

TEAM INC
Form DEF 14A
August 25, 2008
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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 2008 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)

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200 Hermann Drive

Alvin, Texas 77511

(281) 331-6154

Notice of 2008 Annual Meeting and Proxy Statement

August 25, 2008

To Our Shareholders:

On behalf of the Board of Directors, it is my pleasure to invite you to attend the 2008 Annual Meeting of Shareholders of Team, Inc. The Annual Meeting will be held on Thursday, September 25, 2008 at 3:00 p.m., local time, at our headquarters located at 200 Hermann Drive, Alvin, Texas 77511. A notice of the meeting, a Proxy Statement and a proxy card containing information about the matters to be voted upon are enclosed.

In addition to the Proxy Statement, you should have also received a copy of our Annual Report on Form 10-K for the fiscal year ended May 31, 2008. We encourage you to read the Form 10-K. It includes information about our operations as well as our audited, consolidated financial statements. If you did not receive a copy of our 2008 Annual Report on Form 10-K, you can read it on our website at www.teamindustrialservices.com.

Please use this opportunity to take part in the affairs of our company by voting on the business to come before this meeting. Whether or not you plan to attend the meeting, please complete, sign, date and return the accompanying proxy card in the enclosed postage-paid envelope or vote electronically via the Internet or telephone. See "About the Annual Meeting How do I vote by proxy?" in the proxy statement for more details. Instructions for each type of voting are included with the instructions on your proxy card. Returning the proxy card or voting electronically does *not* deprive you of your right to attend the meeting and to vote your shares in person for the matters to be acted upon at the meeting. However, if your shares are held through a broker or other nominee, you must obtain a legal proxy from the record holder of your shares in order to vote at the meeting.

Sincerely,

Chairman of the Board of Directors
and Chief Executive Officer

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TEAM, INC.

200 Hermann Drive

Alvin, Texas 77511

NOTICE OF 2008 ANNUAL MEETING OF SHAREHOLDERS

Time and Date: 3:00 p.m., local time, on Thursday, September 25, 2008

Location: Team, Inc.
200 Hermann Drive
Alvin, Texas 77511

Items of Business: To elect two persons to serve as Class I Directors to hold office until the 2011 Annual Meeting of Shareholders (Proposal No. 1).
To approve the material terms of the performance goals under the First Amended and Restated Team, Inc. 2006 Stock Incentive Plan (Proposal No. 2).
Such other business as may properly come before the meeting, or any adjournment thereof.

Record Date: The shareholders of record as of the close of business on Friday, August 8, 2008 will be entitled to vote at the Annual Meeting, or any adjournment thereof.

Proxy Voting: It is important that your shares be represented and voted at the Annual Meeting. You can vote your shares by completing and returning the proxy card sent to you. You also have the option of voting your shares on the Internet or by telephone. Voting instructions are printed on your proxy card and are included in the accompanying Proxy Statement. You can revoke a proxy at any time prior to its exercise at the Annual Meeting by following the instructions in the Proxy Statement.

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

These proxy materials are being provided to you in connection with the 2008 Annual Meeting of Shareholders of Team Inc. This Proxy Statement, the accompanying proxy card and the Company's 2008 Annual Report on Form 10-K were first mailed to shareholders on or about August 25, 2008. This Proxy Statement contains important information for you to consider when deciding how to vote on the matters to be brought before the Annual Meeting. Please read it carefully.

Unless otherwise indicated, the terms Team, Inc. , Team , the Company , we , our and us are used in these proxy materials to refer to Team, Inc. We are incorporated in the state of Texas and our company website can be found at www.teamindustrialservices.com. Our stock is traded on the NASDAQ Global Select Market (NASDAQ) under the symbol TISI and our fiscal year ends May 31 of each year.

ABOUT THE ANNUAL MEETING

Who is soliciting my vote?

The Board of Directors of Team Inc. (the Board) is soliciting your vote in connection with our 2008 Annual Meeting of Shareholders.

What is the purpose of the Annual Meeting?

The meeting will be our regular Annual Meeting of Shareholders. You will be voting on the following matters at our Annual Meeting of Shareholders:

1. Election of two directors to hold office until the 2011 Annual Meeting of Shareholders;
2. Approval of the material terms of the performance goals under the First Amended and Restated Team, Inc. 2006 Stock Incentive Plan; and
3. Any other business that may properly come before the Annual Meeting of Shareholders.

How does the Board of Directors recommend I vote?

The Board recommends a vote:

For the election of Louis A. Waters and Philip J. Hawk as Class I Directors; and

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For the proposal to approve the material terms of performance goals under the First Amended and Restated Team, Inc. 2006 Stock Incentive Plan.

Who is entitled to vote at the Annual Meeting?

The Board has set August 8, 2008 as the record date for the Annual Meeting (the Record Date). All shareholders who owned common stock of Team at the close of business on the Record Date may attend and vote at the Annual Meeting of Shareholders.

How many votes can be cast by all shareholders?

Each share of Team common stock is entitled to one vote. There is no cumulative voting. There were 18,766,327 shares of Team common stock outstanding and entitled to vote on the Record Date.

How many votes must be present to hold the Annual Meeting?

A majority of the outstanding shares of Team common stock as of the Record Date must be present at the Annual Meeting of Shareholders in order to hold the annual meeting and conduct business. This is called a

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quorum. Your shares are counted as present at the Annual Meeting of Shareholders if you are present at the annual meeting and vote in person, a proxy card has been properly submitted by you or on your behalf, or you have voted on the Internet or by telephone. Both abstentions and broker non-votes are counted as present for the purpose of determining the presence of a quorum. A broker non-vote is a share of common stock that is beneficially owned by a person or entity and held by a broker or other nominee, but for which the broker or other nominee (i) lacks the discretionary authority to vote on certain matters, and (ii) has not received voting instructions from the beneficial owner in respect of these specific matters.

How many votes are required to approve each proposal in this Proxy Statement?

Election of Directors. Directors are elected by a plurality of the votes cast. This means that the two individuals nominated for election to the Board who receive the most FOR votes (among votes properly cast in person or by proxy) will be elected. Abstentions are not counted for purposes of the election of directors.

Approval of material terms of the performance goals under the First Amended and Restated Team, Inc. 2006 Stock Incentive Plan. The affirmative vote of a majority of the shares having voting power represented at the Annual Meeting of Shareholders in person or by proxy is necessary for this proposal to be approved. Any shares not voted as a result of an abstention effectively will be treated as a vote against this proposal because they will count in determining whether the shares are present, but not as a vote for this proposal. Broker non-votes will not count for or against this proposal.

How do I vote by proxy?

You can vote your shares by completing and returning the proxy card accompanying this Proxy Statement. You also have the option of voting your shares on the Internet or by telephone. Your Internet or telephone vote authorizes the named proxies to vote shares in the same manner as if you marked, signed, and returned your proxy card or voting instruction card. Please see your proxy card or voting instruction card for more information on how to vote by proxy.

What if I don't vote for some of the items listed on my proxy card or voting instruction card?

If you return your signed proxy card or voting instruction card in the enclosed envelope but do not mark selections, it will be voted in accordance with the recommendations of the Board. The Board has designated André C. Bouchard and Ted W. Owen to serve as proxies. If you indicate a choice with respect to any matter to be acted upon on your proxy card or voting instruction card, your shares will be voted in accordance with your instructions.

If you are a beneficial owner and hold your shares in street name through a broker or other nominee and do not return the voting instruction card, the broker or other nominee will determine if it has the discretionary authority to vote on each matter voted upon at the Annual Meeting of Shareholders. Under applicable rules, brokers have the discretion to vote on routine matters, such as the uncontested election of directors.

Who pays for the proxy solicitation and how will the Company solicit votes?

We bear the expense of printing and mailing proxy materials. In addition to this solicitation of proxies by mail, our directors, officers, and other employees may solicit proxies by personal interview, telephone, facsimile, or email. These individuals will not be paid any additional compensation for any such solicitation. We will request brokers and other nominees who hold shares of common stock in their names to furnish proxy materials to beneficial owners of such shares. We will reimburse such brokers and other nominees for their reasonable expenses incurred in forwarding solicitation materials to such beneficial owners.

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Can I change or revoke my vote after I return my proxy card or voting instruction card?

Yes. Even if you sign the proxy card or voting instruction card in the form accompanying this Proxy Statement, vote by telephone, or vote on the Internet, you retain the power to revoke your proxy or change your vote. You can revoke your proxy or change your vote at any time before it is exercised at the Annual Meeting of Shareholders by providing written notice to our Corporate Secretary at: Team, Inc. Attn.: Corporate Secretary, 200 Hermann Drive, Alvin, Texas 77511, specifying such revocation. You may change your vote by timely delivering a valid, later-dated proxy or a later-dated vote by telephone or on the Internet or by voting in person at the Annual Meeting of Shareholders. However, please note that if you would like to vote at the Annual Meeting of Shareholders and you are not the shareholder of record, you must request, complete, and deliver a proxy from your broker or other nominee.

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PROPOSAL ONE ELECTION OF DIRECTORS

Nominees for Election

(Proposal No. 1 on the Proxy Card)

Our Restated Articles of Incorporation and Bylaws provide that our Board 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. The Board has fixed the current number of directors at seven. Our 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. The Class I directors serve for a term expiring at the 2008 Annual Meeting of Shareholders, the Class II directors serve for a term expiring at the 2009 Annual Meeting of Shareholders and the Class III directors serve for a term expiring at the 2010 Annual Meeting of Shareholders. At each Annual Meeting of Shareholders, successors to the class of directors whose term expires at that annual meeting are 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 or her term expires and until a successor has been elected and qualified, or until such director's earlier death, resignation, retirement, disqualification or removal.

The Board has nominated the following two persons for election as Class I Directors to serve a three-year term expiring on the date of our 2011 Annual Meeting of Shareholders, and until their successors are duly elected and qualified:

Philip J. Hawk

Louis A. Waters

Biographical information about each of the nominees is provided under "The Board of Directors and its Committees" below.

Directors will be elected by a plurality of votes cast at the 2008 Annual Meeting of Shareholders. 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 2008 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 our Board may recommend. Our senior 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.

The Board of Directors recommends that you vote *FOR* all Nominees.

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**PROPOSAL TWO APPROVAL OF THE MATERIAL TERMS OF THE
PERFORMANCE GOALS UNDER THE TEAM, INC. FIRST AMENDED
AND RESTATED 2006 STOCK INCENTIVE PLAN**

(Proposal No. 2 on the Proxy Card)

The Board of Directors asks the shareholders to approve the material terms of performance goals that may apply to awards under the First Amended and Restated Team, Inc. 2006 Stock Incentive Plan, now known as the Team, Inc. 2006 Stock Incentive Plan (as amended and restated effective August 1, 2008) (the Plan). Shareholders approved the Plan at the Company's Annual Meeting of Shareholders in 2006 and approved an increase in shares in 2007. Approval of the material terms of the performance goals is needed under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), if the Company desires to take a federal tax deduction for certain compensation awards under the Plan.

Section 162(m) imposes an annual deduction limit of \$1 million on the amount of compensation paid to each of the chief executive officer and the four other most highly compensated officers. The deduction limit does not apply to qualified performance-based compensation. Stock options granted under the Plan are considered qualified performance-based compensation because, among other things, the Plan was approved by shareholders and the stock options are granted at no less than the fair market value of the Company's stock on the grant date. However, other types of awards, such as restricted stock, must satisfy additional requirements.

The deduction limit of Section 162(m) of the Code will not apply to compensation payable solely on account of attainment of one or more performance goals if:

the performance goals are objective, pre-established and determined by a compensation committee comprised solely of two or more outside directors;

the material terms of the performance goals under which the compensation is to be paid are disclosed to the shareholders and approved by a majority vote; and

the compensation committee certifies that the performance goals and other material terms were in fact satisfied before the compensation is paid.

The Board of Directors is submitting this proposal to shareholders for approval of the material terms of performance goals set forth in the Plan (the Performance Goals). If shareholders fail to approve the proposal, the Company will still be able to make awards under the Plan, but awards (other than stock options and stock appreciation rights) will be subject to the deduction limit under Section 162(m) of the Code.

A copy of the Plan is included as Appendix I to this Proxy Statement. Capitalized terms used but not defined in this proposal have the same meaning as in the Plan.

Material Terms of Performance Goals under the Plan

Awards under the Plan may be granted to the Company's employees, directors, consultants and advisors. Under the Plan, any award may, but need not, be subject to the satisfaction of one or more performance goals. Performance-based compensation will be awarded if the Compensation Committee of the Company's Board of Directors (the Committee), which consists exclusively of independent directors, determines that such awards are in the best interest of the Company and its shareholders. Performance goals for awards will be determined by the Committee and will be designed to support the Company's business strategy and align participants' interests with shareholder interests.

Awards (other than stock options and stock appreciation rights) intended to qualify as performance-based compensation under Section 162(m) of the Code will be subject to performance goals based on one or more of the following business criteria as applied, in the Committee's discretion, to the Company as a whole or a division

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or business unit of the Company: earnings per share, return on equity, return on invested capital, relative total shareholder return, revenue growth, stock performance, net income, return on sales, return on assets, economic value added, cash flow, operating profits and net operating income.

Summary of Other Features of the Plan

The summary below is intended to provide context for the Performance Goals that shareholders are being asked to approve.

Under the Plan, the number of shares of common stock authorized for issuance is 5,400,000 shares. The number of authorized shares may be adjusted in the case of a stock split, acquisition or similar event described in Part VII of the Plan. As of August 1, 2008, 4,618,832 shares have been granted and 781,168 shares remain available for grant under the Plan. No individual may receive stock option or stock appreciation right awards for more than 500,000 shares in any year.

The Committee has the sole discretion to administer the Plan, to grant awards under the Plan and determine the terms, timing, transferability and method of exercise of awards, as applicable. Except in the case of awards made through assumption of, or in substitution for, outstanding awards previously granted by an acquired company, and except as a result of an adjustment event specified in Part VII, stock-based awards under the Plan may not have a grant or exercise price (or equivalent) of less than 100% of fair market value of the stock on the date the Committee makes the award.

No awards may be granted under the Plan after July 31, 2016.

The Board of Directors may amend, alter, discontinue or terminate the Plan at any time. However, shareholder approval must be obtained for any amendment that would increase the number of shares available for awards except as permitted by Part VII of the Plan.

Tax Matters

The following description sets forth federal income tax aspects of awards under the Plan. In general, a participant has no taxable event at the time of grant of an option, but will realize ordinary income at the time of exercise in an amount equal to the difference between the exercise price and the fair market value of the stock at the time of exercise. The Company will be entitled to a corresponding deduction. In the case of incentive stock options, the participant may not recognize ordinary income at the time of exercise (except for purposes of the alternative minimum tax) if he or she observes certain holding period requirements, in which case when the shares are sold the entire gain over the exercise price will be taxable at capital gains rates, and the Company will not be entitled to a deduction. The recipient of a restricted stock award has no taxable event at the time of grant, but will realize ordinary income at the time such award is vested in an amount equal to fair market value of the shares at that time, and the Company will be entitled to a corresponding deduction.

The Board of Directors unanimously recommends a vote *FOR* the proposal to approve the material terms of the performance goals under the Team, Inc. 2006 Stock Incentive Plan.

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CORPORATE GOVERNANCE

Corporate Governance Principles and Materials

We are committed to the enhancement of long-term shareholder value with the highest standards of integrity and ethics. With that in mind, our Board has adopted a set of Corporate Governance Principles to provide an effective corporate governance framework for Team reflecting our core values and providing a foundation for our governance. In support of our Corporate Governance Principles, our Board has adopted charters for each of the committees of the Board and a Code of Ethical Conduct for all of our employees and directors. We believe that we have established procedures and put practices in place which are designed to enhance and protect the interests of our shareholders.

The following corporate governance materials are available and can be viewed and downloaded from our website at www.teamindustrialservices.com on the Investors page under Governance :

- (i) the Company's Corporate Governance Principles;
- (ii) the Company's Stock Plan Summary;
- (iii) details regarding Meetings and Committees of the Board;
- (iv) Charters for the Audit Committee, the Compensation Committee, and the Corporate Governance and Nominating Committee, attached hereto as Appendices II, III and IV, respectively;
- (v) the Audit Committee Report;
- (vi) the Compensation Committee Report; and
- (vii) the Company's Code of Ethical Conduct.

A copy of these materials is available to shareholders free of charge on written request to the Company's Secretary at: Team, Inc., Attention: Corporate Secretary, 200 Hermann Drive, Alvin, Texas 77511.

Director Independence

Our Board believes that the interests of the shareholders are best served by having a substantial number of objective, independent representatives on the Board. For this purpose, a director will be considered independent only if the Board affirmatively determines that the director does not have any direct or indirect material relationship with Team that may impair, or appear to impair, the director's ability to make independent judgments. The Board has evaluated all relationships between each director and director nominee and Team and has determined that, except for Mr. Hawk, all the director nominees and directors not standing for election are independent as that term is defined in the applicable rules of NASDAQ. In making this determination, the Board considered transactions and relationships between each director or his or her immediate family and the Company and its subsidiaries, including those reported under Compensation Committee Interlocks and Insider Participation and Transactions with Related Persons below. The purpose of this review was to determine whether any such relationships or transactions were material and, therefore, inconsistent with a determination that the director is independent. There are no family relationships between any nominees, directors and senior executive officers. Mr. Hawk is not independent because of his employment as the Chief Executive Officer (CEO) of Team.

During its review of director independence, the Board specifically considered the relationship between Team and the law firm of Chamberlain, Hrdlicka, White, Williams and Martin of Houston, Texas (CHWWM), of which Mr. Sidney B. Williams is the sole shareholder of a professional

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corporation that is a partner in such law firm. CHWWM is a law firm that has provided legal services to Team for many years. Our fee arrangement with CHWWM is negotiated on the same basis as arrangements with other outside legal counsel and is subject to the same terms and conditions. The fees we pay to CHWWM are comparable to those that we pay to other law firms for similar services. The fees we paid to CHWWM in fiscal 2008 were approximately \$65,000.

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Mr. Williams is compensated by CHWWM on a fixed fee arrangement. While the relationship between Team and CHWWM was not required to be disclosed, the Board still considered this relationship in connection with its analysis of director independence. Based on its review, the Board concluded that this relationship (i) was not material to us or to Mr. Williams, (ii) does not interfere with the exercise of Mr. Williams independent judgment, and (iii) did not adversely impact the Board's determination that Mr. Williams is independent.

The Board will continue to monitor the standards for director independence established under applicable law or NASDAQ listing requirements and will ensure that our Corporate Governance Principles continue to be consistent with those standards.

Lead Independent Director

The Board maintains the position of Lead Director. Mr. Louis A. Waters has served as our Lead Director since June 2007. As duties and responsibilities, the Lead Director (i) presides at all meetings of the Board at which the Chairman is not present, including executive sessions of the independent directors, and sets agendas for executive sessions; (ii) monitors and responds directly to shareholder and other stakeholder questions and comments that are directed to the Lead Director or to the independent directors as a group, with such consultation with the Chairman and CEO or other directors or management as the Lead Director may deem appropriate; (iii) reviews and coordinates meeting agendas, information and schedules for the Board; (iv) ensures personal availability for consultation and communication with independent directors and with the Chairman and CEO or management, as appropriate; (v) provides guidance on director orientation; and (vi) calls special meetings of the independent directors in accordance with our by-laws, as the Lead Director may deem appropriate. Our General Counsel and Secretary supports the Lead Director in fulfilling the Lead Director role. During 2008, the independent directors met as a group five times. These meetings were conducted, without any management director or employees of Team present (except by invitation), to discuss matters related to the oversight and governance of Team, compliance with NASDAQ and Securities and Exchange Commission rules, and the performance of our senior executives.

Communications with the Board of Directors

Our Board has established a process for our shareholders and other interested parties to communicate with the Lead Director or the Board. Such communication should be in writing, addressed to the Board or an individual director to Team, Inc., 200 Hermann Drive, Alvin, Texas 77511, c/o Corporate Secretary. All such correspondence is reviewed by our Secretary's office, which forwards the material to the applicable director.

Director Education

Pursuant to our Corporate Governance Principles, each member of the Board is provided with a membership in the National Association of Corporate Directors and is encouraged to participate in continuing director education programs.

Succession Planning

The Compensation Committee annually reports to the Board on succession planning and collaborates with the Board to evaluate potential successors to our CEO and senior executives. As part of this process, the Compensation Committee solicits views from the non-management members of the Board.

Share Ownership Guidelines; Restrictions on Trading in Company Securities

In an effort to more closely link our non-management directors' financial interests with those of our shareholders, the Compensation Committee of the Board has established share ownership guidelines for our non-management directors. Under these guidelines, our non-management directors are expected to own common stock of Team valued at a minimum of \$150,000. Our non-management directors have a three year transition period to meet these guidelines. Newly appointed directors are expected to meet or exceed these guidelines within three years of joining the Board.

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In an effort to align the financial interests of our senior executives with those of our shareholders, we have established share ownership guidelines for our senior executives. Under these guidelines, our CEO is expected to own common stock of Team valued at three times his base salary. The guideline for the rest of our senior executives is one times their base salary. Our senior executives have a three year transition period to meet these guidelines. Newly appointed senior executives are expected to meet or exceed these guidelines within five years of entering their respective positions.

Because short-range speculation in our securities based on fluctuations in the market may cause conflicts of interests with our shareholders, our Insider Trading Policy prohibits trading in options, warrants, puts and calls related to our securities and it also prohibits selling our securities short.

THE BOARD OF DIRECTORS AND ITS COMMITTEES

The following table sets forth the names and ages of the nominees for election as directors and the current members of the Board who will continue serving following the Annual Meeting of Shareholders, as well as background information relating directly to such individuals' business experience. The persons who have been nominated for election and are to be voted upon at the Annual Meeting of Shareholders are listed first, with continuing directors following thereafter.

Director 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 8, 2008 concerning the nominees for election at the 2008 Annual Meeting of Shareholders as Class I directors, including the business experience of each nominee for at least the past five years:

| Name | Present Position | | Director Since |
|-----------------|------------------|------------------|----------------|
| | Age | With the Company | |
| Philip J. Hawk | 54 | Chairman & CEO | 1998 |
| Louis A. Waters | 70 | Director | 1998 |

Mr. Hawk was appointed as our Chairman of the Board and CEO in November 1998. Mr. Hawk is also a director of NCI Building Systems, Inc.

Mr. Waters manages the Waters Group, a family investment company. He was the Founding Chairman of Browning-Ferris Industries, Inc. (NYSE) and served that company from its inception in 1969 until his retirement in March 1997. Mr. Waters was also the Founding Chairman of Tyler Corp (NYSE) serving that company from September 1997 until he retired in March 2002. Mr. Waters serves as the Lead Director of our Board.

Directors Continuing in Office

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 director for at least the past five years:

| Name | Present Position | | Director Since | Class | Expiration of Present Term |
|----------------------|------------------|------------------|----------------|-----------|----------------------------|
| | Age | With the Company | | | |
| Vincent D. Foster | 51 | Director | 2005 | Class II | 2009 |
| Jack M. Johnson, Jr. | 70 | Director | 1992 | Class II | 2009 |
| Robert A. Peiser | 60 | Director | 2006 | Class II | 2009 |
| Emmett J. Lescroart | 57 | Director | 2004 | Class III | 2010 |
| Sidney B. Williams | 74 | Director | 1973 | Class III | 2010 |

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Mr. Foster has served as CEO of Main Street Capital Corporation, a specialty investment company, since March 2007. Mr. Foster has also been Senior Managing Director of Main Street Capital Partners, LLC (and its predecessor firms), a corporate investment firm, since 1997. Mr. Foster currently serves as a Director of U.S. Concrete, Inc. and Carriage Services, Inc. Mr. Foster holds a Juris Doctor degree and is a Certified Public Accountant.

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. Peiser is the Chairman and CEO of Omniflight Helicopters, Inc., an air medical services provider, and serves on the Board of Directors of Solutia, Inc., a specialty chemicals manufacturer. Mr. Peiser formerly served as the President and CEO of Imperial Sugar Company, a publicly traded refiner and marketer of sugar products and served on its Board of Directors from April 2002 until January 2008.

Mr. Lescroart is a Managing Director of EJM Capital, LLC, a private investment banking firm and has been in this position since 2001. He is also an independent private investor managing his personal investments and has done this since 1996. Mr. Lescroart was Managing Director of Chapman Associates from 2005 until June 2008. For twenty years prior to 1996, he was employed with Cooperheat Company in positions of increased responsibility and authority, becoming CEO 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.

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.

Meetings and Committees of the Board

Board of Directors

Currently, the Board is comprised of seven directors, each of who serves a three-year term or until his or her successor is duly elected and qualified.

The Board held seven meetings during the fiscal year ended May 31, 2008. 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. We do not have a formal policy regarding director attendance at our annual meetings of shareholders; however, we do encourage all directors to attend all meetings of shareholders. All directors were in attendance at the 2007 Annual Meeting of Shareholders.

The Board has an Executive Committee, an Audit Committee, a Compensation Committee, and a Corporate Governance and Nominating Committee. Each committee maintains its own written charter, which can be viewed and downloaded from our website at www.teamindustrialservices.com on the Investors page under Governance .

Executive 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 Team as needed during intervals between meetings of the Board. The Executive Committee had no meetings during fiscal 2008.

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Audit Committee

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 shareholders; meeting periodically with the independent certified public accountants, the Board and certain officers of Team and its subsidiaries to ensure the adequacy of internal controls and reporting; reviewing consolidated financial statements; providing oversight to our internal audit function; and performing any other duties or functions deemed appropriate by the Board. The Board has determined that Mr. Foster and Mr. Peiser are audit committee financial experts within the meaning of SEC regulations. In addition, the Board has determined that each member of the Audit Committee is independent, as defined by the applicable listing requirements of NASDAQ. 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. Peiser and Johnson. The Audit Committee met eight times during fiscal 2008. Further information regarding the Audit Committee is set out in the Audit Committee Report below.

Compensation Committee

The Compensation Committee reviews management performance and makes recommendations to the Board concerning the amounts and types of compensation to be paid to the Chairman and CEO and reviews and approves the amounts and types of compensation to be paid to our other senior executives and to the non-employee directors. Mr. Johnson is the Chairman of the Compensation Committee and serves with Messrs. Lescroart, Waters and Williams. The Compensation Committee met eight times during fiscal 2008. Further information regarding the Compensation Committee is set out in the Compensation Discussion and Analysis section below.

Compensation Committee Interlocks and Insider Participation

No member of the Compensation Committee of the Board was, during fiscal 2008, an officer or employee of Team or any of its subsidiaries, or was formerly an officer of Team or any of its subsidiaries or had any relationship requiring disclosure by Team. During fiscal 2008, no executive officer of Team 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, (ii) a director of another entity, one of whose executive officers served on the Compensation Committee of the Board, 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 Team.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee, which met one time during fiscal 2008, is charged with recommending director nominees to the Board; evaluating the contribution and performance of members and committees of the Board; developing appropriate corporate governance principles for Team; and ensuring the processes of the Board are sufficient and consistent with its oversight role of Team. Each member of the Corporate Governance and Nominating Committee is independent, as defined by the applicable listing requirements of the NASDAQ. Mr. Williams is Chairman of the Corporate Governance and Nominating Committee and serves with Messrs. Peiser and Waters.

In considering whether to recommend directors who are eligible to stand for re-election, the Corporate Governance and Nominating Committee may consider a variety of factors, including a director's contribution to the Board and the ability to continue to contribute productively, attendance at Board and committee meetings and compliance with the Corporate Governance Principles, as well as whether the director continues to possess the attributes, capabilities and qualifications considered necessary or desirable for board service, the results of the annual board self-evaluation, the independence of the director and the nature and extent of the director's non-Company activities.

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Whenever a vacancy occurs in the Board, either because of a newly-created director position or the removal or retirement of an existing director, the Board, acting on the recommendation of the Governance and Nominating Committee, shall select a person to fill the vacancy and that person shall serve as a director until the next annual meeting of shareholders, at which time such person (or another Board nominee) shall be submitted to our shareholders for election to the Board. 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 Corporate Governance and Nominating Committee is authorized to use any methods it deems appropriate for identifying candidates for Board membership, including recommendations from current directors and recommendations from shareholders. The Corporate Governance and Nominating Committee may engage outside search firms to identify suitable candidates. The Corporate Governance and Nominating Committee is also authorized to engage in whatever investigation and evaluation process it deems appropriate, including a thorough review of the candidate's background, characteristics, qualities and qualifications and personal interviews with the Committee as a whole, one or more members of the Committee, or one or more other Board members. The Corporate Governance and Nominating 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 our shareholders. The Corporate Governance and Nominating Committee will also examine other qualifications of a director nominee listed in our Corporate Governance Principles, including experience in formulating policy in areas relevant to Team's activities as well as skills and business experience that complement the other directors on the Board.

The Corporate Governance and Nominating Committee and the Board will consider nominees for the Board that are recommended by any Team shareholder entitled to vote for the election of directors in the same manner as other candidates. A nominating shareholder must submit any recommendation in writing to the Corporate Governance and Nominating Committee, c/o the Corporate 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.

Annual Performance Evaluations of Directors

The Corporate Governance and Nominating Committee conducts periodic individual director performance reviews particularly when a director is standing for re-election. In addition, the Chairs of each of the committees conduct periodic individual performance reviews of directors on their respective committees.

COMPENSATION OF DIRECTORS

In setting non-management director compensation, the Compensation Committee considers factors it deems appropriate, including market data, and recommends the form and amount of compensation to the Board for approval.

In fiscal 2008, all non-management directors (other than Audit Committee members) received an annual cash fee of \$30,000 paid in four equal quarterly installments. The annual cash fee for Audit Committee members, other than the Chairman, was \$35,000 paid in four equal quarterly installments. The Chairman of the Audit Committee received an annual cash fee of \$40,000 paid in four equal quarterly installments. In addition to the annual cash fees, all non-management directors received an additional \$10,000 paid in the form of Team 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. 291 shares were issued to each non-employee director on July 1, 2008. Non-management directors do not receive meeting fee payments.

In December 1991, we adopted the Non-Employee Directors Stock Option Plan (the Non-Employee Director Plan), which was amended in 1994. The Non-Employee Director Plan, as amended, authorizes the award of stock options for an aggregate of 1,220,000 shares of common stock to our non-management directors. The purpose of the Non-Employee Director Plan is to attract and retain the services of experienced and knowledgeable independent

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individuals as directors, to extend to them the opportunity to acquire a proprietary interest in Team so that they will apply their best efforts for the benefit of Team and our shareholders, and to provide such individuals with an additional incentive to continue in their positions.

Pursuant to the Non-Employee Director Plan, each non-management director has historically received an automatic grant of stock options upon such director's appointment, reappointment, election or reelection to the Board equal to the product obtained by multiplying 10,000 (adjusted for the August 15, 2007 stock split) 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 has been equal to the fair market value of Team common stock on the date of grant, and the options expire ten years after the date of grant. Options to purchase 10,000 shares vest on the date of grant and each anniversary thereafter until all of the options granted are fully vested. As a result of the significant increase in accounting costs to our Company for the award of stock options (as described under "Long-Term Incentive Compensation" in the "Compensation Discussion and Analysis" section below), our Board has decided to forego stock options under the Non-Employee Director Plan in favor of restricted stock beginning with fiscal 2009. During fiscal 2008, Messrs. Williams and Lescroart were each granted options to purchase 30,000 shares with an exercise price of \$27.72 per share, pursuant to their election to the Board of Directors at the 2007 Annual Meeting. See Director Compensation table below.

The following table sets forth director compensation for fiscal 2008.

Director Compensation

| Name | Fees Earned or Paid in | Stock | Option | Total | Total Options Outstanding at May 31, 2008 (#) |
|----------------------|---------------------------|----------------|-------------------|------------|--|
| | Cash (\$) | Awards (\$) | Awards (\$)(2) | | |
| Philip J. Hawk (1) | | | | | |
| Louis A. Waters | \$ 30,000 | \$ 10,000 | \$ 8,514 | \$ 48,514 | 100,000 |
| Vincent D. Foster | \$ 40,000 | \$ 10,000 | \$ 48,600 | \$ 98,600 | 40,000 |
| Jack M. Johnson, Jr. | \$ 35,000 | \$ 10,000 | \$ 48,600 | \$ 93,600 | 60,000 |
| Robert A. Peiser | \$ 35,000 | \$ 10,000 | \$ 48,600 | \$ 93,600 | 20,000 |
| Emmett J. Lescroart | \$ 30,000 | \$ 10,000 | \$ 141,804 | \$ 181,804 | 100,000 |
| Sidney B. Williams | \$ 30,000 | \$ 10,000 | \$ 124,667 | \$ 164,667 | 90,000 |

- (1) Mr. Hawk is a Named Executive Officer and as such all of his stock options are reported in the Outstanding Equity Awards at Fiscal Year-End table.
- (2) For a description of the assumptions made in calculating the proportionate share of the grant date fair value of the options recognized during fiscal 2008 in accordance with SFAS No. 123R, see Note 9 to the Company's footnotes to its audited financial statements as filed in the Form 10-K for the year ended May 31, 2008. These amounts reflect our accounting expense for these awards for the year ended May 31, 2008 and do not correspond to the actual value, if any, that may be received by the directors of the Company.

EXECUTIVE OFFICERS

The following table sets forth information regarding our current executive officers as of the Record Date. Each person holds the offices indicated until his successor is chosen and qualified at the regular meeting of the Board of Directors to be held following the 2008 Annual Meeting of Shareholders, or until such officer's earlier death, retirement, disqualification or removal.

| Name of Director or Officer | Age | Officer | |
|-----------------------------|-----|---------|--|
| | | Since | Position with Company |
| Philip J. Hawk | 54 | 1998 | Chairman of the Board and Chief Executive Officer |
| Ted W. Owen | 56 | 1998 | Senior Vice President, Chief Financial Officer and Treasurer |
| André C. Bouchard | 43 | 2008 | Senior Vice President, General Counsel and Secretary |
| John P. Kearns | 52 | 1998 | Senior Vice President, Operations Support and Technology Development |
| David C. Palmore | 52 | 2007 | Senior Vice President, TMS Division |
| Arthur F. Victorson | 47 | 2007 | Senior Vice President, TCM Division |
| Peter W. Wallace | 45 | 2007 | Senior Vice President, Commercial Support and Business Development |

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Information concerning the business experience of Mr. Hawk is provided under the section entitled Director Nominees.

Mr. Owen is Senior Vice President, Chief Financial Officer and has served as a Senior Vice President since 2003. Mr. Owen joined Team in February 1998 and in April 1998 was elected Vice President, Chief Financial Officer and Treasurer.

Mr. Bouchard is Senior Vice President, General Counsel and Secretary. Mr. Bouchard joined Team in January 2008. From 1994 until joining Team in 2008, he held various positions with Southern Union Company, including Vice President, Senior Assistant General Counsel, and with Panhandle Eastern Pipe Line Company, LP including Vice President Administration and General Counsel.

Mr. Kearns is Senior Vice President, Operations Support and Technology Development and has served in that position since 1998. Mr. Kearns joined Team in 1980 as a design engineer and assumed the position of Vice President of Engineering and Manufacturing in 1996. Throughout his career with Team, Mr. Kearns has been involved with our engineering, manufacturing and research and development functions.

Mr. Palmore is Senior Vice President, TMS Division and has served in that position since June 2007. Mr. Palmore joined Team in 1996 as a Regional Manager. From 2004 until June 2007, he served as the Group Vice President TMS Division.

Mr. Victorson is Senior Vice President, TCM Division and has served in that position since June 2007. Mr. Victorson joined Team at the time of the acquisition of the assets of Cooperheat-MQS, Inc. in 2004. He had been with Cooperheat-MQS, Inc. since 1997. From 2001 2004 he held various management positions with Cooperheat-MQS. From 2006 until June 2007, he served as the Group Vice President TCM Division.

Mr. Wallace is Senior Vice President, Commercial Support and Business Development. Mr. Wallace joined Team in 1987 as an Operations Supervisor. From 1989 to 1996 he was a Branch Manager, from 1997 to 2000 he was the Managing Director S.E. Asia, and from 2001 to 2004, he was a Regional Manager. From 2005 until June 2007, Mr. Wallace served as a Vice President and General Manager of the Southeast Region of the TMS Division.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with our management. Based on such review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

The Board of Directors has adopted a written charter for the Compensation Committee, a copy of which is posted on the Company's website at www.teamindustrialservices.com on the Investors page under Governance and is attached as Appendix III to this Proxy Statement.

Jack M. Johnson, Jr., Chairman

Emmett J. Lescroart

Louis A. Waters

Sidney B. Williams

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COMPENSATION DISCUSSION AND ANALYSIS

Overview

Our executive compensation policies are designed to provide aggregate compensation opportunities for our senior executives, including the Named Executive Officers (identified below under Executive Compensation and Other Matters), that are competitive in the business marketplace and that are based upon Company and individual performance. Our foremost objectives are to:

align executive pay and benefits with the performance of Team; and

attract, motivate, reward, and retain the broad-based management talent required to achieve our corporate directives.

Role of the Compensation Committee

The Compensation Committee of the Board, which is composed entirely of non-employee directors, reviews and approves our executive compensation program for all senior executive officers, including the Named Executive Officers, to ensure that our compensation program is adequate to attract, motivate, and retain well-qualified senior executives and that it is directly and materially related to the short-term and long-term objectives of Team and our shareholders as well as Team s operating performance. To carry out its role, among other things, the Compensation Committee:

reviews our major compensation and benefit practices, policies, and programs with respect to senior executives;

reviews appropriate criteria for establishing performance targets for senior executive compensation;

determines appropriate levels of senior executive compensation by annually conducting a competitive evaluation, reviewing proprietary and proxy information; and

ensures that our incentive stock plans for senior executives are administered in accordance with our compensation objectives.

The Compensation Committee is authorized to act on behalf of the Board on all issues pertaining to the compensation of, and the grant of equity awards to, our senior executive officers, including individual components of total compensation, goals and performance criteria for incentive compensation plans and short and long-term incentive plan design. However, it is the practice of the Compensation Committee to fully review its activities and recommendations with the full Board.

Compensation Philosophy and Process

Our compensation philosophy, as implemented through the Compensation Committee, is to match executive compensation with the performance of Team and the individual by using several compensation components for our senior executives. The Compensation Committee endeavors to support our commitment to generating increases in shareholder value. In addition, the Compensation Committee reviews each senior executive s ownership interest in Team in compliance with our share ownership guidelines for senior executives (as described under Corporate Governance Share Ownership Guidelines). The compensation and related programs are designed to reward and motivate executives for the accomplishment of our commitment to our shareholders and to recruit and retain key employees. The components of the compensation program for our senior executives consist of:

annual base salaries;

annual performance-based incentives paid in cash;

long-term performance-based incentives issued as equity awards pursuant to Team's stock incentive programs; and

benefits.

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Unlike many other companies our size, we offer no other executive perquisites other than a car allowance. We do not provide supplemental executive retirement plans, deferred compensation programs, special allowances, and special medical or insurance plans. While committed to maintaining a competitive overall executive compensation program, the Compensation Committee prefers this streamlined approach with minimal special executive benefits.

Our overall compensation philosophy is to target base compensation for senior executives at the market median for similarly situated executives and to provide opportunities to exceed the targeted median incentive compensation levels through annual performance-based incentives paid in cash and through long-term performance-based incentives. We believe these targeted levels are appropriate in order to motivate, reward, and retain our executives, each of whom has leadership talents and expertise that make him attractive to other companies.

Compensation decisions are made by the Compensation Committee, based in part on detailed compensation tally sheets for each of our senior executives received from Team's management. These tally sheets include 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.

From time to time, the Compensation Committee has retained third party independent consultants and other experts it deems necessary to provide advice as to market levels of compensation and compensation trends. Most recently, the Compensation Committee commissioned an executive compensation study by Longnecker & Associates that was completed in the spring of 2008 to provide benchmarking data and recommendations for senior executive compensation for fiscal year 2009.

Benchmarking Tools

In reviewing the appropriate range of overall compensation and the appropriate ranges of the components of compensation, the Compensation Committee must ensure that compensation is competitive to attract and retain highly qualified executives. To facilitate this objective, the Compensation Committee, as a rule, considers various compensation surveys and proxy statement compensation information for companies of comparable size and complexity to us and with whom we compete for talent.

Annual Base Salaries

The annual base salary of our CEO is decided solely by the Compensation Committee in executive session without management present. The annual base salaries of other Named Executive Officers are determined by the Compensation Committee with input or recommendations from the CEO. None of the Named Executive Officers have employment agreements. The Compensation Committee believes that salary levels should generally be targeted at the median level for the competitive market, because it believes that level is appropriate to motivate and retain our Named Executive Officers.

Fiscal 2008 Salary Decisions

In determining fiscal 2008 salary levels, the Compensation Committee recognized the expansion of our business achieved during fiscal 2007 reflected in 23% revenue growth and 46% growth in net income. The total shareholder return for the year, reflecting appreciation in stock price, was 64%. The Compensation Committee also noted the five-year average annual shareholder return of greater than 50%. With this strong performance as a context, the Compensation Committee granted an average 9% base salary increase to each senior executive officer for fiscal 2008. The increase for each senior executive reflected the Compensation Committee's assessment of the senior executive officer's level of responsibility, contribution, experience, performance and competitive conditions.

Table of Contents**Annual Performance-Based Incentives Paid in Cash**

We use annual performance-based incentives paid in cash to focus our executive officers on financial and operational objectives that the Compensation Committee believes are primary drivers of the common stock price over time. The Compensation Committee believes that overall levels of annual performance-based incentives paid in cash should be consistent with the overall performance of Team.

Historically, including fiscal 2008, we have had a performance-based incentive plan for senior executives based upon our annual operating plan. The Compensation Committee annually approves the performance metrics, levels and relevant weighting of each metric following its review of management's proposals based upon the probability of achieving at different thresholds. The CEO provides the Compensation Committee with performance-based incentive recommendations for each officer, other than himself, as well as a proposed total performance-based incentives pool for all of our employees. The Compensation Committee assesses the performance recommendations for all senior executives and determines the appropriate performance incentives recommendation for all of the senior executives, including the CEO, in view of Team's overall performance, individual performance, and the resulting size of the overall performance-based incentives pool relative to Team's earnings. The Compensation Committee has discretion to approve payouts for performance above or below the performance metrics in order to take into account extraordinary or unexpected market, business or individual performance events. For fiscal 2008, the Compensation Committee did not exercise this discretion.

Fiscal 2008 Performance-Based Incentives Paid in Cash

For fiscal 2008, the Compensation Committee approved an annual bonus program for its senior executives based upon the Annual Executive Bonus Plan approved by our shareholders at the 2007 Annual Meeting of Shareholders. The performance goals established under the Team, Inc. Executive Incentive Compensation Plan (Annual Executive Bonus Plan) are based upon quantitative measures which make up 80% of the goal and discretionary measures which make up 20% of the goal. The quantitative measure used for Messrs. Hawk, Owen and Kearns (the Corporate NEOs) was fully diluted earnings per share, or FDEPS, because the Corporate NEOs have overall corporate responsibility and the Compensation Committee believes it is the best measure reflecting appropriate growth of Team and directly affects Team's stock price performance. The quantitative measure adopted for Messrs. Palmore and Victorson was based 50% on FDEPS and 50% on the operating profits achieved by their respective business units. The Compensation Committee determined that executive management for each of the TMS and TCM divisions should have a significant portion of their annual cash incentive compensation directly tied to the operating results of the business unit they operate and a portion tied to overall Company performance.

For each performance measure, the Committee set target, threshold and maximum performance levels. A participating senior executive would receive 100%, 50% or 200% of their target annual cash incentive compensation respectively based on overall performance at the corresponding performance levels. The target performance level for our fiscal 2008 FDEPS was \$1.05. Further, the Corporate NEOs were entitled to receive 50% or more of their targeted bonus if our FDEPS equaled or exceeded \$.90, and were entitled to receive 200% of their targeted bonus if our FDEPS equaled or exceeded \$1.63. For Messrs. Palmore, TMS, and Victorson, TCM, 50% of the quantitative portion of their target bonus was based upon our FDEPS, as described above, and the remaining 50% was based upon achieving operating profits of \$30.4 million for the TMS division and \$29.7 million for the TCM division (the Operating Profits Target), respectively. Further Messrs. Palmore and Victorson were entitled to receive 50% or more of their targeted bonus for achieving the Operating Profits Target if operating profits equaled or exceeded \$26.5 million for the TMS division and \$26 million for the TCM division, respectively, and were entitled to receive 200% of their targeted bonus for achieving their Operating Profits Target if operating profits equaled or exceeded \$43 million for the TMS division and \$42 million for the TCM division, respectively. Our actual fiscal 2008 FDEPS was \$1.20, so Messrs. Hawk, Owen and Kearns received 127% of their targeted bonus pursuant to the quantitative measure of our annual incentive plan. The actual operating profit for TMS and TCM was \$30.4 million and \$39.4 million, respectively. Mr. Palmore and Mr. Victorson received 113% and 153%, respectively, of their targeted bonus pursuant to the quantitative measure of our Annual Executive Bonus Plan.

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For the discretionary portion of the bonus, the Compensation Committee awarded bonuses at the target amount for each of the Named Executive Officers. The Committee was pleased with the operational and strategic progress of Team during the year and believed that the leadership by the Named Executive Officers was a key contributor to this performance.

Long-Term Incentive Compensation

The Compensation Committee believes that long-term incentive awards should strengthen alignment with our shareholders, provide incentives tied to our performance and serve as a retention vehicle. We adopted FASB No. 123(R) effective June 1, 2006, which requires companies to expense the fair value of employee stock options and other forms of stock-based compensation. Through fiscal year 2008, our share based payments have consisted primarily of stock options. As a result of the significant increase in the price of Team stock the accounting costs we have recognized for stock options granted has increased significantly. In June 2008, the Compensation Committee concluded that stock option grants do not currently have the appropriate value to cost relationship for Team and determined that we would forego, or limit, the use of stock options beginning in fiscal 2009. Going forward, the Compensation Committee intends to emphasize restricted stock and other similar forms of long-term equity awards with time-based vesting. The Compensation Committee believes that time vested restricted stock will act as a retention tool, because the stock will retain some value regardless of our stock price, and create alignment with shareholder interests because their value changes as our stock price changes.

Shareholders approved the First Amended and Restated Team, Inc. 2006 Stock Incentive Plan at the 2006 Annual Meeting that allows the Compensation Committee greater flexibility in the structure of specific awards. The Compensation Committee intends to make annual grants of restricted stock or other equity awards following the Annual Meeting of Shareholders. At the Annual Meeting of Shareholders, we are seeking approval of the material terms of performance goals that may apply to awards under the First Amended and Restated Team, Inc. 2006 Stock Incentive Plan. There were no awards of restricted stock made to any Named Executive Officer during the fiscal year ended May 31, 2008.

Our CEO makes recommendations to the Compensation Committee regarding the annual long-term incentive awards for our other executives, as well as other Team employees. Our senior executives may also make recommendations to the Compensation Committee regarding long-term incentive compensation, such as the forms and vesting of awards, where applicable. In each case, the Compensation Committee independently reviews the data, considers the CEO and other senior executive's proposals, consults with outside experts as needed, and makes its own determinations for the granting of any equity-based awards.

Fiscal 2008 Long-Term Incentive Awards

In October 2007, we awarded grants of stock options to Named Executive Officers as set forth in the [Option Grants](#) table under [Executive Compensation and Other Matters](#) below.

Compensation Practices Tax Considerations

In establishing total compensation for our senior executive officers, the Compensation Committee considers the accounting treatment and tax treatment of its compensation decisions, including Section 162(m) of the Internal Revenue Code which limits the deductibility of compensation paid to each covered employee. Generally, Section 162(m) of the Internal Revenue Code prevents a company from receiving a federal income tax deduction for compensation paid to a Named Executive Officer in excess of \$1 million for any year, unless that compensation is performance-based. One of the requirements of performance-based compensation for purposes of Section 162(m) is that the compensation be paid pursuant to a plan that has been approved by a company's shareholders. To the extent practical, the Compensation Committee intends to preserve deductibility, but may choose to provide compensation that is not deductible if necessary to attract, retain and reward high-performing executives.

Table of Contents**Employment Agreements**

None of the Named Executive Officers have employment agreements. Please see [Executive Compensation and Other Matters](#), [Senior Management Compensation and Benefit Continuation Policy](#) and [Potential Payments Upon Termination](#) for a discussion of severance and change of control benefits pursuant to our policies.

Retirement Plans

Unlike many other companies our size, we do not provide supplemental executive retirement plans or defined benefit pension plans. We offer a defined contribution, or 401(k), plan to our employees based in the United States, including the Named Executive Officers, which currently provides an employer match of 50% of 6% of the employee's contribution.

Perquisites and Personal Benefits

We offer no executive perquisites other than a car allowance, which is less than \$10,000 per year. We offer medical benefits and life and disability insurance to our employees, including the Named Executive Officers. Personal benefit and perquisite amounts are not considered annual salary for calculation of bonuses, deferred compensation purposes, or 401(k) contribution purposes.

EXECUTIVE COMPENSATION AND OTHER MATTERS

The following table sets forth compensation information for the fiscal year ended May 31, 2008 for the CEO, the Chief Financial Officer, and our three next most highly compensated executive officers during our 2008 fiscal year (the [Named Executive Officers](#)). Each of the Named Executive Officers was eligible to receive a cash bonus payment for the fiscal year ending May 31, 2008 under the Annual Executive Bonus Plan. The bonus amounts paid under the Annual Executive Bonus Plan are based upon the achievement of specific performance objectives and are listed under [Non-Equity Incentive Plan Compensation](#) in the table below. Such amounts were determined by the Compensation Committee at its meeting on July 22, 2008 and, were paid on August 1, 2008.

Fiscal 2008 Summary Compensation Table

| Name and Principal Position | Fiscal Year | Salary (\$) | Bonus (\$) | Stock Awards (\$)(1) | Option Awards (\$)(2) | Non-Equity Incentive Plan | All Other Compensation | Total (\$) |
|--|-------------|-------------|------------|----------------------|-----------------------|---------------------------|------------------------|--------------|
| | | | | | | Compensation (\$)(3) | (\$)(4) | |
| Philip J. Hawk, Chairman of the Board and Chief Executive Officer | 2008 | \$ 496,145 | | | \$ 613,572 | \$ 419,000 | \$ 17,253 | \$ 1,545,970 |
| | 2007 | \$ 439,423 | | | \$ 260,037 | \$ 345,261 | \$ 20,865 | \$ 1,065,586 |
| Ted W. Owen, Senior Vice President and Chief Financial Officer and Treasurer | 2008 | \$ 273,075 | | | \$ 126,310 | \$ 152,000 | \$ 16,706 | \$ 568,091 |
| | 2007 | \$ 248,077 | | | \$ 58,265 | \$ 124,152 | \$ 15,051 | \$ 445,545 |
| John P. Kearns, Senior Vice President | 2008 | \$ 222,686 | | | \$ 115,205 | \$ 152,000 | \$ 16,413 | \$ 506,304 |
| | 2007 | \$ 190,385 | | | \$ 47,220 | \$ 124,152 | \$ 13,026 | \$ 374,783 |
| David C. Palmore, Senior Vice President, TMS Division (5) | 2008 | \$ 248,077 | | | \$ 120,341 | \$ 164,000 | \$ 8,864 | \$ 541,282 |
| | 2007 | \$ 218,654 | | | \$ 52,345 | \$ 146,900 | \$ 2,250 | \$ 420,149 |
| Arthur F. Victorson, Senior Vice President, TCM Division (5) | 2008 | \$ 248,077 | | | \$ 145,766 | \$ 212,000 | \$ 3,692 | \$ 609,535 |
| | 2007 | \$ 220,192 | | | \$ 82,515 | \$ 150,400 | \$ 1,731 | \$ 454,838 |

(1) There were no restricted stock awards in fiscal 2008.

(2) For a description of the assumptions made in calculating the proportionate share of the grant date fair value of the options recognized during fiscal 2008 in accordance with SFAS No. 123R, see Note 9 to the Company's footnotes to its audited financial statements as filed in the Form 10-K for the year ended May 31, 2008. These amounts reflect our accounting expense for these awards for the year ended May 31, 2008 and do not correspond to the actual value, if any, that may be received by the Named Executive Officers for these awards.

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- (3) Represents the bonus earned for fiscal 2008 under our Annual Executive Bonus Plan. The bonuses are paid subsequent to year end based on the final results for the year.
- (4) Represents vehicle allowances and the employer contribution to the 401(k) plan.
- (5) Mr. Palmore and Mr. Victorson were elected officers of the Company effective June 1, 2007.

Table of Contents**Fiscal 2008 Grants of Plan-Based Awards**

The following table sets forth additional information relating to equity and non-equity incentive plan awards granted to the Named Executive Officers during the fiscal year ended May 31, 2008.

| Name | Grant Date | Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1) | | | All Other Stock Awards: Number of Securities Underlying Options (#) | Exercise or Base Price of Option Awards (\$/Sh) | Grant Date Fair Value of Stock and Option Awards (\$) (2) |
|---------------------|------------|---|-------------|--------------|---|---|---|
| | | Threshold (\$) | Target (\$) | Maximum (\$) | | | |
| Philip J. Hawk | 8/22/07 | \$ 172,500 | \$ 345,000 | \$ 690,000 | | | |
| | 10/15/07 | | | | 120,000 | \$ 30.33 | \$ 1,764,492 |
| Ted W. Owen | 8/22/07 | \$ 62,500 | \$ 125,000 | \$ 250,000 | | | |
| | 10/15/07 | | | | 24,000 | \$ 30.33 | \$ 352,898 |
| John P. Kearns | 8/22/07 | \$ 62,500 | \$ 125,000 | \$ 250,000 | | | |
| | 10/15/07 | | | | 24,000 | \$ 30.33 | \$ 352,898 |
| David C. Palmore | 8/22/07 | \$ 74,000 | \$ 148,000 | \$ 296,000 | | | |
| | 10/15/07 | | | | 24,000 | \$ 30.33 | \$ 352,898 |
| Arthur F. Victorson | 8/22/07 | \$ 74,000 | \$ 148,000 | \$ 296,000 | | | |
| | 10/15/07 | | | | 24,000 | \$ 30.33 | \$ 352,898 |

- (1) 2008 Annual Executive Incentive plan was based upon achievement of diluted earnings per share in a range of \$0.90 to \$1.63 with a target of \$1.05. At the threshold earnings level, payouts would generally be 50% of target and at the maximum earnings level payouts would generally be 200% of target.
- (2) For a description of the assumptions made in calculating the grant date fair value of the options granted during fiscal 2008 in accordance with SFAS No. 123R, see Note 9 to the Company's footnotes to its audited financial statements as filed in the Form 10-K for the year ended May 31, 2008. These amounts reflect our accounting value for these awards and do not correspond to the actual value, if any, that may be received by the Named Executive Officers for these awards.

Table of Contents**Outstanding Equity Awards at 2008 Fiscal Year-End**

The following table summarizes the equity awards we have made to our Named Executive Officers which are outstanding as of May 31, 2008. There were no outstanding awards of restricted stock made to our Named Executive Officers which are outstanding as of May 31, 2008.

| Name | Number of Securities Underlying Options (#) Exercisable | Options Awards | | |
|---------------------|---|--|----------------------------|------------------------|
| | | Number of Securities Underlying Unexercised Options (#) Unexercisable(3) | Option Exercise Price (\$) | Option Expiration Date |
| Philip J. Hawk | 46,410 | | \$ 1.81 | 11/02/08 |
| | 100,000 | | \$ 2.65 | 10/01/11 |
| | 7,500 | 2,500 | \$ 9.69 | 5/11/15 |
| | 7,500 | 2,500 | \$ 9.57 | 5/12/15 |
| | 3,000 | 1,000 | \$ 9.43 | 5/13/15 |
| | 20,000 | 20,000 | \$ 9.23 | 8/12/15 |
| | 23,000 | 23,000 | \$ 9.63 | 8/17/15 |
| | 50,000 | 50,000 | \$ 13.28 | 1/17/16 |
| | 30,000 | 90,000 | \$ 15.27 | 10/17/16 |
| | | | 120,000 | \$ 30.33 |
| Ted W. Owen | 18,000 | 6,000 | \$ 7.84 | 6/24/14 |
| | 7,500 | 2,500 | \$ 8.28 | 9/23/14 |
| | 17,000 | 17,000 | \$ 9.23 | 8/12/15 |
| | 5,000 | 15,000 | \$ 15.27 | 10/17/16 |
| | | 24,000 | \$ 30.33 | 10/15/17 |
| John P. Kearns | 16,000 | | \$ 0.97 | 6/29/10 |
| | 30,000 | | \$ 1.95 | 7/20/11 |
| | 4,000 | | \$ 4.50 | 6/27/12 |
| | 8,000 | | \$ 4.13 | 6/26/13 |
| | 12,000 | 4,000 | \$ 7.84 | 6/24/14 |
| | 15,000 | 15,000 | \$ 9.23 | 8/12/15 |
| | 5,000 | 15,000 | \$ 15.27 | 10/17/16 |
| | | 24,000 | \$ 30.33 | 10/15/17 |
| David C. Palmore | | 4,000 | \$ 7.84 | 6/24/14 |
| | 15,000 | 5,000 | \$ 8.43 | 1/28/15 |
| | 10,000 | 10,000 | \$ 9.23 | 8/12/15 |
| | 5,000 | 15,000 | \$ 15.27 | 10/17/16 |
| | | 24,000 | \$ 30.33 | 10/15/17 |
| Arthur F. Victorson | | 5,000 | \$ 8.20 | 11/9/14 |
| | | 5,000 | \$ 9.23 | 8/12/15 |
| | 20,000 | 20,000 | \$ 15.97 | 4/12/16 |
| | 3,000 | 9,000 | \$ 15.27 | 10/17/16 |
| | | 24,000 | \$ 30.33 | 10/15/17 |

Table of Contents**Option Exercises and Stock Vested in Fiscal 2008**

The following table provides additional information about the value realized by our Named Executive Officers on option award exercises and stock award vesting during the fiscal year ended May 31, 2008.

| Name | Option Awards | | Stock Awards | |
|---------------------|--|---------------------------------------|---|---|
| | Number of Shares Acquired on Exercise (#) | Value Realized on Exercise (\$) | Number of Shares Acquired on Vesting (#) | Value Realized on Vesting (\$) |
| Philip J. Hawk | 185,458 | \$ 5,034,160 | | |
| Ted W. Owen | 52,000 | \$ 1,317,589 | | |
| John P. Kearns | 37,500 | \$ 1,002,607 | | |
| David C. Palmore | 46,000 | \$ 1,255,015 | | |
| Arthur F. Victorson | 15,000 | \$ 367,635 | | |

Equity Compensation Plan Information

The following table sets forth information as of May 31, 2008, with respect to our equity compensation plans previously approved by our shareholders and equity compensation plans not previously approved by our shareholders.

| Plan Category | Number of securities to be issued upon exercise of outstanding options(a)(2) | Equity Compensation Plans Weighted average exercise price of outstanding options (b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column(a)) |
|---|--|---|--|
| Equity compensation plans approved by shareholders | 2,580,600 | \$ 15.61 | 941,168 |
| Equity compensation plans not approved by shareholders (1) | 46,410 | \$ 1.81 | Not Applicable |
| Total | 2,627,010 | \$ 15.37 | 941,168 |

(1) Represents options granted to the Company's CEO as an inducement for his employment in November, 1998. As of the Record Date, all such options are now fully vested and fully exercised.

(2) Through August 8, 2008, 187,410 options that were outstanding on May 31, 2008 have been exercised.

Senior Management Compensation and Benefit Continuation Policy

In August 2007, the Board adopted a Senior Management Compensation and Benefits Continuation Policy that recognizes the leadership roles that are critical to our success and provides our executive management with reasonable assurances of continued compensation in the event of a separation from the Company for any reason other than for cause. The terms of the policy provide upon (i) involuntary termination by the Company without cause and (ii) employee voluntary termination for good reason, the terminated executive would receive:

a continued salary for a stated period (18 months for the CEO, 12 months for Senior Vice Presidents and 6 months for Vice Presidents);

continued medical benefits, life insurance, and long-term disability for the same period; and

access to outplacement assistance paid by the Company.

In exchange for such benefits, the executive must enter into a one-year non-competition agreement. If the employee breaches the non-competition agreement prior to its expiration, we have the right to suspend all subsequent severance payments and to seek restitution for payments already made.

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Severance benefits are also triggered when an involuntary termination without cause or voluntary termination for good reason occurs within 90 days before or within 360 days after a change of control. In such event, the terminated executive would receive:

a supplemental salary payment of the employee's current level at the time of termination for a stated period (36 months for CEO, 24 months for Senior Vice Presidents, and 12 months for Vice Presidents), payable within 60 days of termination;

a supplemental compensation payment related to foregone annual and incentive bonus for the period of salary continuation, calculated as the higher of the most recent year's paid bonus or the average bonus for the last three years, payable within 60 days of termination;

continued medical benefits, life insurance and long-term disability for the same length of time as salary continuation;

continued perquisites for the salary continuation period; and

access to outplacement assistance paid by the Company.

The Board administers this policy and makes the final good faith determination on whether or not an involuntary termination is for cause or without cause; whether or not a voluntary termination is for good reason; and whether or not a change of control event has occurred.

Potential Payments Under Various Termination Scenarios

As discussed above under Senior Management Compensation and Benefit Continuation Policy, in August 2007, the Board adopted a policy that recognizes the leadership roles that are critical to our success and provides our executive management with reasonable assurances of compensation in the event of a separation from the Company for any reason other than for cause. Based on the terms of such policy, the amount of compensation payable to each Named Executive Officer in each situation is listed below. The following information assumes the involuntary termination, by the Company without cause, the voluntary termination by the employee for good reason or the change of control occurred on May 31, 2008.

Philip J. Hawk:

| Benefits Payable Upon | Salary | Incentive Bonus | Outstanding Unvested Options (1) | Healthcare/Life Insurance/Long-Term Disability | Total |
|--|---------------|------------------------|---|---|--------------|
| Termination as of 5/31/08 | | | | | |
| Involuntary Termination by Company Without Cause/Voluntary Termination by Employee for Good Reason | \$ 750,000 | \$ | | | |