility and individual performance.

Additionally, all executive officers are eligible to receive stock options and bonuses in the form of stock at the Committee's discretion. By increasing senior management's equity position in the Company, the interests of the shareholders and the executives will be more closely aligned.

Performance Measures

When evaluating annual executive compensation, the Committee considers the Company's earnings, adjusted for certain unusual or nonrecurring items, return on net investment and cash flows. These factors are compared to the Company's prior year's performance, its annual business plan and the performance of other companies which operate in the same industry segments as the Company. These performance measures assist the Committee in ensuring that the interests of its shareholders, as well as its executives, are represented in a fair and equitable manner. No specific fixed weighting or formula is applied to such performance measures. Rather, the Committee exercises its judgment in evaluating financial and non-financial factors and in determining appropriate compensation.

Other

The Omnibus Budget Reconciliation Act of 1993 (the "Act") restricts the ability of a publicly-held corporation to deduct compensation in excess of \$1,000,000 paid to its Chief Executive Officer and the four most highly compensated officers. During fiscal 2003, the threshold was not met for any of the executive officers. However, the Committee continually reviews all aspects of the Act in order to determine future compliance issues regarding same.

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

Jack M. Johnson, Jr., Chairman
George W. Harrison
E. Patrick Manuel

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Sidney B. Williams

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

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, which rendered services to the Company during fiscal 2003. Fees to the law firm did not exceed five percent (5%) of that law firm's gross revenue for its last full fiscal year. The Company and E. Patrick Manuel are parties to a Consulting Agreement dated April 9, 1999 and effective until April 9, 2004, under which Mr. Manuel provides certain assistance and advice concerning the Company's NDT inspection service business as requested by the Company in consideration for consulting fees of \$120,000 per year and a vehicle allowance of \$5,400 per year. The Company also leases an office and shop building in Lafayette, Louisiana from Mr. Manuel for rental of \$54,000 per year, and a smaller office and shop building in Sulphur, Louisiana for rental of \$18,600 per year.

COMPENSATION OF DIRECTORS

All non-employee directors currently receive an annual fee of \$20,000 of which one-half (\$10,000) 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 calculated by dividing \$10,000 by the closing price per share on the preceding business day. 1,250 shares were issued to each non-employee director on July 1, 2003.

In December 1991, the Company adopted the Non-Employee Directors Stock Option Plan (the "Non-Employee Director Plan"). The Non-Employee Director Plan authorizes options to purchase an aggregate of 410,000 shares of Common Stock for directors of the Company who are not employees of the Company. The purpose of the Non-Employee Director Plan is to attract and to 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 position.

Pursuant to the Non-Employee Director Plan, each non-employee director receives an automatic grant of options upon such director's appointment, reappointment, election or reelection to the Board of Directors equal to the product obtained by multiplying five thousand (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 2003, Mr. Waters was granted options to purchase 15,000 shares with an exercise price of \$8.60 per share, pursuant to his election to the Board of Directors at the 2002 Annual Meeting of Shareholders.

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CURRENT DIRECTORS AND EXECUTIVE AND OTHER OFFICERS

The following table sets forth information regarding the current directors and executive and other officers of the Company:

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| NAME OF DIRECTOR OR OFFICER ----- | AGE --- | DIRECTOR SINCE ----- | OFFICER SINCE ----- | POSITION WITH COMPANY ----- |
|--------------------------------------|------------|----------------------------|---------------------------|---|
| Philip J. Hawk(1)..... | 49 | 1998 | 1998 | Chairman of the Board of Directors and Chief Executive Officer |
| Kenneth M. Tholan..... | 64 | -- | 1996 | President and Chief Operating Officer |
| Ted W. Owen..... | 51 | -- | 1998 | Senior Vice President -- Finance & Administration, Chief Financial Officer, Secretary and Treasurer |
| John P. Kearns..... | 47 | -- | 1996 | Senior Vice President |
| George W. Harrison(3)..... | 75 | 1995 | -- | Director |
| E. Theodore Laborde(2)..... | 65 | 1991 | -- | Director |
| Jack M. Johnson, Jr.(2)(3)..... | 65 | 1992 | -- | Director |
| E. Patrick Manuel(3)..... | 55 | 2001 | -- | Director |
| Louis A. Waters(1)(2)(4)..... | 65 | 1998 | -- | Director |
| Sidney B. Williams(1)(3)(4)..... | 69 | 1973 | -- | Director |

(1) Member of the Executive Committee.

(2) Member of the Audit Committee.

(3) Member of the Compensation Committee.

(4) Member of the Corporate Governance Committee.

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 was elected Vice President, Chief Financial Officer, Secretary and Treasurer in April of 1998 and was promoted to Senior Vice President-Finance and Administration in 2003. From 1994 to 1997, Mr. Owen held the position of Business Practices Officer for Alyeska Pipeline Service Co in Anchorage, Alaska.

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. Mr. Kearns has been involved with the Company's engineering, manufacturing and research and development functions for more than the last five years.

CODE OF ETHICAL CONDUCT

The Company has adopted a code of ethics that applies to all employees and the Company directors. A copy of such code, entitled "Team, Inc. Code of Ethical Conduct", has been filed with the SEC 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 Internet Web site at www.teamindustrialservices.com.

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EXECUTIVE COMPENSATION AND OTHER MATTERS

The following table sets forth compensation information for the fiscal years ended May 31, 2003, 2002 and 2001 for the Chief Executive Officer and the other executive officers of the Company earning in excess of \$100,000 during the Company's 2003 fiscal year (the "Named Executive Officers"):

COMPENSATION TABLE

| NAME AND PRINCIPAL POSITION | YEAR ENDING MAY 31 | ANNUAL COMPENSATION | | COMPENSATION | ALL COMP |
|--|--------------------------|---------------------|---------------|-------------------------------------|-------------|
| | | SALARY (\$) | BONUS (\$) | SECURITIES UNDERLYING OPTIONS | |
| Philip J. Hawk(2)..... Chairman of the Board and Chief Executive Officer | 2003 | 275,008 | 90,000 | -- | |
| | 2002 | 269,015 | 120,000 | 50,000 | |
| | 2001 | 240,130 | 55,000 | -- | |
| Kenneth M. Tholan..... President and Chief Operating Officer | 2003 | 186,354 | 52,000 | 7,000 | |
| | 2002 | 183,438 | 52,000 | 30,000 | |
| | 2001 | 165,130 | 37,000 | 13,000 | |
| Ted W. Owen..... Senior Vice President -- Finance & Administration, Secretary & Treasurer | 2003 | 165,104 | 36,000 | 7,000 | 2 |
| | 2002 | 158,669 | 36,000 | 15,000 | |
| | 2001 | 140,823 | 21,000 | 8,000 | |
| John P. Kearns..... Senior Vice President | 2003 | 127,508 | 32,000 | 7,000 | |
| | 2002 | 123,092 | 32,000 | 15,000 | |
| | 2001 | 102,785 | 21,000 | 8,000 | |

(1) Represents the net realized value of options exercised in the years indicated. Mr. Owen exercised options to acquire 4,000 shares in fiscal 2003.

(2) 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, 2005, (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 the agreement. Also, Mr. Hawk has agreed not to disclose any confidential information regarding the Company without the prior written consent of the Company.

OPTION GRANTS IN FISCAL 2003

The following table sets forth additional information with respect to stock options granted in fiscal 2003 to the Named Executive Officers:

| NAME | NUMBER OF SECURITIES UNDERLYING OPTIONS | PERCENTAGE OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL 2003 | EXERCISE PRICE | EXPIRATION DATE | POTENTIAL RE |
|------|--|---|-------------------|--------------------|---|
| | | | | | VALUE AT A ANNUAL RATES PRICE APPRE FOR OPTION |
| | | | | | 5% |

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| | | | | | |
|------------------------|-------|------|--------|-----------|----------|
| Kenneth M. Tholan..... | 7,000 | 5.9% | \$9.00 | 7/20/2013 | \$39,620 |
| Ted W. Owen..... | 7,000 | 5.9% | \$9.00 | 7/20/2013 | \$39,620 |
| John P. Kearns..... | 2,000 | 1.7% | \$9.00 | 7/20/2013 | \$11,320 |

(1) 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 2003 are \$14.66 and \$23.44, 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

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Exchange Commission and, therefore, are not intended to represent either historical appreciation or anticipated future appreciation in the price of Common Stock.

The following stock options were granted in June 2003 under the 1998 Incentive Stock Option Plan to the Named Executive Officers: Mr. Tholan, 8,000 shares; Mr. Owen, 4,000 shares; and Mr. Kearns, 4,000 shares. All of the foregoing options have an exercise price of \$8.25 per share. Since the options were granted subsequent to the end of fiscal 2003, they are not reflected in the option grants table above.

OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR END OPTION VALUES

The following table provides certain information with respect to options exercised during fiscal 2003 by each of the Named Executive Officers:

| NAME | NUMBER OF | VALUE | NUMBER OF | | VALUE OF UNEXERCISED |
|------------------------|-----------|----------|--------------------|------------------------|----------------------|
| | SHARES | | ACQUIRED | UNEXERCISED OPTIONS AT | IN-THE-MONEY |
| | ON | REALIZED | END OF FISCAL 2003 | UNEXERCISABLE | END OF FISCAL |
| | EXERCISE | (\$) | EXERCISABLE | UNEXERCISABLE | EXERCISABLE |
| Philip J. Hawk..... | -- | -- | 235,534 | 164,466 | \$938,543 |
| Kenneth M. Tholan..... | -- | -- | 139,000 | 11,000 | \$608,930 |
| Ted W. Owen..... | 4,000 | \$23,972 | 53,750 | 7,250 | \$217,815 |
| John P. Kearns..... | -- | -- | 60,250 | 4,750 | \$262,755 |

(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 2003 (\$7.80) and (ii) the exercise price of the in-the-money options, multiplied by the number of underlying shares subject to the options.

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COMPARISON OF TOTAL SHAREHOLDER RETURN*

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The following graph compares the Company's cumulative total shareholder return on its Common Stock for a five-year period (May 31, 1998 to May 31, 2003), 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, 1998 and that all dividends were reinvested.

(PERFORMANCE GRAPH)

| | Cumulative Total Return | | | | | |
|------------------------------------|-------------------------|--------|--------|--------|--------|--------|
| | 5/98 | 5/99 | 5/00 | 5/01 | 5/02 | 5/03 |
| TEAM, INC. | 100.00 | 68.35 | 45.57 | 61.77 | 187.34 | 157.97 |
| AMEX MARKET VALUE (U.S. & FOREIGN) | 100.00 | 107.03 | 127.86 | 124.08 | 113.32 | 109.85 |
| PEER GROUP | 100.00 | 63.46 | 48.36 | 69.50 | 38.71 | 42.35 |

Assumes Initial Investment of \$100

* Total return assumes reinvestment of dividends

Note: Total returns based on market capitalization

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.

The foregoing graph is based on historical data and is not necessarily indicative of future performance.

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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 15, 2003 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 15, 2003. Unless otherwise indicated, the address of each person named below is the address of the Company at 200 Hermann Drive, Alvin, Texas 77511.

| NAME AND ADDRESS OF BENEFICIAL OWNER | NUMBER OF SHARES BENEFICIALLY OWNED (1) | PERCENTAGE OUTSTANDING COMMON STOCK |
|--------------------------------------|--|---|
|--------------------------------------|--|---|

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| | | |
|---|----------------------|-------|
| Philip J. Hawk..... | 300,534 (2) | 3.3% |
| Kenneth M. Tholan..... | 160,000 (3) | 1.9% |
| Ted W. Owen..... | 59,524 (4) | * |
| John P. Kearns..... | 72,025 (5) | * |
| Sidney B. Williams..... | 144,620 (6) | 1.7% |
| 1200 Smith Street, Suite 1400 | | |
| Houston, Texas 77002 | | |
| E. Theodore Laborde..... | 75,500 (7) | * |
| 601 Poydras Street, Suite 1815 | | |
| New Orleans, Louisiana 70130 | | |
| Jack M. Johnson, Jr. | 79,214 (8) | * |
| P.O. Box 337 | | |
| Eagle Lake, Texas 77434 | | |
| George W. Harrison..... | 222,277 (9) | 2.7% |
| 2119 Sieber Drive | | |
| Houston, Texas 77017 | | |
| Louis A. Waters..... | 1,240,214 (10) | 15.0% |
| 520 Post Oak Blvd., Suite 850 | | |
| Houston, Texas 77027 | | |
| E. Patrick Manuel..... | 502,855 (11) | 6.1% |
| 1206 Hwy 190 West | | |
| Eunice, Louisiana 70535 | | |
| All directors, nominees and executive officers as a | | |
| group | | |
| (10 persons)..... | 2,856,763 (12), (13) | 34.5% |
| Houston Post Oak Partners, Ltd..... | 1,200,000 | 14.5% |
| 520 Post Oak Blvd., Suite 850 | | |
| Houston, Texas 77027 | | |
| Babson (David L) & Co. | 504,400 (14) | 6.1% |
| One Memorial Dr. | | |
| Cambridge, MA 02142 | | |

* 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 235,534 shares which may be acquired pursuant to the exercise of stock options currently exercisable or exercisable within 60 days of August 15, 2003.
- (3) Includes 139,000 shares which may be acquired pursuant to the exercise of stock options currently exercisable or exercisable within 60 days of August 15, 2003 and 60 shares held in an employee benefit plan.
- (4) Includes 53,750 shares which may be acquired pursuant to the exercise of stock options currently exercisable or exercisable within 60 days of August 15, 2003 and 2,774 shares held in an employee benefit plan.
- (5) Includes 60,250 shares which may be acquired pursuant to the exercise of stock options currently exercisable or exercisable within 60 days of August

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15, 2003, and 7,775 shares held in an employee benefit plan.

- (6) Includes 2,685 shares owned by Nancy Williams, Mr. William's wife, 1,000 shares held as custodian under the Uniform Gift to Minors Act for Mr. William's nephews, and 3,000 shares gifted to Mr. Williams adult children. Mr. Williams disclaims any economic interest in these shares. Also includes 30,000 shares which may be acquired pursuant to the exercise of stock options currently exercisable or exercisable within 60 days of August 15, 2003.
- (7) Includes 1,886 shares owned by Mr. Laborde and his wife, Mary Laborde, as joint tenants. Also includes 45,000 shares which may be acquired pursuant to the exercise of stock options currently exercisable or exercisable within 60 days of August 15, 2003.
- (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 15, 2003.
- (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 15, 2003.
- (10) Includes 25,000 shares which may be acquired pursuant to the exercise of stock options currently exercisable or exercisable within 60 days of August 15, 2003. Also includes 1,200,000 shares owned by Houston Post Oak Partners, Ltd., a Texas limited partnership of which Mr. Waters is the sole general partner.
- (11) Includes 15,000 shares which may be acquired pursuant to the exercise of stock options currently exercisable or exercisable within 60 days of August 15, 2003.
- (12) Includes 693,534 shares which may be acquired pursuant to the exercise of stock options currently exercisable or exercisable within 60 days of August 15, 2003.
- (13) Includes 10,549 shares held in the employee benefit plan.
- (14) Based upon 13F filing for quarter ended June 30, 2003.

The Company does not know of any arrangement that may at a subsequent date result in a change of control of the Company.

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PROPOSAL TWO -- APPOINTMENT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Company's Audit Committee has recommended and the Board of Directors has approved and now recommends the appointment of KPMG LLP as independent certified public accountants to audit the Company's accounts for the fiscal year ending May 31, 2004. Approval of the appointment will require the affirmative vote of a majority of the shares represented and voted at the meeting.

A representative of KPMG LLP will attend the 2003 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.

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

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| | FY 2003 | FY 2002 |
|-------------------------|-----------|----------|
| | ----- | ----- |
| Audit Fees..... | \$120,500 | \$90,000 |
| Audit-Related Fees..... | \$ 23,000 | \$23,000 |
| Tax Fees..... | \$ 82,115 | \$72,350 |
| All Other Fees..... | \$ 3,105 | |

Audit fees for fiscal 2002 do not include \$30 thousand of fees associated with reviews of quarterly information on Form 10-Q, which were paid to a predecessor auditor. The \$120,500 for fiscal 2003 includes \$15,000 as an estimated final billing. Audit-related fees consist of fees associated with the audit of the Company's 401(k) Plan. Tax fees consist of fees associated with the preparation of the Company's Federal and state income tax returns for the years indicated and includes a pre-approved estimate of \$73,000 for fiscal 2003.

The Audit Committee meets annually to pre-approve audit and tax fees for the ensuing year. More than 90% of fees paid to KPMG pertaining to fiscal 2003 were pre-approved by the audit committee.

Effective August 31, 2001, the Company determined to change its independent auditor. Deloitte & Touche LLP audited the Company's financial statements for the fiscal years 2001 and 2000 and expressed an unqualified opinion thereon. The decision to change auditors was approved by the Audit Committee of the Board of Directors.

There were no disagreements with Deloitte & Touche LLP on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure. Additionally, there were no reportable events concerning accounting matters under applicable SEC rules during the past two years.

The Company has filed, as an exhibit to its Form 8-K/A report on October 5, 2001, a letter from the former accountant, addressed to the Securities and Exchange Commission, expressing agreement with the above statement.

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.

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SHAREHOLDER PROPOSALS

Any proposal by a shareholder to be presented at the Company's Annual Meeting of Shareholders in 2004 must be received by the Company no later than May 10, 2004 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

/s/ PHILIP J. HAWK
Philip J. Hawk
Chairman of the Board of Directors

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and Chief Executive Officer

August 26, 2003

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This map is provided for the convenience of shareholders attending the 2003 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)

(MAP)

[Front of Proxy Card]

PROXY

TEAM, INC.

PROXY

Proxy Solicited on Behalf of the Board of Directors
For the Annual Meeting of Shareholders -- September 25, 2003

The undersigned hereby appoints KENNETH M. THOLAN AND TED W. OWEN, and each of them separately, as proxies, with full power of substitution and revocation, to vote, as designated on the reverse side hereof, all of the shares of voting stock of Team, Inc. held of record by the undersigned on August 15, 2003, at the Team Inc. 2003 Annual Meeting of Shareholders to be held at the Company's offices, 200 Hermann Drive, Alvin, Texas 77511, at 3:00 p.m. (local time) on September 25, 2003, and any adjournment(s) thereof.

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

(Continued and to be signed on reverse side.)

[Back of Proxy Card]

TEAM, INC.

PLEASE MARK VOTE IN OVAL IN THE FOLLOWING MANNER USING DARK INK ONLY.

| | | | | | |
|----|--|------------|-----------------|-------------------|---|
| 1. | Election of Directors of the Company Nominees: Jack M. Johnson, Jr. and E. Theodore Laborde | For All | Withheld All | For All Except | Nominee exceptions written in below: ----- ----- |
| | | O | O | O | |
| 2. | Ratification of the appointment of KPMG LLP as independent public accountants of the Company | For | Against | Abstain | |
| | | O | O | O | |

The undersigned acknowledges receipt of the Notice of Annual Meeting of

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Shareholders and the Proxy Statement.

Date:

Signature(s)

Please sign exactly as your name appears.

Joint Owners should each sign personally. Where applicable, indicate your official position or Representation capacity.