

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE
ACT OF 1934

FOR THE FISCAL YEAR ENDED MAY 31, 1996

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 1-8604

TEAM, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

TEXAS
(STATE OF INCORPORATION)

74-1765729
(I.R.S. EMPLOYER
IDENTIFICATION NO.)

1019 SOUTH HOOD STREET, ALVIN, TEXAS
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

77511
(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (713) 331-6154

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, \$.30 par value	American Stock Exchange, Inc.

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

As of August 5, 1996, 5,159,842 shares of the registrant's common stock were outstanding, and the aggregate market value of common stock held by nonaffiliates of the registrant (based upon the closing sales price of common stock on the American Stock Exchange, Inc. on such date) was approximately \$9,291,474.

DOCUMENTS INCORPORATED BY REFERENCE

Part III. Portions of the Definitive Proxy Statement for the 1996 Annual Meeting of Shareholders of Team, Inc. to be held October 31, 1996.

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PART I.

ITEM 1. BUSINESS

(a) GENERAL DEVELOPMENT OF BUSINESS

Team, Inc. ("Team" or the "Company"), incorporated in 1973, is a professional full service provider of environmental monitoring and industrial repair services. Environmental monitoring services, together with on-stream leak repair and related industrial services for piping systems and process equipment, are provided by a subsidiary of the Company through its Environmental Services business segment. The Company's Military Housing projects' segment owns three completed Federal Section 801 housing projects which are presently leased to the Departments of the Army, Navy and Air Force pursuant to long-term lease agreements. The Company's management is presently pursuing negotiations to sell the Military Housing projects' segment. The Company's Environmental Services segment is the core of Team's operations.

The Company, through its subsidiaries, operates in 40 locations throughout the United States and one location in England. Additionally, certain environmental services are offered internationally by the Company through 14 licensees operating in 15 countries.

The Company believes that the aging of industrial plants should result in increasing demand by the Company's customers for its industrial services. Additionally, the Company intends to expand its business by marketing more of its services to existing customers, marketing its services to new customers and expanding geographically, both domestically and internationally. Team may also increase its services through acquisitions or internal development of new services and technologies.

In fiscal 1996, the Company's revenues were \$52.5 million compared to \$55.7 million in fiscal 1995. The loss from continuing operations net of income tax benefit was \$9.3 million in fiscal 1996, of which \$7.7 million is attributed to the writedown of assets recorded in the third and fourth quarters and an additional general and administrative expense of \$2.4 million which pertains primarily to certain compensation arrangements with former employees. This compares to a loss of \$5.4 million in fiscal 1995, of which \$6.3 million was attributed to the writedown of assets recorded in the second quarter.

The Company has extended and revised its bank credit agreement which provides a total credit facility of \$15.95 million, consisting of a \$3.95 million term loan and a \$12.0 million revolving line of credit. At May 31, 1996, \$6.5 million was borrowed under the Company's revolving line of credit, and \$2.9 million was due under the term loan. See Note (8) of Notes to Consolidated Financial Statements for more detailed information concerning this credit facility and the Company's other indebtedness.

The Company did not declare or pay a dividend in fiscal 1996. Pursuant to the Company's Credit Agreement, the Company may not pay quarterly dividends without the consent of its primary lender. Additionally, the declaration of future dividends will depend on the Company's financial condition, market conditions and other matters deemed relevant by the Board of Directors.

(b) FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

The following table sets forth a comparison of the relative percentage contributions of each of the Company's business segments to revenues and operating profit before allocation of the Company's corporate expenses and amortization of goodwill:

	YEAR ENDED MAY 31,		
	1996	1995	1994
Revenues:			
Environmental services	90%	91%	93%
Military housing projects	10%	9%	7%
Total	100%	100%	100%

	====	====	====
Operating profit (loss) before corporate allocation and goodwill amortization:			
Environmental services	124%	187%	78%
Military housing projects	(24%)	(87%)	22%
	----	----	----
Total	100%	100%	100%
	====	====	====

Additional financial information about the Company's industry segments for the years ended May 31, 1996, 1995 and 1994 is set forth in Note (11) of Notes to Consolidated Financial Statements.

(c) NARRATIVE DESCRIPTION OF BUSINESS

ENVIRONMENTAL SERVICES

GENERAL. The Company's environmental services are provided through Team Environmental Services, Inc. These services consist of leak sealing and mechanical services, as well as environmental monitoring services. The Company is one of the leaders in the industry in providing on-stream repairs of leaks in piping systems and related equipment. In conjunction with its leak sealing services, the Company markets a line of products which includes both standard and custom-designed clamps and enclosures for plant systems and pipelines. The Company's monitoring services provide fugitive emissions monitoring and reporting as required under the Clean Air Act and Title III of the Superfund Amendments Reauthorization Act ("SARA"). The Company provides these services for approximately 3,000 customers in the chemical, petrochemical, refining, pulp and paper, power, steel and other industries.

Most of the revenues and operating profits from the Environmental Services segment are provided by leak sealing services. In fiscal 1996, 1995, and 1994, leak sealing services accounted for 55%, 53% and 53%, respectively, of the Company's consolidated revenues. In fiscal 1996, 1995 and 1994, environmental consulting, engineering and monitoring services accounted for 23%, 30% and 32%, respectively, of the Company's consolidated revenues. The Company has sold its environmental consulting and engineering business.

Team's Environmental Services segment operates through 40 domestic locations in 24 states and one international operating location in Huddersfield, England; however, not all services and products are presently offered by all operating locations. Mechanical services are available on a national basis from certain of the Company's locations, including the Company's Alvin, Texas location. In addition, certain environmental services are offered by the Company internationally through 14 licensees operating in 15 countries.

LEAK SEALING. The Company's leak sealing and other industrial repair services consist of on-stream repairs of leaks in pipes, valves, flanges and other parts of piping systems and related equipment primarily in the chemical, refining and utility industries. The Company uses specially developed techniques, sealants and equipment for repairs. Many of the Company's repairs are furnished as interim measures which allow plant systems to continue operating until more permanent repairs can be made during scheduled plant shutdowns.

The Company's leak sealing services involve inspection of the leak by the Company's field crew who records pertinent information about the faulty part of the system and transmits the information to the Company's engineering department for determination of appropriate repair techniques. Repair materials

such as clamps and enclosures are custom designed and manufactured at the Company's facility in Alvin, Texas and delivered to the job site. The Company maintains an inventory of raw materials and semi-finished clamps and enclosures to reduce the time required to manufacture the finished product. Installations of the clamps and enclosures for on-steam repair work are then performed by the field crew using, in large part, materials and sealants that are developed and produced by the Company.

Subsequent to year end, the Company's manufacturing center earned the international ISO-9001 certification for its engineering design and manufacturing operations. ISO-9001 is the most stringent of all ISO-9000 programs in which to be certified.

The Company's non-destructive repair methods do not compromise the integrity of its customer's process system and can be performed in temperature ranging from cryogenic to 1,700 degrees Fahrenheit and with pressures from vacuum to 6,000 pounds per square inch. The Company's sealants are specifically formulated to repair leaks involving over 300 different kinds of chemicals.

The Company also offers live loading services, which are used to repair valves and flanges. The Company utilizes live loading services through the installation of a spring-loaded assembly, which automatically maintains constant pressure on valve packing material thereby ensuring performance of the valve and preventing leakage.

Management attributes the success of its leak sealing division to be substantially due to the quality and timely performance of its services by its highly, in-house trained technicians, its proprietary techniques and materials and its ability to repair leaks without shutting down the customer's operating system. On-stream repairs can prevent a customer's continued loss of energy or materials through leaks, thereby avoiding costly energy and production losses that accompany equipment shutdowns, and also lessen fugitive emissions escaping into the atmosphere.

The Company has continued to develop different types of standard and

custom-designed clamps, enclosures and other repair products which complement the Company's existing industrial market for leak sealing services. The Company's leak sealing services are supported by an in-house Quality Assurance/Quality Control program that monitors the design and manufacture of each product to assure materials traceability on critical jobs and to ensure compliance with customers' requirements.

MECHANICAL. The Company's mechanical services consist primarily of hot tapping and Line-stop(registered trademark) services. Hot tapping services involve utilizing special equipment to cut a hole in a pipeline so that a new line can be connected onto the existing line without interrupting operations. Hot tapping is frequently used for making branch connections into piping systems while the production process is operative. Line-stop(registered trademark) services permit the line to be depressurized downstream so that maintenance work can be performed on the piping system. The Company typically performs these services by mechanically cutting into the pipeline and installing a device to stop the process flow. The Company also utilizes a line freezing procedure when applicable to stop the process flow using special equipment and techniques.

EMISSIONS MONITORING AND CONTROL. The Company also provides leak detection services that include fugitive emissions identification, monitoring, data management and reporting services primarily for the chemical, refining and utility industries. These services are designed to monitor and record emissions from specific process equipment components as requested by the customer, typically to assist the customer in establishing an ongoing maintenance program and/or complying with the Clean Air Act, SARA and other present and/or future environmental regulations. The Company prepares standard reports in conjunction with U.S. Environmental Protection Agency ("EPA") requirements or can custom-design these reports to its customers' specifications. The Company is currently updating the Teamware (registered trademark) software system to include new features that enhance the data management capabilities.

Emissions data is electronically recorded at the customer's site via a data capturing process utilizing computerized monitoring equipment. The data is then transferred to the Company's central computer for data management. This information is then processed by the Company's Teamware (registered trademark) software system,

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which provides for internal quality checks and efficient data processing and report generation. This system allows for a large number of reports to be generated that are specific to a customer's needs. The Company maintains customer data for compliance purposes and for use in future reports that may be requested or required. The Company also offers its customers a software package named Customware (registered trademark), which provides the transfer of monitoring data from the Company to the customer. This gives the customer the ability to perform queries on the data to analyze the results of monitoring and to maintain information for its maintenance departments.

Recently, the Company has selected the LeakTracker 200 (registered trademark) system as the data collection device to provide the highest quality and flexibility to handle a plant's fugitive emissions monitoring program. Additionally, Team has expanded its data management capabilities to include the use of other commercially available software packages that meet customers' specific needs.

The 1990 Clean Air Act Amendments established a list of 189 hazardous air pollutants which must be monitored and controlled and, pursuant to these Amendments, regulations have been passed concerning many of these pollutants. The EPA has both proposed and issued final rules and regulations to achieve a substantial percentage of the Clean Air Act's goals, which were to be implemented over several years. Additionally, Title III of the 1986 SARA establishes requirements that facilities releasing toxic chemicals into the air, water or land must report emissions to regulatory agencies or be subject to fines and penalties. Affected facilities were expected to further increase their leak detection and repair as well as other emission reduction programs. Due to the fact that the implementation of certain of these rules and regulations has been delayed, demand for emissions monitoring has not increased as expected. Should additional legislation be enacted or the rules and regulations promulgated by the EPA implemented, demand for emissions monitoring should increase. Customers are, however, required to monitor and report their emissions on an ongoing basis.

ENVIRONMENTAL CONSULTING AND ENGINEERING. Effective May 31, 1996, the Company sold substantially all of the operating assets of its environmental consulting and engineering division. The environmental consulting and engineering division was located in two major locations, Houston, Texas and San Marcos, California. The assets of the division located in San Marcos, California were purchased by a privately-held California company owned by former employees of the Company. The assets of the division located in Houston, Texas were purchased by a publicly-held corporation. Further, the Company sold the assets of the source emissions testing business to a privately-held Louisiana corporation. No officer or director of Team was a member of any of the above acquiring groups.

Management believes that the aforementioned sales will allow the Company to concentrate on improving the profitability of its Environmental Services segment. The proceeds of the sale were used to reduce short and long-term debt as required by the Company's Credit Agreement. See Notes (2) and (8) of Notes to Consolidated Financial Statements for further information.

MARKETING AND CUSTOMERS. Environmental services are marketed principally by marketing and professional personnel based at the Company's various locations. These services are provided through certain of the Company's 40 domestic locations. The Company has developed a cross-marketing program to utilize its sales personnel in offering many of the Company's services at its operating locations. Management believes that this business segment's operating

and office locations are situated to facilitate timely response to customer needs, which is an important feature of its services. No customer in this industry segment accounted for 10% or more of consolidated Company revenues during any of the last three fiscal years.

Generally, customers are billed on a time and materials basis although some work may be performed pursuant to a fixed-price bid. Emission control services are typically billed based on the number of components monitored. Services are usually performed pursuant to purchase orders issued under written customer agreements. While some purchase orders provide for the performance of a single job, others provide for services to be performed for a term of one year or less. In addition, Team is party to certain long term contracts. Substantially all such agreements may be terminated by either party on short notice. The agreements generally specify the range of services to be performed and the

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hourly rates for labor. While contracts have traditionally been entered into for specific plants or locations over the past few years, the Company has entered into several regional or national contracts which cover multiple plants or locations.

The Company's leak sealing services are available 24 hours a day, seven days a week. The Company typically provides various limited warranties for certain of its repair services. To date, there have been no significant warranty claims filed against the Company.

BUSINESS STRATEGY. The Company believes that the aging of its customers' plants should result in increasing demand for its industrial and environmental services. Additionally, the Company intends to expand its business by marketing more of its services to existing customers, marketing its services to new customers and expanding geographically, both domestically and internationally. Team may also increase its services through acquisitions or internal development of new services and technologies.

A variety of risks are inherent in this strategy. Marketing efforts may not generate increases in revenues as expected; although management believes sufficient qualified personnel are available in most areas, no assurance can be made that such personnel will be available when needed; growth may require additional capital that the Company may be unable to obtain; and the Company may be unable to develop profitable new services and technologies or acquire companies that provide such services on terms that permit an acceptable rate of return. Additionally, weak economics in the markets served by the Company may constrain market demand. Although the Company has a diversified customer base, a substantial portion of its business is dependent upon the chemical and refining industry sectors. No assurance can be given that the Company will be able to implement its business strategy for this segment.

COMPETITION. Competition in the Company's Environmental Services segment is primarily on the basis of service, product performance and price. In general, competition stems from other outside service contractors and customers' in-house maintenance departments. Team believes it has a competitive advantage over plant maintenance departments due to its ability to perform quality leak sealing services on a timely basis, using special techniques and materials, while the customers' equipment remains in service. Management believes Team has a competitive advantage over most outside service contractors due to its in-house and customer site-specific trained technicians who are approved for immediate entry into the customer's facility, patented sealant materials, and ISO-9001 quality procedures and specifications. If, however, customers emphasize price over service and product performance, the Company's competitive advantage may be impaired. Management knows of one outside service contractor of a similar size with which the Company generally competes for leak sealing business. Other principal competitors are primarily regionally-based companies that compete within a certain geographical area.

MISCELLANEOUS. In general, the demand for the Company's environmental services varies with the level of regulatory requirements, operations of its customers, the energy or product cost savings that may result from the Company's services, and, with regard to the Company's leak repair business, the length of time between scheduled plant maintenance shutdowns. The Company often experiences increased leak repair demand by customers in the winter due to the effect of weather conditions on piping systems and decreased leak repair demand in the late spring and summer due primarily to the timing of scheduled plant shutdowns.

To complement its leak sealing operations in the United States, the Company has a wholly-owned subsidiary in the United Kingdom which operates as Team Environmental Services, Ltd. In addition, to date the Company has entered into license agreements in North America, South America, Australia and the Pacific Rim and in Europe and the Mideast through Teaminc Europe, B.V., a joint venture between Team and a Netherlands company, for the use of Team's leak sealing technology. Most licensees are required to make a cash payment as initial consideration for the grant by the joint venture of the license. Substantially all licensees are required to make ongoing royalty payments, typically based on a percentage of its gross revenues from licensed operations. To date, revenues to the Company under these agreements have not been material. The Company is continuing to expand its leak sealing

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business outside the United States and expects to pursue similar license agreements for the use of Company technology with other companies internationally. In addition, the Company is expanding the technology it provides under such license agreements to include certain other of its environmental services, such as fugitive emissions monitoring.

From time-to-time in the operation of its environmental consulting and engineering services, the assets of which have been sold, the Company handled

small quantities of certain hazardous wastes or other substances generated by its customers. Under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (the "Superfund Act"), the EPA is authorized to take administrative and judicial action to either cause parties who are responsible under the Superfund Act for cleaning up any unauthorized release of hazardous substances to do so, or to clean up such hazardous substances and to seek reimbursement of the costs thereof from the responsible parties, who are jointly and severally liable for such costs under the Superfund Act. The EPA may also bring suit for treble damages from responsible parties who unreasonably refuse to voluntarily participate in such a clean up or funding thereof. Responsible parties include anyone who owns or operates the facility where the release occurred (either currently and/or at the time such hazardous substances were disposed of), or who by contract arranges for disposal, treatment, or transportation for disposal or treatment of a hazardous substance, or who accepts hazardous substances for transport to disposal or treatment facilities selected by such person from which there is a release. Management believes that its risk of liability is minimized since its handling consisted solely of maintaining and storing small samples of materials for laboratory analysis that are classified as hazardous. The Company does not currently carry insurance to cover liabilities which the Company may incur under the Superfund Act or similar environmental statutes due to its prohibitive costs.

MILITARY HOUSING PROJECTS

During fiscal 1992, subsidiaries of the Company were awarded contracts to develop and construct four Federal Section 801 Military Housing projects, aggregating 900 single family homes, for the Departments of the Army, Navy and Air Force, which were subsequently assigned to another subsidiary of the Company, First America Capital Corporation, and its subsidiaries. Metric Constructors, Inc. was retained to act as general contractor for all projects. A subsidiary of the Company, First America Development Corporation, acted as project manager for all projects. Under the Section 801 Military Housing Program, residential housing projects are constructed by the private sector for lease to the United States government for a twenty-year term. Military personnel and their families occupy the residences. Payments under such leases are subject to annual Congressional appropriation for Army, Navy and Air Force family housing. With the exception of the Pensacola project, the maintenance of the projects is the responsibility of the Lessee. The Pensacola project is subject to a separate maintenance agreement which is performed by a subsidiary of Team.

The costs of construction of these residential projects were financed in June 1992 through the sale of Certificates of Participation in lease payments to be made by the United States government in connection with the rental of the units (the "Certificates of Participation" or "Certificate(s)"). The Certificates are non-recourse to the Company and its subsidiaries. The subsidiaries have, however, executed mortgages on the properties in favor of the Trustee for the Certificate holders which secure payment to the Certificate holders.

The 150-unit Military Housing project in New Mexico was completed and a lease was entered into by the United States government on July 29, 1993. The 300-unit Military Housing project located near Pensacola, Florida was completed and the lease was entered into effective October 12, 1993. The 250-unit Military Housing project located near Ft. Bragg, North Carolina was completed and the lease entered into effective November 1, 1993. Construction of the fourth project, located near Ft. Stewart, Georgia, never commenced as a result of extensive delays in obtaining necessary permits, easements and licenses. In fiscal 1993, the Company's subsidiary filed a Claim and Request for Change Order with the United States Army Corps of Engineers (the "Corps") for additional costs and expenses as a result of these delays aggregating \$4.7 million, approximately \$1.4 million of which relate to claims of the general contractor. The decision of the Contracting Officer with respect to this claim was appealed to the Armed Services

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Board of Contract Appeals ("ASBCA"). In November 1993, the Company's subsidiary's right to proceed with construction of this project was terminated by the Corps and the portion of the Certificates of Participation attributable to the Ft. Stewart project was redeemed. The Company's subsidiary appealed the Corp's decision to terminate the contract to the ASBCA. The Company's appeals to the ASBCA have been settled and subsequent to year end, the ASBCA issued a decision for the Company's subsidiary in the amount of \$462,000 plus interest from April 6, 1993 until paid pursuant to the Contract Disputes Act. The Company received the settlement amount of \$559,000 in July 1996.

The Company does not intend to develop any additional Military Housing projects, and management is currently pursuing negotiations to sell the projects. Should such a sale be consummated, the operations of this business segment will be accounted for as discontinued operations. See Note (3) of Notes to Consolidated Financial Statements for additional information regarding the Military Housing projects.

GENERAL

EMPLOYEES. As of May 31, 1996, the Company and its subsidiaries had 575 employees in its operations, consisting of 235 salaried and 340 hourly personnel. The Company's employees are not unionized. There have been no employee work stoppages to date, and management believes its relations with its employees are good.

INSURANCE. The Company carries insurance it believes to be appropriate for the businesses in which it is engaged. Under its insurance policies, the Company has per occurrence self-insured retention limits of \$25,000 for general liability, \$100,000 for professional liability, \$250,000 for automotive liability and workers' compensation in most states. The Company has obtained fully insured layers of coverage above such self-retention limits. Since its inception, the Company has not been the subject of any significant liability

claims not covered by insurance arising from the furnishing of its services or products to customers. However, because of the nature of the Company's business, there exists the risk that in the future such liability claims could be asserted which might not be covered by insurance.

REGULATION. Substantially all of the Company's business activities are subject to federal, state and local laws and regulations. These regulations are administered by various federal, state and local health and safety and environmental agencies and authorities, including the Occupational Safety and Health Administration ("OSHA") of the U.S. Department of Labor and the EPA. The Company's training programs are required to meet certain OSHA standards. Expenditures relating to such regulations are made in the normal course of the Company's business and are neither material nor place the Company at any competitive disadvantage. The Company does not currently expect to expend material amounts for compliance with such laws during the ensuing two fiscal years.

PATENTS. While the Company is the holder of various patents, trademarks, and licenses, the Company does not consider such properties to be material to its consolidated business operations.

ITEM 2. PROPERTIES

Team and its subsidiaries own real estate and office facilities in Alvin, Texas for use in its Environmental Services segment totaling approximately 95,000 square feet of floor space. These facilities include administrative, manufacturing and training centers. The Company's manufacturing facility and training centers are pledged as security for a long term note. See Note (8) of Notes to Consolidated Financial Statements for information regarding the term note. The Company and its subsidiaries also lease 36 office and/or plant and shop facilities at separate locations in 21 states for use in its Environmental Services segment. The Military Housing segment owns three separate properties in New Mexico, North Carolina, and Florida aggregating approximately 231 acres. These properties have been developed as Military housing projects. As stated previously, these properties are subject to mortgages in favor of the Trustee for Certificate holders which secure payment to the Certificate holders. See "Item 1(c) - Military Housing Projects." In addition, the Company owns real property and office

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facilities in Houston, Texas previously used in its discontinued infrastructure operations which is currently being leased to a third party pursuant to a long-term lease agreement.

As of May 31, 1996, the Company owned or leased 238 light trucks which are primarily repair service trucks used in performing environmental services and 123 passenger cars used by the Company's salesmen, managers, officers and other employees primarily in sales, administrative and management functions relating to its Environmental Services segment.

The Company believes that its property and equipment, as well as that of its subsidiaries and affiliates, are adequate for its current needs, although additional investments are expected to be made in additional property and equipment for expansion, replacement of assets at the end of their useful lives and in connection with corporate development activities. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note (10) of Notes of Consolidated Financial Statements for information regarding lease obligations on these properties.

ITEM 3. LEGAL PROCEEDINGS

As previously reported, the Texas Water Commission and the EPA have proposed the cleanup of the Sheridan Disposal Services Site ("Sheridan Site") near Hempstead, Texas. The Company is included in a large group of potentially responsible parties to pay for cleanup costs of the Sheridan Site pursuant to applicable Texas and Federal laws. On September 1, 1989, the Company executed a De Minimis Settlement Agreement ("Settlement Agreement") with most of the potentially responsible parties to settle its potential liability for clean up of the Sheridan Site in consideration for a \$101,700 payment by the Company. The EPA approved the Settlement Agreement and executed a related Consent Decree. This Consent Decree was rejected by the U.S. District Court for the Southern District of Texas, Houston Division in April 1996. The EPA is presently appealing the rejection of the Consent Decree.

As previously reported, a subsidiary of the Company was committed, pursuant to an agreement with the Corps, to construct a 200 unit Federal housing project near the Ft. Stewart Military Reservation located in Hinesville, Georgia. Construction of this project never commenced as a result of extensive delays in obtaining easements, licenses and permits necessary in order to develop the project. In fiscal 1993, the Company filed a Claim and Request for Change order with the Corps for additional costs and expenses incurred as a result of these delays, which was appealed to the ASBCA in July 1994. During fiscal 1994, the Corps terminated the Agreement, thereby canceling the project. In February 1994, the Company separately appealed the Corps' decision to terminate the Agreement, again with the ASBCA. The Company's appeals to the ASBCA from (1) the Corps' decision to terminate the Agreement and (2) the Corps' decision on the claim for additional costs and expenses have been settled. On June 6, 1996 the ASBCA issued a decision for the Company's subsidiary in the amount of \$462,000 plus interest from April 6, 1993 until paid pursuant to the Contract Disputes Act. The settlement amount of \$559,000 was received by the Company in July 1996.

While the Company and certain subsidiaries are also involved in various lawsuits and subject to various claims and proceedings encountered in the normal conduct of business, in the opinion of management, any uninsured losses that might arise from these lawsuits and proceedings would not have a material adverse effect on the Company's consolidated financial statements.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of fiscal 1996.

PART II.

ITEM 5. MARKET FOR TEAM'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

(a) MARKET INFORMATION

Team's common stock is traded on the American Stock Exchange, Inc. under the symbol "TMI". The table below reflects the high and low sales prices of the Company's common stock on the American Stock Exchange by fiscal quarter for the fiscal years ended May 31, 1996 and 1995, respectively.

	SALES PRICE	
	HIGH	LOW
FISCAL 1996		
Quarter Ended:		
August 31.....	\$ 2 3/4	\$ 1 5/8
November 30.....	3	2 1/4
February 29.....	2 3/8	1 3/4
May 31.....	2 5/8	1 1/4
FISCAL 1995		
Quarter Ended:		
August 31.....	\$ 3 7/8	\$ 2 1/2
November 30.....	3 1/4	2 5/8
February 28.....	3	1 5/8
May 31.....	1 15/16	1 1/2

(b) HOLDERS

There were 521 holders of record of Team's common stock as of August 5, 1996, excluding beneficial owners of stock held in street name. Although exact information is unavailable, the Company estimates there are approximately 1,000 additional beneficial owners based upon information gathered in connection with proxy solicitation.

(c) DIVIDENDS

No dividends were declared or paid in fiscal 1996 or fiscal 1995. Pursuant to the Company's Credit Agreement, the Company may not pay quarterly dividends without the consent of its primary lender. Additionally, future dividend payments will continue to depend on Team's financial condition, market conditions and other matters deemed relevant by the Board of Directors.

ITEM 6. SELECTED FINANCIAL DATA

The following is a summary of certain consolidated financial information regarding the Company for the five years ended May 31, 1996.

ITEM 6. SELECTED FINANCIAL DATA - (CONTINUED)

	YEAR ENDED MAY 31,				
	1996	1995	1994	1993	1992
	(In Thousands, Except Per Share Amounts)				
Revenues	\$ 52,485	\$ 55,730	\$ 61,133	\$63,716	\$ 62,625
Earnings (Loss) from Continuing Operations, Net of Income Taxes	\$ (9,278)	\$ (5,448)	\$ 437	\$ 604	\$ 2,229
Earnings (Loss) from Discontinued Operations, Net of Income Taxes	--	(513)	325	1,277	(2,025)
Loss on Sales of Discontinued Operations, Net of Income Taxes	--	(13)	(1,081)	--	(12,051)
Net Earnings (Loss)	\$ (9,278)	\$ (5,974)	\$ (319)	\$ 1,881	\$ (11,847)
Earnings (Loss) Per Share:					
Earnings (Loss) from Continuing Operations	\$ (1.80)	\$ (1.06)	\$ 0.09	\$ 0.12	\$ 0.44
Earnings (Loss) from Discontinued Operations	--	(0.10)	0.06	0.25	(0.40)
Loss on Sales of Discontinued Operations	--	0.00	(0.21)	--	(2.37)
Net Earnings (Loss)	\$ (1.80)	\$ (1.16)	\$ (0.06)	\$ 0.37	\$ (2.33)
Weighted Average Shares Outstanding	5,161	5,160	5,164	5,151	5,088
Funds Provided by Continuing Operations (excluding Military Housing projects) (Net Earnings (Loss) Plus Depreciation, Amortization, Change in Non-current Deferred Taxes and Writedown of Assets)	\$ 2,862	\$ 2,391	\$ 3,121	\$ 2,833	\$ 3,727

Cash Dividend Declared					
Per Common Share	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.075	\$ 0.14

	MAY 31,				
	1996	1995	1994	1993	1992
	(In Thousands)				
Balance Sheet Data					
Total Assets	\$69,436	\$80,058	\$103,114	\$96,843	\$65,515
Long-term Debt	11,754	13,627	21,001	22,156	24,524
Non-recourse Debt	38,765	39,722	40,603	30,769	--
Stockholders' Equity	11,045	20,323	26,297	26,608	25,022
Working Capital	10,562	14,786	10,472	7,790	10,655

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In fiscal 1996, the Company's environmental services consisted of industrial repair services, air emission monitoring services and environmental consulting and engineering services. The Company also owns three Federal Section 801 housing projects ("Military Housing" segment), which are presently leased to the Departments of the Army, Navy and Air Force pursuant to long-term lease agreements.

During the fiscal year ended May 31, 1995, the Company sold its infrastructure and transportation services businesses. The results of operations of these businesses are included as discontinued operations.

The following table sets forth for the periods indicated (i) the percentage which certain items in the financial statements of the Company bear to revenues and (ii) the percentage change in the dollar amount of such items from period to period:

	PERCENTAGE OF REVENUES			PERCENTAGE INCREASE/(DECREASE)	
	YEAR ENDED MAY 31,			YEAR ENDED MAY 31,	
	1996	1995	1994	1996 VS. 1995	1995 VS. 1994
Revenues:					
Environmental Services	90.4%	91.2%	93.1%	(6.6%)	(10.7%)
Military Housing projects	9.6	8.8	6.9	2.5%	15.8%
Total Revenue	100.0%	100.0%	100.0%	(5.8%)	(8.8%)
Operating expenses:					
Environmental Services	47.9%	47.6%	47.2%	(5.1%)	(8.1%)
Military Housing projects	4.2	3.7	2.5	6.7%	36.9%
Selling, general and administrative expenses:					
Environmental Services	44.6	40.7	40.5	3.4%	(8.3%)
Military Housing projects	0.6	2.1	0.7	(75.9%)	185.7%
Interest:					
Environmental Services	2.3	2.7	2.5	(20.0%)	(4.1%)
Military Housing projects	6.4	6.1	5.0	(1.4%)	10.8%
Writedown of assets:					
Environmental Services	14.7	2.5	--	n/a	n/a
Military Housing projects	--	8.7	--	n/a	n/a
Earnings (loss) from continuing operations before income taxes	(20.7)	(14.1)	1.6	(37.9%)	n/a
Provision (benefit) for income taxes	(3.0)	(4.3)	0.9	(35.1%)	n/a
Earnings (loss) from continuing operations net of income taxes	(17.7%)	(9.8%)	0.7%	(70.3%)	n/a

RESULTS OF OPERATIONS - CONTINUING OPERATIONS

Fiscal 1996 Compared to Fiscal 1995

ENVIRONMENTAL SERVICES: For the fiscal year ended May 31, 1996, revenues from the Company's environmental services business totaled \$47.4 million, 7% lower than revenues of \$50.8 million reported in the prior fiscal year. This decrease resulted from lower revenues from the Company's emissions monitoring and environmental consulting and engineering services primarily as a result of reduced

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reporting requirements by many of the Company's customers due to the slowdown in environmental regulatory activity.

In addition, some of the Company's customers have implemented internal reporting for emissions control services. The Company's leak sealing services

business has remained stable while its mechanical (hot tapping and line-stop (registered trademark)) services have increased.

Operating expenses in the Company's environmental services declined by 5% from fiscal 1995 to fiscal 1996, primarily due to lower personnel related costs. Gross margins declined from 47.8% to 47.0% as the Company was not able to reduce costs sufficiently to offset the decline in revenues. Selling, general and administrative expenses were \$23.4 million for fiscal year 1996 compared to \$22.7 million in the prior year. The Company incurred one-time charges of approximately \$2.4 million of general and administrative expenses that related primarily to certain compensation arrangements with former employees. This increase was somewhat offset by the restructuring and relocation of its corporate office which resulted in lower personnel and general office costs.

Interest expense of \$1.2 million was 20% lower than in fiscal 1995 due to reduced average borrowing levels as well as lower interest rates. The writedown of assets of \$7.7 million primarily reflected a \$5.3 million write-off of goodwill pertaining to the environmental engineering and consulting services business, a \$400,000 write-off of obsolete inventory and a reserve of \$1.7 million for a note receivable obtained in the sale of a former business segment. Including the effect of the \$10.1 million writedown of assets and other one-time charges recorded in the third and fourth quarters of fiscal year 1996, the loss before taxes in the Company's environmental services was \$10.0 million compared to a \$1.3 million loss in the prior year.

MILITARY HOUSING PROJECTS: For the year ended May 31, 1996, revenues were \$5.0 million compared to revenues of \$4.9 million in the prior year. The pre-tax loss from Military Housing projects' segment was \$810,000 compared to \$1.7 million (before the provision for writedown of assets) in fiscal 1995. Lower legal fees accounted for the change. In fiscal 1995, the Company recorded one-time provisions of \$4.8 million to write-off certain deferred expenses and reduce the carrying value of the Military Housing properties.

The net loss from continuing operations for the 1996 fiscal year was \$9.3 million of which \$6.9 million is attributed to the writedown of assets and \$1.6 million is attributed to non-recurring general and administrative expenses related primarily to compensation arrangements with former employees recorded in the third quarter. This compares to the net loss from continuing operations for the 1995 fiscal year of \$5.4 million, of which \$4.1 million was attributed to the writedown of assets. The net loss for fiscal 1996 was \$9.3 million compared to the overall net losses of \$6.0 million in the prior year including the operating losses and losses on the sales of discontinued operations.

FISCAL 1995 COMPARED TO FISCAL 1994

ENVIRONMENTAL SERVICES: For the fiscal year ended May 31, 1995, revenues from the Company's environmental services business totaled \$50.8 million, 11% lower than revenues of \$56.9 million reported in the prior fiscal year. Weakness in demand for emissions monitoring and environmental consulting services resulted from reduced regulatory activity as many of the Company's customers experienced decreased reporting requirements. In addition, increased competition in leak repair and emissions monitoring led to lower prices for some of the Company's services. Leak repair revenues also were adversely affected by the relatively mild weather experienced in the United States in the winter of 1994/1995. Colder weather often leads to higher demand for leak repair services due to the contractions of piping systems in process plants.

Operating expenses in the Company's environmental services declined by 8% from fiscal 1994 to fiscal 1995, primarily due to lower personnel related costs. Gross profit margins declined from 49.3% to 47.8%, as the Company was not able to reduce costs sufficiently to offset the decline in revenues. Selling, general and administrative expenses were \$22.7 million for fiscal year 1995, \$2.1 million, or 8%

lower than in the prior year. Management restructured its field and corporate operations in response to the decline in revenues, resulting in lower personnel, insurance and general expenses.

Interest expense of \$1.5 million in fiscal 1995 was 4% lower than in fiscal 1994 due to reduced average borrowing levels. Including the effect of the \$1.4 million writedown of assets and other one-time charges recorded in the second quarter of fiscal year 1995, the loss before taxes in the Company's environmental services was \$1.3 million, compared to pre-tax earnings of \$1.7 million in the prior year.

MILITARY HOUSING PROJECTS: For the year ended May 31, 1995, revenues were \$4.9 million, \$672,000 higher than rentals in the prior year, when rentals were recorded for less than the full period, as all of the projects were fully completed and occupied in November 1993. The pre-tax loss from Military Housing, before the provisions for writedown of assets, was \$1.7 million, compared to a loss of \$755,000 in fiscal 1994. Higher legal fees, associated with litigation with the general contractor of the projects, which was settled in March 1995, and the Company's claim against the Department of the Army concerning the terminated project at Ft. Stewart, Georgia, and increased depreciation expense accounted for the change. In the second quarter of fiscal year 1995, the Company recorded one-time provisions of \$4.8 million to write-off certain deferred expenses and reduce the carrying value of the Military Housing properties. The resulting loss before taxes from Military Housing was \$6.5 million in fiscal 1995 compared with a pre-tax loss of \$755,000 in the prior year.

The net loss from continuing operations for the 1995 fiscal year was \$5.4 million, of which \$4.1 million is attributed to the writedown of assets recorded in the second quarter. This compares to net earnings from continuing operations of \$437,000 in fiscal 1994. Including net operating losses and losses on the sale of discontinued operations, the net loss for fiscal year 1995 was \$6.0 million, compared to a net loss of \$319,000 in the prior year.

LIQUIDITY AND CAPITAL RESOURCES

At May 31, 1996, the Company's working capital totaled \$10.6 million, a decrease of \$4.2 million from working capital of \$14.8 million a year earlier. The Company has been able to finance its working capital requirements through its internally generated cash flow and the sale of its discontinued businesses and assets. In July 1996, the Company and its primary bank amended and extended the terms of its credit agreement effective May 31, 1996. The agreement, as amended, consists of a \$3.95 million term loan, payable in quarterly installments of \$350,000 with the balance due December 1, 1997, and a \$12 million revolving line of credit due December 1, 1997. At May 31, 1996, amounts outstanding on the term loan and under the revolving line of credit were \$2.9 million and \$6.5 million, respectively, and \$1.3 million was available for borrowing under the terms of the agreement.

As of May 31, 1996, cash and cash equivalents totaled \$2.0 million decreasing \$1.1 million from the prior year. This decrease in cash resulted mainly from \$4.7 million used in the Company's financing activities, \$0.2 million used in the Company's investing activities, offset by \$3.8 million provided by the Company's operating activities. See Team's "Consolidated Statements of Cash Flows" for additional detail.

Management expects that capital expenditures which are intended to provide for normal replacement of assets and new assets to support planned growth will approximate \$1.3 million for fiscal 1996. The Company is presently pursuing negotiations to sell the Military Housing projects, although there can be no assurance that any potential transaction will be completed. Management intends to utilize the proceeds of such a sale, if any, to further reduce Company bank debt and to increase available working capital.

In the opinion of management, the Company currently has sufficient funds and adequate financial sources available to meet its anticipated liquidity needs. Management believes that cash flow from operations, cash balances and available borrowings will be sufficient for the foreseeable future to finance anticipated working capital requirements, capital expenditures and debt service requirements.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders of Team, Inc.
Houston, Texas

We have audited the accompanying consolidated balance sheets of Team, Inc. and subsidiaries as of May 31, 1996 and 1995, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended May 31, 1996. Our audits also included the financial statement schedule listed in the Index at Item 14(a)(2). These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Team, Inc. and subsidiaries as of May 31, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended May 31, 1996 in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ DELOITTE & TOUCHE LLP

DELOITTE & TOUCHE LLP
Houston, Texas
July 29, 1996

TEAM, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS	MAY 31,	
	1996	1995
	-----	-----
Current Assets:		
Cash and cash equivalents	\$ 2,038,000	\$ 3,154,000
Receivables	8,149,000	8,408,000
Materials and supplies	5,748,000	6,641,000
Prepaid expenses and other current assets	846,000	1,374,000

Total Current Assets	16,781,000	19,577,000
Net Assets of Discontinued Operations	--	124,000
Property, Plant and Equipment:		
Land and buildings	6,874,000	6,889,000
Machinery and equipment	11,088,000	10,864,000
	17,962,000	17,753,000
Less accumulated depreciation and amortization	12,197,000	11,641,000
	5,765,000	6,112,000
Military Housing Projects:		
Restricted cash and other assets	2,880,000	2,897,000
Land and buildings, net of accumulated depreciation of \$6,168,000 in 1996 and \$4,710,000 in 1995	41,123,000	42,581,000
	44,003,000	45,478,000
Goodwill, Net of Accumulated Amortization	--	5,583,000
Other Assets	2,887,000	3,184,000
	\$ 69,436,000	\$ 80,058,000
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:		
Current portion of long-term debt	\$ 1,735,000	\$ 1,344,000
Accounts payable	846,000	742,000
Other accrued liabilities	3,638,000	2,705,000
	6,219,000	4,791,000
Long-term Debt and Other	11,754,000	13,627,000
Military Housing Projects' Non-recourse Obligations:		
Debt	38,765,000	39,722,000
Other	1,653,000	1,595,000
	40,418,000	41,317,000
Stockholders' Equity:		
Preferred stock, cumulative, par value \$100 per share, 500,000 shares authorized, none issued	--	--
Common stock, par value \$.30 per share, 10,000,000 shares authorized and 5,169,542 shares issued at May 31, 1996 and 1995	1,551,000	1,551,000
Additional paid-in capital	24,992,000	24,992,000
Accumulated deficit	(15,401,000)	(6,123,000)
Less treasury stock at cost, 9,700 shares at May 31, 1996 and 1995	(97,000)	(97,000)
	11,045,000	20,323,000
Total Stockholders' Equity	\$ 69,436,000	\$ 80,058,000
	=====	=====

See notes to consolidated financial statements.

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TEAM, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS

	YEAR ENDED MAY 31,		
	1996	1995	1994
Revenues:			
Operating revenue	\$ 47,449,000	\$ 50,816,000	\$ 56,891,000
Military housing projects' lease revenue	5,036,000	4,914,000	4,242,000
	52,485,000	55,730,000	61,133,000
Operating Costs and Expenses:			
Operating expenses	25,161,000	26,525,000	28,870,000
Selling, general and administrative expenses	23,446,000	22,677,000	24,743,000
Interest	1,188,000	1,485,000	1,548,000
Writedown of assets	7,697,000	1,421,000	--
	57,492,000	52,108,000	55,161,000
Military Housing Projects' Costs and Expenses:			
Operating expenses	2,198,000	2,061,000	1,505,000
General and administrative expenses	289,000	1,197,000	419,000
Interest	3,359,000	3,405,000	3,073,000
Writedown of assets	--	4,832,000	--
	5,846,000	11,495,000	4,997,000
Earnings (Loss) from Continuing Operations before Income Taxes	(10,853,000)	(7,873,000)	975,000
Provision (Benefit) for Income Taxes	(1,575,000)	(2,425,000)	538,000
Earnings (Loss) from Continuing Operations, Net of Income Taxes	(9,278,000)	(5,448,000)	437,000
Earnings (Loss) from Discontinued Operations, Net of Income Taxes	--	(513,000)	325,000

Loss on Sales of Discontinued Operations, Net of Income Taxes	--	(13,000)	(1,081,000)
Net Loss	<u>\$ (9,278,000)</u>	<u>\$ (5,974,000)</u>	<u>\$ (319,000)</u>
Net Earnings (Loss) Per Share:			
Earnings (Loss) from Continuing Operations	\$ (1.80)	\$ (1.06)	\$.09
Earnings (Loss) from Discontinued Operations	--	(0.10)	.06
Loss on Sales of Discontinued Operations	--	(0.00)	(0.21)
Net Loss	<u>\$ (1.80)</u>	<u>\$ (1.16)</u>	<u>\$ (0.06)</u>
Weighted Average Number of Shares Outstanding	<u>5,161,000</u>	<u>5,160,000</u>	<u>5,164,000</u>

See notes to consolidated financial statements.

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TEAM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	MAY 31,		
	1996	1995	1994
COMMON STOCK:			
Balance at beginning of year	\$ 1,551,000	\$ 1,551,000	\$ 1,551,000
Balance at end of year	<u>\$ 1,551,000</u>	<u>\$ 1,551,000</u>	<u>\$ 1,551,000</u>
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning of year	\$ 24,992,000	\$ 24,992,000	\$ 24,992,000
Balance at end of year	<u>\$ 24,992,000</u>	<u>\$ 24,992,000</u>	<u>\$ 24,992,000</u>
RETAINED EARNINGS (ACCUMULATED DEFICIT):			
Balance at beginning of year	\$ (6,123,000)	\$ (149,000)	\$ 170,000
Net loss	(9,278,000)	(5,974,000)	(319,000)
Balance at end of year	<u>\$(15,401,000)</u>	<u>\$ (6,123,000)</u>	<u>\$ (149,000)</u>
TREASURY STOCK:			
Balance at beginning of year	\$ (97,000)	\$ (97,000)	\$ (105,000)
Reissuance of 700 shares	--	--	8,000
Balance at end of year	<u>\$ (97,000)</u>	<u>\$ (97,000)</u>	<u>\$ (97,000)</u>

See notes to consolidated financial statements.

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TEAM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	1996	1995	1994
Cash Flows From Operating Activities:			
Earnings (loss) from continuing operations net of income taxes	<u>\$(9,278,000)</u>	<u>\$ (5,448,000)</u>	<u>\$ 437,000</u>
Adjustments to reconcile earnings (loss) from continuing operations net of income taxes to net cash provided by operating activities:			
Writedown of assets	7,697,000	6,253,000	--
Depreciation and amortization	3,443,000	3,957,000	3,585,000
Provision for doubtful accounts and notes receivable	--	233,000	241,000
Noncurrent deferred income taxes	(1,923,000)	(433,000)	(137,000)
Change in other long-term obligations	1,782,000	--	--
Gain on sale of assets	(23,000)	--	--
Changes in assets and liabilities:			
(Increase) decrease:			
Receivables	259,000	1,755,000	867,000
Materials and supplies	493,000	986,000	644,000
Prepaid expenses and other assets	528,000	(298,000)	(384,000)
Increase (decrease):			
Accounts payable	104,000	(3,058,000)	(2,788,000)
Other accrued liabilities	683,000	(2,569,000)	(287,000)
Income taxes payable	--	(659,000)	579,000
Net cash provided by operating activities	<u>3,765,000</u>	<u>719,000</u>	<u>2,757,000</u>

Cash Flows From Investing Activities:			
Capital expenditures	(788,000)	(413,000)	(1,242,000)
Disposal of property and equipment	115,000	28,000	60,000
Decrease (increase) in other assets	309,000	231,000	(2,844,000)
Decrease in net assets			
of discontinued operations	124,000	1,786,000	3,478,000
Military Housing projects' capital expenditures	--	(110,000)	(5,882,000)
(Increase) decrease in Military Housing projects' restricted cash and other assets	17,000	(45,000)	(2,850,000)
Proceeds from sale of companies	--	8,254,000	--
	-----	-----	-----
Net cash provided by (used in) investing activities	(223,000)	9,731,000	(9,280,000)
	-----	-----	-----
Cash Flows From Financing Activities:			
Payments under debt agreements	(3,546,000)	(10,101,000)	(7,695,000)
Principal payments under capital lease obligations	(213,000)	(290,000)	(221,000)
Proceeds from issuance of debt	--	204,000	6,804,000

See notes to consolidated financial statements.

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TEAM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS- (continued)

	1996	1995	1994
	-----	-----	-----
Proceeds from issuance of non-recourse debt	\$ --	\$ --	\$ 10,248,000
Payments on Military Housing projects' non-recourse obligations	(957,000)	(881,000)	(414,000)
Increase (decrease) in Military Housing projects' other non-recourse obligations	58,000	44,000	(149,000)
Reissuance of treasury stock	--	--	8,000
	-----	-----	-----
Net cash provided by (used in) financing activities	(4,658,000)	(11,024,000)	8,581,000
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	(1,116,000)	(574,000)	2,058,000
Cash and cash equivalents at beginning of year	3,154,000	3,728,000	1,670,000
	-----	-----	-----
Cash and cash equivalents at end of year	\$ 2,038,000	\$ 3,154,000	\$ 3,728,000
	=====	=====	=====
Supplemental disclosures of information:			
Interest paid during the period:			
Operating interest	\$ 1,201,000	\$ 1,667,000	\$ 1,793,000
Military Housing projects	3,376,000	3,433,000	1,779,000
	-----	-----	-----
	\$ 4,577,000	\$ 5,100,000	\$ 3,572,000
	-----	-----	-----
Income taxes paid during the period	\$ 31,000	\$ 645,000	\$ 260,000
Income taxes refunded during the period	\$ 797,000	\$ 875,000	\$ --

SUPPLEMENTAL SCHEDULE OF NON CASH INVESTING AND FINANCING ACTIVITIES:

During 1996, 1995 and 1994, equipment and software acquired under capital lease obligations amounted to \$495,000, \$254,000 and \$0, respectively.

During 1995, the Company received \$1,700,000 in promissory notes in connection with the sale of Infrastructure Services, Inc.

See notes to consolidated financial statements.

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TEAM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of Team, Inc. (the "Company") include the financial statements of the Company and its subsidiaries. All significant intercompany transactions have been eliminated.

USE OF ESTIMATES IN FINANCIAL STATEMENT PREPARATION

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The Company's financial statements include amounts that are based on management's best estimates and judgments. Actual results could differ from those estimates.

MATERIALS AND SUPPLIES

Materials and supplies are stated at the lower of cost (first-in, first-out method) or market.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization of assets are computed by the straight-line method over the following estimated useful lives:

CLASSIFICATION	LIFE
Buildings.....	20-25 years
Machinery and equipment.....	2-10 years

MILITARY HOUSING PROJECTS

Buildings are stated at cost less accumulated depreciation. Depreciation is computed by the straight-line method over estimated useful lives of 10 to 40 years.

GOODWILL AND PATENTS

Goodwill and patents are carried at cost less accumulated amortization. Goodwill represents the excess of cost over the fair value of the net assets of businesses purchased. The cost of patents is amortized over 17 years while goodwill cost is amortized over 20 to 25 years. The accumulated amortization of goodwill was \$1,304,000 at May 31, 1995. During 1996 all goodwill was written off. See Note 4.

REVENUE RECOGNITION

The Company recognizes revenue when services are rendered.

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TEAM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

INCOME TAXES

The Company accounts for taxes on income using the asset and liability method wherein deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities using enacted rates.

CONCENTRATION OF CREDIT RISK

The Company provides services to the chemical, petrochemical, refining, pulp and paper, power and steel industries throughout the United States. Although the Company has a diversified customer base, a substantial portion of its business is dependent upon the chemical and refining industry sectors.

EARNINGS PER SHARE

Earnings per common and common equivalent share for fiscal 1996, 1995 and 1994 were computed using 5,160,000 weighted average common shares outstanding during each year plus 1,000, 0 and 4,000 weighted average shares applicable to common stock equivalents, respectively.

Common stock equivalents are based on the assumed issuance of common stock for dilutive options and warrants, net of assumed repurchase of common shares based on the treasury stock method.

STATEMENT OF CASH FLOWS

For purposes of the statement of cash flows, the Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

DIVIDENDS

No dividends were paid during the current or prior two fiscal years. Pursuant to the Company's Credit Agreement, the Company may not pay quarterly dividends without the consent of its senior lender. Future dividend payments will depend upon the Company's financial condition and other relevant matters.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of cash and cash equivalents, receivables and accounts payable approximate their carrying amounts because of the short maturity of those instruments. The fair value of the Company's long-term debt, including the Military Housing Projects' non-recourse debt, is estimated based on the current rates available to the Company for instruments with similar terms and maturities.

ACCOUNTING CHANGES

The Financial Accounting Standards Board issued SFAS No. 123, "Accounting for Stock-Based Compensation" in October 1995. Under SFAS No. 123, companies are permitted to either adopt this new standard and record expenses for stock options and other stock-based employee compensation plans based on their fair value at date of grant, or continue to apply its current accounting policy under Accounting Principles Board ("APB") Opinion No. 25 and increase its footnote disclosure. Team will continue to apply APB Opinion No. 25, and in 1997, will increase its footnote disclosure to include the pro-forma impact on net income and earnings per share of the application of the fair value based method of accounting.

Team will adopt SFAS No. 121 "Accounting for the Impairment of Long-Lived

how to measure an impairment of long-lived assets and when to recognize such an impairment. The adoption of the new standard is not expected to have a material impact on the Company's financial position or results from operations.

RECLASSIFICATIONS

Certain amounts from previous years have been reclassified to conform to the 1996 presentation.

2. DIVESTITURES AND DISCONTINUED OPERATIONS

Effective May 31, 1996, the Company sold substantially all the assets of its Environmental Engineering and Consulting Division, which had a carrying value of approximately \$111,000 with no gain or loss being recognized.

In April 1995, the Company sold substantially all of the assets of its Transportation Services segment and recognized a gain of \$444,000 net of income taxes of \$287,000. Proceeds from this divestiture amounted to approximately \$3.7 million and were used primarily to reduce the Company's long-term debt.

In July 1994, the Company sold substantially all of the assets of Infrastructure Services, Inc. The purchase price consisted of \$4,550,000 in cash and a subordinated promissory note in the principal amount of \$1,700,000. This note bears interest at 9 percent per annum payable semi-annually and matures July 2002. A principal payment of \$500,000 is due and payable in August 1997 and principal payments of \$120,000 are due and payable semi-annually thereafter. The cash proceeds from the sale were used to reduce the Company's term loan with its primary lender. In the fourth quarter of fiscal 1994, the Company recognized an additional loss of \$1,081,000 net of income tax benefit of \$300,000 for the disposition of this discontinued operation and in the second quarter of fiscal 1995 the Company recognized an additional loss of \$457,000 net of income tax benefit of \$236,000 for the disposition of this discontinued operation. As of May 31, 1996, the full amount of the note and all unpaid accrued interest were fully reserved. (See Note 4.)

3. MILITARY HOUSING PROJECTS

During fiscal 1992, the Company was awarded contracts to develop and construct four residential military housing projects for the Departments of the Army, Navy and Air Force which were assigned to a subsidiary of the Company, First America Capital Corporation, and its subsidiaries. Another subsidiary of the Company, First America Development Corporation, acted as on-site project manager. Under the Military housing program, residential housing projects are constructed by the private sector for lease to the United States government for a twenty-year term. The costs of construction of these residential projects were financed in June 1992 through the sale of approximately \$52.5 million of Certificates of Participation in lease payments to be made by the United States government in connection with the rental of the units (the "Certificates of Participation"). These Certificates of Participation bear interest at the rate of 8.5 percent per annum. At May 31, 1996 the balance due on the Certificates of Participation is \$38,765,000 plus accrued interest of \$1,236,000. The fair value of this debt at May 31, 1996 is estimated at \$35,979,000 based on rates currently available to the Company for instruments with similar terms and maturities. (Refer to Note 8 for discussion of fair value of Team's other debt.)

The 150-unit Military Housing project in New Mexico was completed and a lease was entered into by the United States government on July 29, 1993. The 300-unit Military Housing project located near Pensacola, Florida was completed and the lease was entered into effective October 12, 1993. The 250-unit Military Housing project located near Ft. Bragg, North Carolina was completed and the lease entered into effective November 1, 1993. Construction of the fourth project, located near Ft. Stewart, Georgia, never commenced as a result of extensive delays in obtaining necessary permits, easements and licenses. In fiscal 1993, the Company's subsidiary filed a Claim and Request for Change Order with the United States Army Corps of Engineers for additional costs and expenses as a result of these delays aggregating \$4.7 million, approximately \$1.4 million of which relate to claims of the general contractor. The decision of the Contracting Officer with respect to this claim was appealed to the Armed Services

Board of Contract Appeals ("ASBCA"). In November 1993, the Company's subsidiary's right to proceed with construction of this project was terminated by the Corps and the portion of the Certificates of Participation attributable to the Ft. Stewart project was redeemed. The Company's subsidiary appealed the Corp's decision to terminate the contract to the ASBCA. Subsequent to May 31, 1996, the Company has settled all claims and appeals regarding the Ft. Stewart project. The settlement of approximately \$559,000, including interest, differs from the original claim due to non-allowance of certain general and administrative costs by the United States Government.

Payments due on the Certificates of Participation are made solely from rent paid by the government. Rent payments under the lease agreements are held by the Trustee, United States Trust Company of New York, as restricted cash and are sufficient to cover principal and interest on the Certificates of Participation in full. The Government's obligation to make these lease payments is subject to annual congressional appropriation. Although this debt is non-recourse to the Company and its subsidiaries, the Company's subsidiaries have executed mortgages in favor of the Trustee for the Certificate holders encumbering each subsidiary's fee interest in the properties. Pursuant to the mortgages, the Trustee has obtained a security interest in the projects to secure payment to the Certificate holders. Annual principal installments on this non-recourse debt

are as follows: 1997, \$1,041,000; 1998, \$1,131,000; 1999, \$1,229,000; 2000, \$1,336,000 and thereafter, \$34,028,000.

The Company's management is presently pursuing negotiations to sell the Military Housing business segment although there can be no assurance that the transaction will be completed. Management intends to utilize the proceeds of such a sale, if any, to further reduce bank debt and increase available working capital.

4. PRE-TAX CHARGES

The loss from continuing operations for fiscal year 1996 included pre-tax charges of \$7,697,000 representing writedowns in the carrying value of certain of the Company's assets. This charge primarily reflected the \$5,347,000 write-off of goodwill as it pertained to the Environmental Consulting and Engineering Division and a \$400,000 write-off of obsolete inventory. The charge also included the reserve of a \$1,700,000 note receivable obtained in the sale of a former business segment. In addition, the Company recorded \$2,423,000 of additional general and administrative expenses which relate primarily to certain compensation arrangements with former employees and reversed \$57,000 of accrued but unpaid interest receivable on the above mentioned note receivable.

The loss from continuing operations for fiscal 1995 included pre-tax charges of \$6,253,000, primarily representing writedowns in the carrying value of certain of the Company's assets. The charge included provisions of \$4,832,000 to reduce the carrying value of the military housing projects and related deferred expenses. In addition, the Company recorded pre-tax charges of \$1,421,000 to write down the value of certain assets and to record provisions for certain deferred charges and account receivable losses.

5. RECEIVABLES

Receivables consist of:

	MAY 31,	
	1996	1995
Trade accounts receivable.....	\$ 8,058,000	\$ 7,691,000
Current income tax receivable.....	--	722,000
Other receivables.....	262,000	199,000
Allowance for doubtful accounts.....	(171,000)	(204,000)
Total.....	<u>\$ 8,149,000</u>	<u>\$ 8,408,000</u>

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TEAM, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

6. OTHER ACCRUED LIABILITIES

Other accrued liabilities consist of:

	MAY 31,	
	1996	1995
Payroll and other compensation expenses	\$1,448,000	\$1,172,000
Insurance accruals	1,096,000	889,000
Other	1,094,000	644,000
Total	<u>\$3,638,000</u>	<u>\$2,705,000</u>

7. INCOME TAXES

The provisions (benefits) for federal and state income taxes attributable to pre-tax earnings from continuing operations are as follows:

	YEAR ENDED MAY 31,		
	1996	1995	1994
Federal income taxes:			
Current	\$ (41,000)	\$(1,705,000)	\$ 999,000
Deferred	(1,525,000)	(867,000)	(540,000)
State income taxes:			
Current	--	68,000	177,000
Deferred	(9,000)	79,000	(98,000)
Total	<u>\$(1,575,000)</u>	<u>\$(2,425,000)</u>	<u>\$ 538,000</u>

A reconciliation between income taxes related to earnings (loss) from continuing operations before income taxes and income taxes computed by applying the statutory federal income tax rate to such earnings (loss) follows:

	YEAR ENDED MAY 31,		
	1996	1995	1994
Earnings (loss) from continuing operations before federal income taxes	<u>\$(10,853,000)</u>	<u>\$(7,873,000)</u>	<u>\$975,000</u>

Computed income taxes at statutory rate	\$ (3,690,000)	\$(2,677,000)	\$332,000
Goodwill writeoff/amortization	1,843,000	147,000	117,000
State income taxes, net of federal tax benefit	(6,000)	97,000	52,000
Other	278,000	8,000	37,000
	-----	-----	-----
Total	\$ (1,575,000)	\$(2,425,000)	\$538,000
	=====	=====	=====

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TEAM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

A summary of the significant components of the Company's deferred tax assets and liabilities were comprised of the following:

	YEAR ENDED MAY 31,	
	1996	1995
	-----	-----
Accounts receivable	\$ (15,000)	\$ (47,000)
Tax over book depreciation	(1,271,000)	(714,000)
Other	(49,000)	--
	-----	-----
Gross deferred liabilities	(1,335,000)	(761,000)
	-----	-----
Notes receivable	559,000	--
Non deductible accrued expenses	1,399,000	476,000
Inventory	95,000	53,000
Net operating loss carryover	1,356,000	977,000
AMT & foreign tax credit	73,000	--
Other	268,000	136,000
	-----	-----
Gross deferred assets	3,750,000	1,642,000
	-----	-----
Net deferred taxes	\$ 2,415,000	\$ 881,000
	=====	=====

No valuation account was required for the deferred tax assets. Net deferred tax assets are classified in the consolidated balance sheets as follows:

	YEAR ENDED MAY 31,	
	1996	1995
	-----	-----
Prepaid expenses and other current assets	\$ 404,000	\$793,000
Other assets	2,011,000	88,000
	-----	-----
Net deferred tax assets	\$2,415,000	\$881,000
	=====	=====

The Company has a net operating loss carryforward of \$3,989,000 at May 31, 1996, which expires in fiscal years 2010 and 2011.

8. LONG-TERM OBLIGATIONS

Long-term obligations consist of:

	YEAR ENDED MAY 31,	
	1996	1995
	-----	-----
Term loan	\$ 2,900,000	\$ 3,950,000
Revolving credit agreement	6,500,000	8,817,000
Term note	1,416,000	1,558,000
Capital lease obligations	556,000	275,000
Compensation agreements	1,717,000	--
Other	400,000	371,000
	-----	-----
	13,489,000	14,971,000
Less current portion	1,735,000	1,344,000
	-----	-----
Total	\$11,754,000	\$13,627,000
	=====	=====

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TEAM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

LONG-TERM DEBT:

Effective August 24, 1995, the Company extended and revised its bank credit agreement. The revised agreement, as amended September 13, 1995, provides a total credit facility of \$15,950,000, consisting of a \$3,950,000 term loan and a \$12,000,000 revolving line of credit. An amendment was entered into effective May 31, 1996, which extends the maturity date on both the term loan and the revolving line of credit to December 1, 1997. Quarterly principal payments of \$350,000 are due on the term loan until maturity. Both the term loan and the revolving line of credit bear interest at rates not exceeding the bank's prime rate of interest (8.25 percent at May 31, 1996) plus one-half of one percent. A commitment fee of 0.375 percent is payable on the daily average unused amount of the revolving line of credit, less the aggregate amount of all outstanding letters of credit. At May 31, 1996, the Company had a \$151,000 letter of credit outstanding against the revolving line of credit. Amounts outstanding under the

revolving line of credit were \$6,500,000 and \$8,817,000 at May 31, 1996 and 1995, respectively. Amounts outstanding on the term loan were \$2,900,000 and \$3,950,000 at May 31, 1996 and 1995, respectively. \$1,330,000 was available for borrowing under the terms of the agreement at May 31, 1996.

Loans under the Company's bank credit agreement are secured by substantially all of the assets of the Company. The terms of the agreement, as amended, require the maintenance of certain financial ratios and limit investments, advances, liens, leases and indebtedness, among other things. At May 31, 1996, the Company was in compliance with all credit agreement covenants.

In addition to the loans under the credit agreement with its primary lender, the Company has a term note with a bank that is due June 15, 1999, bears interest at prime plus 1.25 percent and provides for sixty-six installments, the first six of which were interest only, the next fifty-nine of which will be even monthly installments of principal and interest, and the final installment being all unpaid principal and accrued interest. This loan is secured by land and buildings.

Based on the borrowing rates currently available to the Company for bank loans with terms and maturities similar to the Company's long-term debt, the fair value of such debt is estimated to approximate its carrying value at May 31, 1996.

COMPENSATION AGREEMENTS:

During the year ended May 31, 1996, the Company accrued for compensation to be paid to former employees of the Company beyond the period in which services are expected to be rendered. At May 31, 1996, these long-term obligations totaled \$1,717,000.

Maturities of long-term obligations are as follows:

YEAR ENDING MAY 31,	
1997.....	\$ 1,735,000
1998.....	8,583,000
1999.....	518,000
2000.....	1,342,000
2001.....	241,000
Thereafter.....	1,070,000

Total.....	\$ 13,489,000
	=====

TEAM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

9. STOCK OPTIONS AND EMPLOYEE BENEFIT PLANS AND SHAREHOLDER RIGHTS PLAN

Pursuant to option plans, the Company has granted options to purchase common stock to officers, directors and employees at prices equal to or greater than the market value of the common stock on the date of grant. The exercise price, terms and other conditions applicable to each option granted under the Company's plans are generally determined by the Compensation Committee at the time of grant of each option and may vary. During the year ended May 31, 1996, all options were re-priced to \$2.125, the market value of the common stock on the date the shares were re-priced. Transactions under all plans are summarized below:

	YEAR ENDED MAY 31,		
	1996	1995	1994
	-----	-----	-----
Shares under option, beginning of year.....	512,050	559,750	396,300
Changes during the year:			
Granted.....	70,000	65,400	182,900
Exercised.....	--	--	--
Canceled.....	(70,350)	(113,100)	(19,450)
	-----	-----	-----
Shares under option, end of year.....	511,700	512,050	559,750
	=====	=====	=====
Average option price per share.....	\$ 2.125	\$ 5.28	\$ 5.64
	=====	=====	=====
Exercisable at end of year.....	459,000	398,350	351,900
	=====	=====	=====
Available for future grant.....	626,300	555,950	503,250
	=====	=====	=====

Under the Team, Inc. Salary Deferral Plan, contributions are made by qualified employees, at their election and matching Company contributions are made at specified rates. Company contributions in fiscal 1996, 1995, 1994 were \$167,000, \$214,000 and \$301,000, respectively.

Employer contributions for the Team, Inc. Employee Stock Ownership Plan are determined at the discretion of the Company's Board of Directors. The Plan does not allow for employee contributions. The Company's contributions to the Plan in 1994 were \$125,000. No contributions were made in 1996 nor 1995.

On October 24, 1990, the Board of Directors of the Company adopted a Shareholder Rights Plan ("Rights Plan"). Pursuant to the Rights Plan, the Board of Directors declared a dividend distribution of one right ("Right") for each

outstanding share of the Company's common stock ("Common Stock"), and on each share subsequently issued until separate Rights are distributed, or the Rights expire or are redeemed.

Under the Rights Plan, each Right entitles the registered holder to purchase from the Company a unit consisting of one-hundredth of a share (a "Unit") of Series A Participatory Preferred Stock, \$100.00 par value ("Preferred Stock") at a purchase price of \$100.00 per Unit, subject to adjustment. Under certain circumstances, the Company may substitute an equivalent value of other securities of the Company, property or cash or any combination thereof in lieu of the Preferred Stock. Until exercisable, the Rights will not be transferable apart from the Common Stock. The Rights will be exercisable only after an individual or group acquires or obtains the right to acquire 15 percent or more of the outstanding shares of Common Stock or commencement of a tender offer or exchange offer for 15 percent or more of the outstanding shares of Common Stock.

TEAM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

If, at any time after certain events occur which result in the Rights becoming exercisable, the Company is acquired in a merger or other business combination transaction, or more than 50 percent of the Company's assets, cash flow or earnings power is sold or transferred, each Right will entitle its holder to receive, upon exercise of the Right, common stock of the acquiring company having a market value at the time of such transactions equal to two times the exercise price of the Right. In the event that an individual or group has acquired, or obtains the right to acquire 15 percent or more of the outstanding shares of Common Stock, each holder of a Right would thereafter have the right to receive, upon exercise of such Right, that number of shares of Common Stock having a value of twice the exercise price of the Right. This Right would not arise in the event of a tender offer or exchange offer for all of the outstanding Common Stock at a price and on terms which the Board of Directors determines to be fair to and otherwise in the best interest of the Company and its shareholders.

The Company may redeem the Rights in whole, but not in part, at a price of \$.01 per Right (subject to adjustment) prior to the time they become exercisable. The Rights will expire at the close of business on October 1, 2000, unless earlier redeemed. At no time will the Rights have any voting privileges.

10. COMMITMENTS AND CONTINGENCIES

LEASE COMMITMENTS

The Company's capital leases relate to certain office facilities, computer equipment and software. Property, plant and equipment include assets under capital lease in the amount of \$464,000 and \$831,000 at May 31, 1996 and 1995, before accumulated amortization of \$45,000 and \$226,000, respectively. Other assets includes software under capital lease in the amount of \$281,000 and \$164,000 at May 31, 1996 and 1995, before accumulated amortization of \$71,000 and \$19,000, respectively. The Company also has operating leases which relate to facilities and transportation and other equipment which are leased over terms ranging from one to five years with typical renewal options and escalation clauses. Rental payments on operating leases with a term in excess of one year charged against earnings were \$1,898,000, \$1,735,000 and \$2,216,000 in 1996, 1995 and 1994, respectively.

Minimum rental commitments for future periods are as follows:

YEAR ENDING MAY 31,	CAPITAL LEASES	OPERATING LEASES	TOTAL
1997.....	\$ 243,000	\$ 1,691,000	\$ 1,934,000
1998.....	186,000	1,298,000	1,484,000
1999.....	108,000	740,000	848,000
2000.....	76,000	374,000	450,000
2001.....	44,000	261,000	305,000
Total minimum lease payments.....	657,000	\$ 4,364,000	\$ 5,021,000
Less amount representing interest	101,000		
Present value of net minimum lease payments.....	\$ 556,000		

TEAM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

LEGAL PROCEEDINGS

As previously reported, the Texas Water Commission and the EPA have proposed the cleanup of the Sheridan Disposal Services Site ("Sheridan Site") near Hempstead, Texas. The Company is included in a large group of potentially responsible parties to pay for cleanup costs of the Sheridan Site pursuant to applicable Texas and Federal laws. On September 1, 1989, the Company executed a De Minimis Settlement Agreement ("Settlement Agreement") with most of the potentially responsible parties to settle its potential liability for clean up of the Sheridan Site in consideration for a \$101,700 payment by the Company. The EPA approved the Settlement Agreement and executed a related Consent Decree. This Consent Decree was rejected by the Court in April 1996. The EPA is presently appealing the rejection of the Consent Decree.

A subsidiary of the Company was committed, pursuant to an agreement with the

United States Army Corps of Engineers (the "Corps"), to construct a 200 unit Federal housing project near the Ft. Stewart Military Reservation located in Hinesville, Georgia. Construction of this project never commenced as a result of extensive delays in obtaining easements, licenses and permits necessary in order to develop the project. In fiscal 1993, the Company filed a Claim and Request for Change order with the Corps for additional costs and expenses incurred as a result of these delays, which was appealed to the Armed Services Board of Contract Appeals ("ASBCA"). During fiscal 1994, the Corps terminated the Agreement, thereby canceling the project. The Company separately appealed the Corps' decision to terminate the Agreement, again with the ASBCA. The Company's appeals to the ASBCA from (1) the Corps' decision to terminate the Agreement and (2) the Corps' decision on the claim for additional costs and expenses have been settled. On June 6, 1996 the ASBCA issued a decision for the Company's subsidiary in the amount of \$462,000 plus interest from April 6, 1993 until paid. The settlement amount, which totaled \$559,000, was received by the Company in July 1996.

While the Company and certain subsidiaries are also involved in various lawsuits and subject to various claims and proceedings encountered in the normal conduct of business, in the opinion of management, any uninsured losses that might arise from these lawsuits and proceedings would not have a material adverse effect on the Company's consolidated financial statements.

11. INDUSTRY SEGMENT INFORMATION AND MAJOR CUSTOMERS

The following table sets forth: revenues, operating profit after corporate allocation and amortization of goodwill, identifiable assets, capital expenditures, and provision for depreciation and amortization attributable to each of the Company's two industry segments of its continuing operations. Identifiable assets are those assets used in each industry segment. Corporate assets are principally cash, buildings, notes receivable and intangibles. Intersegment transactions have been eliminated.

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TEAM, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

	YEAR ENDED MAY 31,		
	1996	1995	1994
	(IN THOUSANDS)		
Revenues:			
Environmental services	\$ 47,449	\$ 50,816	\$ 56,891
Military Housing projects	5,036	4,914	4,242
Total	<u>\$ 52,485</u>	<u>\$ 55,730</u>	<u>\$ 61,133</u>
Operating profit after corporate allocation and amortization of goodwill:(1)			
Environmental services	\$ (3,685)	\$ 3,342	\$ 4,226
Military Housing projects	2,516	(3,176)	2,318
General corporate	(5,137)	(3,149)	(948)
Interest expense	(4,547)	(4,890)	(4,621)
Earnings before income taxes	<u>\$(10,853)</u>	<u>\$ (7,873)</u>	<u>\$ 975</u>
Identifiable assets at end of period:			
Environmental services	\$ 18,407	\$ 24,523	\$ 28,971
Military Housing projects	44,011	45,934	53,569
General corporate	7,018	9,601	20,574
Total	<u>\$ 69,436</u>	<u>\$ 80,058</u>	<u>\$ 103,114</u>
Capital expenditures during period:			
Environmental services	\$ 1,048	\$ 640	\$ 1,211
Military Housing projects	--	110	5,882
General corporate	235	27	31
Total	<u>\$ 1,283</u>	<u>\$ 777</u>	<u>\$ 7,124</u>
Provision for depreciation and amortization:			
Environmental services	\$ 1,350	\$ 1,658	\$ 1,709
Military Housing projects	1,458	1,449	1,262
General corporate	635	850	614
Total	<u>\$ 3,443</u>	<u>\$ 3,957</u>	<u>\$ 3,585</u>

(1) Included in operating profits are charges representing writedowns taken in the third and fourth quarters of fiscal 1996 and the second quarter of fiscal 1995 as follows:

Environmental services	\$5,997	\$ 724
Military Housing projects	--	4,832
General corporate	1,700	697
	<u>\$7,697</u>	<u>\$6,253</u>

For the three years ended May 31, 1996, there were no customers with sales greater than 10 percent of consolidated revenues.

12. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The Company's consolidated results of operations by quarter for the fiscal years ended May 31, 1996 and 1995 were as follows: (in thousands except per share amounts)

	FISCAL 1996			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Revenues	\$13,375	\$12,728	\$13,006	\$ 13,376
Gross Profit	\$ 6,446	\$ 5,773	\$ 6,200	\$ 6,707
Net Earnings (Loss)	\$ 33	\$ (548)	\$(7,716)	\$ (1,047)
Net Earnings (Loss) per Share	\$ 0.01	\$ (0.11)	\$ (1.50)	\$ (0.20)
	FISCAL 1995			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Revenues	\$ 14,300	\$ 13,655	\$ 14,393	\$ 13,382
Gross Profit	\$ 7,077	\$ 6,550	\$ 6,985	\$ 6,532
Earnings (Loss) from Continuing Operations, Net of Income Taxes ..	\$ (247)	\$ (5,132)	\$ (77)	\$ 8
Earnings (Loss) from Discontinued Operations, Net of Income Taxes .	11	(452)	117	(189)
Gain (Loss) on Sales of Discontinued Operations, Net of Income Taxes .	--	(457)	--	444
Net Earnings (Loss)	\$ (236)	\$ (6,041)	\$ 40	\$ 263
Net Earnings (Loss) per Share:				
Earnings (Loss) from Continuing Operations	\$ (0.05)	\$ (0.99)	\$ (0.01)	\$ 0.00
Earnings (Loss) from Discontinued Operations	0.00	(0.09)	0.02	(0.04)
Earnings (Loss) on Sales of Discontinued Operations	0.00	(0.09)	0.00	0.09
Net Earnings (Loss)	\$ (0.05)	\$ (1.17)	\$ 0.01	\$ 0.05

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS
ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no disagreements concerning accounting and financial disclosures with the Company's independent accountants within the past two years.

PART III.

THE INFORMATION CONTAINED IN ITEMS 10, 11, 12 AND 13 OF PART III HAS BEEN OMITTED FROM THIS REPORT ON FORM 10-K SINCE THE COMPANY WILL FILE, NOT LATER THAN 120 DAYS FOLLOWING THE CLOSE OF ITS FISCAL YEAR ENDED MAY 31, 1996, ITS DEFINITIVE PROXY STATEMENT. THE INFORMATION REQUIRED BY PART III WILL BE INCLUDED IN THAT PROXY STATEMENT AND SUCH INFORMATION IS HEREBY INCORPORATED BY REFERENCE, WITH THE EXCEPTION OF THE INFORMATION UNDER THE HEADINGS "COMPENSATION COMMITTEE REPORT" AND "COMPARISON OF TOTAL SHAREHOLDERS' RETURN."

PART IV.

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(A) 1. FINANCIAL STATEMENTS

The following consolidated financial statements of Team, Inc. and its subsidiaries are included in Part II, Item 8.

PAGE

Independent Auditors' Report.....	15
Consolidated Balance Sheets - May 31, 1996 and 1995.....	16
Consolidated Statements of Operations - Years ended	
May 31, 1996, 1995, and 1994.....	17
Consolidated Statements of Stockholders' Equity -	
Years ended May 31, 1996, 1995 and 1994.....	18
Consolidated Statements of Cash Flows - Years	
ended May 31, 1996, 1995 and 1994.....	19

2. FINANCIAL STATEMENT SCHEDULES

Schedule II - Valuation and Qualifying Accounts.....S-1

All other schedules are omitted because they are not applicable or because the required information is included in the Consolidated Financial Statements or Notes thereto.

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3. EXHIBITS

SEQUENTIAL
PAGE NO.

- 3(a)* Second Restated Articles of Incorporation of the Company (filed as Exhibit 4.1 to the Company's Registration Statement on Form S-2, File No. 33-31663).
- 3(b)* Bylaws of the Company (filed as Exhibit 4.2 to the Company's Registration Statement on Form S-2, File No. 33-31663).
- 4(a)* Certificate representing shares of common stock of Company (filed as Exhibit 4(1) to the Company's Registration Statement on Form S-1, File No. 2-68928).
- 4(b)* Statement of Relative Rights and Preferences of Series A Participatory Preferred Stock of Team, Inc. (filed as Exhibit 2.2 to the Company's Form 8-A with the Securities and Exchange Commission on October 26, 1990).
- 4(c)* Rights Agreement dated as of October 24, 1990 between Team, Inc. and Ameritrust Company National Association as Rights Agent (filed as Exhibit 2.1 to the Company's Form 8-A with the Securities and Exchange Commission on October 26, 1990).
- 10(a)* Asset Purchase Agreement dated April 10, 1995 by and between Hellums Service, Inc. and Hellums Services II, Inc. (filed as Exhibit 10(a) to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1995).
- 10(b)* Asset Purchase Agreement dated April 10, 1995 by and between Elsik, Inc. and Elsik II, Inc. (filed as Exhibit 10(b) to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1995).
- 10(c)* Assignment of Rents and Security Agreement dated June 1, 1992 by Ft. Bragg 801, Inc. for the benefit of Security Pacific National Trust Company (New York) ("Security") in its capacity as the Trustee for the Certificate Holders under that certain Trust Agreement Relating to Military Family Housing Projects (the "Trust Agreement") (filed as Exhibit 10(b) to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1994).
- 10(d)* Assignment of Rents and Security Agreement dated June 1, 1992 by Portales 801, Inc. for the benefit of Security in its capacity as the Trustee for the Certificate Holders under the Trust Agreement (filed as Exhibit 10(c) to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1994).
- 10(e)* Assignment of Rents and Security Agreement dated June 1, 1992 by Pensacola 801, Inc. for the benefit of Security in its capacity as the Trustee for the Certificate Holders under the Trust Agreement (filed as Exhibit 10(d) to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1994).
- 10(f)* Lease Agreement dated July 29, 1993 by and between the United States of America and Portales 801, Inc. (filed as Exhibit 10(e) to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1994).
- 10(g)* Lease No. DACA21-5-94-0442 dated November 16, 1993 by and between Ft. Bragg 801, Inc. and the United States of America (filed as Exhibit 10(f) to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1994).
- 10(h)* Lease No. N62467-94-RP-00001 dated October 12, 1993 by and between Pensacola 801, Inc. and the United States of America (filed as Exhibit 10(g) to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1994).
- 10(i)* Mortgage, Security Agreement and Collateral Assignment of Lease dated June 1, 1992 by Pensacola 801, Inc. for the benefit of Security Pacific National Trust Company (New York) and Barnett Banks Trust Company, N.A. as Trustee for the Certificate Holders, The Toyo Trust & Banking Co., Ltd. and Canadian Imperial Bank of Commerce (filed as Exhibit 10(h) to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1994).
- 10(j)* Amended and Restated Deed of Trust, Security Agreement and Collateral Assignment of Lease dated June 1, 1992 from Ft. Bragg 801, Inc. to Palmer Wilcox, Mortgage Trustee, and

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Security, Trustee, The Toyo Trust & Banking Co., Ltd. and Canadian Imperial Bank of Commerce (filed as Exhibit 10(i) to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1994).

- 10(k)* Amended, Modified and Restated Construction Deed of Trust, Security Agreement and Collateral Assignment of Lease dated June 1, 1992 by Portales 801, Inc. to R. Max Best (Trustee) for the benefit of Security Pacific National Trust Company (New York), as Trustee for the Certificate Holders, The Toyo Trust & Banking Co., Ltd. and Canadian Imperial Bank of Commerce (filed as Exhibit 10(j) to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1994).
- 10(l)* Construction Loan Agreement between Team, Inc. and Sterling Bank dated November 15, 1993 (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended November 30, 1993).
- 10(m)* Credit Agreement between Texas Commerce Bank, N.A. and Team, Inc. dated April 7, 1994 (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended February 28, 1994).
- 10(n)* First Amendment and Supplement to Credit Agreement; and Term Note Modification Agreement between Texas Commerce Bank, N.A. and Team, Inc. effective as of February 28, 1995 (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended February 28, 1995).
- 10(o)* Amended and Restated Credit Agreement among Texas Commerce Bank, N.A. and Team, Inc. and its subsidiaries dated August 24, 1995 (filed as Exhibit 10(p) to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1995).
- 10(p)* First Amendment and Supplement to Amended and Restated Credit Agreement and Note Modification Agreement by and between Team, Inc. and Texas Commerce Bank Association effective as of September 13, 1995 (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended February 29, 1996).
- 10(q) Second Amendment and Supplement to Amended and Restated Credit Agreement, and Revolving Credit Note Modification and Term Note Modification Agreement effective as of May 31, 1996 by and between Texas Commerce Bank N.A. and Team, Inc.
- 10(r)* 1987 Amended and Restated Stock Option Plan dated December 16, 1991 (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended February 28, 1994).
- 10(s)* Fourth Amendment to Team, Inc. Amended and Restated 1987 Restricted Stock Option Plan (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended November 30, 1995).
- 10(t)*# Employment Agreements and Consulting and Salary Continuation Agreements between the Company and certain of its executive officers (filed as Exhibit 10(f) to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1988, as Exhibit 10 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1989, as amended by Form 8 dated October 19, 1989, and Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended November 30, 1990).
- 10(u)# Employment Agreement effective as of August 25, 1995 between the Company and Mr. William A. Ryan, President and Chief Executive Officer of the Company.
- 10(v)* Fifth Amendment and Restatement of the Team, Inc. Salary Deferral Plan dated March 26, 1991 (filed as Exhibit 10(f) to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1992).
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- 10(w)* Sixth Amendment to Salary Deferral Plan dated as of October 10, 1991. (filed as Exhibit 10(l) to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1992).
- 10(x)* Ninth Amendment and Restatement of the Team, Inc. Salary Deferral Plan (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended February 29, 1996).
- 10(y)* Team, Inc. Employee Stock Ownership Plan, as amended by First Amendment thereto, Second Amendment thereto and by two Third Amendments thereto adopted in the alternative (filed as Exhibit 10(h) to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1989), and by Fourth Amendment dated as of December 31, 1991 (filed as Exhibit 10(m) to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1992) and by Sixth Amendment (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended February 29, 1996).
- 10(z)# Team, Inc. Restated Non-Employee Directors' Stock Option Plan (As amended through March 28, 1996).

10(aa)*# Second Amendment to Team, Inc. Non-Employee Directors' Stock Option Plan effective as of October 28, 1994 (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended November 30, 1994).

10(bb)*# Third Amendment to Team, Inc. Non-Employee Directors' Stock Option Plan effective December 14, 1995 (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended November 30, 1995).

10(cc)* Team, Inc. 1992 Stock Option Plan for Key Employees of Acquired Business effective January 1992 (filed as Exhibit 10(r) to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1992).

10(dd)# Team, Inc. Officers' Restricted Stock Option Plan dated December 14, 1995.

11 Statement re: Computation of Per Share Earnings.

21 Subsidiaries of the Company.

23 Consent of Certified Public Accountants.

27 Financial Data Schedule.

* Incorporated herein by reference to the respective filing identified above.

Management contracts and/or compensation plans required to be filed as an exhibit to this Form 10-K pursuant to Item 14(c) of Form 10-K.

(B) REPORTS ON FORM 8-K.

There were no reports filed by the Company on Form 8-K during the fourth quarter of fiscal 1996.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized August 12, 1996.

Team, Inc.

By: /s/ WILLIAM A. RYAN
William A. Ryan
President and Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacity and on the dates indicated.

/s/ WILLIAM A. RYAN (William A. Ryan)	President, Chief Executive Officer and Director	August 12, 1996
/s/ GEORGE W. HARRISON (George W. Harrison)	Director	August 12, 1996
/s/ SIDNEY B. WILLIAMS (Sidney B. Williams)	Director	August 12, 1996
/s/ JACK M. JOHNSON, JR. (Jack M. Johnson, Jr.)	Director	August 12, 1996
/s/ E. THEODORE LABORDE (E. Theodore Laborde)	Director	August 12, 1996
/s/ JOHN L. FARRELL, JR. (John L. Farrell, Jr.)	Director	August 12, 1996
/s/ MARGIE E. ROGERS (Margie E. Rogers)	Treasurer (Principal Financial Officer and Principal Accounting Officer)	August 12, 1996

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SCHEDULE II

TEAM, INC. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

(IN THOUSANDS)

BALANCE AT CHARGED TO CHARGED BALANCE

CLASSIFICATION	BEGINNING OF PERIOD	COST AND EXPENSES	TO OTHER ACCOUNTS	(A) DEDUCTIONS	AT END OF PERIOD
Deducted from assets to which they apply:					
Allowance for doubtful accounts:					
Year ended May 31, 1996	\$ 204	\$ --	\$ --	\$ 33	\$ 171
Year ended May 31, 1995	242	205	--	243	204
Year ended May 31, 1994	164	164	--	86	242
Allowance for notes receivable:					
Year ended May 31, 1996 (B)	\$ 268	\$ 1,757	\$ --	\$ --	\$ 2,025
Year ended May 31, 1995	77	28	163	--	268
Year ended May 31, 1994	--	77	--	--	77

(A) Net write-off bad debt

(B) \$1,700 included in writedown and \$57 included in general and administrative expenses.

SECOND AMENDMENT AND SUPPLEMENT TO AMENDED AND RESTATED
CREDIT AGREEMENT, AND REVOLVING CREDIT NOTE MODIFICATION
AND TERM NOTE MODIFICATION AGREEMENT

THIS SECOND AMENDMENT AND SUPPLEMENT TO AMENDED AND RESTATED CREDIT AGREEMENT, AND REVOLVING CREDIT NOTE MODIFICATION AND TERM NOTE MODIFICATION AGREEMENT ("SECOND AMENDMENT") effective as of May 31, 1996 (the "SECOND AMENDMENT EFFECTIVE DATE") is made and entered into by and among TEAM, INC. (the "BORROWER"), a Texas corporation, and TEXAS COMMERCE BANK NATIONAL ASSOCIATION, a national banking association (the "LENDER").

RECITALS

WHEREAS, the Borrower and the Lender are parties to an Amended and Restated Credit Agreement dated as of August 24, 1995 (as amended and supplemented by the First Amendment and Supplement to Amended and Restated Credit Agreement, and Note Modification Agreement dated effective as of September 13, 1995, the "CREDIT AGREEMENT"); and

WHEREAS, the Borrower and the Lender have agreed, on the terms and conditions herein set forth, to amend certain aspects of the Credit Agreement and to modify the payment terms of the "Term Note" and the "Revolving Credit Note" (as such terms are defined in the Credit Agreement);

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the Borrower and the Lender hereby agree that the Credit Agreement shall be amended as follows:

SECTION 1. CERTAIN DEFINITIONS. As used in this Second Amendment, the terms "Borrower", "Credit Agreement", "Lender", "Second Amendment" and "Second Amendment Effective Date" shall have the meanings indicated above; and unless otherwise defined herein, all terms beginning with a capital letter which are defined in the Credit Agreement shall have the same meanings herein as therein unless the context hereof otherwise requires.

SECTION 2. AMENDMENTS TO CREDIT AGREEMENT.

SECTION 2.1. DEFINED TERMS. The following terms, which are defined in Section 1.02 of the Credit Agreement, are hereby amended as follows:

(a) The term "Agreement" is hereby amended to mean the Amended and Restated Credit Agreement, as amended and supplemented by this Second Amendment and as the same may from time to time be further amended or supplemented.

(b) The term "Final Maturity Date" is hereby amended to mean December 1, 1997.

(c) The term "Revolving Credit Termination Date" is hereby amended to mean December 1, 1997.

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SECTION 2.2. ADDITIONAL DEFINED TERMS. Section 1.02 of the Credit Agreement is hereby further amended and supplemented by adding the following new definition, which reads in its entirety as follows:

"'Second Amendment' shall mean that certain Second Amendment and Supplement to Amended and Restated Credit Agreement, and Revolving Credit Note Modification and Term Note Modification Agreement effective as of May 31, 1996, between the Lender and the Borrower."

SECTION 2.3. AMENDMENTS TO THE CREDIT AGREEMENT. On and after the Second Amendment Effective Date, the Credit Agreement shall be amended as follows:

(a) Section 2.06(b) TERM NOTE. Section 2.06(b) of the Credit Agreement is hereby amended by deleting the first paragraph thereof and substituting therefore the following paragraph:

"(b) TERM NOTE. The Loans to be made by the Lender to the Borrower pursuant to Subsection 2.01(c) shall be evidenced by the Term Note, being that certain promissory note of the Borrower dated the Closing Date, in the original principal amount of \$3,950,000, payable to the order of the Lender in ten (10) consecutive quarterly installments commencing on September 30, 1995, being in the amount of \$350,000 each, and the tenth and final installment in the amount of the unpaid principal balance then owing thereunder being due and payable on the Final Maturity Date as modified by the Second Amendment. The Term Note shall otherwise be in substantially the form of Exhibit A-2 hereto as modified by the Second Amendment. The Term Note represents a renewal, extension, rearrangement and modification of the Prior Term Note."

(b) SECTION 9.14. TANGIBLE NET WORTH. Section 9.14 of the Credit Agreement is hereby amended by deleting "\$13,000,000" in the first sentence thereof and substituting therefor "\$10,000,000".

SECTION 3. REVOLVING CREDIT NOTE MODIFICATION. Notwithstanding anything to the contrary contained in the Revolving Credit Note or the Credit Agreement, the maturity date of the Revolving Credit Note shall be due and payable on December 1, 1997. Accrued interest at the rate or rates specified or referred to in the Revolving Credit Note shall remain due and payable and payable on the dates specified or referred to in the Revolving Credit Note.

SECTION 4. TERM NOTE MODIFICATION. Notwithstanding anything to the contrary contained in the Term Note or the Credit Agreement, the maturity date of the Term Note shall be due and payable on December 1, 1997. Accrued interest at the rates specified or referred to in the Term Note shall remain due and payable on the dates specified or referred to in the Term Note and Section 2.06(b) of the Credit Agreement, as amended and supplemented by this Second Amendment.

SECTION 5. LIMITATIONS. The amendments set forth herein are limited precisely as written and shall not be deemed to (a) be a consent to, or waiver or modification of, any other term or condition of the Credit Agreement, the Notes or any of the other Security Instruments, or (b) except as expressly set forth herein, prejudice any right or rights which the Lender may now have or may have in the future under or in connection with the Credit Agreement, the Notes, the Security Instruments or any of the other documents referred to therein. Except as expressly supplemented, amended or modified hereby or by express written amendments thereof, the terms and provisions of the Credit Agreement, the Notes, and any other Security Instruments or any other documents or instruments executed in connection with any of the

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foregoing are and shall remain in full force and effect. In the event of a conflict between this Second Amendment and any of the foregoing documents, the terms of this Second Amendment shall be controlling.

SECTION 6. PAYMENT OF EXPENSES. The Borrower agrees, whether or not the transactions hereby contemplated shall be consummated, to reimburse and save the Lender harmless from and against liability for the payment of all reasonable substantiated out-of-pocket costs and expenses arising in connection with the preparation, execution, delivery, amendment, modification, waiver and enforcement of, or the preservation of any rights under this Second Amendment, including, without limitation, the reasonable fees and expenses of any local or other counsel for the Lender, and all stamp taxes (including interest and penalties, if any), recording taxes and fees, filing taxes and fees, and other charges which may be payable in respect of, or in respect of any modification of, the Credit Agreement and the other Security Instruments. The provisions of this Section shall survive the termination of the Credit Agreement and the repayment of the Loans.

SECTION 7. GOVERNING LAW. This Second Amendment and the rights and obligations of the parties hereunder and under the Credit Agreement shall be construed in accordance with and be governed by the laws of the State of Texas and the United States of America.

SECTION 8. DESCRIPTIVE HEADINGS, ETC. The descriptive headings of the several Sections of this Second Amendment are inserted for convenience only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

SECTION 9. ENTIRE AGREEMENT. This Second Amendment, the Credit Agreement, the Notes, and the documents referred to herein represent the entire understanding of the parties hereto regarding the subject matter hereof and supersede all prior and contemporaneous oral and written agreements of the parties hereto with respect to the subject matter hereof, including, without limitation, any commitment letters regarding the transactions contemplated by this Second Amendment.

SECTION 9. COUNTERPARTS. This Second Amendment may be executed in any number of counterparts and by different parties on separate counterparts and all of such counterparts shall together constitute one and the same instrument.

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IN WITNESS WHEREOF, the parties hereto have caused this Second Amendment to be duly executed and delivered by their respective duly authorized offices as of July 29, 1996, and effective as of the date first above written.

NOTICE PURSUANT TO TEX. BUS. & COMM. CODE SS.26.02

THIS SECOND AMENDMENT, THE CREDIT AGREEMENT, THE NOTES AND OTHER LOAN DOCUMENTS EXECUTED BY ANY OF THE PARTIES BEFORE OR SUBSTANTIALLY CONTEMPORANEOUSLY WITH THE EXECUTION HEREOF TOGETHER CONSTITUTE A WRITTEN LOAN AGREEMENT AND REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NOT UNWRITTEN ORAL AGREEMENT BETWEEN THE PARTIES.

TEAM, INC.

By: /s/ MARGIE E. ROGERS
Margie E. Rogers
Treasurer

Address for Notice:

Joan Cohen, Esq.
1019 South Hood Street
Alvin, Texas 77511
Attn: President

with a copy to:

MARGIE E. ROGERS
1019 South Hood Street
Alvin, Texas 77511

TEXAS COMMERCE BANK
NATIONAL ASSOCIATION

By: /s/ C. D. KARGES
C. D. Karges
Senior Vice President

Address for Notices:

712 Main Street
Houston, Texas 77002
Attention: Mr. C. D. Karges

Lending Office for Base Rate and
Eurodollar Loans:

712 Main Street
Houston, Texas 77002
Telecopier No.: (713) 216-6004
Telephone No.: (713) 216-5929
Attention: C.D. Karges

with a copy to:

Loan Agreements
1111 Fannin, 10th Floor
Houston, Texas 77002
Telecopier No.: (713) 750-2951
Telephone No.: (713) 750-2990
Attention: Manager

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made and entered into by and between WILLIAM A. RYAN, an individual ("Employee"), and TEAM, INC., a Texas corporation ("Employer").

R E C I T A L S:

WHEREAS, Employer employed Employee as its President and Chief Executive Officer effective August 25, 1995; and

WHEREAS, the Employer and the Employee wish to enter into this Agreement to set forth the terms and conditions of Employee's employment with Employer;

NOW, THEREFORE, in consideration of the premises, and the covenants herein set forth, the employment of Employee by Employer and for other good and valuable consideration, the receipt and sufficiency and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

A G R E E M E N T S:

1. EMPLOYMENT.

(A) AGREEMENT. Subject to the terms and conditions hereinafter stated, Employer hereby employs Employee, and Employee hereby accepts such employment.

(B) POSITION AND DUTIES OF EMPLOYEE. Employee agrees to serve as President and Chief Executive Officer of the Employer subject to the Bylaws and the management policies of the Board of Directors of Employer, along with those other duties from time to time assigned to Employee by Employer which are consistent with Employee's position as President and Chief Executive Officer. No change in the duties of Employee which are consistent with Employee's position as President and Chief Executive Officer shall result in a termination or rescission of this Agreement.

(C) TIME DEVOTED. Employee shall serve on a full-time basis and shall devote such time and attention as may be reasonably necessary to perform Employee's duties hereunder. Employee shall be permitted to serve on the Boards of Directors of other corporations and/or to engage in other business activities for his

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own account, provided that none of such other business activities shall be inconsistent with the terms of Section 6 hereof and provided further that such activities do not materially interfere with the performance of Employee's duties hereunder.

By way of expression and not of limitation, Employee shall make available to Employer any and all business opportunities that become available to Employee which involve an area of business in which the Employer or any Affiliate thereof conducts business. Any such business opportunities shall be the property of Employer.

2. COMPENSATION.

(A) SALARY. As compensation for services rendered hereunder, Employee shall be paid Three Hundred Thousand Dollars (\$300,000) per year, which amount shall be paid in equal and consecutive monthly installments ("Periodic Salary Payments") subject, however, to the provisions of the Salary Deferred Compensation Agreement between Employee and Employer dated December 21, 1995. Employee shall receive such upward compensation adjustments and/or bonuses, if any, as may be determined by Employer in its sole discretion from time to time. Notwithstanding anything to the contrary contained herein, if, as a result of any mental or physical disability, Employee hereafter receives payments ("Disability Insurance Payments") under, through, or as a result of any disability insurance plan or policy sponsored by Employer, the Periodic Salary Payments which would otherwise be due thereafter shall be reduced by the exact amount of the Disability Insurance Payments. It is the intention of the foregoing sentence that the sum of (i) each Periodic Salary Payment and (ii) any Disability Insurance Payment, be equal to but not in excess of each Periodic Salary Payment provided for above.

(B) INCENTIVE BONUS. The Employee shall receive bonus compensation in addition to the salary provided in paragraph 2(a) above which shall be equal to 20% of his salary during each fiscal year of the Term of this Agreement that the company's after-tax earnings equal or exceed \$1,000,000.

(C) OTHER BENEFITS. Employee shall be entitled to paid vacations, expense reimbursements, automobile allowances and similar perquisites incidental or necessary to the performance of Employee's duties or in accordance with the policies and procedures established by Employer from time to time. Employee shall further be entitled to participate in each plan established to provide fringe benefits or insurance benefits to employees of Employer at the time Employee meets the eligibility criteria established for the plan and shall receive benefits thereunder based on the terms of the plan. Employee's eligibility and benefit level shall be determined separately for each plan and all determinations shall be made by the parties charged with responsibility for such determinations in the plan. Employer is under no obligation to establish any plan or plans to provide benefits for its employees and this provision shall not be interpreted to require the establishment of any benefit plan. The terms of any benefit plans existing, established, or provided hereafter do not constitute a part of this Agreement and are not incorporated herein for any purpose.

4. TERM. The Primary Term ("Primary Term") of this Agreement commenced effective August 25, 1995 and unless sooner terminated by mutual agreement of the parties or pursuant to the provisions of Paragraph 5 of this Agreement, shall terminate on the 31st day of August, 1997.

5. TERMINATION.

(A) BY EMPLOYER. The Employer may terminate Employee's employment at any time "without cause" by giving Employee ninety (90) days' prior written notice of such termination and Employee shall in such event be entitled to receive three monthly Periodic Salary Payments as his total severance pay entitlement. In addition, Employee's employment may be terminated "for cause" by Employer by giving written notice of termination to Employee. For purposes of this Paragraph 5(a), the phrase "for cause" shall mean the occurrence of any of the following events:

(i) Employee shall be determined by Employer to have materially failed or materially refused to perform faithfully or diligently the duties of Employee under this Agreement or otherwise to have breached any material term or provision contained herein, and such material failure, refusal or breach is not either (y) cured within thirty (30) days after written notice thereof, specifying with particularity the nature of such failure, refusal or breach, is delivered by Employer to Employee, or (z) caused by, or the result of, a mental or physical disability of Employee; or

(ii) Employee shall be determined by Employer (which determination shall be required to be made by a vote of not less than two-thirds (2/3rds) of the Employer's directors) to be guilty of fraud, dishonesty, violations of statutes or public policy or similar acts of misconduct.

In making the determinations described above, Employer shall act reasonably and in good faith. In the event that the Employer terminates Employee's employment "for cause" as specified above, Employee shall not be entitled to receive any further compensation from and after the date of such termination of employment.

(B) BY EMPLOYEE. Employee's employment may be terminated by Employee "for cause" by giving written notice of termination to Employer. For purposes of this Paragraph 5(b), the phrase "for cause" shall mean the occurrence of any of the following:

(i) failure by Employer to pay to Employee the compensation provided for in Paragraph 2(a) hereof so long as such failure to pay is not the result of Employer exercising the rights under Paragraph 5(a) hereof and the failure to cure such failure of payment within five (5) days after receipt of written notice of such failure from Employee; or

(ii) upon a breach by Employer of any material term or provision contained herein other than in Paragraph 2(a) and the failure to cure any such breach within thirty (30) days after receipt of written notice thereof by Employer.

(C) DEATH. In the event that Employee dies prior to the termination of his employment under this Agreement, Employee's employment shall terminate and Employee's estate shall, in lieu of any other rights to payment hereunder, be entitled to receive the Periodic Salary Payment provided by Paragraph 2(a) throughout the month which ends on the last day of the month during which Employee's death occurs.

(D) EFFECT. Except for the provisions of Paragraphs 6, 7, and 8 and the procedural and remedial provisions of this Agreement, and except as otherwise specifically provided in Paragraphs 2(a), 5(a), 5(b), 5(c) and 6(f) of this Agreement, all rights and obligations under this Agreement shall cease upon the termination of Employee's employment with Employer.

6. PROTECTION OF CONFIDENTIAL INFORMATION AND GOODWILL. Employee hereby covenants and agrees as follows:

(A) Employee shall not use or disclose, directly or indirectly, for any reason whatsoever or in any way any confidential or proprietary information or trade secrets of Employer, including, but not limited to, information with respect to Employer or its Affiliates (as hereinafter defined) as follows: the identity, lists, and/or descriptions of any customers of Employer; financial statements, cost reports, and other financial information; product or service pricing information; contracts, contract proposals and bidding information; policies and procedures developed as part of a confidential business plan; and management systems and procedures, including manuals and supplements thereto, other than (i) at the direction of Employer during the course of Employee's employment, (ii) after receipt of the prior written consent of Employer, (iii) as required by any court or governmental regulatory agency having competent jurisdiction over Employer or its business or over Employee, or (iv) information made public by Employer or information known or generally available within Employer's industry.

(B) During the employment of Employee by Employer and for a period of two (2) years following the termination of Employee's employment with Employer for any reason (except pursuant to Paragraph 5(b) hereof), Employee shall not, directly or indirectly, either as an employee, employer, consultant, agent, principal, partner, stockholder, corporate officer, director, or in any other individual or representative capacity, engage or participate in any business that is in competition in any manner whatsoever with the business of Employer or any Affiliate of Employer (as defined in Paragraph 14 hereof) as such business is presently conducted and as conducted during the term of the employment of Employee by Employer; provided, however, that following the termination of Employee's employment by Employer, the covenant contained in this subparagraph shall not pertain to activities which occur more than two hundred fifty (250)

miles from any operating facility of Employer or any Affiliate of Employer.

(C) During the employment of Employee by Employer and for a period of two (2) years following the termination of Employee's employment with Employer for any reason (except pursuant to Paragraph 5(b) hereof), Employee shall not solicit or negotiate, directly or indirectly, any contract or agreement that constitutes or would constitute engaging in competition with the business of Employer or any Affiliate of Employer as presently conducted and as conducted during the term of the employment of Employee; provided, however, that following the termination of Employee's employment by Employer, the covenant contained in this subparagraph shall not pertain to activities which occur more than two hundred fifty (250) miles from any operating facility of Employer or any Affiliate of Employer.

(D) For a period of two (2) years following the termination of Employee's employment with Employer for any reason, Employee shall not solicit for employment or employ, directly or indirectly, any employee employed by Employer or any Affiliate within the one (1) year period immediately prior to such solicitation for employment.

(E) Employee shall not use the name of Employer or any Affiliate of Employer in connection with any business that is in competition in any manner whatsoever with the business of Employer or any Affiliate of Employer as presently conducted and as conducted during the term of the employment of Employee by Employer.

(F) Employer and Employee agree that the covenants set forth in this Paragraph 6 shall accrue to the benefit of Employer, irrespective of the reason for termination of the other provisions of this Agreement and the corresponding employment relationship created herein, or Employee's performance hereunder, provided that the covenants set forth in Subparagraphs 6(b) and 6(c) shall not survive following the termination of Employee's employment if such termination results from Employee leaving employment in accordance with Subparagraph 5(b) of this Agreement.

(G) In connection with the limited protection afforded Employer by the covenants contained within this Paragraph 6, Employee recognizes that Employer's need for the covenants is based on the following:

(i) Employer has spent and will expend substantial time, money and effort in developing (x) its maintenance, repair and project management businesses and (y) a valuable list of customers and information about their requirements and needs, purchasing patterns and internal purchasing procedures;

(ii) Employee, in the course of his employment, has been and will be compensated to help develop, and has been and will be personally entrusted with and exposed to, Employer's contract, business development plans and opportunities, trade secrets and other confidential and proprietary information;

(iii) Employer, during the term of this Agreement and after its termination, will be engaged in the highly competitive maintenance, repair and project management businesses in which many firms, including Employer, compete;

(iv) Employer provides and will provide services throughout the State of Texas and Employee will be involved in providing such services through operating facilities and affiliates of Employer;

(v) Employee could, after having access to Employer's financial records, contracts, technology and associated trade secrets and know-how and receiving further training by and experience with Employer, and after reviewing Employer's trade secrets and confidential information, become a competitor; and

(vi) Employer will suffer great loss and irreparable harm if Employee's employment was terminated and thereafter enter directly or indirectly into competition with Employer.

(H) Employee hereby specifically acknowledges and agrees that the temporal, geographical and other restrictions contained in this Paragraph 6 are reasonable and necessary to protect the business and prospects of Employer, and that the enforcement of the provisions of this Paragraph 6 will not work an undue hardship on him.

(I) Employee further agrees that in the event either the length of time, geographical or any other restrictions, or portion thereof, set forth in this Paragraph 6 is overly restrictive and unenforceable in any court proceeding, the court may reduce or modify such restrictions to those which it deems reasonable and enforceable under the circumstances and the parties agree that the restrictions of this Paragraph 6 will remain in full force and effect as reduced or modified.

(J) Employee further agrees and acknowledges that Employer does not have an adequate remedy at law for the breach or threatened breach by him of the covenants contained in this Paragraph 6 and Employee therefore specifically agrees that Employer, in the event of the breach or threatened breach by Employee of any of the Employee's covenants contained in Paragraph 6 of this Agreement, in addition to other remedies which may be available to it hereunder, may file a suit in equity to enjoin Employee from such breach or threatened breach.

Employee further agrees, in the event that any provision of this Paragraph 6 is held to be invalid or against public policy, the remaining provisions of this Paragraph 6 and the remainder of this Agreement shall not be affected thereby.

Employee further agrees that the covenants contained in Article III of the Consulting Agreement are in addition to the covenants contained in this Agreement and shall not be limited in any respect by the provisions of this Paragraph 6.

7. PROPERTY OF EMPLOYER. Employee agrees that, upon the termination of Employee's employment with Employer, Employee will immediately surrender to Employer all property, equipment, funds, lists, books, records, and other materials of Employer in the possession of or provided to Employee.

8. LAW GOVERNING. This Agreement and all issues relating to the validity, interpretation, and performance hereof shall be governed by and interpreted under the laws of the State of Texas. The parties hereby consent to jurisdiction and venue in any court of competent jurisdiction in Harris County, Texas, or the United States District Court for the Southern District of Texas, and either party may bring any suit that they desire to institute upon this Agreement in any such court.

9. REMEDIES. With respect to each and every breach, violation, or threatened breach or violation by either party of any of the covenants set forth herein, the other party, in addition to all other remedies available at law or in equity, including specific performance of the provisions hereof, shall be entitled to enjoin the commencement or continuance thereof and, without notice to the other party, may apply for entry of an immediate restraining order or injunction. In addition, each party agrees, upon demand, to immediately account for and pay over to the other party an amount equal to all compensation, commissions, bonuses, salary, gratuities, or other emoluments of any kind directly or indirectly received by, or for the use or benefit of, the other party resulting from any activity, transaction, or employment in breach or violation of any of the covenants set forth in this Agreement, such amount being agreed to constitute liquidated damages because the exact amount of actual damages to be sustained on account of any such breach or violation cannot be determined with complete accuracy. In addition, each party agrees to pay the other party a reasonable sum as and for his or its attorneys' fees and costs of litigation should such other party bring an action against the breaching party for breach of this Agreement and prevail in such action. Each party may pursue any of the remedies described in this Paragraph 9 concurrently or consecutively, in any order, as to any such breach or violation, and the pursuit of one of such remedies at any time will not be deemed an election of remedies or waiver of the right to pursue any of the other such remedies.

10. NOTICES. Any notice or request herein required or permitted to be given to any party hereunder shall be given in writing and shall be personally delivered or sent to such party by United States mail, certified or registered mail, return receipt requested, with postage prepaid, at the address set forth below the signature of such party hereto or at such other address as such party may designate by written communication to the other party pursuant to, and in accordance with, this Paragraph 10. Each notice given in accordance with this Paragraph 10 shall be deemed to have been given, if personally delivered, on the date personally delivered, or, if mailed, on the day on which it is deposited in the United States mail, and shall be deemed to be received or delivered, if personally delivered, on the date personally delivered, or, if mailed, on the third day following the day on which it is deposited in the United States mail.

11. HEADINGS. The headings of the paragraphs of this Agreement have been inserted for convenience of reference only and shall not be construed or interpreted to restrict or modify any of the terms or provisions hereof.

12. SEVERABILITY. If any provision of this Agreement is held to be illegal, invalid, or unenforceable under present or future laws effective during the term hereof, such provision shall be fully severable, and this Agreement and each separate provision hereof shall be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a part of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid, or unenforceable provision or by its severance from this Agreement. In addition, in lieu of such illegal, invalid, or unenforceable provision, there shall be added automatically as a part of this Agreement, a provision as similar in terms to such illegal, invalid, or unenforceable provision as may be possible and be legal, valid, and enforceable, if such reformation is allowable under applicable law.

13. BINDING EFFECT. This Agreement shall be binding upon and shall inure to the benefit of each party hereto and each party's respective successors, heirs, permitted assigns, and legal representatives.

14. DEFINITION OF "AFFILIATE". For purposes of this Agreement, the term "Affiliate" means any subsidiary corporation of Employer. For purposes of this definition, a subsidiary of Employer means any corporation whose outstanding common shares are more than fifty percent (50%) directly owned by Employer and shall further mean any corporation whose outstanding common shares are at least fifty percent (50%) owned through an unbroken chain of ownership through other subsidiaries of Employer.

15. ASSIGNMENT. This Agreement and any interest herein or rights, duties, or obligations hereunder may be assigned or delegated by Employer without the prior written consent of the Employee, but no such assignment may be made by Employee.

16. SEPARATE AGREEMENTS. The provisions of Paragraph 6 shall be construed as a separate agreement in each of the separate geographical areas, if any, referred to in Paragraph 6, and to the extent that it may be found to be illegal and/or unenforceable in any of said geographical areas, this Agreement shall not be affected thereby with respect to each other geographical area.

17. EMPLOYER POLICIES, REGULATIONS, AND GUIDELINES FOR EMPLOYEES. Employer may issue policies, rules, regulations, guidelines, procedures, or other informational material, whether in the form of handbooks, memoranda, or

otherwise, relating to its employees. These materials are general guidelines for Employee's information and shall not be construed to alter, modify, or amend this Agreement for any purpose whatsoever.

18. ENTIRE AGREEMENT. This Agreement embodies the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, whether written or oral, relating to the subject matter hereof, unless expressly provided otherwise herein. No amendment, modification, or termination of this Agreement, unless expressly provided otherwise herein, shall be valid unless made in writing and signed by each of the parties whose rights, duties, or obligations hereunder would in any way be affected by an amendment, modification, or termination. Unless expressly set forth herein, no representations, inducements, or agreements have been made to induce either Employee or Employer to enter into this Agreement. This Agreement is the sole source of rights and duties as between Employer and Employee relating to the subject matter of this Agreement.

19. KEY-MAN INSURANCE. Employer shall be entitled to own, purchase and maintain life or other insurance on the life or disability of the Employee for Employer's exclusive benefit. Employee shall execute all documents and perform all acts necessary to enable Employer to effect such insurance.

IN WITNESS WHEREOF, the parties have executed this Agreement on this the 10th day of January, 1996, to be EFFECTIVE as of August 25, 1995.

/s/ WILLIAM A. RYAN, Employee

Address:

1550 Tower Rd
Winnetka Il 60093

TEAM, INC., Employer

By: /s/ GEORGE W. HARRISON
George W. Harrison
Senior Vice President

Address:

1019 S. Hood Street
Alvin, TX 77511

TEAM, INC.

RESTATED NON-EMPLOYEE DIRECTORS' STOCK OPTION PLAN
(As amended through March 28, 1996)

The following Team, Inc. Restated Non-Employee Directors' Stock Option Plan (the "Plan") is effective as of December 16, 1991, and as amended through March 28, 1996, as follows:

1. PURPOSE. The purpose of the Plan is to strengthen the ability of Team, Inc. (the "Company") to attract and to retain the services of experienced and knowledgeable independent individuals as members of the Board of Directors of the Company, 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 those individuals with an additional incentive to continue in their position, all being for the best interest of the Company and its stockholders. In furtherance of such purpose, Non-Employee Directors (as defined below) shall receive Options for their services as members of the Board, in addition to any other compensation which such Non-Employee Directors may be entitled to receive.

2. DEFINITIONS.

(a) "Act" means the Securities Exchange Act of 1934, as amended.

(b) "Affiliates" means any one or more corporations which are members of a "parent-subsiary controlled group" as such term is defined in Section 1563(a)(1)(A) of the Code, except that "more than 50 percent" shall be substituted for "at least 80 percent" each place it appears in Section 1563(a)(1)(A) of the Code.

(c) "Board" means the Board of Directors of the Company.

(d) "Code" means the Internal Revenue Code of 1986, as amended.

(e) "Common Stock" means the Company's \$0.30 par value Common Stock.

(f) "Date of Grant" means the date on which an Option is granted under the Plan.

(g) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

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

(i) "Fair Market Value" means the mean of the opening and closing prices of the Common Stock reported on the composite tape or other reporting medium (for securities listed on the American Stock Exchange or other primary market or exchange on which the Common Stock is traded) as of the relevant date; provided, however, that if the Common Stock does not trade on the relevant date, such price shall be determined based upon the mean of the opening and closing prices of the Common Stock on the next preceding date on which trades occurred; and provided further, however, that should the primary market or exchange on which the Common Stock is traded adopt a continuous twenty-four hour trading policy, "Fair Market Value" for purposes of this Plan shall mean the price of the Common Stock on the last trade prior to 4:30 p.m., New York time, on any relevant date.

(j) "Ineligible Directors" means all members of the Board who are employees or officers of the Company or any of its Affiliates.

(k) "Non-Employee Director" means those members of the Board who are not employees of the Company or any of its Affiliates.

(l) "Option" means an option granted under the Plan. No Option shall be an "incentive stock option" (as defined in Section 422A of the Code).

(k) "Optionee" means a person to whom an Option, which is not expired, has been granted under the Plan.

(l) "Subsidiary" or "Subsidiaries" means any corporation whose capital stock is more than 80% owned by (i) the Company or (ii) any other Subsidiary of the Company.

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

(n) "Termination of Directorship" of an Optionee means the cessation of such Optionee's relationship as a director on the Board.

3. ADMINISTRATION OF PLAN.

(a) INELIGIBLE DIRECTORS. The Ineligible Directors shall administer the Plan and shall have such powers and authority as may be necessary for them to carry out their functions as described in the Plan. The Ineligible Directors shall have the authority and discretion to interpret the Plan and to

make all other determinations necessary for Plan administration and to prescribe, amend and rescind any rules and regulations relating to the Plan, provided that the Ineligible Directors shall not have the discretion or authority to disregard or change any of the terms and conditions under which Options are granted to Non-Employee Directors or may be exercised under the Plan. All interpretations, determinations and actions of the Ineligible Directors shall be final and binding on all parties.

(b) GRANTS. The Company shall automatically grant:

(i) To each Non-Employee Director, on the date of initial adoption of the Plan by the Board, an Option for that number of shares of Common Stock equal to the product obtained by multiplying five thousand (5,000) by a number of years, or any part of any year, of such Non-Employee Director's prior service on the Board, with such product being a minimum of fifteen thousand (15,000) and a maximum of fifty thousand (50,000),

(ii) To each Non-Employee Director who is appointed or elected to the Board, on the date of such appointment or election to the Board, if such Non-Employee Director had not previously received a grant under this Plan, an Option for that number of shares of Common Stock equal to the product obtained by multiplying two thousand (2,000) by a number of years, or any part of any year, of such Non-Employee Director's prior service on the Board, with such product being a maximum of twenty thousand (20,000), and

(iii) To each Non-Employee Director who is appointed, elected, reappointed or reelected to the Board, on the date of such Non-Employee Director's appointment, reappointment, election or reelection to the Board, an Option for that number of shares of Common Stock equal to the product obtained by multiplying five thousand (5,000) by a number of years, or any part of any year, that such Non-Employee Director is appointed or elected to serve on the Board;

In the event any Option shall, for any reason, terminate or expire or be surrendered without having been exercised in full, the shares subject to such Option, but not purchased thereunder shall again be available for Options to be granted under the Plan. In the event that the number of shares issuable pursuant to the Plan at the time of any grant hereunder is less than the number of shares to be issued pursuant to such grant, the Non-Employee Directors to whom the grant is to be made shall receive grants of Options for the aggregate number of shares of Common Stock remaining authorized under the Plan, prorated as among such Non-Employee Directors for the number of shares to which they are entitled in such grant hereunder. On any

date or dates thereafter that Options become available for issuance under the Plan, whether by cancellation or expiration of previously issued Options or by an amendment to increase the number of shares authorized for issuance hereunder, any Non-Employee Directors who previously were not issued Options to which they were entitled pursuant hereto shall automatically be granted the number of Options to which they were previously entitled. In the event that the number of Options available for grant pursuant to the preceding sentence shall not be sufficient to satisfy all required grants, Non-Employee Directors shall be granted Options in order of the dates on which such grants should have been made, with the earliest dates receiving grants first, and prorated as among Non-Employee Directors, if necessary, as stated above.

Any Non-Employee Director who is granted an Option hereunder shall have the right to decline the award thereof by giving written notice within forty-eight (48) hours of receipt of actual notice of such award. Upon due and timely delivery of any such notice as specified above, (x) the relevant Option shall be void and shall not have been deemed to have been granted for purposes of Section 16 of the Act and (y) the award shall be deemed to have been declined "immediately" for purposes of interpretations of the Securities and Exchange Commission under Section 16 of the Act.

(c) VESTING. All of the Options granted pursuant to subparagraphs (i) and (ii) of Paragraph 3(b) above shall vest immediately upon the Date of Grant. With respect to the Options granted pursuant to subparagraph (iii) of Paragraph 3(b), five thousand (5,000) shall vest immediately on the Date of Grant and five thousand (5,000) shall vest each anniversary thereafter until all of the Options granted thereunder have thus vested.

4. COMMON STOCK SUBJECT TO OPTIONS. The aggregate number of shares of the Company's Common Stock which may be issued upon exercise of Options granted under the Plan shall not exceed 220,000, subject to adjustment under the provisions of Paragraph 7. The shares of Common Stock to be issued upon the exercise of Options may be authorized but unissued shares, shares issued and reacquired by the Company or shares bought on the market for the purposes of the Plan. In the event any Option shall, for any reason, terminate or expire or be surrendered without having been exercised in full, the shares subject to such Option but not purchased thereunder shall again be available for Options to be granted under the Plan.

5. PARTICIPANTS. Options may be granted under the Plan to any person who is a Non-Employee Director (as that term is defined above) of the Board.

6. OPTION AGREEMENTS. Any Option granted under this Plan shall be evidenced by an agreement ("Option Agreement"), which shall be approved as to form and substance by the Ineligible Directors. Each such Option Agreement shall be executed by an officer

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

(a) OPTION PRICE. The Option price per share with respect to each Option shall be the Exercise Price.

(b) EXERCISE PERIOD OF OPTION. Options may be exercised at any time during the period beginning on the date of vesting of the particular options to be exercised and ending ten (10) years after the Date of Grant, subject to earlier termination under paragraphs 6(g) and (h) below.

(c) HOLDING PERIOD. No Common Stock issued pursuant to exercise of an Option granted pursuant to this Plan may be sold, transferred, assigned or otherwise disposed of within six (6) months following the Date of Grant.

(d) VESTING OF SHAREHOLDER RIGHTS. Neither an Optionee nor his Successor shall have any of the rights of a shareholder of the Company by reason of holding an Option, and such shareholder rights will not vest until the certificates evidencing the shares purchased are properly delivered to such Optionee or his Successor.

(e) EXERCISE OF OPTION. Each Option or portion thereof shall be exercisable from time to time over a period commencing on the date of vesting in accordance with this Plan and ending upon the expiration or termination of the exercise period of the Option. The Exercise Price of an Option shall be payable upon the exercise of the Option in cash, by certified or cashier's check, or, with the consent of the Ineligible Directors, by assigning and delivering to the Company shares of Common Stock owned by the Non-Employee Director that have been held by the Non-Employee Director for at least six (6) months prior to the date of exercise or, with the consent of the Ineligible Directors, a combination of cash and such shares. Any shares so assigned and delivered to the Company in payment or partial payment of the Exercise Price shall be valued at the Fair Market Value on the date of exercise. Exercise of an Option shall not be effective until the Company has received written notice of exercise. Such notice must specify the number of whole shares to be purchased and be accompanied by payment in full of the aggregate Exercise Price for the number of shares purchased. The Company shall not in any case be required to sell, issue, or deliver a fractional share with respect to any Option.

(f) NONTRANSFERABILITY OF OPTION. No Option shall be transferable or assignable by an Optionee otherwise than by will or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined in the Code or Title I of ERISA, or the rules thereunder. Each Option shall be exercisable, during the Optionee's lifetime, only by such Optionee. No Option shall be pledged or hypothecated in any way and no Option shall be

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subject to execution, attachment, or similar process except with the express consent of the Ineligible Directors.

(g) TERMINATION OF DIRECTORSHIP. Upon an Optionee's Termination of Directorship, such Optionee's Option privileges shall be limited to the shares which were immediately purchasable by such Optionee at the date of such Termination of Directorship, and such Option privileges shall expire unless exercised by such Optionee on or before the second annual anniversary date of the date of such Termination of Directorship. The granting of an Option to an eligible person does not alter in any way the rights of the Company, the Board or shareholders to remove such person as a director or officer at any time or for any reason allowable under the law or the Company's Articles of Incorporation or Bylaws, nor does it confer upon such person any rights or privileges except as specifically provided for in the Plan.

(h) DEATH OF OPTIONEE. If an Optionee dies while such Optionee is a member of the Board, such Optionee's Option to purchase the total number of shares covered by the applicable Option Agreement shall thereupon become fully exercisable and shall remain exercisable by the Optionee's Successor until the close of business on the first annual anniversary date of the Optionee's death, at which time they shall expire.

7. ADJUSTMENTS.

(a) In the event that the outstanding shares of Common Stock of the Company are hereafter increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Company or of another corporation, by reason of a recapitalization, reclassification, stock split-up, combination of shares, or dividend or other distribution payable in capital stock, appropriate adjustment shall be made by the Ineligible Directors in the number and kind of shares for the purchase of which Options may be

granted under the Plan. In addition, the Ineligible Directors shall make appropriate adjustment in the number and kind of shares as to which outstanding Options, or portions thereof then unexercised, shall be exercisable, to the end that the proportionate interest of the holder of the Option shall, to the extent practicable, be maintained as before the occurrence of such event. Such adjustment in outstanding Options shall be made without change in the total price applicable to the unexercised portion of the Option but with a corresponding adjustment in the Option price per share.

(b) In the event that the Board shall adopt resolutions recommending the dissolution or liquidation of the Company, any Option granted under the Plan shall terminate as of a date to be fixed by the Ineligible Directors, provided that not less than thirty (30) days' written notice of the date so fixed shall be given to each Optionee and each such Optionee

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shall have the right during such period to exercise his Option as to all or any part of the shares covered thereby, including shares as to which such Option would not otherwise be exercisable by reason of an insufficient lapse of time.

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

(i) If there is no plan or agreement respecting the Reorganization ("Reorganization Agreement") or if the Reorganization Agreement does not specifically provide for the change, conversion or exchange of the shares under outstanding and unexercised stock options for securities of another corporation, then the Ineligible Directors shall take such action, and the Options shall terminate, as provided in subparagraph (b) of this Paragraph 7; or

(ii) If there is a Reorganization Agreement and if the Reorganization Agreement specifically provides for the change, conversion, or exchange of the shares under outstanding and unexercised stock options for securities of another corporation, then the Ineligible Directors shall adjust the shares under such outstanding and unexercised stock options (and shall adjust the shares remaining under the Plan which are then available to be optioned under the Plan, if the Reorganization Agreement makes specific provision therefor) in a manner not inconsistent with the provisions of the Reorganization Agreement for the adjustment, change, conversion, or exchange of such stock and such Options.

(d) The term "Reorganization" as used in subparagraph (c) of this Paragraph 7 shall mean any statutory merger, statutory consolidation, sale of all or substantially all of the assets of the Company, or sale, pursuant to an agreement with the Company, of securities of the Company pursuant to which the Company is or becomes a wholly owned subsidiary of another company after the effective date of the Reorganization.

(e) Adjustments and determinations under this Paragraph 7 shall be made by the Ineligible Directors, whose decisions shall be final, binding, and conclusive.

8. RESTRICTIONS ON ISSUING SHARES. The exercise of each Option shall be subject to the condition that if at any time the Company shall determine in its discretion that the satisfaction of withholding tax or other withholding liabilities, or that the listing, registration, or qualification of any shares otherwise deliverable upon such exercise upon any securities

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exchange or under any state or federal law, or that the consent or approval of any regulatory body, is necessary or desirable as a condition of, or in connection with, such exercise or the delivery or purchase of shares pursuant thereto, then in any such event, such exercise shall not be effective unless such withholding, listing, registration, qualification, consent, or approval shall have been effected or obtained free of any conditions not acceptable to the Company. Without limiting the foregoing, the Company will not be obligated to sell any Shares hereunder unless the Shares are at the time effectively registered or exempt from registration under the Securities Act of 1933, as amended, and applicable state securities laws. The Optionee shall make such investment representations to the Company and shall consent to the imposition of such legends on the stock certificates as are necessary, in the opinion of the Company's counsel, to secure to the Company an appropriate exemption from applicable securities laws.

9. USE OF PROCEEDS. The proceeds received by the Company from the sale of Common Stock pursuant to the exercise of Options granted under the Plan shall be added to the Company's general funds and used for general corporate purposes.

10. AMENDMENT, SUSPENSION, AND TERMINATION OF PLAN.

(a) The Board shall have the power to amend, suspend or terminate the Plan at any time subject to the other paragraphs of this paragraph 10, and provided that the provisions of paragraphs 3(b) and 3(c) of this Plan shall not be amended more than once every six months, other than to comport with changes in the Code, ERISA or the rules thereunder.

(b) The Board may not, without the relevant Optionee's written

consent, modify the terms and conditions of an Option previously granted under the Plan.

(c) No amendment, suspension or termination of the Plan shall, without the Optionee's written consent, alter, terminate or impair any right or obligation under any Option previously granted under the Plan.

(d) Unless previously terminated, the Plan shall terminate and no more Options may be granted after December 31, 2001. The Plan shall continue in effect with respect to Options granted before termination of the Plan and until such Options have been settled, terminated, or forfeited.

TEAM, INC.

OFFICERS' RESTRICTED STOCK OPTION PLAN

The following Team, Inc. Officers' Restricted Stock Option Plan (the "Plan") has been adopted by the Board of Directors of Team, Inc. effective as of December 14, 1995.

1. PURPOSE. The Plan is intended to advance the interests of Team, Inc. (the "Company"), its shareholders, and its subsidiaries by encouraging and enabling selected officers of the Company upon whose judgment, initiative and effort the Company is largely dependent for the successful conduct of its business, to acquire and/or increase and retain a proprietary interest in the Company by ownership of its stock.

2. DEFINITIONS.

(a) "Act" means the Securities Exchange Act of 1934, as amended.

(b) "Affiliates" means any one or more corporations which are members of a "parent-subsidiary controlled group" as such term is defined in Section 1563(a)(1)(A) of the Code, except that "more than 50 percent" shall be substituted for "at least 80 percent" each place it appears in Section 1563(a)(1)(A) of the Code.

(c) "Board" means the Board of Directors of the Company.

(d) "Code" means the Internal Revenue Code of 1986, as amended.

(e) "Committee" means the Compensation Committee, or such other committee as designated by the Board of Directors, vested with authority for administration of the Plan by the Board pursuant to Paragraph 3.

(f) "Common Stock" means the Company's \$0.30 par value Common Stock.

(g) "Date of Grant" means the date on which an Option is granted under the Plan.

(h) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

(i) "Option" means an option granted under the Plan.

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

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

(l) "Term of Plan" means that period which commences December 14, 1995, and terminates on December 1, 2005, or such earlier date as the Board hereafter determines.

(n) "Officer" means any person who is elected as an officer of the Company pursuant to the Company's Bylaws but shall exclude any director who is not also an officer of the Company;

(o) "Termination of Employment" of an Optionee means the cessation of such Optionee's relationship as an Officer of the Company; provided, however that if an Optionee is both a director and Officer of the Company, it shall mean such date as such Optionee ceases to be both an Officer and director.

3. ADMINISTRATION OF PLAN. The Plan shall be administered by the Committee. The Committee shall report all action taken by it to the Board. The Committee shall consist of the members of the Compensation Committee of the Board of Directors. All members of the Committee shall be "disinterested persons," as defined in Rule 16b-3(d)(3) promulgated under the Act; and, except as provided below, members of the Committee shall not be eligible to receive Options or stock options, stock appreciation rights, or an allocation of stock under any plan of the Corporation or its Affiliates (as such terms are used in subsection (d)(3) of Rule 16b-3 promulgated under the Act) while they are serving as members of the Committee and must not have been eligible to receive such options or stock options, stock appreciation rights, or an allocation of stock under any plan of the Corporation or its Affiliates within one (1) year prior to their appointment to the Committee. Notwithstanding the limitations in the immediately preceding sentence, Committee members who are non-employee directors may participate in a separate stock option plan provided that such plan is limited to non-employee directors and there is no discretion as to which directors can participate in the plan or the amount or options that can be acquired by or allocated to them. The Committee shall have full and final authority in its discretion, subject to the provisions of the Plan, to determine the Officers to whom and the time or times at which Options shall be granted and the number of shares of Common Stock covered by each Option; to construe and interpret the Plan; to determine the terms and provisions of the respective option agreements, which need not be identical, including, but without limitation, terms covering the payment of the Option price; and to make all other determinations and take all other actions deemed necessary or advisable for the proper administration of the Plan. All such actions and determinations shall be conclusively binding for all purposes and upon all persons.

4. COMMON STOCK SUBJECT TO OPTIONS. The aggregate number of shares of

the Company's Common Stock which may be issued upon the exercise of Options granted under

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the Plan shall not exceed 50,000, subject to adjustment under the provisions of Paragraph 7 and subject to the right of the Board to increase the number of Shares which may be issued hereunder by amendment to the Plan. The shares of Common Stock to be issued upon the exercise of Options may be authorized but unissued shares, shares issued and reacquired by the Company or shares bought on the market for the purposes of the Plan. In the event any Option shall, for any reason, terminate or expire or be surrendered without having been exercised in full, the shares subject to such Option but not purchased thereunder shall again be available for Options to be granted under the Plan.

5. PARTICIPANTS. Options may be granted under the Plan to any person who is an Officer (as that term is defined above) of the Company.

6. OPTION AGREEMENTS. Any Option granted under this Plan shall be evidenced by an agreement ("Option Agreement"), which shall be approved as to form and substance by the Committee. Each such Option Agreement shall be executed by an Officer of the Company and the applicable Optionee. All Options and Option Agreements granted under the provisions of this Plan shall be subject to the following limitations and conditions:

(a) OPTION PRICE. The Option price per share with respect to each Option shall be determined by the Committee.

(b) PERIOD OF OPTION. The expiration date of each Option shall be fixed by the Committee at the date of grant, subject to subsequent extension from time to time by the Committee, but in no event shall the expiration date be fixed on or extended to a date which is later than ten years from the date of grant.

(c) HOLDING PERIOD. No Common Stock issued pursuant to exercise of an Option granted pursuant to this Plan may be sold, transferred, assigned or otherwise disposed of within six (6) months following the Date of Grant of the Option.

(d) VESTING OF SHAREHOLDER RIGHTS. Neither an Optionee nor his Successor shall have any of the rights of a shareholder of the Company by reason of holding an Option, and such shareholder rights will not vest until the certificates evidencing the shares purchased are properly delivered to such Optionee or his Successor.

(e) EXERCISE OF OPTION. Each Option shall be exercisable from time to time over a period commencing on the Date of Grant and ending upon the expiration or termination of the Option; provided, however, the Committee may, by the provisions of any Option Agreement, limit the number of shares purchasable thereunder in any period or periods of time during which the Option is exercisable.

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(f) NONTRANSFERABILITY OF OPTION. No Option shall be transferable or assignable by an Optionee, otherwise than by will or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined in the Code or Title I of ERISA, or the rules thereunder. Each Option shall be exercisable, during the Optionee's lifetime, only by him. No Option shall be pledged or hypothecated in any way and no Option shall be subject to execution, attachment, or similar process except with the express consent of the Committee.

(g) TERMINATION OF EMPLOYMENT. Upon an Optionee's Termination of Employment as defined above, his Option privileges shall be limited to the shares which were immediately purchasable by him at the date of such termination, and such Option privileges shall be exercisable by such Optionee for two (2) years after the date of such termination, at which time such Option shall expire. The granting of an Option to an eligible person does not alter in any way the Company's existing rights to terminate such person's employment at any time for any reason, nor does it confer upon such person any rights or privileges except as specifically provided for in the Plan.

(h) DEATH OF OPTIONEE. If an Optionee dies while in the employ of the Company, such Optionee's Option to purchase the total number of the shares covered by the applicable Option Agreement shall thereupon become fully exercisable and shall remain exercisable by the Optionee's Successor, as such term is defined in the Plan, until the close of business on the first annual anniversary date of the Optionee's death, at which time such Option shall expire.

7. ADJUSTMENTS.

(a) In the event that the outstanding shares of Common Stock of the Company are hereafter increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Company or of another corporation, by reason of a recapitalization, reclassification, stock split-up, combination of shares, or dividend or other distribution payable in capital stock, appropriate adjustment shall be made by the Committee in the number and kind of shares for the purchase of which Options may be granted under the Plan. In addition, the Committee shall make appropriate adjustment in the number and kind of shares as to which outstanding Options, or portions thereof then unexercised, shall be exercisable, to the end that the proportionate interest of the holder of the Option shall, to the extent practicable, be maintained as before the occurrence of such event. Such adjustment in outstanding Options shall be made without

change in the total price applicable to the unexercised portion of the Option but with a corresponding adjustment in the Option price per share.

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(b) In the event that the Board shall adopt resolutions recommending the dissolution or liquidation of the Company, any Option granted under the Plan shall terminate as of a date to be fixed by the Committee, provided that not less than thirty (30) days' written notice of the date so fixed shall be given to each Optionee and each such Optionee shall have the right during such period to exercise his Option as to all or any part of the shares covered thereby, including shares as to which such Option would not otherwise be exercisable by reason of an insufficient lapse of time.

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

(i) If there is no plan or agreement respecting the Reorganization ("Reorganization Agreement") or if the Reorganization Agreement does not specifically provide for the change, conversion or exchange of the shares under outstanding and unexercised stock options for securities of another corporation, then the Committee shall take such action, and the Options shall terminate, as provided in subparagraph (b) of this Paragraph 7; or

(ii) If there is a Reorganization Agreement and if the Reorganization Agreement specifically provides for the change, conversion, or exchange of the shares under outstanding and unexercised stock options for securities of another corporation, then the Committee shall adjust the shares under such outstanding and unexercised stock options (and shall adjust the shares remaining under the Plan which are then available to be optioned under the Plan, if the Reorganization Agreement makes specific provision therefor) in a manner not inconsistent with the provisions of the Reorganization Agreement for the adjustment, change, conversion, or exchange of such stock and such Options.

(d) The term "Reorganization" as used in subparagraph (c) of this Paragraph 7 shall mean any statutory merger, statutory consolidation, sale of all or substantially all of the assets of the Company, or sale, pursuant to an agreement with the Company, of securities of the Company pursuant to which the Company is or becomes a wholly owned subsidiary of another company after the effective date of the Reorganization.

(e) Adjustments and determinations under this Paragraph 7 shall be made by the Committee, whose decisions shall be final, binding, and conclusive.

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8. RESTRICTIONS ON ISSUING SHARES. The exercise of each Option shall be subject to the condition that if at any time the Company shall determine in its discretion that the satisfaction of withholding tax or other withholding liabilities, or that the listing, registration, or qualification of any shares otherwise deliverable upon such exercise upon any securities exchange or under any state or federal law, or that the consent or approval of any regulatory body, is necessary or desirable as a condition of, or in connection with, such exercise or the delivery or purchase of shares pursuant thereto, then in any such event, such exercise shall not be effective unless such withholding, listing, registration, qualification, consent, or approval shall have been effected or obtained free of any conditions not acceptable to the Company. Without limiting the foregoing, the Company will not be obligated to sell any Shares hereunder unless the Shares are at the time effectively registered or exempt from registration under the Securities Act of 1933, as amended, and applicable state securities laws. The Optionee shall make such investment representations to the Company and shall consent to the imposition of such legends on the stock certificates as are necessary, in the opinion of the Company's counsel, to secure to the Company an appropriate exemption from applicable securities laws.

9. USE OF PROCEEDS. The proceeds received by the Company from the sale of Common Stock pursuant to the exercise of Options granted under the Plan shall be added to the Company's general funds and used for general corporate purposes.

10. AMENDMENT, SUSPENSION, AND TERMINATION OF PLAN.

(a) The Board shall have complete discretionary authority and power to amend, suspend or terminate the Plan at any time, subject to the following provisions.

(b) The Board may not, without the relevant Optionee's written consent, modify the terms and conditions of an Option previously granted under the Plan.

(c) No amendment, suspension or termination of the Plan shall, without the relevant Optionee's written consent, alter, terminate or impair any right or obligation under any Option previously granted under the Plan.

(d) Unless previously terminated, the Plan shall terminate with respect to the issuance of any new Options, and no more Options may be granted after November 30, 2005. The Plan shall continue in effect with respect to Options granted before termination of the Plan until such

Options have been settled, terminated, or forfeited.

STATEMENT RE COMPUTATION OF PER SHARE EARNINGS

	Year Ended May 31,		
	1996	1995	1994
PRIMARY EARNINGS (LOSS) PER SHARE:			
Net Earnings (Loss)			
Earnings (loss) from continuing operations.....	\$(9,278,000)	\$(5,448,000)	\$ 437,000
Earnings (loss) from discontinued operations.....	--	(513,000)	325,000
Loss on sales of discontinued operations.....	--	(13,000)	(1,081,000)
Net loss.....	\$(9,278,000)	\$(5,974,000)	\$ (319,000)
Weighted Average Shares Outstanding:			
Outstanding shares at beginning of period.....	5,160,000	5,160,000	5,160,000
Assumed exercise of employee stock options, net of shares repurchased with proceeds, (also assumes exercise of warrants).....	1,000	--	4,000
	5,161,000	5,160,000	5,164,000
Net Earnings (Loss) Per Share:			
Earnings (loss) from continuing operations.....	\$ (1.80)	\$ (1.06)	\$ 0.09
Earnings (loss) from discontinued operations.....	--	(0.10)	0.06
Loss on sale of discontinued operations.....	--	(0.00)	(0.21)
Net loss.....	\$ (1.80)	\$ (1.16)	\$ (0.06)
FULLY DILUTED EARNINGS (LOSS) PER SHARE:			
Net Earnings (Loss)			
Earnings (loss) from continuing operations.....	\$(9,278,000)	\$(5,448,000)	\$ 437,000
Earnings (loss) from discontinued operations.....	--	(513,000)	325,000
Loss on sale of discontinued operations.....	--	(13,000)	(1,081,000)
Net loss.....	\$(9,278,000)	\$(5,974,000)	\$ (319,000)
Weighted Average Shares Outstanding:			
Outstanding shares at beginning of period.....	5,160,000	5,160,000	5,160,000
Assumed exercise of employee stock options, net of shares repurchased with proceeds.....	71,000	--	4,000
	5,231,000	5,160,000	5,164,000
Net Loss Per Common Share			
Earnings (loss) from continuing operations.....	\$ (1.77)	\$ (1.06)	\$ 0.09
Earnings (loss) from discontinued operations.....	--	(.10)	0.06
Loss on sale of discontinued operations.....	--	(0.00)	(0.21)
Net loss.....	\$ (1.77)	\$ (1.16)	\$ (0.06)

SUBSIDIARIES OF REGISTRANT

COMPANY	JURISDICTION/STATE OF INCORPORATION
Team, Inc.....	Texas
Leak Repairs, Inc.....	Delaware
Team Environmental Services, Inc. (formerly Leak Repairs, Inc.)	Texas
TeamCam Limited.....	Trinidad, West Indies
Team Environmental Services, Ltd.....	United Kingdom
Teaminc Europe.....	The Netherlands
Teco Manufacturing, Inc.....	Texas
Pipe Repairs, Inc. (formerly Paisano, Inc.).....	Texas
Hellums Service, Inc.....	Texas
Beacon Services, Inc.....	Texas
Composite Pole Repair, Inc.....	Texas
First America Capital Corporation.....	Texas
Portales 801, Inc.....	Texas
Pensacola 801, Inc.....	Texas
Ft. Bragg 801, Inc.....	Texas
Ft. Stewart 801, Inc.....	Texas
First America Development Corporation.....	Texas
USA Public Services, Inc. Formerly Infrastructure Services, Inc.....	Texas
USA Maintenance and Repair Services, Inc. Formerly: Universal Services Co., Inc.....	Texas
USA Federal Services, Inc. Formerly: Universal Federal Services, Inc.....	Texas
USA Water Consulting Services, Inc. Formerly: Water Company of America.....	Texas
USA Gunite Services, Inc. Formerly: General Gunite & Construction Co., Inc.....	Alabama

EXHIBIT 21 (CONTINUED)

Following is a list of the Company's subsidiaries which are also operating under assumed names:

Team Environmental Services, Inc. in the State of Texas and Harris County:

- d/b/a Marbo
- d/b/a Tracer Technologies
- d/b/a Leak Repairs
- d/b/a Source Environmental Sciences

USA Maintenance and Repairs Services, Inc. (formerly Universal Services Co., Inc.)

in the State of Florida:

- d/b/a Infrastructure Services, Inc.
- d/b/a Mariner Village Maintenance Co.

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements Nos. 33-20198, 33-35780 and 2-92811 of Team, Inc. on Form S-8 of our report dated July 29, 1996 appearing in this annual report on Form 10-K of Team, Inc. for the fiscal year ended May 31, 1996.

/s/ DELOITTE & TOUCHE LLP
DELOITTE & TOUCHE LLP
Houston, Texas
August 12, 1996

THE FINANCIAL DATA SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET, CONSOLIDATED STATEMENTS OF OPERATIONS AND RELATED NOTES OF TEAM, INC. AND SUBSIDIARIES FOR THE YEAR ENDED MAY 31, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

YEAR	
MAY-31-1996	
	2,038,000
	0
	8,320,000
	(171,000)
	5,748,000
16,781,000	65,253,000
	18,365,000
	69,436,000
6,219,000	50,519,000
	0
	0
	1,551,000
	9,494,000
69,436,000	0
	52,485,000
	0
	27,359,000
	29,675,000
	1,757,000
	4,547,000
	(10,853,000)
	(1,575,000)
(9,278,000)	0
	0
	0
	(9,278,000)
	(1.80)
	(1.77)

Property, plant and equipment consist of \$17,962,000 for core operational fixed assets and \$47,291,000 for the Military Housing projects' land and buildings. Accumulated depreciation consists of \$12,197,000 for core fixed assets and \$6,168,000 for the Military Housing project's land and buildings.

Bonds, mortgages and similar debt consist of \$11,754,000 of long-term debt and other long term obligations and \$38,765,000 of non-recourse debt pertaining to Certificates of Participation financing the Military Housing projects.