

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, 1995

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.)

1001 FANNIN STREET, SUITE 4656, HOUSTON, TEXAS
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

77002
(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (713) 659-3600

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 15, 1995, 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 \$10,972,431.

DOCUMENTS INCORPORATED BY REFERENCE

Part III. Portions of the Definitive Proxy Statement for the 1995 Annual Meeting of Shareholders of Team, Inc. to be held November 1, 1995.

FORM 10-K INDEX

PART I

	PAGE

Item 1. Business	2
Item 2. Properties	9

Item 3. Legal Proceedings	9
Item 4. Submission of Matters to a Vote of Security Holders	10

PART II

Item 5. Market for Team's Common Equity and Related Stockholder Matters	11
Item 6. Selected Financial Data	11
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	13
Item 8. Consolidated Financial Statements	17
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	35

PART III

Item 10. Directors and Executive and Other Officers of Team	35
Item 11. Executive Compensation	35
Item 12. Security Ownership of Certain Beneficial Owners and Management	35
Item 13. Certain Relationships and Related Transactions	35

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K ...	35
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P A R T 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 engineering, consulting, monitoring and repair services. Environmental engineering, consulting and monitoring services, primarily in air quality, together with on-stream leak repair and related industrial services for piping systems and process equipment, are provided by subsidiaries 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 Environmental Services segment is the core of Team's operations.

The Company, through its subsidiaries, operates in 43 locations throughout the United States and one location in England. Additionally, certain environmental services are offered internationally by the Company through 13 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 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.

In fiscal 1995, the Company's revenues were \$55.7 million compared to \$61.1 million in fiscal 1994. The loss from continuing operations net of income tax benefit was \$5.4 million in fiscal 1995, of which \$4.1 million is attributed to the write down of assets recorded in the second quarter, compared to earnings of \$0.4 million in fiscal 1994. The Company recorded a net operating loss on its discontinued transportation segment of \$0.5 million in fiscal 1995, and recognized a loss on the sales of discontinued operations, net of income taxes, of \$13,000. This resulted in a net loss for the year of \$6.0 million.

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, 1995, \$8.8 million was borrowed under the Company's revolving line of credit, and \$3.95 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 1995. 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:

2

(b) FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS (CONTINUED)

	YEAR ENDED MAY 31,		
	1995	1994	1993
Revenues:			
Environmental services	91%	93%	100%
Military housing projects	9%	7%	--
Total	100%	100%	100%
Operating profit (loss) before corporate allocation and goodwill amortization:			
Environmental services	187%	78%	100%
Military housing projects	(87%)	22%	--
Total	100%	100%	100%

Additional financial information about the Company's industry segments for the years ended May 31, 1995, 1994 and 1993 is set forth in Note (11) of Notes to Consolidated Financial Statements.

(c) NARRATIVE DESCRIPTION OF BUSINESS

ENVIRONMENTAL SERVICES

GENERAL. Substantially all of the Company's environmental services are provided through Team Environmental Services, Inc. These environmental services consist of leak sealing and mechanical services, as well as environmental engineering, consulting and monitoring services, primarily in air quality. 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 piping systems and pipelines. Environmental engineering and consulting services include state and federal air quality permitting, ambient air monitoring, emission inventory reporting, source emissions testing, continuous emissions monitoring, air dispersion modeling, compliance auditing and preparing of tracer studies and risk management plans. 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 1995, 1994 and 1993, leak sealing services accounted for 53%, 53% and 56%, respectively, of the Company's consolidated revenues. In fiscal 1995, 1994 and 1993, environmental engineering, consulting and monitoring services accounted for 30%, 32% and 37%, respectively, of the Company's consolidated revenues.

Team's Environmental Services segment operates through 43 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 13 licensees operating in 15 countries.

LEAK SEALING. The Company's leak sealing and other industrial 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.

3

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-stream repair work are then performed by the field crew using, in large part, materials and sealants that are developed and produced by the Company.

The Company's non-destructive repair methods do not compromise the integrity of its customers' process system and can be performed in temperatures 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 over 300 various types of leaks.

The Company also offers live loading services, which are used to repair valves and flanges while in continuous operation. 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, 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(R) 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(R) 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 maintenance 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 EPA requirements or can custom-design these reports to its customers' specifications.

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(R) software system, 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

4

and for use in future reports that may be requested or required. The Company also offers its customers a software package named Customware(TM), 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.

The 1990 Clean Air Act Amendments established a list of 189 toxic air pollutants which should be monitored and pursuant to these Amendments, regulations have been passed concerning many of these pollutants. The Environmental Protection Agency ("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 the next several years. Additionally, both the Clean Air Act and Title III of the 1986 SARA established 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. The Company offers a variety of environmental consulting, ambient air and meteorological monitoring, assessment, permitting and engineering services to a wide range of customers. The Company utilizes sophisticated computer programs to augment preparation of air, water and waste permits for its customers as required by each state, as well as the Clean Air Act and Clean Water Act. The Company's computer skills and technical and engineering capabilities are also utilized in providing atmospheric dispersion modeling studies, ambient air monitoring and air emissions inventories. The Company also provides air quality risk assessments of airborne releases as required by federal and state regulations.

The Company provides various air emissions source testing services at customer facilities in order to help its customers meet environmental requirements. Team utilizes mobile testing vans to perform stack sampling and trial burn projects in order to determine compliance. The Company's procedures comply with Federal EPA standard methods and applicable state test protocols. The Company offers certification analysis of continuous emissions monitoring systems that comply with EPA methods and protocols. Team also performs emission testing and develops quantitative analyses of emissions by using a variety of approved methods. These studies provide baseline emission rates utilized in developing and maintaining specific permit conditions.

The Company also provides additional environmental consulting services, including environmental compliance evaluations and the preparation of environmental impact statements, as well as water and site assessment services.

Procedures used by the Company in performing its environmental services comply with specified EPA and state guidelines, methodologies and requirements. The Company may expand its environmental engineering services through both internal growth and acquisitions, depending on customer need as well as other factors.

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 43 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 a party to certain long term contracts. Substantially all such agreements

5

may be terminated by either party on short notice. The agreements generally specify the range of services to be performed and the 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. In addition, 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. Management believes it has a competitive advantage over most outside service contractors because it offers a more complete line of environmental air quality services than its competitors. In addition, 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. 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. With respect to environmental monitoring, engineering and consulting services, management estimates that a large number of environmental firms, of varying sizes, compete against the Company in various geographical areas.

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 and Australia, 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. 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 business outside the

6

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 services, the Company may handle small quantities of certain hazardous wastes or other hazardous 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 substance 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 consists 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)"). These 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 Portales, 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 in 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. The Company's subsidiaries are receiving rent in accordance with the lease agreements. Rental payments have been assigned to the Trustee and are used to repay principal and interest on the Certificates of Participation as well as real estate taxes and insurance premiums. 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 Board of Contract Appeals. In November 1993, the

7

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 has appealed the Corps' decision to terminate the contract to the Armed Services Board of Contract Appeals.

The Company does not intend to develop any additional Military Housing projects, and intends to sell these projects in the future. See Note (3) of Notes to Consolidated Financial Statements for additional information regarding the Military Housing projects.

DISCONTINUED OPERATIONS - SALE OF TRANSPORTATION AND INFRASTRUCTURE SERVICES BUSINESSES

In April 1995 the Company completed the sale of substantially all of the operating assets of its transportation services division. The transportation services division was comprised of two subsidiaries, Hellums Services, Inc. ("Hellums") and Elsik, Inc. ("Elsik"). The businesses were purchased by two privately-held Texas companies which are owned in part by former members of Hellums and Elsik management. No officer or director of Team was a member of this acquiring group.

In July 1994, the Company completed the sale of its discontinued infrastructure services operations. The Company sold substantially all of the assets and certain liabilities of Infrastructure Services, Inc. and its subsidiaries to ISI Acquisition Corp., a Delaware corporation. ISI Acquisition Corp. is owned by two privately-held Texas companies and former members of Infrastructure Services, Inc. management. No officer or director of Team was a member of this acquiring group.

Team believes that the sale of the discontinued transportation and infrastructure services businesses will allow the Company to concentrate on the expansion of its core business. The proceeds of the sales were used to reduce short-and long-term debt, as well as to increase available working capital. See Note (2) of Notes to Consolidated Financial Statements for further information.

General

EMPLOYEES. As of May 31, 1995, the Company and its subsidiaries had 606 employees in its operations, consisting of 250 salaried and 356 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 automobile 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 U.S. Environmental Protection Agency. 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.

8

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 totalling approximately 98,000 square feet of floor space. These facilities include administrative, manufacturing and training centers. The Company's manufacturing facility and training center 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 39 office and/or plant and shop facilities at separate locations in 23 states for use in its Environmental Services segment. The Military Housing segment owns four separate properties in New Mexico, North Carolina, Georgia and Florida aggregating approximately 286 acres. Three of such properties have been developed with military housing projects and one property is undeveloped. As stated previously, these properties are subject to mortgages in favor of the Trustee for the Certificate holders which secure payment to the Certificate holders. See "Item 1(c) Military Housing Projects." In addition, the Company leases its principal offices located in Houston, Texas, and owns real property and office facilities in Houston, Texas previously used in its discontinued infrastructure operations which are currently being leased to a third party pursuant to a long-term lease agreement.

As of May 31, 1995, the Company owned or leased 227 light trucks which are primarily repair service trucks used in performing environmental services and 148 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 to 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 Minimus Settlement Agreement ("Settlement Agreement") with most of the potentially responsible parties ("PRPs") to settle its potential liability for clean up of the Sheridan Site in consideration for a \$101,700 payment by the Company. The EPA has approved the Settlement Agreement and has executed a related Consent Decree. This Consent Decree has not yet been entered by the Court. Upon entry of the Consent Decree, the Company's potential remediation liability for the site will be formally settled.

Although the Company believes any other potential liability regarding the Sheridan Site is remote, claims could be raised by two material generators for whom the Company transported waste to the site. These parties are not at the date hereof voluntarily participating in the PRPs group. It is possible that claims for all or a portion of their allocated costs could be asserted by such parties against the Company. If such an assertion is made, the Company will

vigorously contest such assertion and will also seek application of the indemnity provisions of the De Minimus Settlement Agreement under which the larger participating PRPs not able to settle on a de minimus basis have agreed to certain indemnification of the de minimus parties, including the Company.

In addition to the above, the Company also previously owned a transporter company that has been identified as a potentially responsible party at the Sheridan Site. The shareholder who now owns this transporter company has

asserted that, to the extent it has any liability for the transportation of waste materials to the Sheridan Site during the period that it was owned by the Company, the liability should be that of the Company. This alleged liability might also extend to the allocation of wastes to this transporter company for participating and non-participating generators. The Company has refuted and vigorously contests such assertions. At this time, it is not possible to estimate reasonably the amount of potential Company liability for cleanup costs at this site relative to the previously owned transporter company. The Company has submitted appropriate information to its insurance carriers relating to this matter. If it is determined that the Company has any liability, a portion thereof may be covered by insurance; however, the Company's insurance carriers have not confirmed coverage.

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 is presently being appealed to the United States Armed Services Board of Contract Appeals. During fiscal 1994, the Corps terminated the Agreement, thereby cancelling the project. In February 1994, the Company separately appealed the Corps' decision to terminate the Agreement, again with the United States Armed Services Board of Contract Appeals. At this time, the Company cannot predict the final outcome of its appeal of the Corps' decision to cancel the project or of its claim for additional costs and expenses.

The Company and certain subsidiaries are also involved in various lawsuits and subject to various claims and proceedings encountered in the normal conduct of its business. In the opinion of management, while the final resolution of any such litigation or other matters may have an impact on the Company's consolidated financial results for a particular reporting period, any uninsured losses that might arise from these lawsuits and proceedings would not have a material adverse effect on the Company's consolidated financial position.

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 1995.

P A R T 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, 1995 and 1994, respectively.

	SALES PRICES	
	HIGH	LOW
	-----	-----
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

FISCAL 1994

Quarter Ended:

August 31.....	\$ 5	\$ 4 3/8
November 30.....	5	3 7/8
February 28.....	5 1/8	3 1/4
May 31.....	5	3 7/8

There were 552 holders of record of Team's common stock as of August 15, 1995, excluding beneficial owners of stock held in street name. Although exact information is unavailable, the Company estimates there are approximately 2,300 additional beneficial owners based upon information gathered in connection with proxy solicitation.

(c) DIVIDENDS

No dividends were declared or paid in fiscal 1995 or fiscal 1994. 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, 1995. Prior year information has been restated as a result of the Company selling substantially all of the assets of its transportation services segment. See Note (2) of Notes to Consolidated Financial Statements.

11

	YEAR ENDED MAY 31,				
	1995	1994	1993	1992	1991

	(In Thousands, Except Per Share Amounts)				
Revenues	\$ 55,730	\$ 61,133	\$63,716	\$ 62,625	\$ 56,342
Earnings (Loss) from Continuing Operations, Net of Income Taxes	\$ (5,448)	\$ 437	\$ 604	\$ 2,229	\$ 3,131
Earnings (Loss) from Discontinued Operations, Net of Income Taxes	(513)	325	1,277	(2,025)	(1,153)
Loss on Sales of Discontinued Operations, Net of Income Taxes	(13)	(1,081)	--	(12,051)	--
Net Earnings (Loss)	\$ (5,974)	\$ (319)	\$ 1,881	\$ (11,847)	\$ 1,978
Earnings (Loss) Per Common Share:					
Primary:					
Earnings (Loss) from Continuing Operations	\$ (1.06)	\$.09	\$.12	\$.44	\$.66
Earnings (Loss) from Discontinued Operations	(.10)	.06	.25	(.40)	(.24)
Loss on Sales of Discontinued Operations	(.00)	(.21)	--	(2.37)	--
Net Earnings (Loss)	\$ (1.16)	\$ (.06)	\$.37	\$ (2.33)	\$.42
Weighted Average Shares Outstanding	5,160	5,164	5,151	5,088	4,757
Fully Diluted:					
Earnings (Loss) from Continuing Operations	\$ (1.06)	\$.09	\$.12	\$.44	\$.66
Earnings (Loss) from Discontinued Operations	(.10)	.06	.25	(.40)	(.24)
Loss on Sales of Discontinued Operations	(.00)	(.21)	--	(2.37)	--
Net Earnings (Loss)	\$ (1.16)	\$ (.06)	\$.37	\$ (2.33)	\$.42
Weighted Average Shares Outstanding	5,160	5,164	5,152	5,088	4,766
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)	\$ 2,391	\$ 3,121	\$ 2,833	\$ 3,727	\$ 4,948
Cash Dividend Declared Per Common Share	\$.00	\$.00	\$.075	\$.14	\$.14
	1995	1994	MAY 31, 1993	1992	1991
	-----	-----	-----	-----	-----
	(In Thousands)				
Total Assets	\$80,058	\$103,114	\$96,843	\$65,515	\$68,124
Long-term Debt	13,627	21,001	22,156	24,524	23,032
Non-recourse Debt	39,722	40,603	30,769	--	--
Stockholders' Equity	20,323	26,297	26,608	25,022	35,675
Working Capital	14,786	10,472	7,790	10,655	15,234

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

The Company's primary operations consist of industrial repair services, environmental engineering and consulting, and air emission monitoring 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,	
	1995	1994	1993	1995 VS. 1994	1994 VS. 1993
	-----	-----	-----	-----	-----
Revenues:					
Primary Operations	91.2%	93.1%	100.0%	(10.7%)	(10.7%)
Military Housing projects	8.8	6.9	--	15.8%	--
Total revenue	100.0%	100.0%	100.0%	(8.8%)	(4.1%)
Operating expenses:					
Primary Operations	47.6%	47.2%	48.3%	(8.1%)	(6.3%)
Military Housing projects	3.7	2.5	--	36.9%	n/a
Selling, general and administrative expenses:					
Primary Operations	40.7	40.5	46.7	(8.3%)	(16.8%)
Military Housing projects	2.1	0.7	--	185.7%	n/a
Interest:					
Primary Operations	2.7	2.5	2.5	(4.1%)	(4.3%)
Military Housing projects	6.1	5.0	--	10.8%	n/a
Writedown of assets:					
Primary Operations	2.5	--	--	n/a	n/a
Military Housing projects	8.7	--	--	n/a	n/a
Earnings (loss) from continuing operations before income taxes	(14.2)	1.6	2.5	n/a	(37.4%)
Provision (benefit) for income taxes	(4.3)	0.9	1.5	n/a	(43.6%)
Earnings (loss) from continuing operations net of income taxes	(9.9%)	0.7%	1.0%	n/a	(27.6%)

RESULTS OF OPERATIONS - CONTINUING OPERATIONS

Fiscal 1995 Compared to Fiscal 1994

PRIMARY OPERATIONS: 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 1994/95. Colder weather often leads to higher demand for leak repair services due to the contraction of piping systems in process plants.

Operating expenses in the Company's primary operations declined by 8% from fiscal 1994 to fiscal 1995, primarily due to lower personnel related costs. Gross profit margins declined from 49.3% to 47.3%, 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 write down of assets and other one-time charges recorded in the second

quarter of fiscal year 1995, the loss before taxes in the Company's primary operations 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 write down 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 \$6.6 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 write down 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.

Fiscal 1994 Compared to Fiscal 1993

PRIMARY OPERATIONS: Revenues in the Company's Environmental Services segment for the year ended May 31, 1994 totaled \$56.9 million, representing an 11% decrease from revenues of \$63.7 million for the prior fiscal year. The revenue decrease was primarily attributable to increased price competition in leak repair and emission monitoring which led to lower prices for some services, together with cutbacks and delays in maintenance expenditures by the Company's industrial customers.

During fiscal 1994, operating expenses decreased \$1.9 million, or 6% from prior year levels. Gross profit margins in the Company's environmental services business declined from 51.7% in fiscal 1993 to 49.3% in fiscal 1994 as the Company was not able to reduce costs to fully offset the decline in revenues despite lower personnel expenses and cost savings achieved through the consolidation of certain branch offices.

Selling, general and administrative expenses declined 17% or \$5.0 million during fiscal 1994 as compared to fiscal 1993. This decrease resulted primarily from lower professional fees, compensation related expenses, insurance costs and other miscellaneous charges.

Interest expense for the Company's primary operations decreased 4% from approximately \$1.6 million in fiscal 1993 to \$1.5 million in fiscal 1994, as lower average borrowing levels more than offset an increase in interest rates. Earnings before income taxes from primary operations in fiscal 1994 was \$1.7 million, an increase of 11% from fiscal 1993 pre-tax earnings of \$1.6 million.

MILITARY HOUSING PROJECTS: Rental revenues from Military Housing commenced in the second quarter of fiscal 1994, as the three projects were completed and occupied. Rentals for the year totaled \$4.2 million. Operating expenses during the year were \$1.5 million and consisted primarily of depreciation, insurance and taxes. General and administrative costs were \$419,000, of which approximately 82% were legal expenses incurred in connection with litigation with the general

contractor of the projects and the claim against the Department of the Army for the terminated project at Ft. Stewart, Georgia. Interest expenses on the Certificates of Participation were \$3.1 million during fiscal 1994. The pre-tax loss from Military Housing totaled \$755,000 for fiscal 1994, the first year of operation for the properties.

For the fiscal year ended May 31, 1994, net earnings from continuing operations were \$437,000, a decrease of 28% from net earnings of \$604,000 in the prior fiscal year. Including net earnings from the Company's discontinued transportation services business and the loss on the sale of infrastructure services recorded in fiscal 1994, the net loss for fiscal 1994 was \$319,000,

compared to net earnings of \$1.9 million recorded in the fiscal year ended May 31, 1993.

DISCONTINUED OPERATIONS

In April 1995, the Company sold the operating assets of two subsidiaries comprising its transportation division, which provided liquid vacuum and hauling services to the oil and gas industry in South Texas. The businesses were purchased by private investors, including former members of the subsidiary companies' management. Cash proceeds from the sale were approximately \$3.7 million, most of which was used to reduce short and long-term debt. The Company recognized a net gain on the sale of \$444,000, which was recorded in the fourth quarter of fiscal year 1995. The transportation services segment incurred a net loss from operations of \$513,000 in fiscal year 1995 and earned \$325,000 and \$1.3 million in fiscal 1994 and fiscal 1993, respectively.

In July 1994, the Company completed the sale of substantially all of the assets and certain liabilities of its discontinued infrastructure services business to ISI Acquisition Corp., a Delaware corporation formed by two privately-held Texas companies and former members of Infrastructure Services, Inc.'s management, for \$4.6 million in cash and a \$1.7 million note. The Company retained certain real estate which housed infrastructure services' principal offices and subsequently has leased the property to an unrelated third party pursuant to a long-term lease. In the second quarter of fiscal 1995, the Company recorded an additional net loss of \$457,000 related to certain accounts receivable guaranteed by the Company at the time of the sale. Previous losses related to the disposition and sale of the infrastructure services business of \$1.1 million and \$12.1 million were recorded in fiscal 1994 and fiscal 1992, respectively. Cash proceeds from the sale were used to reduce the Company's term debt with its primary bank lender.

LIQUIDITY AND CAPITAL RESOURCES

At May 31, 1995, the Company's working capital totaled \$14.8 million, an increase of \$4.3 million from working capital of \$10.5 million a year earlier. The Company has been able to finance its working capital requirements through its internally generated cash flow, bank borrowings and the sale of discontinued businesses and assets. In August 1995, the Company and its primary bank modified and extended the terms of its credit agreement. The new agreement, as amended, consists of a \$3.95 million term loan, payable in quarterly installments of \$350,000 beginning in September 1995, with the balance due at the maturity date of December 1, 1996, and a \$12 million revolving line of credit due in December 1996. At May 31, 1995, amounts outstanding under the revolving line of credit were \$8.8 million and no additional amounts were available for borrowing under the terms of the agreement. Subsequent to year end, the Company reduced borrowings outstanding under the revolving line of credit by an additional \$1.3 million.

For the fiscal year ended May 31, 1995, net cash provided from operations totaled \$719,000, resulting primarily from net income, excluding the \$6.3 million non-cash write down of assets, depreciation and amortization of \$4 million, and lower inventories and accounts receivable totaling \$2.7 million. This was partially offset by reductions in accounts payable of \$3.1 million and other accrued liabilities of \$2.6 million. Net cash provided by investing activities was \$9.7 million during fiscal 1995, and was generated primarily as a result of the sale of the infrastructure and transportation services businesses. Capital expenditures totaled \$523,000 during fiscal 1995, primarily for the replacement of equipment used in the Company's operations. The Company reduced its long-term debt by approximately 40%, or \$9.9 million, during fiscal 1995. Payments on Military Housing non-recourse debt were \$881,000 during the year.

15

Management expects that capital expenditures for fiscal 1996 will be approximately \$1.5 million, as the Company plans to replace, upgrade and expand its data collection, computer and other operating equipment. The Company also intends to sell the Military Housing projects and is actively marketing the properties, 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 increase available working capital and to further reduce Company bank debt.

16

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 its subsidiaries as of May 31, 1995 and 1994, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended May 31, 1995. 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, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended May 31, 1995 in conformity with generally accepted accounting principles. Also, in our opinion, the 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
August 24, 1995
(September 13, 1995 as to Note 8)

17

TEAM, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	MAY 31,	
	1995	1994
	-----	-----
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 3,154,000	\$ 3,728,000
Receivables	8,408,000	10,791,000
Materials and supplies	6,641,000	7,941,000
Prepaid expenses and other current assets	1,374,000	1,328,000
	-----	-----
Total Current Assets	19,577,000	23,788,000
Net Assets of Discontinued Operations	124,000	11,933,000
Property, Plant and Equipment:		
Land and buildings	6,889,000	6,775,000
Machinery and equipment	10,864,000	11,185,000
	-----	-----
	17,753,000	17,960,000
Less accumulated depreciation and amortization	11,641,000	10,600,000
	-----	-----
	6,112,000	7,360,000
Military Housing Projects:		
Restricted cash and other assets	2,897,000	2,852,000
Land and buildings, net of accumulated depreciation of \$4,710,000 in 1995 and \$1,262,000 in 1994	42,581,000	45,920,000
	-----	-----
	45,478,000	48,772,000
Goodwill, Net of Accumulated Amortization	5,583,000	5,898,000
Other Assets	3,184,000	5,363,000
	-----	-----
Total Assets	\$ 80,058,000	\$ 103,114,000
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt	\$ 1,344,000	\$ 3,903,000
Accounts payable	742,000	3,800,000
Other accrued liabilities	2,705,000	4,718,000
Current income tax payable	--	895,000
	-----	-----
Total Current Liabilities	4,791,000	13,316,000
Deferred Income Taxes Payable	--	346,000
Long-term Debt	13,627,000	21,001,000
Military Housing Projects' Non-recourse Obligations:		

Debt	39,722,000	40,603,000
Other	1,595,000	1,551,000
	-----	-----
	41,317,000	42,154,000
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, 1995 and 1994	1,551,000	1,551,000
Additional paid-in capital	24,992,000	24,992,000
Accumulated deficit	(6,123,000)	(149,000)
Less treasury stock at cost, 9,700 shares at May 31, 1995 and 1994	(97,000)	(97,000)
	-----	-----
Total Stockholders' Equity	20,323,000	26,297,000
	-----	-----
Total Liabilities and Stockholders' Equity	\$ 80,058,000	\$ 103,114,000
	=====	=====

See notes to consolidated financial statements.

18

TEAM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	YEAR ENDED MAY 31,		
	1995	1994	1993
	-----	-----	-----
Revenues:			
Operating revenue	\$ 50,816,000	\$ 56,891,000	\$63,716,000
Military housing projects' lease revenue	4,914,000	4,242,000	--
	-----	-----	-----
	55,730,000	61,133,000	63,716,000
Operating Costs and Expenses:			
Operating expenses	26,525,000	28,870,000	30,794,000
Selling, general and administrative expenses	22,677,000	24,743,000	29,746,000
Interest	1,485,000	1,548,000	1,618,000
Writedown of assets	1,421,000	--	--
	-----	-----	-----
	52,108,000	55,161,000	62,158,000
Military Housing Projects' Costs and Expenses:			
Operating expenses	2,061,000	1,505,000	--
General and administrative expenses	1,197,000	419,000	--
Interest	3,405,000	3,073,000	--
Writedown of assets	4,832,000	--	--
	-----	-----	-----
	11,495,000	4,997,000	--
Earnings (Loss) from Continuing Operations before Income Taxes	(7,873,000)	975,000	1,558,000
Provision (Benefit) for Income Taxes	(2,425,000)	538,000	954,000
	-----	-----	-----
Earnings (Loss) from Continuing Operations, Net of Income Taxes	(5,448,000)	437,000	604,000
Earnings (Loss) from Discontinued Operations, Net of Income Taxes	(513,000)	325,000	1,277,000
Loss on Sales of Discontinued Operations, Net of Income Taxes	(13,000)	(1,081,000)	--
	-----	-----	-----
Net Earnings (Loss)	\$ (5,974,000)	\$ (319,000)	\$ 1,881,000
	=====	=====	=====
Net Earnings (Loss) Per Common Share:			
Earnings (Loss) from Continuing Operation	(1.06)	\$.09	\$.12
Earnings (Loss) from Discontinued Operations	(.10)	.06	.25
Loss on Sales of Discontinued Operations	(.00)	(.21)	--
	-----	-----	-----
Net Earnings (Loss)	\$ (1.16)	\$ (.06)	\$.37
	=====	=====	=====
Weighted Average Number of Shares Outstanding	5,160,000	5,164,000	5,151,000
	-----	-----	-----

See notes to consolidated financial statements.

19

TEAM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	MAY 31,		
	1995	1994	1993
	-----	-----	-----
COMMON STOCK:			
Balance at beginning of year	\$ 1,551,000	\$ 1,551,000	\$ 1,537,000
Stock option plans (45,000 shares in 1993)	--	--	14,000
	-----	-----	-----
Balance at end of year	\$ 1,551,000	\$ 1,551,000	\$ 1,551,000
	=====	=====	=====
ADDITIONAL PAID-IN CAPITAL:			
Balance at beginning of year	\$ 24,992,000	\$ 24,992,000	\$ 24,812,000
Excess of exercise price over par value of shares issued under stock option plans	--	--	89,000
Tax benefit of stock options exercised	--	--	91,000
	-----	-----	-----

Balance at end of year	\$ 24,992,000	\$ 24,992,000	\$ 24,992,000
RETAINED EARNINGS			
(ACCUMULATED DEFICIT):			
Balance at beginning of year	\$ (149,000)	\$ 170,000	\$ (1,327,000)
Net earnings (Loss)	(5,974,000)	(319,000)	1,881,000
Dividends (\$.075 per share in 1993)	--	--	(384,000)
Balance at end of year	\$ (6,123,000)	\$ (149,000)	\$ 170,000
TREASURY STOCK:			
Balance at beginning of year	\$ (97,000)	\$ (105,000)	\$ --
Purchase of 10,400 shares	--	--	(105,000)
Reissuance of 700 shares	--	8,000	--
Balance at end of year	\$ (97,000)	\$ (97,000)	\$ (105,000)

See notes to consolidated financial statements.

20

TEAM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED MAY 31,		
	1995	1994	1993
Cash Flows From Operating Activities:			
Earnings (loss) from continuing operations			
net of income taxes	\$ (5,448,000)	\$ 437,000	\$ 604,000
Adjustments to reconcile earnings (loss) from continuing operations net of income taxes to net cash provided by operating activities:			
Writedown of assets	6,253,000	--	--
Depreciation and amortization	3,957,000	3,585,000	2,434,000
Provision for doubtful accounts			
and notes receivable	233,000	241,000	142,000
Noncurrent deferred income taxes	(433,000)	(137,000)	(205,000)
Gain on sale of assets	--	--	(15,000)
Change in assets and liabilities, net of effects for purchase of companies:			
(Increase) decrease:			
Receivables	1,755,000	867,000	1,095,000
Materials and supplies	986,000	644,000	(538,000)
Prepaid expenses and other assets	(298,000)	(384,000)	2,405,000
Increase (decrease):			
Accounts payable	(3,058,000)	(2,788,000)	(1,312,000)
Other accrued liabilities	(2,569,000)	(287,000)	1,071,000
Income taxes payable	(659,000)	579,000	(10,000)
Net cash provided by operating activities	719,000	2,757,000	5,671,000
Cash Flows From Investing Activities:			
Capital expenditures	(413,000)	(1,242,000)	(823,000)
Disposal of property and equipment	28,000	60,000	17,000
Payment for purchase of company	--	--	(290,000)
Decrease (increase) in other assets	231,000	(2,844,000)	(2,221,000)
Decrease in net assets			
of discontinued operations	1,786,000	3,478,000	5,701,000
Military Housing projects' capital expenditures	(110,000)	(5,882,000)	(37,946,000)
Increase in Military Housing projects' restricted cash and other assets	(45,000)	(2,850,000)	--
Proceeds from sale of companies	8,254,000	--	--
Net cash provided by (used in) investing activities	9,731,000	(9,280,000)	(35,562,000)
Cash Flows From Financing Activities:			
Payments under debt agreements	(10,101,000)	(7,695,000)	(4,137,000)
Principal payments under capital lease obligations	(290,000)	(221,000)	(217,000)
Proceeds from issuance of long-term debt	204,000	6,804,000	1,950,000

(TABLE CONTINUED ON FOLLOWING PAGE)

See notes to consolidated financial statements.

21

TEAM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS - (CONTINUED)

	YEAR ENDED MAY 31,		
	1995	1994	1993
Proceeds from issuance of non-recourse debt	\$ --	\$ 10,248,000	\$ 30,769,000
Payments on Military Housing			

projects' non-recourse obligations	(881,000)	(414,000)	--
Increase (decrease) in Military Housing projects' other non-recourse obligations	44,000	(149,000)	1,700,000
Proceeds from issuance of common stock	--	--	103,000
Dividends paid to stockholders	--	--	(384,000)
Reissuance (purchase) of treasury stock	--	8,000	(105,000)
	-----	-----	-----
Net cash provided by (used in) financing activities	(11,024,000)	8,581,000	29,679,000
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	(574,000)	2,058,000	(212,000)
Cash and cash equivalents at beginning of year	3,728,000	1,670,000	1,882,000
	-----	-----	-----
Cash and cash equivalents at end of year	\$ 3,154,000	\$ 3,728,000	\$ 1,670,000
	=====	=====	=====
Supplemental disclosures of information:			
Interest paid during the period:			
Operating interest	\$ 1,667,000	\$ 1,793,000	\$ 1,762,000
Military Housing projects	3,433,000	1,779,000	--
	-----	-----	-----
	\$ 5,100,000	\$ 3,572,000	\$ 1,762,000
	-----	-----	-----
Income taxes paid during the period	\$ 645,000	\$ 260,000	\$ 270,000
Income taxes refunded during the period	\$ 875,000	\$ --	\$ --

SUPPLEMENTAL SCHEDULE OF NON CASH INVESTING AND FINANCING ACTIVITIES:

During 1995, 1994 and 1993, equipment and software acquired under capital lease obligations amounted to \$254,000, \$0 and \$224,000, respectively.

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

During 1993, the Company received \$780,000 in promissory notes and 100,000 shares of common stock of Allied Waste Industries, Inc. in connection with the sale of the assets of Allstate Vacuum & Tanks, Inc.

See notes to consolidated financial statements.

22

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.

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 and \$989,000 at May 31, 1995 and 1994, respectively. Management periodically assesses the valuation of its goodwill to determine if an impairment reserve is necessary. No such reserve was considered necessary at May 31, 1995.

REVENUE RECOGNITION

The Company recognizes revenue when services are rendered.

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.

23

TEAM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

EARNINGS PER SHARE

Earnings per common and common equivalent share for fiscal 1995, 1994 and 1993 were computed using 5,160,000, 5,160,000 and 5,137,000 weighted average common shares outstanding during the respective years plus 0, 4,000, and 14,000 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 fiscal year. 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.

RESTATEMENT

The financial statements and related footnotes have been restated to reflect the Transportation Services segment as discontinued operations. See Note (2).

2. DISCONTINUED OPERATIONS

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. As a result of this sale, the Company is no longer in the transportation services business and has restated prior financial statements to reflect this segment as discontinued operations. A summary of the discontinued Transportation Services' assets and liabilities as of May 31, 1995 and 1994 follows:

MAY 31,

	1995	1994
Assets:		
Current assets	\$ 147,000	\$2,366,000
Property and equipment, net	--	2,689,000
Other long-term assets	--	667,000
	147,000	5,722,000
Liabilities:		
Current liabilities	23,000	39,000
Net Assets	\$ 124,000	\$5,683,000

24

TEAM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

A summary of the results of discontinued transportation operations for each of the three years ended May 31, 1995, 1994, and 1993 are as follows:

	MAY 31,		
	1995	1994	1993
Revenues	\$ 7,226,000	\$10,507,000	\$13,683,000
Costs and Expenses:			
Operating expenses	5,637,000	7,669,000	9,409,000
Selling, general and administrative expenses	1,655,000	2,150,000	2,111,000
Interest expense	154,000	195,000	228,000
Writedown of assets	550,000	--	--
Earnings (loss) before taxes	(770,000)	493,000	1,935,000
Provision (benefit) for taxes	(257,000)	168,000	658,000
Earnings (loss) after taxes	\$ (513,000)	\$ 325,000	\$ 1,277,000

In July 1994, the Company sold substantially all 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. At May 31, 1994, net assets of the discontinued operations of approximately \$6,250,000 consisted of the estimated net realizable value of the assets and liabilities sold.

In April 1993, the Company sold the assets of Allstate Vacuum & Tanks, Inc. and recognized a pre-tax gain of \$355,000. This gain is included as discontinued operations as of May 31, 1993.

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.

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

TEAM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

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. 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 has appealed the Corps' decision to terminate the contract to the Armed Services Board of Contract Appeals.

Payments due on the Certificates of Participation are made solely from rent paid by the government and available interest earnings. 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: 1996, \$957,000; 1997, \$1,041,000; 1998, \$1,131,000; 1999, \$1,229,000; 2000, \$1,336,000 and thereafter, \$34,028,000.

4. WRITEDOWN OF ASSETS

The loss from continuing operations includes 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,	
	----- 1995 -----	1994 ----- -----
Trade accounts receivable	\$ 7,691,000	\$ 10,483,000
Current income tax receivable	722,000	--
Other receivables	199,000	550,000
Allowance for doubtful accounts	(204,000)	(242,000)
	-----	-----
Total	\$ 8,408,000	\$ 10,791,000
	=====	=====

TEAM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

6. OTHER ACCRUED LIABILITIES

Other accrued liabilities consist of:

MAY 31,

	1995	1994
Payroll and other compensation expenses	\$1,172,000	\$1,130,000
Retainage Payable	--	1,267,000
Insurance accruals	889,000	973,000
Other	644,000	1,348,000
Total	\$2,705,000	\$4,718,000

7. INCOME TAXES

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

	YEAR ENDED MAY 31,		
	1995	1994	1993
Federal income taxes:			
Current	\$ (1,705,000)	\$ 999,000	\$ 1,013,000
Deferred	(867,000)	(540,000)	(327,000)
State income taxes:			
Current	68,000	177,000	268,000
Deferred	79,000	(98,000)	--
Total	\$ (2,425,000)	\$ 538,000	\$ 954,000

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 follows:

	YEAR ENDED MAY 31,		
	1995	1994	1993
Earnings (loss) from continuing operations before federal income taxes	\$ (7,873,000)	\$ 975,000	\$ 1,558,000
Computed income taxes at statutory rate	\$ (2,677,000)	\$ 332,000	\$ 530,000
Goodwill amortization	147,000	117,000	128,000
State income taxes, net of federal tax benefit	97,000	52,000	177,000
Other	8,000	37,000	119,000
Total	\$ (2,425,000)	\$ 538,000	\$ 954,000

27

TEAM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

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

	YEAR ENDED MAY 31,	
	1995	1994
Basis differences for receivables	\$ (47,000)	\$ (146,000)
Accelerated tax depreciation	(714,000)	(1,185,000)
Other	--	(92,000)
Total deferred tax liabilities	(761,000)	(1,423,000)
Accrued expenses	476,000	803,000
Basis differences for inventory	53,000	80,000
Basis differences for other assets	--	633,000
Net operating loss carryforward	977,000	--
Other	136,000	--

Total deferred tax assets	----- 1,642,000 -----	----- 1,516,000 -----
Net deferred tax assets	=====	=====
	\$ 881,000	\$ 93,000

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

	YEAR ENDED MAY 31,	
	-----	-----
	1995	1994
Prepaid expenses and other current assets	\$793,000	\$ 439,000
Other assets	88,000	--
Deferred income taxes payable	--	(346,000)
Net deferred tax assets	----- \$881,000 =====	----- \$ 93,000 =====

The Company has a net operating loss carryforward of \$2,578,000 at May 31, 1995, which is subject to expire in fiscal year 2010.

8. DEBT AND CREDIT ARRANGEMENTS

Long term debt consists of:

	YEAR ENDED MAY 31,	
	-----	-----
	1995	1994
Term loan	\$ 3,950,000	\$10,750,000
Revolving credit agreement	8,817,000	10,031,000
Promissory note	--	1,944,000
Term note	1,558,000	1,630,000
Capital lease obligations	275,000	311,000
Other	371,000	238,000
	-----	-----
	14,971,000	24,904,000
Less current portion	1,344,000	3,903,000
Total	----- \$13,627,000 =====	----- \$21,001,000 =====

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. The term loan is due December 1, 1996, and provides for quarterly principal payments beginning September 30, 1995, with the remaining balance due at maturity. The revolving line of credit also expires on December 1, 1996. Both the term loan and the revolving line of credit bear interest at rates not exceeding the bank's prime rate of interest (9 percent at May 31, 1995) 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, 1995, the Company had a \$650,000 letter of credit outstanding against the revolving line of credit. Amounts outstanding under the revolving line of credit were \$8,817,000 at May 31, 1995, and no additional amounts were available for borrowing under the terms of the agreement.

Loans under the Company's bank credit agreement are secured by substantially all of the assets of the Company. The terms of the agreement require the maintenance of certain financial ratios and limit investments, advances, liens, leases and indebtedness, among other things.

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.

Maturities of long-term debt are as follows:

YEAR ENDING MAY 31,	
1996	\$ 1,344,000
1997	12,066,000
1998	304,000
1999	266,000
2000	991,000

Total	\$14,971,000
	=====

29

TEAM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

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

Pursuant to the option plans, the Company has granted options to purchase common stock to officers, directors and employees at prices equal to or greater than 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. Transactions under all plans are summarized below:

	YEAR ENDED MAY 31,		
	1995	1994	1993
Shares under option, beginning of year	559,750	396,300	419,150
Changes during the year:			
Granted	65,400	182,900	71,200
Exercised	--	--	(45,000)
Cancelled	(113,100)	(19,450)	(49,050)
	-----	-----	-----
Shares under option, end of year	512,050	559,750	396,300
	=====	=====	=====
Average option price per share	\$ 5.28	\$ 5.64	\$ 6.50
	=====	=====	=====
Exercisable at end of year	398,350	351,900	305,400
	=====	=====	=====
Available for future grant	555,950	503,250	616,700
	=====	=====	=====

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 1995, 1994 and 1993 were \$214,000, \$301,000 and \$264,000, 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 1995 nor 1993.

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 transferrable 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.

In the event 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 earning 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,

TEAM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

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 rights.

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 \$831,000 and \$876,000 at May 31, 1995 and 1994, before accumulated amortization of \$226,000 and \$198,000, respectively. Other assets includes software under capital lease in the amount of \$164,000 and \$0 at May 31, 1995 and 1994, before accumulated amortization of \$19,000 and \$0, 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 \$1,735,000, \$2,216,000 and \$3,220,000 in 1995, 1994, and 1993, respectively.

Minimum rental commitments for future periods are as follows:

YEAR ENDING MAY 31,	CAPITAL LEASES	OPERATING LEASES	TOTAL
1996	\$179,000	\$1,215,000	\$1,394,000
1997	96,000	862,000	958,000
1998	40,000	532,000	572,000
1999	--	208,000	208,000
2000	--	98,000	98,000
Total minimum lease payments	315,000	\$2,915,000	\$3,230,000
Less amount representing interest	40,000		
Present value of net minimum lease payments	\$275,000		

LEGAL PROCEEDINGS

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 is presently being appealed. During fiscal 1994, the Corps terminated the Agreement, thereby cancelling the project. The Company has separately appealed the Corps' decision to terminate the Agreement. At this time, the Company cannot predict the final outcome of its appeal of the Corps' decision to cancel the project or of its claim for additional costs and expenses.

TEAM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

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, while the final resolution of any such litigation or other matters may have an impact on the Company's consolidated financial results for a particular reporting period, any uninsured losses that might arise from these lawsuits and proceedings would not have a material adverse effect on the Company's consolidated financial position.

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.

	YEAR ENDED MAY 31,		
	1995	1994	1993
	(IN THOUSANDS)		
Environmental services	\$ 50,816	\$ 56,891	\$ 63,716
Military Housing projects	4,914	4,242	--
Total	\$ 55,730	\$ 61,133	\$ 63,716
Operating profit after corporate allocation and amortization of goodwill:(1)			
Environmental services	\$ 3,342	\$ 4,226	\$ 4,896
Military Housing projects	(3,176)	2,318	--
General corporate	(3,149)	(948)	(1,720)
Interest expense	(4,890)	(4,621)	(1,618)
Earnings before income taxes	\$ (7,873)	\$ 975	\$ 1,558
Identifiable assets at end of period:			
Environmental services	\$ 24,523	\$ 28,971	\$ 31,912
Military Housing projects	45,934	53,569	42,581
General corporate	9,601	20,574	22,395
Total	\$ 80,058	\$ 103,114	\$ 96,888
Capital expenditures during period:			
Environmental services	\$ 640	\$ 1,211	\$ 980
Military Housing projects	110	5,882	37,946
General corporate	27	31	67
Total	\$ 777	\$ 7,124	\$ 38,993

TEAM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Provision for depreciation and amortization:			
Environmental services	\$1,658	\$1,709	\$1,751
Military Housing projects	1,449	1,262	--
General corporate	850	614	683
Total	\$3,957	\$3,585	\$2,434

(1) Included in 1995 operating profits are one-time charges representing writedowns taken in the second quarter as follows:

Environmental services.....	\$ 724
Military Housing projects.....	4,832
General Corporate.....	697

	\$6,253
	=====

For the three years ended May 31, 1995, there were no customers with sales greater than 10 percent of consolidated revenues.

33

TEAM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

12. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The Company's consolidated results of operations by quarter for the fiscal years ended May 31, 1995 and 1994 were as follows: (in thousands except per share amounts)

	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 Sale of Discontinued Operations, Net of Income Taxes	--	(457)	--	444
Net Earnings (Loss)	\$ (236)	\$ (6,041)	\$ 40	\$ 263
Net Earnings (Loss) per Common Share:				
Earnings (Loss) from Continuing Operations	\$ (0.05)	\$ (0.99)	\$ (0.01)	\$.00
Earnings (Loss) from Discontinued Operations	--	(0.09)	0.02	(0.04)
Earnings (Loss) on Sales of Discontinued Operations	--	(0.09)	--	0.09
Net Earnings (Loss)	\$ (0.05)	\$ (1.17)	\$ 0.01	\$ 0.05
	FISCAL 1994			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Revenues	\$13,909	\$16,792	\$15,383	\$ 15,049
Gross Profit	\$ 6,910	\$ 8,718	\$ 7,875	\$ 7,255
Earnings (Loss) from Continuing Operations, Net of Income Taxes	\$ 78	\$ 289	\$ 242	\$ (172)
Earnings (Loss) from Discontinued Transportation Operations, Net of Income Taxes	126	152	62	(15)
Loss on Sale of Discontinued Operations, Net of Income Taxes	--	--	--	(1,081)
Net Earnings (Loss)	\$ 204	\$ 441	\$ 304	\$ (1,268)
Net Earnings (Loss) per Common Share:				
Earnings (Loss) from Continuing Operations	\$ 0.02	\$ 0.06	\$ 0.05	\$ (0.04)
Earnings (Loss) from Discontinued Transportation Operations	0.02	0.03	0.01	0.00
Earnings (Loss) on Sale of Discontinued Operations	--	--	--	(0.21)
Net Earnings (Loss)	\$ 0.04	\$ 0.09	\$ 0.06	\$ (0.25)

34

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.

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, 1995, 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	17
Consolidated Balance Sheets - May 31, 1995 and 1994	18
Consolidated Statements of Operations - Years ended May 31, 1995, 1994 and 1993	19
Consolidated Statements of Stockholders' Equity - Years ended May 31, 1995, 1994 and 1993	20
Consolidated Statements of Cash Flows - Years ended May 31, 1995, 1994 and 1993	21
Notes to Consolidated Financial Statements	23

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.

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.

- 10(b) Asset Purchase Agreement dated April 10, 1995 by and between Elsik, Inc. and Elsik II, Inc.
- 10(c)* Asset Purchase Agreement dated April 13, 1994 by and among ISI Acquisition Corp., Infrastructure Services, Inc., Epoxy Design Systems, Inc., General Gunitite & Construction Co., Inc., Universal Services Co., Inc., Universal Texas Lite and Barricade, Inc., Water Company of America, Universal Federal Services, Inc. and Team, Inc. as amended by the Amendment to Asset Purchase Agreement dated July 1, 1994 and Second Amendment to Asset Purchase Agreement dated July 15, 1994 (filed as Exhibit 10(a) 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 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(e)* 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(f)* 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(g)* 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(h)* 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(i)* 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(j)* 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(k)* 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 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(l)* 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(m)* 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(n)* 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(o)* 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(p) Amended and Restated Credit Agreement by and among Texas Commerce Bank, N.A. and Team, Inc. and its subsidiaries dated August 24, 1995.
- 10(q) Letter Agreement by and between Texas Commerce Bank, N.A. and Team, Inc. dated September 13, 1995.
- 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)# 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(t)# Employment Agreement effective October 1, 1990 between the Company and Ms. Valerie L. Banner, Vice President and General Counsel of Team, Inc.
- 10(u)# Employment Agreement effective as of November 1, 1994 between the Company and Mr. John M. Slack, Vice President of Team, Inc.
- 10(v)# Amendment to Consulting and Salary Continuation Agreement dated September 20, 1994 by and between Team, Inc. and Mr. H. Wesley Hall (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended August 31, 1994).
- 10(w)# Supplemental Retirement Agreement dated as of December 24, 1990 between Team, Inc. and H. Wesley Hall (filed as Exhibit 10(j) to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1991) as amended by the First Amendment to Supplemental Retirement Agreement dated June 23, 1994 (filed as Exhibit 10(o) to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1994).
- 10(x)# Supplemental Retirement Trust dated as of July 18, 1994

between Team, Inc. and Texas Commerce Bank (filed as Exhibit 10(p) to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1994).

- 10(y)* 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).
- 10(z)* 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(aa)* 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).
- 10(bb)# Team, Inc. Non-Employee Director Stock Option Plan effective December 1991 (filed as Exhibit 10(q) to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1992).
- 10(cc)# First Amendment to Non-Employee Directors' Stock Option Plan dated November 2, 1993 (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended February 28, 1994).
- 10(dd)# 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).

37

- 10(ee)* 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).
- 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 1995.

38

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 September 13, 1995.

Team, Inc.

By: 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.

WILLIAM A. RYAN (William A. Ryan)	President, Chief Executive Officer and Director	September 13, 1995
SIDNEY B. WILLIAMS (Sidney B. Williams)	Director	September 13, 1995
----- (H. Wesley Hall)	Director	September 13, 1995
JACK M. JOHNSON, JR. (Jack M. Johnson, Jr.)	Director	September 13, 1995
E. THEODORE LABORDE (E. Theodore Laborde)	Director	September 13, 1995
JOHN L. FARRELL, JR. (John L. Farrell, Jr.)	Director	September 13, 1995
THOMAS N. AMONETT (Thomas N. Amonett)	Director	September 13, 1995
JOHN M. SLACK (John M. Slack)	Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	September 13, 1995

39

SCHEDULE II

TEAM, INC. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
(IN THOUSANDS)

CLASSIFICATION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COST AND EXPENSES	(B) CHARGED TO OTHER ACCOUNTS	(A) DEDUCTIONS	BALANCE AT END OF PERIOD
Deducted from assets to which they apply:					
Allowance for doubtful accounts:					
Year ended May 31, 1995	\$242	\$205	\$--	\$243	\$204
Year ended May 31, 1994	164	164	--	86	242
Year ended May 31, 1993	108	142	--	86	164
Allowance for notes receivable:					
Year ended May 31, 1995	\$ 77	\$ 28	\$163	\$--	\$268
Year ended May 31, 1994	--	77	--	--	77

(A) Net write-off of bad debt

(B) Included in writedown

S1

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED MAY 31, 1995 COMMISSION FILE NUMBER 1-8604

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

TEXAS

74-1765729

(STATE OF
INCORPORATION)

(I.R.S. EMPLOYER
IDENTIFICATION NO.)

1001 FANNIN STREET, SUITE 4656, HOUSTON, TEXAS
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

77002
(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (713) 659-3600

EXHIBITS

Volume II

S2

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement ("Agreement") is made this 10th day of April, 1995, by and between Hellums Services, Inc., a Texas corporation (the "Seller") and Hellums Services II, Inc., a Texas corporation (the "Buyer").

WHEREAS, Seller is engaged in the business (the "Business") of oilfield service operations including, but not limited to, (i) liquid vacuum and hauling services to the oil and gas industry, (ii) renting of portable storage and frac tanks and water tanks, and (iii) reconditioning, selling and distributing of drilling mud and selling and distributing of well completion fluids; and

WHEREAS, Buyer wishes to purchase from Seller, and Seller wishes to sell, transfer, assign and deliver to Buyer substantially all of Seller's assets used in the Business;

NOW, THEREFORE, in consideration of the premises and the representations, warranties, covenants and agreements stated herein, the parties agree as follows:

ARTICLE I

CLOSING

Section 1.1 CLOSING AND CLOSING DATE. The closing of the transactions contemplated hereby (the "Closing") shall be held on or before April 10, 1995, at the offices of Team, Inc., 1001 Fannin, Suite 4656, Houston, Texas 77002, or such other place as the parties mutually agree, or on such other date as Seller and Buyer shall agree in writing. The "Closing Date" as referred to herein is defined as 9:00 a.m., Houston, Texas time, on the date of Closing.

Section 1.2 TITLE, POSSESSION, RISK OF LOSS. Title, possession and risk of loss or destruction or damage to the Purchased Assets (as defined below) shall pass to Buyer as of the Closing Date.

ARTICLE II

PURCHASE, SALE AND DELIVERY

Section 2.1 PURCHASED ASSETS AND EXCLUDED ASSETS. Subject to the terms and conditions of this Agreement, and on the basis of the representations and warranties hereinafter set forth, at the Closing, Seller is selling, transferring, conveying, assigning and delivering to Buyer, and Buyer is purchasing from Seller, all its assets, except for the Excluded Assets (as defined below). "Purchased Assets" shall include the assets listed on Exhibit "A" hereto as well as the business, property and assets (tangible and intangible) of the Seller of every kind and wherever situated

1

that are used by or useful in the operation of the Business and owned or leased by the Seller or in which it has any right or interest relating to the Business (including, without limitation, and to the extent owned, its business as a going concern, processes, proprietary and technical information, computer software, know-how, permits, licenses and trade secrets (including all rights received for past infringement of any of the foregoing); its interests in real property; its equipment, inventories and supplies, its rights under all agreements assumed by Buyer; the aforesaid business, properties and assets, including customer, supplier and vendor lists and files), but except for the Excluded Assets as defined below. Notwithstanding the foregoing, the Purchased Assets shall not include, and Buyer will not purchase, the minute books and stock records of Seller or any other assets listed on Exhibit "B" hereto (the "Excluded Assets").

Section 2.2 PURCHASE PRICE. The total consideration to be paid at the Closing for the Purchased Assets (the "Cash Consideration") shall equal to Three Million One Hundred Ten Thousand Dollars (\$3,110,000). Seller agrees that in regard to the property leased by Seller set forth on Exhibit "C", Seller shall pay such leases in full on or before the Closing Date and use all reasonable efforts to cause the relevant lessor of said lease to convey the property directly to Buyer.

Section 2.3 ALLOCATIONS OF EXPENSES. Expenses for taxes and utilities shall be allocated in the following manner:

(a) Except as set forth in Section 2.3(c) below, liability for taxes, if any, on the personal and real property to be transferred hereunder shall be allocated between Seller and Buyer as of the Closing on the basis of the period of time to which such liability applies, based on the rates in effect for the most recent tax year. Buyer agrees to pay all taxes for the current year in a timely manner. Within five (5) business days after receipt by the Seller of evidence that the Buyer has discharged the ad valorem or similar tax assessments owed for the current year, the Seller shall pay its pro rata portion of such taxes to Buyer.

(b) With regard to the real property to be acquired by Buyer, all expenses incurred for utility services shall be allocated between Seller and Buyer as of the Closing Date with amounts attributable to services provided before the Closing Date to be allocated to Seller and the amounts attributable to services provided after the Closing Date to be allocated to Buyer. For the purpose of this section, utility services shall mean water, sewage, electrical and gas services. Buyer shall present Seller with written and satisfactory proof of utility expenses owed by Seller and Seller shall pay such utility expenses in a prompt manner.

(c) All fees, taxes and other charges that are required to be paid in connection with the consummation of the transactions covered by this Agreement shall be paid by the party incurring same; provided, however, that all sales, use or similar taxes, if any, payable by reason of the sale, transfer or delivery of the Purchased Assets to Buyer shall be the sole responsibility of Buyer, who shall hold harmless and indemnify Seller from

2

and against any and all loss, liability, cost or expense, including reasonable attorneys' fees, based upon or arising out of Buyer's failure to pay such taxes.

Section 2.4 ALLOCATION REPORTING. Buyer and Seller agree to report the allocation of the Cash Consideration among the Purchased Assets as set forth in Exhibit "A", such allocation to be made as provided in Section 1060 of the Internal Revenue Code. Buyer and Seller, as applicable, shall each file Form 8594 (Asset Acquisition Statement under Section 1060 of the Internal Revenue Code) on a timely basis reporting the allocation of the Cash Consideration consistent with the allocation on Exhibit "A". Buyer and Seller, as applicable, shall not take any position on their respective income tax returns that is inconsistent with the allocation of the Cash Consideration as agreed to in Exhibit "A."

Section 2.5 ACCOUNTS RECEIVABLE. Buyer shall assist Seller in any commercially reasonable manner (including use of its employees) in collecting any and all Accounts Receivable retained by Seller pursuant to this Agreement. In addition, Buyer will transfer to Seller, within ten (10) days of its receipt, any cash, checks or other property or other instruments of payment which it may receive in respect of such receivables, as well as any other mail or communication it may receive with respect to the assets and liabilities retained by Seller hereunder.

ARTICLE III

LIABILITIES AND OBLIGATIONS

Section 3.1 OBLIGATIONS ASSUMED. As part of the consideration for the Purchased Assets, Buyer shall assume Seller's obligations that accrue after the Closing Date under its contracts and leases.

Section 3.2 SERVICE AND/OR WARRANTY WORK. After the Closing, if any customer of Seller is entitled by law, contract or Seller's customary business practice or course of dealing to, and does, seek service and/or warranty work on any item sold, leased or repaired by Seller prior to Closing, Buyer agrees with Seller that Buyer shall provide such warranty work on such item at Buyer's sole cost and expense.

Section 3.3 LIABILITIES NOT ASSUMED. Except as otherwise specifically set forth in this Agreement, Buyer shall not assume or be liable for any liabilities or obligations of Seller, whether the same are direct or indirect, fixed, contingent or otherwise, known or unknown, whether existing at the

Closing Date or arising thereafter as a result of any act, omission or circumstance taking place prior to the Closing Date, and whether or not the same are reflected on the Seller's balance sheet.

3

ARTICLE IV

CONDUCT PRIOR TO THE CLOSING AND CERTAIN COVENANTS AND OTHER MATTERS

Section 4.1 CONDUCT OF BUSINESS. Seller and Buyer make the following agreements with respect to interim operations:

(a) DAMAGE TO ASSETS. Risk of loss or destruction or damage to the Purchased Assets shall pass to Buyer as of the Closing Date. Seller shall give prompt notice to Buyer of any such material loss or damage and Buyer shall, at its election, have the right to terminate this Agreement if there is material loss or damage, unless Seller has restored the loss or damage at its expense, prior to the Closing Date.

(b) PERFORMANCE OF CONTRACT. Pending the Closing Date, Seller shall perform under all material contracts pertaining to the Purchased Assets and shall not amend or terminate any material contract without the prior written consent of Buyer, which consent shall not be unreasonably withheld, and shall not enter into any new agreements (other than those entered into in the ordinary course of business) which might be binding on Buyer, except those which shall be approved in writing by Buyer, which approval shall not be unreasonably withheld.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents and warrants to Buyer as of the date hereof and as of the Closing Date the following:

Section 5.1 CORPORATE STATUS AND GOOD STANDING. Seller is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Texas and has all corporate power and authority to carry on its business as presently conducted.

Section 5.2 AUTHORITY TO TRANSFER ASSETS. The Board of Directors of Seller has taken all corporate action necessary to transfer the Purchased Assets, and the Board of Directors of Seller has duly approved this Agreement and the transactions contemplated hereby and will have authorized the execution and delivery of this Agreement and all other documents incidental hereto. In addition, Seller has received all authorizations, consents and approvals of all federal, state and local governmental agencies and authorities required to be obtained in order to permit the consummation of the transactions contemplated hereby. Seller further represents and warrants that it has authority to convey the Purchased Assets being purchased hereby and is not limited by its Articles of Incorporation or Bylaws.

4

Section 5.3 TITLE TO PROPERTIES, ENCUMBRANCES AND LEASES. On the Closing Date, Seller shall convey to Buyer good and marketable title to all of the Purchased Assets. Such properties and assets will be (a) subject to no mortgage, pledge, lien, conditional sales agreement or encumbrance, except for those detectable by visual inspection, those of which Buyer has knowledge, those which are of public record and those set forth in Exhibit "D" hereto, or (b) Seller will indemnify Buyer for any and all mortgages, pledges, liens, conditional sales agreements or encumbrances relating to the Purchased Assets.

Section 5.4 TAXES. Seller has duly filed all state and federal tax reports and returns required by law to be filed with respect to the Purchased Assets and all taxes upon all of the Purchased Assets which are due and payable have been paid, and no additional taxes have been asserted to have been due from Seller regarding the Purchased Assets. There are no assessments or, to Seller's knowledge, proposed assessments by any governmental authority having jurisdiction against the Purchased Assets which are not yet due and payable, except for ad valorem taxes for 1995.

Section 5.5 NO BROKER. Seller represents that no broker has been

involved in this transaction and agrees to indemnify and hold Buyer harmless from any payment of any involved because of Seller's association with such parties.

Section 5.6 NO WARRANTIES REGARDING THE PURCHASED ASSETS. Buyer acknowledges and agrees that, except as set forth in Sections 5.1 through 5.5, the sale of the Purchased Assets hereunder is being made by Seller without representation or warranty of any kind, whether express or implied, statutory or otherwise, and without limiting the foregoing, SELLER HAS NOT MADE AND WILL NOT MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO: (A) THE MERCHANTABILITY OF THE PURCHASED ASSETS; OR (B) THE FITNESS OF THE PURCHASED ASSETS FOR A PARTICULAR PURPOSE. SELLER IS SELLING THE PURCHASED ASSETS ON AN "AS IS", "WHERE IS" AND "WITH ALL FAULTS" BASIS AND DISCLAIMS ANY IMPLIED WARRANTIES WITH RESPECT TO THE PURCHASED ASSETS.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to Seller as of the date hereof and as of the Closing Date the following:

Section 6.1 INCORPORATION, AUTHORITY AND QUALIFICATION. Buyer is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Texas. It has full corporate power to execute, deliver and perform this Agreement and to take any action required by laws, its Articles of Incorporation, its By-laws or otherwise. The Board of Directors of Buyer has taken all necessary action to authorize Buyer to execute and deliver this Agreement, to consummate the transactions contemplated herein and to take all actions required to be taken

5

by Buyer pursuant to the provisions hereof. Buyer further represents and warrants that it has authority to purchase the Purchased Assets and is not limited by its Articles of Incorporation or Bylaws.

Section 6.2 GOVERNMENTAL AUTHORITY. Buyer has obtained all authorizations, consents and approvals of all federal, state and local governmental agencies and authorities required to be obtained to permit the consummation of the transactions contemplated hereby.

Section 6.3 NO BROKER. Buyer represents that no broker has been involved in this transaction and agrees to indemnify and hold Seller harmless from any payment of any involved because of Buyer's association with such parties.

ARTICLE VII

COVENANTS

Section 7.1 EMPLOYEES. Seller will terminate its employment relationship with each employee of the Seller on and as of the Closing Date. Buyer will offer employment on an at-will basis to such employees of Seller as Buyer, in its sole discretion, shall determine (the "Continuing Employees"). Except as otherwise set forth herein, the terms and conditions of the employment of the Continuing Employees shall be determined solely by Buyer (provided, however, the base pay of said employees shall be not less than the amount paid by Seller as of the Closing Date). Each Continuing Employee hired by Buyer will receive credit for paid vacation and sick leave to the same extent that such Continuing Employee had been credited for those items by the Seller before the Closing Date. In addition, if any of Buyer's employment benefits are based upon years of service with Buyer, Buyer agrees to give each Continuing Employee credit for service equal to the credit such Continuing Employee enjoyed with the Seller immediately prior to the Closing Date for purposes of determining those benefits. Buyer also agrees to waive any preexisting conditions of the Continuing Employees with respect to all of Buyer's employee benefits. Buyer will indemnify, protect, defend, save and hold harmless Seller from and against any and all claims for severance pay, as well as any and all liabilities as a result of a Continuing Employee's actual, deemed or defacto termination from employment with Buyer following the employment by Buyer of such Continuing Employee. Except as otherwise provided in this Section, Buyer shall have no obligation to continue to employ any Continuing Employee or to continue to provide benefits to any Continuing Employee after the Closing Date. Further, Buyer and Seller specifically acknowledge and agree that the provisions of this Section are not intended to confer any rights or remedies for the benefit of any Continuing

Employee.

Section 7.2 WORKERS' COMPENSATION. Seller will bear the entire cost and expense of all workers' compensation claims arising out of injuries identifiably sustained by a Continuing Employee on or before the Closing Date. Buyer will bear the entire cost and expense of all workers' compensation claims arising out of injuries identifiably sustained by a Continuing Employee after the Closing Date. Seller will bear the entire cost and expense of all workers' compensation claims arising out of injuries without an identifiable date of occurrence and which

6

are filed within thirty (30) days after the date hereof, regardless of whether such claims are alleged to have arisen prior to or after the Closing Date. Buyer shall bear the entire cost and expense of all workers' compensation claims arising out of injuries without an identifiable date of occurrence and which are filed more than thirty (30) days after the date hereof.

Section 7.3 WARN NOTICE. Buyer agrees to provide any notification under the Worker Adjustment and Retraining Notification Act or any similar act in any jurisdiction that may be required of either Buyer or Seller, and Buyer, for these purposes, shall act as the agent of Seller and shall indemnify the Seller for any claims made against the Seller as a result of any actions taken by the Buyer that result in any employment loss as defined under any of said acts.

Section 7.4 FURTHER ASSISTANCE. Seller shall execute and deliver to Buyer, at Closing or thereafter, any other instrument which may be requested by Buyer and which is reasonably appropriate to perfect or evidence any of the sales, assignments, transfers or conveyances contemplated by this Agreement or to transfer any Purchased Assets identified after Closing. In addition, Buyer agrees to assist Seller in the collection of the Accounts Receivable as set forth in Section 2.5 hereof, and shall also assist Seller in any commercially reasonable manner (including use of its employees) in any litigation, threatened or actual, of Seller.

ARTICLE VIII

INDEMNIFICATION

Section 8.1 SELLER'S INDEMNITY OBLIGATIONS. Seller shall indemnify and hold Buyer (including its officers, directors, employees and agents) harmless from and against any and all claims, actions, causes of action, arbitrations, proceedings, losses, damages, liabilities, judgments and expenses (including, without limitation, reasonable attorneys' fees) incurred as a result of (a) any error, inaccuracy, breach or misrepresentation in any of the representations and warranties made by or on behalf of Seller in this Agreement, (b) any violation or breach by Seller of or default by Seller under the terms of this Agreement or (c) any act or omission occurring before the Closing Date, or any condition or circumstances caused by any act or omission occurring before the Closing Date by Seller or with respect to the Purchased Assets to the extent and only to the extent that this Section 8.1(c) is not inconsistent with Section 3.2 and Section 5.6 of this Agreement.

Section 8.2 BUYER'S INDEMNITY OBLIGATIONS. Buyer shall indemnify and hold Seller (including its officers, directors, employees and agents) harmless from and against any and all claims, actions, causes of action, arbitrations, proceedings, losses, damages, liabilities, judgments and expenses (including, without limitation, reasonable attorneys' fees) incurred as a result of (a) any error, inaccuracy, breach or misrepresentation in any of the representations and warranties made by or on behalf of Buyer in this Agreement, (b) any violation or breach by Buyer of or default by Buyer under the terms of this Agreement, or (c) any act or omission occurring after the Closing Date, or any condition or circumstances caused by any act or omission occurring

7

after the Closing Date, by Buyer or with respect to the Purchased Assets, or any product sold by Buyer or a service provided by Buyer (including liability and warranty claims with respect thereto).

Section 8.3 INDEMNIFICATION PROCEDURES. The party seeking indemnification pursuant to Section 8.1 or 8.2 hereunder (the "Indemnified Party") agrees to give the party required to indemnify the Indemnified Party pursuant to Section 8.1 or 8.2 hereto (the "Indemnifying Party") prompt notice

of any claims which would result in a claim for indemnification hereunder. The Indemnifying Party shall have the right to assume the defense thereof, with counsel reasonably satisfactory to the Indemnified Party, and in such event, the Indemnifying Party shall not be liable to the Indemnified Party for any further legal or other expenses incurred by the Indemnified Party in connection with the defense thereof, other than the reasonable costs of any investigation or assistance required by the Indemnifying Party. The Indemnified Party may participate actively, at its sole expense, in any lawsuit respecting such claims. The Indemnified Party shall have the right to approve (such approval not to be unreasonably withheld) any out-of-court settlement if it would affect the conduct of business of the Indemnified Party. The parties hereto will cooperate fully with each other with respect to discovery, inquiries or investigations, including the furnishing of required employee witnesses, in connection with any claim or lawsuit for which indemnity is sought hereunder.

Section 8.4 GENERAL. The indemnification obligations under this Article VIII shall apply regardless of whether any suit or action results solely or in part from the active, passive or concurrent negligence of the Indemnified Party. The rights of the parties to indemnification under this Article VIII shall not be limited due to any investigations heretofore or hereafter made by such parties or their representatives, regardless of negligence in the conduct of any such investigations; provided, however, that no party shall have any liability to the other party for the breach of any representation or warranty to the extent that such other party had knowledge, as of the Closing Date, that such representation or warranty was inaccurate in any respect.

ARTICLE IX

CONDITIONS PRECEDENT TO CLOSING

Section 9.1 CONDITIONS PRECEDENT TO OBLIGATIONS OF BUYER. The performance of the obligations of Buyer hereunder are subject, at the election of Buyer, to the following conditions:

(a) SELLER'S REPRESENTATIONS, WARRANTIES AND COVENANTS. The representations and warranties of Seller shall be true and correct in all material respects as of and at the Closing Date with the same force and effect as though made on such date and all obligations and covenants required by this Agreement to be performed or complied with by Seller on or prior to the Closing Date shall have been duly performed or complied with by Seller in all material respects.

8

(b) VIOLATION OF LAW, ORDINANCES, ETC. On or before the Closing Date, neither Buyer nor Seller shall have received any notice or have knowledge of any lawsuit, pending or threatened, any violation or alleged violation of any city ordinance, state law, rule or regulation of any governmental authority which question the validity of this Agreement or any such action taken or contemplated by Buyer or Seller in connection with this Agreement.

(c) CLOSING DOCUMENTS. Buyer shall have received from Seller the following documents on the Closing Date:

(i) Articles of Incorporation of Seller certified by the Secretary of the State of Texas and Good Standing Certificate;

(ii) A certified copy of the resolutions of the Board of Directors authorizing the transaction contemplated hereby;

(iii) Such instruments of sale, transfer and conveyance covering the Purchased Assets as shall be necessary to vest in Buyer good and marketable title to the Purchased Assets with forms reasonably satisfactory to Buyer, including, but not limited to, an Assignment and Bill of Sale in the form set forth in Exhibit E hereto and special warranty deeds for all real property being conveyed to Buyer pursuant to this Agreement, which special warranty deeds shall be on the form set forth in Exhibit F hereto;

(iv) Consents, if required, from any governmental agency or authority;

(v) A certificate signed by an officer of Seller, certifying that

the covenants, conditions, obligations and agreements required by this Agreement to be performed or complied with by Seller have been performed or complied with, and that the representations and warranties herein are true and correct;

(vi) Copies of duly executed UCC-3 Termination Statements, showing termination of the UCC-1 Financing Statements and any other security agreements filed against the Purchased Assets to be transferred to the extent Seller has received same;

(vii) Copies of all Seller's records which establish rights relating to the Purchased Assets to be transferred hereby; and

(viii) Such certificates and other instruments as may be necessary to consummate the transactions contemplated herein.

9

Section 9.2 CONDITIONS PRECEDENT TO OBLIGATIONS OF SELLER. The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to satisfaction prior to the Closing Date or at the Closing of all of the following conditions:

(a) BUYER'S REPRESENTATIONS, WARRANTIES AND COVENANTS. The representations and warranties of Buyer shall be true and correct in all material respects as of and at the Closing Date with the same force and effect as though made on such date and all obligations and covenants required by this Agreement to be performed or complied with by Buyer on or prior to the Closing Date shall have been duly performed or complied with by Buyer in all material respects.

(b) VIOLATION OF LAWS, ORDINANCES, ETC. On or before the Closing Date, neither Buyer nor Seller shall have received any notice or have knowledge of any lawsuit, pending or threatened, any violation or alleged violation of any city ordinance, state law, rule or regulation of any governmental authority which question the validity of this Agreement or any such action taken or contemplated by Buyer or Seller in connection with this Agreement.

(c) CLOSING DOCUMENTS. Seller shall have received from Buyer the following on the Closing Date:

(i) The Cash Consideration;

(ii) The Articles of Incorporation of Buyer certified by the Secretary of State of Texas and Certificate of Good Standing;

(iii) A certified copy of the resolutions of the Board of Directors of Buyer authorizing the transactions contemplated hereby;

(iv) Consents, if required, from any governmental agency or authority;

(v) A certificate signed by an officer of Buyer certifying that the covenants, conditions, obligations and agreements required by this Agreement to be performed or complied with by Buyer have been performed or complied with, and that the representations and warranties herein are true and correct;

(vi) Such certificates and other instruments as may be necessary to consummate the transactions contemplated herein.

10

ARTICLE X

TERMINATION AND AMENDMENT

Section 10.1 TERMINATION. This Agreement may be terminated at any time prior to the Closing Date:

(a) By mutual consent of Seller and Buyer;

(b) By Buyer if there has been a breach of any representation, warranty,

covenant or agreement on the part of Seller set forth in this Agreement or by Seller if there has been a breach of any representation, warranty, covenant or agreement on the part of Buyer set forth in this Agreement, in each case which breach has either not been cured or not had a plan to cure developed therefor approved by the parties hereto (which plan is being diligently followed) within five business days following receipt by the breaching party of notice of such breach, or if any permanent injunction or other order of a court or other competent authority preventing the consummation of the transactions contemplated hereby shall have become final and non-appealable.

Section 10.2 EFFECT OF TERMINATION. In the event of termination of this Agreement by any party as provided in Section 10.1 hereof, this Agreement shall forthwith become void and there shall be no liability or obligation on the part of Seller or Buyer or their respective officers or directors (in the case of the corporate entities) except with respect to Sections 5.5, 6.3, 11.1 and 11.2 hereof; PROVIDED that this Section 10.2 shall not relieve any party from liability for damages incurred as a result of any willful breach by a party hereto of any of its representations, warranties, covenants or agreements set forth in this Agreement.

Section 10.3 REMEDIES UPON DEFAULT. Should either party materially default in the performance of its representations, warranties and covenants under this Agreement and shall for this reason fail to consummate this Agreement at the Closing Date (the "Defaulting Party"), and the other party is not then in default of any representations, warranties and covenants hereunder (the "Non-Defaulting Party"), the Non-Defaulting Party shall then be entitled at its option to:

(a) Terminate the Agreement;

(b) Require the Defaulting Party to consummate the sale in accordance with the terms of this Agreement, if necessary through injunction or other court order or process; or

(c) In addition to the foregoing, have such other remedies against the Defaulting Party as shall be available to the Non-Defaulting Party elsewhere hereunder and/or under applicable law or equity, including, in the event of termination pursuant to Section 10.3(a), the recovery of reasonable attorneys' fees and return of any costs incurred by the Non-Defaulting Party in the preparation for consummation of the transaction contemplated by this Agreement.

11

Section 10.4 AMENDMENT. This Agreement may be amended by the parties hereto at any time. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

Section 10.5 EXTENSION; WAIVER. At any time prior to the Closing Date, any party hereto may (i) extend the time for the performance of any of the obligations or other acts for its or his benefit of any other party hereto, (ii) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto, and (iii) waive compliance with any of the agreements or conditions contained herein for its or his benefit. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in a written instrument signed on behalf of such party. No waiver by the parties hereto of any default or breach of any term, condition or covenant of this Agreement shall be deemed to be a waiver of any other breach of the same or any other term, condition or covenant contained herein.

ARTICLE XI

GENERAL PROVISIONS

Section 11.1 CONFIDENTIALITY; PUBLICITY; BOOKS AND RECORDS.

(a) Each party and its affiliates will hold, and will use all reasonable efforts to cause their respective officers, directors, employees, accountants, counsel, consultants, advisors and agents to hold, in confidence, unless compelled to disclose by judicial or administrative process or by other legal requirements, all confidential documents and information concerning the other parties and their respective affiliates furnished to such party or its affiliates in connection with the transactions contemplated by this Agreement, except to the extent that

such information can be shown to have been (i) previously known on a nonconfidential basis by such party, (ii) in the public domain through no fault of such party or (iii) later lawfully acquired by such party from sources other than the other parties or their affiliates; PROVIDED that such party may disclose such information to its officers, directors, employees, accountants, counsel, consultants, advisors and agents in connection with the transactions contemplated by this Agreement and to its lenders in connection with the transactions contemplated by this Agreement so long as such persons are informed by such party of the confidential nature of such information and are directed by such party to treat such information confidentially. The obligation of such party and its affiliates to hold any such information in confidence shall be satisfied if they exercise the same care with respect to such information as they would take to preserve the confidentiality of their own similar information. If this Agreement is terminated pursuant to Article X hereto, each party and its affiliates will, and will use all reasonable efforts to cause their respective officers, directors, employees, accountants, counsel, consultants, advisors and agents to, destroy or deliver to any other party, upon request, all documents and other materials, and all copies thereof, obtained by such party or its affiliates or on their behalf from the other party and its affiliates in connection with this Agreement that are subject to such confidence.

12

(b) Subject to applicable securities law or stock exchange requirements, the parties hereto will promptly advise, and obtain the approval of, the other parties before issuing any press release with respect to this Agreement or the transactions contemplated hereby.

Section 11.2 EXPENSES. The Buyer and Seller shall pay their own respective expenses, including the fees and disbursements of their respective counsel in connection with the negotiation, preparation and execution of this Agreement and the consummation of the transactions contemplated herein.

Section 11.3 ENTIRE AGREEMENT. This Agreement (including all Exhibits hereto) and the documents delivered pursuant to this Agreement constitute the entire sole and only agreement of the parties hereto with respect to the subject matter hereof, and supersedes any prior understanding or written or oral agreements between the parties, and may not be modified, amended or terminated except by a written instrument specifically referring to this Agreement signed by all the parties hereto.

Section 11.4 NOTICES. All notices and other communications hereunder shall be in writing and shall be deemed to have been received only if and when (i) personally delivered or (ii) on the third day after mailing, by United States mail, first class, postage prepaid, by certified mail, return receipt requested, addressed in each case as follows (or to such other address as may be specified by like notice):

(a) If to Buyer, to: Hellums Services II, Inc.
P. O. Box 904
Freer, Texas 78357
Fax: (512) 394-7623
Telephone confirmation:

Attn: Mr. Roger D. Hellums

(b) If to Seller, to: Hellums Services, Inc.
c/o Team, Inc.
1001 Fannin, Suite 4656
Houston, Texas 77002
Fax: (713) 659-3657

Telephone confirmation: (713) 659-3600

Attn: Mr. H. Wesley Hall,
Chairman, President and
Chief Executive Officer

13

With a copy (which shall constitute notice) to:

Valerie L. Banner
1001 Fannin, Suite 4656
Houston, Texas 77002
Fax: (713) 659-3657
Telephone confirmation: (713) 659-3600

Section 11.5 SUCCESSORS AND ASSIGNS. This Agreement may not be assigned by operation of law or otherwise without the express written consent of both parties hereto.

Section 11.6 COMPLIANCE WITH BULK SALES LAWS. Buyer and Seller waive compliance with the requirements of any applicable bulk sales laws of any jurisdiction. Seller shall indemnify Buyer against any and all liabilities or expenses Buyer may incur as a result of any noncompliance by Buyer or Seller with any bulk sales laws as they relate to this transaction.

Section 11.7 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas.

Section 11.8 PARTIAL INVALIDITY OF THE AGREEMENT. In the event any one or more provisions contained in this Agreement shall be for any reason held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision thereof and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

Section 11.9 LITIGATION. Should any litigation be commenced between the parties hereto concerning this Agreement or the rights and duties of either in relation thereto, the prevailing party in such litigation shall be entitled, in addition to such other relief as may be granted, to a reasonable sum as and for attorneys' fees in such litigation.

Section 11.10 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations and warranties will survive for one year after the Closing Date, and thereupon shall expire and thereafter be of no further force or effect. All covenants and agreements of the parties hereto contained herein shall survive the execution and delivery of this Agreement and the Closing.

14

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

SELLER

HELLUMS SERVICES, INC.

By: /s/ H. WESLEY HALL
H. Wesley Hall, President

BUYER

HELLUMS SERVICES II, INC.

By: /s/ ROGER D. HELLUMS
Roger D. Hellums, President

15

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement ("Agreement") is made this 10th day of April, 1995, by and between Elsik, Inc., a Texas corporation (the "Seller") and Elsik II, Inc., a Texas corporation (the "Buyer").

WHEREAS, Seller is engaged in the business (the "Business") of oilfield service operations including, but not limited to, the rental of mobile housing and office units for supervisory oilfield personnel; and

WHEREAS, Buyer wishes to purchase from Seller, and Seller wishes to sell, transfer, assign and deliver to Buyer substantially all of Seller's assets used in the Business;

NOW, THEREFORE, in consideration of the premises and the representations, warranties, covenants and agreements stated herein, the parties agree as follows:

ARTICLE I

CLOSING

Section 1.1 CLOSING AND CLOSING DATE. The closing of the transactions contemplated hereby (the "Closing") shall be held on or before April 10, 1995, at the offices of Team, Inc., 1001 Fannin, Suite 4656, Houston, Texas 77002, or such other place as the parties mutually agree, or on such other date as Seller and Buyer shall agree in writing. The "Closing Date" as referred to herein is defined as 9:00 a.m., Houston, Texas time, on the date of Closing.

Section 1.2 TITLE, POSSESSION, RISK OF LOSS. Title, possession and risk of loss or destruction or damage to the Purchased Assets (as defined below) shall pass to Buyer as of the Closing Date.

ARTICLE II

PURCHASE, SALE AND DELIVERY

Section 2.1 PURCHASED ASSETS AND EXCLUDED ASSETS. Subject to the terms and conditions of this Agreement, and on the basis of the representations and warranties hereinafter set forth, at the Closing, Seller is selling, transferring, conveying, assigning and delivering to Buyer, and Buyer is purchasing from Seller, all its assets, except for the Excluded Assets (as defined below). "Purchased Assets" shall include the assets listed on Exhibit "A" hereto as well as the business, property and assets (tangible and intangible) of the Seller of every kind and wherever situated that are used by or useful in the operation of the Business and owned or leased by the Seller or in which it has any right or interest relating to the Business (including, without limitation, and

1

to the extent owned, its business as a going concern, processes, proprietary and technical information, computer software, know-how, permits, licenses and trade secrets (including all rights received for past infringement of any of the foregoing); its equipment, inventories and supplies, its rights under all agreements assumed by Buyer; the aforesaid business, properties and assets, including customer, supplier and vendor lists and files), but except for the Excluded Assets as defined below. Notwithstanding the foregoing, the Purchased Assets shall not include, and Buyer will not purchase, the minute books and stock records of Seller or any other assets listed on Exhibit "B" hereto (the "Excluded Assets").

Section 2.2 PURCHASE PRICE. The total consideration to be paid at the Closing for the Purchased Assets (the "Cash Consideration") shall equal Three Hundred and Ninety Six Thousand Dollars (\$396,000). Seller agrees that in regard to the property leased by Seller set forth on Exhibit "C", Seller shall pay such leases in full on or before the Closing Date and use all reasonable efforts to cause the relevant lessor of said lease to convey the property directly to Buyer.

Section 2.3 ALLOCATIONS OF EXPENSES. Expenses for taxes and utilities shall be allocated in the following manner:

(a) Except as set forth in Section 2.3(c) below, liability for taxes, if any, on the personal and real property to be transferred hereunder shall be allocated between Seller and Buyer as of the Closing on the basis of the period of time to which such liability applies, based on the rates in effect for the most recent tax year. Buyer agrees to pay all taxes for the current year in a timely manner. Within five (5) business days after receipt by the Seller of evidence that the Buyer has discharged the ad valorem or similar tax assessments owed for the current year, the Seller shall pay its pro rata portion of such taxes to Buyer.

(b) All expenses incurred for utility services shall be allocated between Seller and Buyer as of the Closing Date with amounts attributable to services provided before the Closing Date to be allocated to Seller and the amounts attributable to services provided after the Closing Date to be allocated to Buyer. For the purpose of this section, utility services shall mean water, sewage, electrical and gas services. Buyer shall present Seller with written and satisfactory proof of utility expenses owed by Seller and Seller shall pay such utility expenses in a prompt manner.

(c) All fees, taxes and other charges that are required to be paid in connection with the consummation of the transactions covered by this Agreement shall be paid by the party incurring same; provided, however, that all sales, use or similar taxes, if any, payable by reason of the sale, transfer or delivery of the Purchased Assets to Buyer shall be the sole responsibility of Buyer, who shall hold harmless and indemnify Seller from and against any and all loss, liability, cost or expense, including reasonable attorneys' fees, based upon or arising out of Buyer's failure to pay such taxes.

2

Section 2.4 ALLOCATION REPORTING. Buyer and Seller agree to report the allocation of the Cash Consideration among the Purchased Assets as set forth in Exhibit "A", such allocation to be made as provided in Section 1060 of the Internal Revenue Code. Buyer and Seller, as applicable, shall each file Form 8594 (Asset Acquisition Statement under Section 1060 of the Internal Revenue Code) on a timely basis reporting the allocation of the Cash Consideration consistent with the allocation on Exhibit "A". Buyer and Seller, as applicable, shall not take any position on their respective income tax returns that is inconsistent with the allocation of the Cash Consideration as agreed to in Exhibit "A."

Section 2.5 ACCOUNTS RECEIVABLE. Buyer shall assist Seller in any commercially reasonable manner (including use of its employees) in collecting any and all Accounts Receivable retained by Seller pursuant to this Agreement. In addition, Buyer will transfer to Seller, within ten (10) days of its receipt, any cash, checks or other property or other instruments of payment which it may receive in respect of such receivables, as well as any other mail or communication it may receive with respect to the assets and liabilities retained by Seller hereunder.

ARTICLE III

LIABILITIES AND OBLIGATIONS

Section 3.1 OBLIGATIONS ASSUMED. As part of the consideration for the Purchased Assets, Buyer shall assume Seller's obligations that accrue after the Closing Date under its contracts and leases.

Section 3.2 SERVICE AND/OR WARRANTY WORK. After the Closing, if any customer of Seller is entitled by law, contract or Seller's customary business practice or course of dealing to, and does, seek service and/or warranty work on any item sold, leased or repaired by Seller prior to Closing, Buyer agrees with Seller that Buyer shall provide such warranty work on such item at Buyer's sole cost and expense.

Section 3.3 LIABILITIES NOT ASSUMED. Except as otherwise specifically set forth in this Agreement, Buyer shall not assume or be liable for any liabilities or obligations of Seller, whether the same are direct or indirect, fixed, contingent or otherwise, known or unknown, whether existing at the Closing Date or arising thereafter as a result of any act, omission or circumstance taking place prior to the Closing Date, and whether or not the same are reflected on the Seller's balance sheet.

ARTICLE IV

CONDUCT PRIOR TO THE CLOSING AND CERTAIN COVENANTS
AND OTHER MATTERS

Section 4.1 CONDUCT OF BUSINESS. Seller and Buyer make the following agreements with respect to interim operations:

3

(a) DAMAGE TO ASSETS. Risk of loss or destruction or damage to the Purchased Assets shall pass to Buyer as of the Closing Date. Seller shall give prompt notice to Buyer of any such material loss or damage and Buyer shall, at its election, have the right to terminate this Agreement if there is material loss or damage, unless Seller has restored the loss or damage at its expense, prior to the Closing Date.

(b) PERFORMANCE OF CONTRACT. Pending the Closing Date, Seller shall perform under all material contracts pertaining to the Purchased Assets and shall not amend or terminate any material contract without the prior written consent of Buyer, which consent shall not be unreasonably withheld, and shall not enter into any new agreements (other than those entered into in the ordinary course of business) which might be binding on Buyer, except those which shall be approved in writing by Buyer, which approval shall not be unreasonably withheld.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents and warrants to Buyer as of the date hereof and as of the Closing Date the following:

Section 5.1 CORPORATE STATUS AND GOOD STANDING. Seller is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Texas and has all corporate power and authority to carry on its business as presently conducted.

Section 5.2 AUTHORITY TO TRANSFER ASSETS. The Board of Directors of Seller has taken all corporate action necessary to transfer the Purchased Assets, and the Board of Directors of Seller has duly approved this Agreement and the transactions contemplated hereby and will have authorized the execution and delivery of this Agreement and all other documents incidental hereto. In addition, Seller has received all authorizations, consents and approvals of all federal, state and local governmental agencies and authorities required to be obtained in order to permit the consummation of the transactions contemplated hereby. Seller further represents and warrants that it has authority to convey the Purchased Assets being purchased hereby and is not limited by its Articles of Incorporation or Bylaws.

Section 5.3 TITLE TO PROPERTIES, ENCUMBRANCES AND LEASES. On the Closing Date, Seller shall convey to Buyer good and marketable title to all of the Purchased Assets. Such properties and assets will be (a) subject to no mortgage, pledge, lien, conditional sales agreement or encumbrance, except for those detectable by visual inspection, those of which Buyer has knowledge, those which are of public record and those set forth in Exhibit "D" hereto, or (b) Seller will indemnify Buyer for any and all mortgages, pledges, liens, conditional sales agreements or encumbrances relating to the Purchased Assets.

4

Section 5.4 TAXES. Seller has duly filed all state and federal tax reports and returns required by law to be filed with respect to the Purchased Assets and all taxes upon all of the Purchased Assets which are due and payable have been paid, and no additional taxes have been asserted to have been due from Seller regarding the Purchased Assets. There are no assessments or, to Seller's knowledge, proposed assessments by any governmental authority having jurisdiction against the Purchased Assets which are not yet due and payable, except for ad valorem taxes for 1995.

Section 5.5 NO BROKER. Seller represents that no broker has been involved in this transaction and agrees to indemnify and hold Buyer harmless from any payment of any involved because of Seller's association with such parties.

Section 5.6 NO WARRANTIES REGARDING THE PURCHASED ASSETS. Buyer acknowledges and agrees that, except as set forth in Sections 5.1 through 5.5, the sale of the Purchased Assets hereunder is being made by Seller without representation or warranty of any kind, whether express or implied, statutory or otherwise, and without limiting the foregoing, SELLER HAS NOT MADE AND WILL NOT MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO: (A) THE MERCHANTABILITY OF THE PURCHASED ASSETS; OR (B) THE FITNESS OF THE PURCHASED ASSETS FOR A PARTICULAR PURPOSE. SELLER IS SELLING THE PURCHASED ASSETS ON AN "AS IS", "WHERE IS" AND "WITH ALL FAULTS" BASIS AND DISCLAIMS ANY IMPLIED WARRANTIES WITH RESPECT TO THE PURCHASED ASSETS.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to Seller as of the date hereof and as of the Closing Date the following:

Section 6.1 INCORPORATION, AUTHORITY AND QUALIFICATION. Buyer is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Texas. It has full corporate power to execute, deliver and perform this Agreement and to take any action required by laws, its Articles of Incorporation, its By-laws or otherwise. The Board of Directors of Buyer has taken all necessary action to authorize Buyer to execute and deliver this Agreement, to consummate the transactions contemplated herein and to take all actions required to be taken by Buyer pursuant to the provisions hereof. Buyer further represents and warrants that it has authority to purchase the Purchased Assets and is not limited by its Articles of Incorporation or Bylaws.

Section 6.2 GOVERNMENTAL AUTHORITY. Buyer has obtained all authorizations, consents and approvals of all federal, state and local governmental agencies and authorities required to be obtained to permit the consummation of the transactions contemplated hereby.

5

Section 6.3 NO BROKER. Buyer represents that no broker has been involved in this transaction and agrees to indemnify and hold Seller harmless from any payment of any involved because of Buyer's association with such parties.

ARTICLE VII

COVENANTS

Section 7.1 EMPLOYEES. Seller will terminate its employment relationship with each employee of the Seller on and as of the Closing Date. Buyer will offer employment on an at-will basis to such employees of Seller as Buyer, in its sole discretion, shall determine (the "Continuing Employees"). Except as otherwise set forth herein, the terms and conditions of the employment of the Continuing Employees shall be determined solely by Buyer (provided, however, the base pay of said employees shall be not less than the amount paid by Seller as of the Closing Date). Each Continuing Employee hired by Buyer will receive credit for paid vacation and sick leave to the same extent that such Continuing Employee had been credited for those items by the Seller before the Closing Date. In addition, if any of Buyer's employment benefits are based upon years of service with Buyer, Buyer agrees to give each Continuing Employee credit for service equal to the credit such Continuing Employee enjoyed with the Seller immediately prior to the Closing Date for purposes of determining those benefits. Buyer also agrees to waive any preexisting conditions of the Continuing Employees with respect to all of Buyer's employee benefits. Buyer will indemnify, protect, defend, save and hold harmless Seller from and against any and all claims for severance pay, as well as any and all liabilities as a result of a Continuing Employee's actual, deemed or defacto termination from employment with Buyer following the employment by Buyer of such Continuing Employee. Except as otherwise provided in this Section, Buyer shall have no obligation to continue to employ any Continuing Employee or to continue to provide benefits to any Continuing Employee after the Closing Date. Further, Buyer and Seller specifically acknowledge and agree that the provisions of this Section are not intended to confer any rights or remedies for the benefit of any Continuing Employee.

Section 7.2 WORKERS' COMPENSATION. Seller will bear the entire cost and expense of all workers' compensation claims arising out of injuries identifiably sustained by a Continuing Employee on or before the Closing Date. Buyer will bear the entire cost and expense of all workers' compensation claims arising out

of injuries identifiably sustained by a Continuing Employee after the Closing Date. Seller will bear the entire cost and expense of all workers' compensation claims arising out of injuries without an identifiable date of occurrence and which are filed within thirty (30) days after the date hereof, regardless of whether such claims are alleged to have arisen prior to or after the Closing Date. Buyer shall bear the entire cost and expense of all workers' compensation claims arising out of injuries without an identifiable date of occurrence and which are filed more than thirty (30) days after the date hereof.

Section 7.3 WARN NOTICE. Buyer agrees to provide any notification under the Worker Adjustment and Retraining Notification Act or any similar act in any jurisdiction that may be required of either Buyer or Seller, and Buyer, for these purposes, shall act as the agent of Seller

6

and shall indemnify the Seller for any claims made against the Seller as a result of any actions taken by the Buyer that result in any employment loss as defined under any of said acts.

Section 7.4 FURTHER ASSISTANCE. Seller shall execute and deliver to Buyer, at Closing or thereafter, any other instrument which may be requested by Buyer and which is reasonably appropriate to perfect or evidence any of the sales, assignments, transfers or conveyances contemplated by this Agreement or to transfer any Purchased Assets identified after Closing. In addition, Buyer agrees to assist Seller in the collection of the Accounts Receivable as set forth in Section 2.5 hereof, and shall also assist Seller in any commercially reasonable manner (including use of its employees) in any litigation, threatened or actual, of Seller.

ARTICLE VIII

INDEMNIFICATION

Section 8.1 SELLER'S INDEMNITY OBLIGATIONS Seller shall indemnify and hold Buyer (including its officers, directors, employees and agents) harmless from and against any and all claims, actions, causes of action, arbitrations, proceedings, losses, damages, liabilities, judgments and expenses (including, without limitation, reasonable attorneys' fees) incurred as a result of (a) any error, inaccuracy, breach or misrepresentation in any of the representations and warranties made by or on behalf of Seller in this Agreement, (b) any violation or breach by Seller of or default by Seller under the terms of this Agreement or (c) any act or omission occurring before the Closing Date, or any condition or circumstances caused by any act or omission occurring before the Closing Date by Seller or with respect to the Purchased Assets to the extent and only to the extent that this Section 8.1(c) is not inconsistent with Section 3.2 and Section 5.6 of this Agreement.

Section 8.2 BUYER'S INDEMNITY OBLIGATIONS. Buyer shall indemnify and hold Seller (including its officers, directors, employees and agents) harmless from and against any and all claims, actions, causes of action, arbitrations, proceedings, losses, damages, liabilities, judgments and expenses (including, without limitation, reasonable attorneys' fees) incurred as a result of (a) any error, inaccuracy, breach or misrepresentation in any of the representations and warranties made by or on behalf of Buyer in this Agreement, (b) any violation or breach by Buyer of or default by Buyer under the terms of this Agreement, or (c) any act or omission occurring after the Closing Date, or any condition or circumstances caused by any act or omission occurring after the Closing Date, by Buyer or with respect to the Purchased Assets, or any product sold by Buyer or a service provided by Buyer (including liability and warranty claims with respect thereto).

Section 8.3 INDEMNIFICATION PROCEDURES. The party seeking indemnification pursuant to Section 8.1 or 8.2 hereunder (the "Indemnified Party") agrees to give the party required to indemnify the Indemnified Party pursuant to Section 8.1 or 8.2 hereto (the "Indemnifying Party") prompt notice of any claims which would result in a claim for indemnification hereunder. The

7

Indemnifying Party shall have the right to assume the defense thereof, with counsel reasonably satisfactory to the Indemnified Party, and in such event, the Indemnifying Party shall not be liable to the Indemnified Party for any further legal or other expenses incurred by the Indemnified Party in connection with the

defense thereof, other than the reasonable costs of any investigation or assistance required by the Indemnifying Party. The Indemnified Party may participate actively, at its sole expense, in any lawsuit respecting such claims. The Indemnified Party shall have the right to approve (such approval not to be unreasonably withheld) any out-of-court settlement if it would affect the conduct of business of the Indemnified Party. The parties hereto will cooperate fully with each other with respect to discovery, inquiries or investigations, including the furnishing of required employee witnesses, in connection with any claim or lawsuit for which indemnity is sought hereunder.

Section 8.4 GENERAL. The indemnification obligations under this Article VIII shall apply regardless of whether any suit or action results solely or in part from the active, passive or concurrent negligence of the Indemnified Party. The rights of the parties to indemnification under this Article VIII shall not be limited due to any investigations heretofore or hereafter made by such parties or their representatives, regardless of negligence in the conduct of any such investigations; provided, however, that no party shall have any liability to the other party for the breach of any representation or warranty to the extent that such other party had knowledge, as of the Closing Date, that such representation or warranty was inaccurate in any respect.

ARTICLE IX

CONDITIONS PRECEDENT TO CLOSING

Section 9.1 CONDITIONS PRECEDENT TO OBLIGATIONS OF BUYER. The performance of the obligations of Buyer hereunder are subject, at the election of Buyer, to the following conditions:

(a) SELLER'S REPRESENTATIONS, WARRANTIES AND COVENANTS. The representations and warranties of Seller shall be true and correct in all material respects as of and at the Closing Date with the same force and effect as though made on such date and all obligations and covenants required by this Agreement to be performed or complied with by Seller on or prior to the Closing Date shall have been duly performed or complied with by Seller in all material respects.

(b) VIOLATION OF LAW, ORDINANCES, ETC. On or before the Closing Date, neither Buyer nor Seller shall have received any notice or have knowledge of any lawsuit, pending or threatened, any violation or alleged violation of any city ordinance, state law, rule or regulation of any governmental authority which question the validity of this Agreement or any such action taken or contemplated by Buyer or Seller in connection with this Agreement.

(c) CLOSING DOCUMENTS. Buyer shall have received from Seller the following documents on the Closing Date:

8

(i) Articles of Incorporation of Seller certified by the Secretary of the State of Texas and Good Standing Certificate;

(ii) A certified copy of the resolutions of the Board of Directors authorizing the transaction contemplated hereby;

(iii) Such instruments of sale, transfer and conveyance covering the Purchased Assets as shall be necessary to vest in Buyer good and marketable title to the Purchased Assets with forms reasonably satisfactory to Buyer, including, but not limited to, an Assignment and Bill of Sale in the form set forth in Exhibit E hereto;

(iv) Consents, if required, from any governmental agency or authority;

(v) A certificate signed by an officer of Seller, certifying that the covenants, conditions, obligations and agreements required by this Agreement to be performed or complied with by Seller have been performed or complied with, and that the representations and warranties herein are true and correct;

(vi) Copies of duly executed UCC-3 Termination Statements, showing termination of the UCC-1 Financing Statements and any other security agreements filed against the Purchased Assets to

be transferred to the extent Seller has received same;

(vii) Copies of all Seller's records which establish rights relating to the Purchased Assets to be transferred hereby; and

(viii) Such certificates and other instruments as may be necessary to consummate the transactions contemplated herein.

Section 9.2 CONDITIONS PRECEDENT TO OBLIGATIONS OF SELLER. The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to satisfaction prior to the Closing Date or at the Closing of all of the following conditions:

(a) BUYER'S REPRESENTATIONS, WARRANTIES AND COVENANTS. The representations and warranties of Buyer shall be true and correct in all material respects as of and at the Closing Date with the same force and effect as though made on such date and all obligations and covenants required by this Agreement to be performed or complied with by Buyer on or prior to the Closing Date shall have been duly performed or complied with by Buyer in all material respects.

(b) VIOLATION OF LAWS, ORDINANCES, ETC. On or before the Closing Date, neither Buyer nor Seller shall have received any notice or have knowledge of any lawsuit, pending or threatened, any violation or alleged violation of any city ordinance, state law, rule or

9

regulation of any governmental authority which question the validity of this Agreement or any such action taken or contemplated by Buyer or Seller in connection with this Agreement.

(c) CLOSING DOCUMENTS. Seller shall have received from Buyer the following on the Closing Date:

(i) The Cash Consideration;

(ii) The Articles of Incorporation of Buyer certified by the Secretary of State of Texas and Certificate of Good Standing;

(iii) A certified copy of the resolutions of the Board of Directors of Buyer authorizing the transactions contemplated hereby;

(iv) Consents, if required, from any governmental agency or authority;

(v) A certificate signed by an officer of Buyer certifying that the covenants, conditions, obligations and agreements required by this Agreement to be performed or complied with by Buyer have been performed or complied with, and that the representations and warranties herein are true and correct;

(vi) Such certificates and other instruments as may be necessary to consummate the transactions contemplated herein.

ARTICLE X

TERMINATION AND AMENDMENT

Section 10.1 TERMINATION. This Agreement may be terminated at any time prior to the Closing Date:

(a) By mutual consent of Seller and Buyer;

(b) By Buyer if there has been a breach of any representation, warranty, covenant or agreement on the part of Seller set forth in this Agreement or by Seller if there has been a breach of any representation, warranty, covenant or agreement on the part of Buyer set forth in this Agreement, in each case which breach has either not been cured or not had a plan to cure developed therefor approved by the parties hereto (which plan is being diligently followed) within five business days following receipt by the breaching party of notice of such breach, or if any permanent injunction or other order of a court or other competent authority preventing the consummation of the transactions contemplated hereby

shall have become final and non-appealable.

10

Section 10.2 EFFECT OF TERMINATION. In the event of termination of this Agreement by any party as provided in Section 10.1 hereof, this Agreement shall forthwith become void and there shall be no liability or obligation on the part of Seller or Buyer or their respective officers or directors (in the case of the corporate entities) except with respect to Sections 5.5, 6.3, 11.1 and 11.2 hereof; PROVIDED that this Section 10.2 shall not relieve any party from liability for damages incurred as a result of any willful breach by a party hereto of any of its representations, warranties, covenants or agreements set forth in this Agreement.

Section 10.3 REMEDIES UPON DEFAULT. Should either party materially default in the performance of its representations, warranties and covenants under this Agreement and shall for this reason fail to consummate this Agreement at the Closing Date (the "Defaulting Party"), and the other party is not then in default of any representations, warranties and covenants hereunder (the "Non-Defaulting Party"), the Non-Defaulting Party shall then be entitled at its option to:

(a) Terminate the Agreement;

(b) Require the Defaulting Party to consummate the sale in accordance with the terms of this Agreement, if necessary through injunction or other court order or process; or

(c) In addition to the foregoing, have such other remedies against the Defaulting Party as shall be available to the Non-Defaulting Party elsewhere hereunder and/or under applicable law or equity, including, in the event of termination pursuant to Section 10.3(a), the recovery of reasonable attorneys' fees and return of any costs incurred by the Non-Defaulting Party in the preparation for consummation of the transaction contemplated by this Agreement.

Section 10.4 AMENDMENT. This Agreement may be amended by the parties hereto at any time. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

Section 10.5 EXTENSION; WAIVER. At any time prior to the Closing Date, any party hereto may (i) extend the time for the performance of any of the obligations or other acts for its or his benefit of any other party hereto, (ii) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto, and (iii) waive compliance with any of the agreements or conditions contained herein for its or his benefit. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in a written instrument signed on behalf of such party. No waiver by the parties hereto of any default or breach of any term, condition or covenant of this Agreement shall be deemed to be a waiver of any other breach of the same or any other term, condition or covenant contained herein.

11

ARTICLE XI

GENERAL PROVISIONS

Section 11.1 CONFIDENTIALITY; PUBLICITY; BOOKS AND RECORDS.

(a) Each party and its affiliates will hold, and will use all reasonable efforts to cause their respective officers, directors, employees, accountants, counsel, consultants, advisors and agents to hold, in confidence, unless compelled to disclose by judicial or administrative process or by other legal requirements, all confidential documents and information concerning the other parties and their respective affiliates furnished to such party or its affiliates in connection with the transactions contemplated by this Agreement, except to the extent that such information can be shown to have been (i) previously known on a nonconfidential basis by such party, (ii) in the public domain through no fault of such party or (iii) later lawfully acquired by such party from sources other than the other parties or their affiliates; PROVIDED that such party may disclose such information to its officers, directors, employees, accountants, counsel, consultants, advisors and agents in connection with the transactions contemplated by this

Agreement and to its lenders in connection with the transactions contemplated by this Agreement so long as such persons are informed by such party of the confidential nature of such information and are directed by such party to treat such information confidentially. The obligation of such party and its affiliates to hold any such information in confidence shall be satisfied if they exercise the same care with respect to such information as they would take to preserve the confidentiality of their own similar information. If this Agreement is terminated pursuant to Article X hereto, each party and its affiliates will, and will use all reasonable efforts to cause their respective officers, directors, employees, accountants, counsel, consultants, advisors and agents to, destroy or deliver to any other party, upon request, all documents and other materials, and all copies thereof, obtained by such party or its affiliates or on their behalf from the other party and its affiliates in connection with this Agreement that are subject to such confidence.

(b) Subject to applicable securities law or stock exchange requirements, the parties hereto will promptly advise, and obtain the approval of, the other parties before issuing any press release with respect to this Agreement or the transactions contemplated hereby.

Section 11.2 EXPENSES. The Buyer and Seller shall pay their own respective expenses, including the fees and disbursements of their respective counsel in connection with the negotiation, preparation and execution of this Agreement and the consummation of the transactions contemplated herein.

Section 11.3 ENTIRE AGREEMENT. This Agreement (including all Exhibits hereto) and the documents delivered pursuant to this Agreement constitute the entire sole and only agreement of the parties hereto with respect to the subject matter hereof, and supersedes any prior understanding or written or oral agreements between the parties, and may not be modified,

12

amended or terminated except by a written instrument specifically referring to this Agreement signed by all the parties hereto.

Section 11.4 NOTICES. All notices and other communications hereunder shall be in writing and shall be deemed to have been received only if and when (i) personally delivered or (ii) on the third day after mailing, by United States mail, first class, postage prepaid, by certified mail, return receipt requested, addressed in each case as follows (or to such other address as may be specified by like notice):

(a) If to Buyer, to: Elsik II, Inc.
P. O. Box 1689
Beeville, Texas 78104
Fax: (512) 358-0139
Telephone confirmation: (512) 358-2927

Attn: Mr. Roger D. Hellums

(b) If to Seller, to: Elsik, Inc.
c/o Team, Inc.
1001 Fannin, Suite 4656
Houston, Texas 77002
Fax: (713) 659-3657

Telephone confirmation: (713) 659-3600

Attn: Mr. H. Wesley Hall,
Chairman, President and
Chief Executive Officer

With a copy (which shall constitute notice) to:

Valerie L. Banner
1001 Fannin, Suite 4656
Houston, Texas 77002
Fax: (713) 659-3657
Telephone confirmation: (713) 659-3600

Section 11.5 SUCCESSORS AND ASSIGNS. This Agreement may not be assigned by operation of law or otherwise without the express written consent of both

parties hereto.

Section 11.6 COMPLIANCE WITH BULK SALES LAWS. Buyer and Seller waive compliance with the requirements of any applicable bulk sales laws of any jurisdiction. Seller shall indemnify Buyer against any and all liabilities or expenses Buyer may incur as a result of any noncompliance by Buyer or Seller with any bulk sales laws as they relate to this transaction.

13

Section 11.7 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas.

Section 11.8 PARTIAL INVALIDITY OF THE AGREEMENT. In the event any one or more provisions contained in this Agreement shall be for any reason held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision thereof and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

Section 11.9 LITIGATION. Should any litigation be commenced between the parties hereto concerning this Agreement or the rights and duties of either in relation thereto, the prevailing party in such litigation shall be entitled, in addition to such other relief as may be granted, to a reasonable sum as and for attorneys' fees in such litigation.

Section 11.10 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations and warranties will survive for one year after the Closing Date, and thereupon shall expire and thereafter be of no further force or effect. All covenants and agreements of the parties hereto contained herein shall survive the execution and delivery of this Agreement and the Closing.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

SELLER

ELSIK, INC.

By: /s/ H. WESLEY HALL
H. Wesley Hall, President

BUYER

ELSIK II, INC.

By: /s/ROGER D. HELLUMS
Roger D. Hellums, President

14

EXHIBIT 10(B) GOES HERE

AMENDED AND RESTATED CREDIT AGREEMENT

DATED AS OF AUGUST 24, 1995

BETWEEN

TEAM, INC.
AS BORROWER

AND

TEXAS COMMERCE BANK NATIONAL ASSOCIATION
AS LENDER

-1-

TABLE OF CONTENTS

PAGE

ARTICLE I

DEFINITIONS AND ACCOUNTING MATTERS

Section 1.01	TERMS DEFINED ABOVE.....	1
Section 1.02	CERTAIN DEFINED TERMS.....	1
Section 1.03	ACCOUNTING TERMS AND DETERMINATIONS.....	16

ARTICLE II

COMMITMENTS

Section 2.01	LOANS AND LETTERS OF CREDIT.....	16
Section 2.02	BORROWINGS, CONTINUATIONS AND CONVERSIONS, LETTERS OF CREDIT..	17
Section 2.03	CHANGES OF REVOLVING CREDIT COMMITMENT.....	19
Section 2.04	FEEs.....	20
Section 2.05	LENDING OFFICES.....	20
Section 2.06	NOTES.....	20
Section 2.07	PREPAYMENTS.....	21

ARTICLE III

PAYMENTS OF PRINCIPAL AND INTEREST

Section 3.01	REPAYMENT OF LOANS.....	25
Section 3.02	INTEREST.....	25

ARTICLE IV

PAYMENTS; COMPUTATIONS; ETC.

Section 4.01	PAYMENTS.....	26
Section 4.02	COMPUTATIONS.....	27
Section 4.03	SET-OFF.....	27
Section 4.04	TAXES.....	27

-i-

ARTICLE V

ADDITIONAL COSTS; CAPITAL ADEQUACY; ETC.

Section 5.01	ADDITIONAL COSTS.....	29
Section 5.02	LIMITATION ON EURODOLLAR LOANS.....	30
Section 5.03	ILLEGALITY.....	31
Section 5.04	BASE RATE LOANS PURSUANT TO SECTIONS 5.01, 5.02 AND 5.03.....	31
Section 5.05	COMPENSATION.....	31

ARTICLE VI

CONDITIONS PRECEDENT

Section 6.01	INITIAL FUNDING.....	32
Section 6.02	INITIAL AND SUBSEQUENT LOANS.....	34

Section 6.03	CONDITIONS RELATING TO LETTERS OF CREDIT.....	34
Section 6.04	POST CLOSING CONDITIONS.....	35
Section 6.05	AUDIT AND ASSET MANAGEMENT REVIEW.....	35

ARTICLE VII

REPRESENTATIONS AND WARRANTIES

Section 7.01	CORPORATE EXISTENCE.....	35
Section 7.02	FINANCIAL CONDITION.....	35
Section 7.03	LITIGATION.....	36
Section 7.04	NO BREACH.....	36
Section 7.05	AUTHORITY.....	36
Section 7.06	APPROVALS.....	37
Section 7.07	USE OF LOANS.....	37
Section 7.08	ERISA.....	37
Section 7.09	TAXES.....	37
Section 7.10	TITLES, ETC.....	37
Section 7.11	NO MATERIAL MISSTATEMENTS.....	38
Section 7.12	INVESTMENT COMPANY ACT.....	38
Section 7.13	PUBLIC UTILITY HOLDING COMPANY ACT.....	38
Section 7.14	SUBSIDIARIES AND PARTNERSHIPS.....	38
Section 7.15	LOCATION OF BUSINESS AND OFFICES.....	38
Section 7.16	DEFAULTS.....	39
Section 7.17	ENVIRONMENTAL MATTERS.....	39
Section 7.18	COMPLIANCE WITH THE LAW.....	40

-ii-

Section 7.19	INSURANCE.....	40
Section 7.20	HEDGING AGREEMENTS.....	40
Section 7.21	RESTRICTION ON LIENS.....	40
Section 7.22	MATERIAL AGREEMENTS.....	41

ARTICLE VIII

AFFIRMATIVE COVENANTS

Section 8.01	FINANCIAL STATEMENTS AND OTHER REPORTS.....	41
Section 8.02	LITIGATION.....	43
Section 8.03	MAINTENANCE, ETC.....	43
Section 8.04	ENVIRONMENTAL MATTERS.....	43
Section 8.05	FURTHER ASSURANCES.....	44
Section 8.06	PERFORMANCE OF OBLIGATIONS.....	44
Section 8.07	KEY MAN LIFE INSURANCE POLICY.....	44
Section 8.08	CERTAIN SUBSIDIARIES.....	45

ARTICLE IX

NEGATIVE COVENANTS

Section 9.01	DEBT.....	45
Section 9.02	LIENS.....	46
Section 9.03	INVESTMENTS, LOANS AND ADVANCES.....	47
Section 9.04	DIVIDENDS, DISTRIBUTIONS AND REDEMPTIONS.....	48
Section 9.05	SALES AND LEASEBACKS.....	48
Section 9.06	NATURE OF BUSINESS.....	48
Section 9.07	LIMITATION ON LEASES.....	48
Section 9.08	MERGERS, ETC.....	49
Section 9.09	PROCEEDS OF NOTES.....	49
Section 9.10	ERISA COMPLIANCE.....	49
Section 9.11	SALE OR DISCOUNT OF RECEIVABLES.....	49
Section 9.12	CAPITAL EXPENDITURES.....	49
Section 9.13	CURRENT RATIO.....	50
Section 9.14	TANGIBLE NET WORTH.....	50
Section 9.15	FUNDED DEBT TO CASH FLOW.....	50
Section 9.16	FIXED CHARGE COVERAGE RATIO.....	51
Section 9.17	INTEREST COVERAGE RATIO.....	51
Section 9.18	SALE OF PROPERTIES.....	51
Section 9.19	TRANSACTIONS WITH AFFILIATES.....	52
Section 9.20	SUBSIDIARIES AND PARTNERSHIPS.....	52

-iii-

Section 9.21	NEGATIVE PLEDGE AGREEMENTS.....	52
--------------	---------------------------------	----

Section 9.22	TRANSFER OF ASSETS TO CERTAIN SUBSIDIARIES.....	52
Section 9.23	EXCLUDED SUBSIDIARIES.....	52

ARTICLE X

EVENTS OF DEFAULT; REMEDIES

Section 10.01	EVENTS OF DEFAULT.....	53
Section 10.02	REMEDIES.....	55

ARTICLE XI

MISCELLANEOUS

Section 11.01	WAIVER.....	56
Section 11.02	NOTICES.....	56
Section 11.03	PAYMENT OF EXPENSES, INDEMNITIES, ETC.....	56
Section 11.04	AMENDMENTS, ETC.....	59
Section 11.05	SUCCESSORS AND ASSIGNS.....	59
Section 11.06	ASSIGNMENTS AND PARTICIPATIONS.....	59
Section 11.07	INVALIDITY.....	60
Section 11.08	COUNTERPARTS.....	61
Section 11.09	REFERENCES.....	61
Section 11.10	SURVIVAL.....	61
Section 11.11	CAPTIONS.....	61
Section 11.12	NO ORAL AGREEMENTS.....	61
Section 11.13	GOVERNING LAW; SUBMISSION TO JURISDICTION.....	61
Section 11.14	INTEREST.....	63
Section 11.15	CONFIDENTIALITY.....	64
Section 11.16	EFFECTIVENESS.....	64
Section 11.17	TAX REPRESENTATIONS.....	64
Section 11.18	EXCULPATION PROVISIONS.....	66
Section 11.19	CONFLICTING PROVISIONS.....	66

-iv-

Exhibit A-1	- Revolving Credit Note
Exhibit A-2	- Term Note
Exhibit B	- Form of Borrowing, Continuation and Conversion Request
Exhibit C	- Form of Compliance Certificate
Exhibit D	- (Intentionally Omitted)
Exhibit E	- List of Security Instruments
Exhibit F	- Guarantors

Schedule 7.03	- Litigation
Schedule 7.14	- Subsidiaries and Partnerships
Schedule 7.16	- Defaults
Schedule 7.19	- Insurance (Separately delivered to Lender)
Schedule 7.22	- Material Agreements
Schedule 9.01	- Debt
Schedule 9.02	- Liens
Schedule 9.03	- Investments, Loans and Advances

-v-

AMENDED AND RESTATED CREDIT AGREEMENT dated as of August 24, 1995, between TEAM, INC., a Texas corporation (the "BORROWER"), and TEXAS COMMERCE BANK NATIONAL ASSOCIATION, a national banking association (the "LENDER").

R E C I T A L S

A. The Borrower and the Lender entered into that certain Credit Agreement dated as of April 7, 1994 (as amended and supplemented by First Amendment and Supplement to Credit Agreement and Term Note Modification Agreement dated as of February 28, 1995, the "1994 Credit Agreement" whereby, pursuant to the terms and conditions contained therein, the Lender agreed to provide certain loans to and extend certain credit on behalf of the Borrower.

B. The Borrower and the Lender mutually desire to amend and restate the 1994 Credit Agreement in its entirety.

C. In consideration of the mutual covenants and agreements herein contained and of the loans, extensions of credit and commitments hereinafter referred to, the parties hereto agree the 1994 Credit Agreement is hereby

amended and restated in its entirety to read herein and as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING MATTERS

Section 1.01 TERMS DEFINED ABOVE. As used in this Amended and Restated Credit Agreement, the terms "BORROWER," "LENDER" and "1994 CREDIT AGREEMENT" shall have the meanings indicated above.

Section 1.02 CERTAIN DEFINED TERMS. As used herein, the following terms shall have the following meanings (all terms defined in this Article I or in other provisions of this Agreement in the singular to have the same meanings when used in the plural and VICE VERSA):

"ADDITIONAL COSTS" shall have the meaning assigned such term in Section 5.01(a).

"AFFECTED LOANS" shall have the meaning assigned such term in Section 5.04.

"AFFILIATE" of any person shall mean (a) any Person directly or indirectly controlled by, controlling or under common control with such first

-1-

Person, (b) any director or officer of such first Person or of any Person referred to in clause (a) above and (c) if any Person in clause (i) above is an individual, any member of the immediate family (including parents, spouse and children) of such individual and any trust whose principal beneficiary is such individual or one or more members of such immediate family and any Person who is controlled by any such member or trust. As used in this definition, "CONTROL" (including, with its correlative meanings, "CONTROLLED BY" and "UNDER COMMON CONTROL WITH") shall mean any person which owns directly or indirectly 20% or more of the securities having ordinary voting power for the election of directors or other governing body of a corporation or 20% or more of the partnership or other ownership interests of any other Person (other than as a limited partner of such other Person) will be deemed to control such corporation or other Person.

"AGREEMENT" shall mean this Amended and Restated Credit Agreement, as the same may from time to time be amended or supplemented.

"APPLICABLE LENDING OFFICE" shall mean for each Type of Loan, the lending office of the Lender (or an Affiliate of the Lender) designated for such Type of Loan on the signature pages hereof or such other offices of the Lender (or of an Affiliate of the Lender) as the Lender may from time to time specify to the Borrower as the office by which Loans of such Type are to be made and maintained.

"APPLICABLE MARGIN" shall mean (a) with respect to Eurodollar Loans (i) 3.25% per annum if the Borrower's ratio of Funded Debt to Cash Flow (for the previous twelve-month period) is equal to or greater than 3.0 to 1.0 ("RANGE ONE"), (ii) 2.75% per annum if the Borrower's ratio of Funded Debt to Cash Flow (for the previous twelve-month period) is equal to or greater than 2.0 to 1.0 but less than 3.0 to 1.0 ("RANGE TWO"), (iii) 2.25% per annum if the Borrower's ratio of Funded Debt to Cash Flow (for the previous twelve-month period) is equal to or greater than 1.0 to 1.0 but less than 2.0 to 1.0 ("RANGE THREE"), and (iv) 1.75% per annum if the Borrower's ratio of Funded Debt to Cash Flow (for the previous twelve-month period) is less than 1.0 to 1.0 ("RANGE FOUR"); and (b) with respect to Base Rate Loans (i) .5% per annum for Range One, and (ii) zero percent (0%) per annum for Range Two, Range Three, and Range Four.

"BASE RATE" shall mean, with respect to any Base Rate Loan, for any day, a rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the greater of (a) the Prime Rate in effect on such day, or (b) the Federal Funds Rate for such day plus 1/2 of 1%. Each change in any interest rate provided for herein based upon the Base Rate resulting from a change

-2-

in the Base Rate shall take effect at the time of such change in the Base Rate.

"BASE RATE LOANS" shall mean Loans that bear interest at rates based upon the Base Rate.

"BORROWING BASE" shall mean at any time an amount equal to the sum of (i) 85% of Eligible Accounts, plus (ii) 40% of Eligible Inventory for the period from and after the Closing Date through August 31, 1996, and 25% of Eligible Inventory thereafter; PROVIDED, HOWEVER, Eligible Inventory shall never be permitted to exceed 50% of the Borrowing Base.

"BUSINESS DAY" shall mean any day other than a day on which commercial banks are authorized or required to close in the State of Texas and if such day relates to a borrowing or continuation of, a payment or prepayment of principal of or interest on, or a conversion of or into, or the Interest Period for, a Eurodollar Loan or a notice by the Borrower with respect to any such borrowing or continuation, payment, prepayment, conversion or Interest Period, any day which is also a day on which dealings in Dollar deposits are carried out in the London interbank market.

"CASH FLOW" shall mean, for any period, earnings of the Borrower before interest, depreciation, amortization of goodwill, amortization of Debt and amortization of taxes, less cash taxes for such period.

"CLOSING DATE" shall mean August 24, 1995.

"CODE" shall mean the Internal Revenue Code of 1986, as amended.

"COMMITMENT" shall mean the Lender's obligation to make Loans pursuant to Sections 2.01(a) and (c), and to issue, reissue, renew or extend Letters of Credit as provided in Section 2.01(b).

"CONSOLIDATED SUBSIDIARIES" shall mean each Subsidiary of the Borrower (whether now existing or hereafter created or acquired) the financial statements of which shall be (or should have been) consolidated with the financial statements of the Borrower in accordance with GAAP, but excluding the Excluded Subsidiaries.

"DEBT" shall mean, for any Person the sum of the following (without duplication) (a) all obligations of such Person for borrowed money or evidenced by bonds, debentures, notes or other similar instruments, (b) all obligations of such Person (whether contingent or otherwise) in respect of

-3-

bankers' acceptances, letters of credit, surety or other bonds and similar instruments, (c) all obligations of such Person to pay the deferred purchase price of Property or services (other than for borrowed money) arising in the ordinary course of business of such Person exclusive, however, of accrued expenses in accordance with ordinary trade terms, (d) all obligations under leases which shall have been, or should have been, in accordance with GAAP, recorded as capital leases in respect of which such Person is liable, contingently or otherwise, as obligor, guarantor or otherwise, or in respect of which obligations such Person otherwise assures a creditor against loss, (e) all Debt and other obligations of others secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person which are or should be shown as liabilities, contingent or otherwise, on a consolidated balance sheet, (f) all Debt, directly or indirectly guaranteed by such Person (g) all obligations of such Person under Hedging Agreements, and (h) material obligations to deliver goods or services in consideration of advance payments.

"DEFAULT" shall mean an Event of Default or an event which with notice or lapse of time or both would become an Event of Default.

"DOLLARS" and "\$" shall mean lawful money of the United States of America.

"EFFECTIVE DATE" shall have the meaning assigned such term in Section 11.16.

"ELIGIBLE ACCOUNTS" shall mean at any time an amount equal to the aggregate net invoice or ledger amount owing of each trade account receivable of the Borrower and any Subsidiary, for goods sold or leased or services rendered in the ordinary course of business, in which the Agent has a perfected, first priority security interest (subject only to Excepted Liens), after deducting (a) the amount of all such accounts owing by account debtors which have 20% or more of their accounts owing to the Borrower unpaid for 91 days or more after the date of original invoice, unless the account debtor in question is a 20% Rule Exception (the exclusion contained in this clause (a) being hereinafter called the "20% Rule"), (b) the amount on all such accounts which are owed by account debtors having their principal place of business in the United States that are unpaid for 91 days or more after the date of original invoice, (c) the amount on all such accounts which are owed by account debtors having their principal place of business outside of the United States that are (i) not backed by a letter of credit satisfactory to the Lender or otherwise not insured in a manner satisfactory to the Lender or (ii) unpaid for 121 days or more after the date of original invoice, (d) the amount of all trade and other discounts, returns, allowances, rebates, credits,

-4-

concessions, unbilled amounts and adjustments to such accounts, (e) all contra accounts, setoffs subject to any setoff arrangement or agreement, defenses or counterclaims asserted by or available to the Persons obligated on such accounts, (f) the amount billed for or representing retainage, if any, until all prerequisites to the immediate payment of retainage have been satisfied, (g) all such accounts owed by account debtors which are insolvent or if Lender reasonably believes collectibility is in doubt, (h) all such accounts owing by officers or employees of the Borrower or by Subsidiaries or any other Person in which the Borrower may have an equity interest, and (i) all such accounts owing by a Governmental Authority which arise out of contracts between such Governmental Authority and the Borrower, unless the Lender is reasonably satisfied that the lender has a perfected lien in or valid assignment of such accounts.

"ELIGIBLE INVENTORY" shall mean at any time all inventory of raw materials and finished goods then owned by the Borrower or any Subsidiary (less any reserve for obsolescence, any reserve for slow-moving inventory, or any other similar contra-account to inventory all of which shall be reasonably satisfactory to the Lender) and held for sale (other than on consignment) or disposition in the ordinary course of business, in which the Lender has a perfected, first priority security interest (subject only to Excepted Liens), valued at market price.

"ENVIRONMENTAL LAWS" shall mean any and all Governmental Requirements pertaining to health or the environment in effect in any and all jurisdictions in which the Borrower or any Subsidiary is conducting or at any time has conducted business, or where any Property of the Borrower or any Subsidiary is located, including without limitation, the Oil Pollution Act of 1990 ("OPA"), the Clean Air Act, as amended, the Comprehensive Environmental, Response, Compensation, and Liability Act of 1980, as amended ("CERCLA"), the Federal Water Pollution Control Act, as amended, the Occupational Safety and Health Act of 1970, as amended, the Resource Conservation and Recovery Act of 1976, as amended ("RCRA"), the Safe Drinking Water Act, as amended, the Toxic Substances Control Act, as amended, the Superfund Amendments and Reauthorization Act of 1986, as amended, the Hazardous Materials Transportation Act, as amended, and other environmental conservation or protection laws. The term "oil" shall have the meaning specified in OPA, the terms "hazardous substance" and "release" (or "threatened release") have the meanings specified in CERCLA, and the terms "solid waste" and "disposal" (or "disposed") have the meanings specified in RCRA; provided, however, that (a) in the event either OPA, CERCLA or RCRA is amended so as to broaden the meaning of any term defined thereby, such broader meaning shall apply subsequent to the effective

-5-

date of such amendment, (b) to the extent the laws of the state in which any Property of the Borrower or any Subsidiary is located establish a

meaning for "oil," "hazardous substance," "release," "solid waste" or "disposal" which is broader than that specified in either OPA, CERCLA or RCRA, such broader meaning shall apply, and (c) the terms "hazardous substance" and "solid waste" shall include all oil and gas exploration and production wastes that may present an endangerment to public health or welfare or the environment, even if such wastes are specifically exempt from classification as hazardous substances or solid wastes pursuant to CERCLA or RCRA or the state analogues to those statutes.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA AFFILIATE" shall mean each trade or business (whether or not incorporated) which together with the Borrower or any Subsidiary would be deemed to be a "single employer" within the meaning of section 4001(b)(1) of ERISA or subsections (b), (c), (m) or (o) of section 414 of the Code.

"ERISA EVENT" shall mean (a) a "Reportable Event" described in Section 4043 of ERISA and the regulations issued thereunder, (b) the withdrawal of the Borrower, any Subsidiary or any ERISA Affiliate from a plan during a plan year in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA, (c) the filing of a notice of intent to terminate a Plan or the treatment of a plan amendment as a termination under Section 4041 of ERISA, (d) the institution of proceedings to terminate a plan by the PBGC, or (e) any other event or condition which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any plan.

"EURODOLLAR LOANS" shall mean Loans the interest rates on which are determined on the basis of rates referred to in the definition of "Fixed Eurodollar Rate" in this Section 1.02.

"EVENT OF DEFAULT" shall have the meaning assigned such term in Section 10.01.

"EXCESS CASH FLOW" shall mean net earnings of the Borrower before taxes, plus or minus non-cash items, less cash taxes, capital expenditures and principal payments.

"EXCEPTED LIENS" shall mean (a) Liens for taxes, assessments or other governmental charges or levies not yet due or which are being contested in

-6-

good faith by appropriate action and for which appropriate reserves have been maintained, (b) Liens in connection with workmen's compensation, unemployment insurance or other social security, old age pension or public liability obligations not yet due or which are being contested in good faith by appropriate action and for which appropriate reserves have been maintained in accordance with GAAP, (c) operator's, vendors', carriers', warehousemen's, repairmen's, mechanics', workmen's, materialmen's, construction or other like Liens arising by operation of law in the ordinary course of business or statutory landlord's liens, each of which is in respect of obligations that have not been outstanding more than 90 days or which are being contested in good faith by appropriate proceedings and for which appropriate reserves have been maintained in accordance with GAAP, (d) encumbrances (other than to secure the payment of borrowed money or the deferred purchase price of Property or services), easements, restrictions, servitudes, permits, conditions, covenants, exceptions or reservations in any rights of way or other Property of the Borrower or any Subsidiary for the purpose of roads, pipelines, transmission lines, transportation lines, distribution lines for the removal of gas, oil, coal or other minerals or timber, and other like purposes, or for the joint or common use of real estate, rights of way, facilities and equipment, and defects, irregularities, zoning restrictions and deficiencies in title of any rights of way or other Property which in the aggregate do not materially impair the use of such rights of way or other Property for the purposes of which such rights of way and other Property are held by the Borrower or any Subsidiary, (e) deposits to secure the performance of bids, trade contracts, leases, statutory obligations and other obligations of a like nature incurred in the ordinary course of business, (f) Liens permitted

by the Security Instruments, (g) Liens existing on the date hereof and (1) filed of record in the real property records of each county in which the Borrower owns real property or (2) evidenced by financing statements filed in a jurisdiction in which the Borrower is doing business, and (h) Liens securing the deferred purchase price of Property, provided that the Debt secured is permitted to exist under Section 9.01.

"EXCLUDED SUBSIDIARIES" shall mean each of (a) Portales 801, Inc., (b) Pensacola 801, Inc., (c) Ft. Bragg 801, Inc., (d) Ft. Stewart 801, Inc., (e) First American Capital Corporation, (f) First America Development Corporation, and (g) all Foreign Subsidiaries.

"FEDERAL FUNDS RATE" shall mean, for any day, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with a member of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the

-7-

Business Day next succeeding such day, provided that (i) if the date for which such rate is to be determined is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (ii) if such rate is not so published for any day, the Federal Funds Rate for such day shall be the average rate charged to the Lender on such day on such transactions.

"FINAL MATURITY DATE" shall mean, with respect to the Term Note, unless the Term Note is sooner prepaid pursuant to Section 2.07 hereof, June 30, 1998.

"FINANCIAL STATEMENTS" shall mean the financial statement or statements of the Borrower described or referred to in Section 7.02.

"FIXED EURODOLLAR RATE" shall mean, with respect to any Eurodollar Loan, the rate per annum (rounded upwards, if necessary, to the nearest 1/16 of 1%) quoted by the Lender at approximately 11:00 a.m. London time (or as soon thereafter as practicable) two Business Days prior to the first day of the Interest Period for such Loan for the offering by the Lender to leading lenders in the London interbank market of Dollar deposits having a term comparable to such Interest Period and in an amount comparable to the principal amount of the Eurodollar Loan to be made by the Lender for such Interest Period.

"FIXED RATE" shall mean, with respect to any Eurodollar Loan, a rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) determined by the Lender to be equal to the quotient of (i) the Fixed Eurodollar Rate for such Loan for the Interest Period for such Loan divided by (ii) 1 minus the Reserve Requirement for such Loan for such Interest Period.

"FOREIGN SUBSIDIARIES" shall mean all Subsidiaries of the Borrower organized under the laws of a jurisdiction other than the United States of America, any state thereof or the District of Columbia.

"FUNDED DEBT" shall mean all interest bearing Debt.

"GAAP" shall mean generally accepted accounting principles in the United States of America in effect from time to time.

"GOVERNMENTAL AUTHORITY" shall include the country, the state, county, city and political subdivisions in which any Person or such Person's Property

-8-

is located or which exercises valid jurisdiction over any such Person or such Person's Property, and any court, agency, department, commission, board, bureau or instrumentality of any of them including monetary authorities which exercises valid jurisdiction over any such Person or such Person's Property. Unless otherwise specified, all references to Governmental Authority herein shall mean a Governmental Authority having jurisdiction over, where applicable, the Borrower, its Subsidiaries and

their Property or the Lender or any Applicable Lending Office.

"GOVERNMENTAL REQUIREMENT" shall mean any law, statute, code, ordinance, order, determination, rule, regulation, judgment, decree, injunction, franchise, permit, certificate, license, authorization or other directive or requirement (whether or not having the force of law), including, without limitation, Environmental Laws, energy regulations and occupational, safety and health standards or controls, of any Governmental Authority.

"GUARANTOR" shall mean, jointly and severally, each of the Subsidiaries listed on Exhibit F, but excluding the Excluded Subsidiaries but including all Subsidiaries created after the date hereof (not to include any Foreign Subsidiaries).

"GUARANTY AGREEMENT" shall mean an agreement executed by each Guarantor in form and substance satisfactory to the Lender guarantying, unconditionally, payment of the Indebtedness, as the same may be amended, modified or supplemented from time to time.

"HEDGING AGREEMENTS" shall mean any interest rate or currency swap, rate cap, rate floor, rate collar, forward agreement or other exchange or rate protection agreements or any option with respect to any such transaction.

"HIGHEST LAWFUL RATE" shall mean the maximum nonusurious interest rate, if any, that at any time or from time to time may be contracted for, taken, reserved, charged or received on the Notes or on other Indebtedness under laws applicable to the Lender which are presently in effect or, to the extent allowed by law, under such applicable laws which may hereafter be in effect and which allow a higher maximum nonusurious interest rate than applicable laws now allow.

"INDEBTEDNESS" shall mean any and all indebtedness, obligations (including reimbursement obligations) and liabilities owing or to be owing by the Borrower or any Subsidiary to the Lender in connection with the Notes or any Security Instrument, including this Agreement and the Letter of Credit

-9-

Agreements, and any Hedging Agreement now or hereafter arising and all renewals, extensions, increases and/or rearrangements of any of the above.

"INDEMNIFIED PARTIES" shall have the meaning assigned such term in Section 11.03(b).

"INDEMNITY MATTERS" shall mean any and all actions, suits, proceedings (including any governmental investigations or litigation), claims, demands and causes of action made or threatened against a Person and, in connection therewith, all losses, liabilities, damages or reasonable costs and expenses of any kind or nature whatsoever incurred by such Person whether caused by the sole or concurrent negligence of such Person seeking indemnification.

"INITIAL FUNDING" shall mean the funding of the initial Loans pursuant to Section 6.01 hereof.

"INTEREST PERIOD" shall mean, with respect to any Eurodollar Loan, the period commencing on the date such Eurodollar Loan is made and ending on the numerically corresponding day in the first, second or third calendar month thereafter, as the Borrower may select as provided in Section 2.02 (or such longer period as may be requested by the Borrower and agreed to by the Lender), except that each Interest Period which commences on the last Business Day of a calendar month (or on any day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall end on the last Business Day of the appropriate subsequent calendar month.

Notwithstanding the foregoing (a) no Interest Period may commence before and end after the Revolving Credit Termination Date, with respect to the Revolving Credit Note, or the Final Maturity Date, with respect to the Term Note, (b) no Interest Period for any Eurodollar Loan may end after the due date of any installment, if any, provided for in Section

3.01 hereof to the extent that such Eurodollar Loan would need to be prepaid prior to the end of such Interest Period in order for such installment to be paid when due, (c) each Interest Period which would otherwise end on a day which is not a Business Day shall end on the next succeeding Business Day (or, if such next succeeding Business Day falls in the next succeeding calendar month, on the next preceding Business Day), and (d) no Interest Period shall have a duration of less than one month and, if the Interest Period for any Eurodollar Loans would otherwise be for a shorter period, such Loans shall not be available hereunder.

-10-

"LC EXPOSURE" at any time shall mean the aggregate undrawn portion of the face amount of all uncanceled Letters of Credit and the aggregate of all amounts drawn under all Letters of Credit and not yet reimbursed nor funded as a Loan pursuant to Section 2.09(c).

"LETTER OF CREDIT AGREEMENTS" shall mean the written agreements with the Lender, as issuing lender for any Letter of Credit, executed or hereafter executed in connection with the issuance by the Lender of the Letters of Credit, such agreements to be on the Lender's customary form for letters of credit of comparable amount and purpose as from time to time in effect or as otherwise agreed to by the Borrower and the Lender.

"LETTERS OF CREDIT" shall mean the standby letters of credit with maturities of one year or less (which may incorporate automatic annual renewals with the consent of the Lender) issued pursuant to Section 2.01(b) and all reimbursement obligations pertaining to any such letters of credit, and "Letter of Credit" shall mean any one of the Letters of Credit and the reimbursement obligations pertaining thereto.

"LIEN" shall mean any interest in Property securing an obligation owed to, or a claim by, a Person other than the owner of the Property, whether such interest is based on the common law, statute or contract, and whether such obligation or claim is fixed or contingent, and including but not limited to the lien or security interest arising from a mortgage, encumbrance, pledge, security agreement, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. The term "LIEN" shall include reservations, exceptions, encroachments, easements, rights of way, covenants, conditions, restrictions, leases and other title exceptions and encumbrances affecting Property. For the purposes of this Agreement, the Borrower or any Subsidiary shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement, or leases under a financing lease or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person in a transaction intended to create a financing.

"LOANS" shall mean the aggregate of all Revolving Credit Loans and the Term Loan as provided for by Section 2.01.

"MATERIAL ADVERSE EFFECT" shall mean any material and adverse effect, on (a) the assets, liabilities, financial condition, business or operations of the Borrower and its Subsidiaries taken as a whole different from those reflected in the Financial Statements or from the facts represented or warranted in this Agreement or any other Security Instrument, or (b) the ability of the

-11-

Borrower and its Subsidiaries taken as a whole to carry out their business as at the Closing Date or meet its obligations under the Notes, this Agreement or the other Security Instruments on a timely basis.

"MAXIMUM REVOLVING CREDIT AMOUNT" shall mean at any time an amount equal to the lesser of (i) \$12,000,000, or (ii) the Borrowing Base as then in effect, as the same may be reduced pursuant to Section 2.03(b).

"MULTIEMPLOYER PLAN" shall mean a Plan defined as such in Section 3(37) or 4001(a)(3) of ERISA to which contributions have been made by the Borrower, any Subsidiary or any ERISA Affiliate and which is covered by Title IV of ERISA.

"NET CASH PROCEEDS" shall mean an amount equal to the gross proceeds from any financing transaction or sale of assets or business unit, less any existing Debt secured by or otherwise directly owing in connection with such assets or business unit, less any income taxes due from Borrower in connection therewith, less all flotation costs associated with such transaction including, without limitation, all legal fees payable by Borrower, all underwriter's expenses and discounts, all fees of the Securities and Exchange Commission, all state securities laws administrators' fees, all accountants' fees and all printing costs.

"NOTES" shall mean, collectively, the Revolving Credit Note and the Term Note, together with any and all renewals, extensions for any period, increases, rearrangements, substitutions or modifications thereof. "Note" shall mean either the Revolving Credit Note or the Term Note as the context requires.

"OTHER TAXES" shall have the meaning assigned such term in Section 4.04(b).

"PBGC" shall mean the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"PERSON" shall mean any individual, corporation, company, voluntary association, partnership, joint venture, trust, unincorporated organization or government or any agency, instrumentality or political subdivision thereof, or any other form of entity.

"PLAN" shall mean any employee pension benefit plan, as defined in Section 3(2) of ERISA, which (a) is currently or hereafter sponsored, maintained or contributed to by the Borrower, any Subsidiary or an ERISA

-12-

Affiliate or (b) was at any time during the six calendar years preceding the Closing Date, sponsored, maintained or contributed to, by the Borrower, any Subsidiary or an ERISA Affiliate.

"POST-DEFAULT RATE" shall mean, in respect of any principal of any Loan or any other amount payable by the Borrower under this Agreement or the Note which is not paid when due (whether at stated maturity, by acceleration or otherwise), a rate per annum during the period commencing on the due date until such amount is paid in full or the default is cured or waived equal to 2% per annum above the Base Rate as in effect from time to time plus the Applicable Margin (if any), but in no event to exceed the Highest Lawful Rate (provided that, if such amount in default is principal of a Eurodollar Loan, the "Post-Default Rate" for such principal shall be, for the period commencing on the due date and ending on the last day of the Interest Period therefor, 2% per annum above the interest rate for such Loan as provided in Section 3.02(b), but in no event to exceed the Highest Lawful Rate.

"PRIME RATE" shall mean the rate of interest which the Lender determines from time to time as its prime commercial lending rate, and which is thereafter entered into the minutes of the Lender's Loan and Discount Committee. Such rate is set by the Lender as a general reference rate of interest, taking into account such factors as the Lender may deem appropriate, it being understood that many of the Lender's commercial or other loans are priced in relation to such rate, that it is not necessarily the lowest or best rate actually charged to any customer and that the Lender may make various commercial or other loans at rates of interest having no relationship to such rate.

"PRINCIPAL OFFICE" shall mean the principal office of the Lender, presently located at 712 Main Street, Houston, Texas 77002.

"PRIOR REVOLVING CREDIT NOTE" shall mean that certain promissory note dated April 7, 1994, in the face amount of \$13,500,000 executed by the Borrower and payable to the order of the Lender as therein provided, which Prior Revolving Credit Note was issued by the Borrower under and pursuant to the 1994 Credit Agreement.

"PRIOR TERM NOTE" shall mean that certain promissory note dated April 7, 1994, in the original principal amount of \$11,500,000 executed by the Borrower and payable to the order of the Lender in installments

and as therein provided, which Prior Term Note was issued by the Borrower under and pursuant to the 1994 Credit Agreement.

-13-

"PROPERTY" shall mean any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"REGULATION D" shall mean Regulation D of the Board of Governors of the Federal Reserve System (or any successor), as the same may be amended or supplemented from time to time.

"REGULATORY CHANGE" shall mean any change after the Closing Date in any Governmental Requirement (including Regulation D) or the adoption or making after such date of any interpretations, directives or written responses to requests applying to a class of lenders (including the Lender or its Applicable Lending Office) of or under any Governmental Requirement (whether or not having the force of law) by any Governmental Authority charged with the interpretation or administration thereof.

"RESERVE REQUIREMENT" shall mean, for any Interest Period for any Eurodollar Loan, the average maximum rate at which reserves (including any marginal, supplemental or emergency reserves) are required to be maintained during such Interest Period under Regulation D by member banks of the Federal Reserve System in New York City with deposits exceeding one billion Dollars against "Eurocurrency liabilities" (as such term is used in Regulation D). Without limiting the effect of the foregoing, the Reserve Requirement shall reflect any other reserves required to be maintained by such member banks by reason of any Regulatory Change against (a) any category of liabilities which includes deposits by reference to which the Fixed Eurodollar Rate for Eurodollar Loans is to be determined as provided in the definition of "Fixed Eurodollar Rate" in this Section 1.02, or (b) any category of extensions of credit or other assets which include a Eurodollar Loan.

"RESPONSIBLE OFFICER" shall mean, as to any Person, the Chief Executive Officer, the President or any Vice President or Treasurer of such Person and, with respect to financial matters, the term "Responsible Officer" shall include the Chief Financial Officer or Treasurer of such Person. Unless otherwise specified, all references to a Responsible Officer herein shall mean a Responsible Officer of the Borrower.

"REVOLVING CREDIT COMMITMENT" shall mean the obligation of the Lender to make Loans to the Borrower under Section 2.01(a), and to issue, reissue, renew or extend Letters of Credit pursuant to Section 2.01(b), up to the Maximum Revolving Credit Amount, as the same may be reduced pursuant to Section 2.03(b).

-14-

"REVOLVING CREDIT LOANS" shall mean the revolving credit Loans made by the Lender to the Borrower pursuant to Section 2.01(a).

"REVOLVING CREDIT NOTE" shall mean the promissory note of the Borrower provided for by Section 2.06(a).

"REVOLVING CREDIT TERMINATION DATE" shall mean the date which is 24 months from the Closing Date.

"SEC" shall mean the Securities and Exchange Commission or any successor Governmental Authority.

"SECURITY INSTRUMENTS" shall mean this Agreement, the Letters of Credit, the Letter of Credit Agreements, the agreements or instruments described or referred to in Exhibit E, and any and all other agreements or instruments now or hereafter executed and delivered by the Borrower or any other Person (other than participation or similar agreements between the Lender and any other lender or creditor with respect to any Indebtedness pursuant to this Agreement) in connection with, or as security for the payment or performance of the Notes, this Agreement, or reimbursement obligations under the Letters of Credit, as such agreements may be amended, supplemented or restated from time to time.

"SUBSIDIARY" shall mean any corporation of which at least a

majority of the outstanding shares of stock having by the terms thereof ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether or not at the time stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by the Borrower or one or more of its Subsidiaries or by the Borrower and one or more of its Subsidiaries, but excluding the Foreign Subsidiaries.

"TAXES" shall have the meaning assigned such term in Section 4.04(a).

"TERM LOAN" shall mean the term Loan made by the Lender to the Borrower pursuant to Section 2.01(c).

"TERM NOTE" shall mean the promissory note of the Borrower provided for by Section 2.06(b).

"20% RULE EXCEPTION" shall mean an account debtor nominated at any time by the Borrower in writing to the Lender to be an exception to the 20%

-15-

Rule with regard to Eligible Accounts, and as to which the Lender can revoke the exception at any time in the event that a material adverse change occurs in the business, payment performance or financial condition of such account debtor, by written notice thereof to the Borrower which notice shall be effective immediately upon receipt thereof.

"TYPE" shall mean, with respect to any Loan, a Base Rate Loan or a Eurodollar Loan.

"WHOLLY-OWNED SUBSIDIARY" shall mean, as to the Borrower, any Subsidiary of which all of the outstanding shares of stock having by the terms thereof ordinary voting power to elect the board of directors of such corporation, other than directors' qualifying shares, are owned or controlled by the Borrower or one or more of the Wholly-Owned Subsidiaries or by the Borrower and one or more of the Wholly-Owned Subsidiaries.

Section 1.03 ACCOUNTING TERMS AND DETERMINATIONS. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all determinations with respect to accounting matters hereunder shall be made, and all financial statements and certificates and reports as to financial matters required to be furnished to the Lender hereunder shall be prepared, in accordance with GAAP, applied on a basis consistent with the audited financial statements of the Borrower referred to in Section 7.02 (except for changes concurred with by the Borrower's independent public accountants).

ARTICLE II

COMMITMENTS

Section 2.01 LOANS AND LETTERS OF CREDIT.

(a) REVOLVING CREDIT LOANS. The Lender agrees, on the terms of this Agreement, to make Revolving Credit Loans to the Borrower during the period from and including the Closing Date to and up to, but excluding, the Revolving Credit Termination Date in an aggregate principal amount at any one time outstanding up to but not exceeding the amount of the Maximum Revolving Credit Amount as then in effect; PROVIDED, HOWEVER, that the aggregate principal amount of all such Revolving Credit Loans by the Lender hereunder at any one time outstanding together with the LC Exposure shall not exceed the Maximum Revolving Credit Amount. Subject to the terms of this Agreement, during the period from and including the Closing Date to and up to, but excluding, the Revolving Credit Termination Date, the Borrower may borrow, repay and reborrow the amount described in this Section 2.01(a). Revolving Credit Loans shall be evidenced by the Revolving Credit Note described in Section 2.06(a) hereof.

-16-

(b) LETTERS OF CREDIT. During the period from and including the Closing Date to and up to, but excluding, the Revolving Credit Termination Date,

the Lender agrees to extend credit for the account of the Borrower at any time and from time to time by issuing, renewing, extending or reissuing Letters of Credit; provided however, the LC Exposure at any one time outstanding shall not exceed the lesser of (i) the Maximum Revolving Credit Amount, as then in effect, minus the aggregate principal amount of all Revolving Credit Loans then outstanding or (ii) \$2,000,000.

(c) TERM LOAN. The Lender agrees, on the terms of this Agreement, to make a Term Loan to the Borrower on the Closing Date in the amount of \$3,950,000, which shall amortize as set forth in the Term Note described in Section 2.06(b) hereof.

(d) LIMITATION ON TYPES OF LOANS. Subject to the other terms and provisions of this Agreement, at the option of the Borrower, the Loans may be Base Rate Loans or Eurodollar Loans; provided that no more than four (4) Eurodollar Loans may be outstanding at any time.

Section 2.02 BORROWINGS, CONTINUATIONS AND CONVERSIONS, LETTERS OF CREDIT.

(a) BORROWINGS. The Borrower shall give the Lender advance notice as hereinafter provided of each borrowing hereunder, which shall specify the aggregate amount of such borrowing, the Type and the date (which shall be a Business Day) of the Loans to be borrowed and (in the case of Eurodollar Loans) the duration of the Interest Period therefor.

(b) MINIMUM AMOUNTS. All Base Rate Loan borrowings shall be in amounts of at least \$100,000 or any whole multiple of \$100,000 in excess thereof, and all Eurodollar Loans shall be in amounts of at least \$1,000,000 or any whole multiple of \$500,000 in excess thereof.

(c) NOTICES. All borrowings, continuations and conversions shall require advance written notice to the Lender in the form of Exhibit B hereto (or telephonic notice promptly confirmed by such a written notice), which in each case shall be irrevocable, from the Borrower to be received by the Lender not later than 11:00 a.m. Houston, Texas time at least one Business Day prior to the date of such Base Rate borrowing and three Business Days prior to the date of each Eurodollar Loan borrowing, continuation or conversion. Without in any way limiting the Borrower's obligation to confirm in writing any telephonic notice, the Lender may act without liability upon the basis of telephonic notice believed by the Lender in good faith to be from the Borrower prior to receipt of written confirmation. In each such case, the Borrower hereby waives the right to dispute the Lender's record of the terms of such telephonic notice except in the case of gross negligence or wilful misconduct by the Lender.

-17-

(d) CONTINUATION OPTIONS. Subject to the provisions made in this Section 2.02(d), the Borrower may elect to continue all or any part of any Eurodollar Loan beyond the expiration of the then current Interest Period relating thereto by giving advance notice as provided in Section 2.02(c) to the Lender of such election, specifying the amount of such Loan to be continued and the Interest Period therefor. In the absence of such a timely and proper election, the Borrower shall be deemed to have elected to convert such Eurodollar Loan to a Base Rate Loan pursuant to Section 2.02(e). All or any part of any Eurodollar Loan may be continued as provided herein, provided that (i) any continuation of any such Loan shall be (as to each Loan as continued for an applicable Interest Period) in amounts of at least \$1,000,000 or any whole multiple of \$500,000 in excess thereof and (ii) no Default shall have occurred and be continuing. If a Default shall have occurred and be continuing, each Eurodollar Loan shall be converted to a Base Rate Loan on the last day of the Interest Period applicable thereto.

(e) CONVERSION OPTIONS. The Borrower may elect to convert all or any part of any Eurodollar Loan on the last day of the then current Interest Period relating thereto to a Base Rate Loan by giving advance notice to the Lender of such election. Subject to the provisions made in this Section 2.02(e), the Borrower may elect to convert all or any part of any Base Rate Loan at any time and from time to time to a Eurodollar Loan by giving advance notice as provided in Section 2.02(c) to the Lender of such election. All or any part of any outstanding Loan may be converted as provided herein, provided that (i) any conversion of any Base Rate Loan into a Eurodollar Loan shall be (as to each such Loan into which there is a conversion for an applicable Interest Period) in amounts of at least \$1,000,000 or any whole multiple of \$500,000 in excess thereof, and (ii) no Default shall have occurred and be continuing. If no

Default shall have occurred and be continuing, each Base Rate Loan may be converted into a Eurodollar Loan.

(f) ADVANCES. Not later than 11:00 a.m. Houston, Texas time on the date specified for each borrowing hereunder, the Lender shall make available the amount of the Loan to be made on such date in immediately available funds, for the account of the Borrower. The amount shall, subject to the terms and conditions of this Agreement, be made available to the Borrower by transferring the same, in immediately available funds, to an account of the Borrower, designated by the Borrower and maintained with the Lender at the Principal Office.

(g) LETTERS OF CREDIT. The Borrower shall give the Lender advance notice to be received by the Lender not later than 11:00 a.m. Houston, Texas time not less than three (3) Business Days prior thereto of each request for the issuance and at least thirty (30) Business Days prior to the date of the renewal or extension of a Letter of Credit hereunder which request shall specify the amount of such Letter of Credit, the date (which shall be a Business Day) such Letter of Credit is to be issued, renewed or extended, the duration thereof, the name and address of the beneficiary thereof and such other information as the Lender may reasonably request all of which shall be reasonably

18

satisfactory to the Lender. Notwithstanding the foregoing, no request for renewal or extension of a Letter of Credit need be delivered to the Lender in the case of a Letter of Credit issued by Lender which provides by its terms for automatic renewal or extension; nonetheless, Borrower shall (upon request to Borrower for same from Lender) supply Lender with such a request, but same shall not be a condition to the automatic renewal or extension. Subject to the terms and conditions of this Agreement, on the date specified for the issuance, renewal or extension of a Letter of Credit, the Lender shall issue such Letter of Credit to the beneficiary thereof.

In conjunction with the issuance of each Letter of Credit, the Borrower, shall execute a Letter of Credit Agreement. In the event of any conflict between any provision of a Letter of Credit Agreement and this Agreement, the Borrower and the Lender hereby agree that the provisions of this Agreement shall govern.

The Lender will send to the Borrower, immediately upon issuance of any Letter of Credit, or an amendment thereto, a true and complete copy of such Letter of Credit, or such amendment thereto.

Section 2.03 CHANGES OF REVOLVING CREDIT COMMITMENT.

(a) The Revolving Credit Commitment shall at all times be equal to the lesser of (i) the Maximum Revolving Credit Amount after adjustments resulting from reductions pursuant to Section 2.03(b) hereof, or (ii) the Borrowing Base as determined from time to time.

(b) The Borrower shall have the right to reduce the amount of the Revolving Credit Commitment at any time or from time to time upon not less than three (3) Business Days' prior written notice to the Lender of each such reduction, which notice shall specify the effective date thereof and the amount of any such reduction (which shall not be less than \$1,000,000 or any whole multiple of \$1,000,000 in excess thereof) and shall be irrevocable and effective only upon receipt by the Lender. No amount in respect of which notice of reduction of the Revolving Credit Commitment has been given pursuant to this Section 2.03(b) shall thereafter be advanced pursuant to Section 2.01(a).

(c) The Borrower shall have the right to terminate the Revolving Credit Commitment at any time upon not less than three (3) Business Days' prior written notice to the Lender. The Revolving Credit Commitment once terminated may not be reinstated and the Lender shall have no further obligation to make Revolving Credit Loans to the Borrower pursuant to Section 2.01(a), or issue, reissue, renew or extend Letters of Credit pursuant to Section 2.01(b).

-19-

Section 2.04 FEES.

(a) The Borrower shall pay to the Lender a commitment fee on the daily average unused amount of the Revolving Credit Commitment for the period from and including the Closing Date up to but excluding the earlier of the date

the Revolving Credit Commitment is terminated or the Revolving Credit Termination Date, at a rate per annum equal to .375%. The average unused amount of the Revolving Credit Commitment shall be determined at any date by subtracting from the Revolving Credit Commitment at such date the sum of the then outstanding principal balance of the Revolving Credit Loans plus the LC Exposure at such date. Accrued commitment fees shall be payable on the last day of each calendar month from and after the Closing Date and on the earlier of the date the Revolving Credit Commitment is terminated or the Revolving Credit Termination Date.

(b) The Borrower agrees to pay the Lender commissions for issuing Letters of Credit (calculated separately for each Letter of Credit) at the rate of 1-1/2% per annum of the daily average of the undrawn portion existing from time to time under such Letter of Credit, provided that each Letter of Credit shall bear a minimum commission of \$1,000 and that each Letter of Credit shall be deemed to be outstanding up to the full undrawn amount of the Letter of Credit until the Lender has received the cancelled Letter of Credit or a written cancellation of the Letter of Credit from the beneficiary of such Letter of Credit in form and substance acceptable to the Lender or for any reductions in the amount of the Letter of Credit (other than from a drawing), written notification from the Borrower. Such commissions are payable in advance at issuance of the Letter of Credit.

(c) Upon each transfer of any Letter of Credit to a successor beneficiary in accordance with its terms, the Borrower shall pay the sum of \$1,000 to the Lender.

(d) Upon each drawing upon any Letter of Credit, the Borrower shall pay to the Lender a negotiation fee of \$1,000; provided that such fee shall not be a condition to any drawing.

(e) The Borrower agrees to pay the Lender a one-time facility fee equal to \$100,000. Such fee is due and payable on the Closing Date.

Section 2.05 LENDING OFFICES. The Loans of each Type shall be made and maintained at the Lender's Applicable Lending Office for Loans of such Type.

Section 2.06 NOTES.

(a) REVOLVING CREDIT NOTE. The Loans to be made by the Lender to the Borrower pursuant to Section 2.01(a) shall be evidenced by the Revolving Credit Note, being that certain promissory note of the Borrower dated the Closing Date, in the face amount of the Maximum Revolving Credit Amount, payable to the order of the Lender as

-20-

therein provided and otherwise being substantially in the form of Exhibit A-1 hereto. The Revolving Credit Note represents a renewal, extension, rearrangement and modification of the Prior Revolving Credit Note.

(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 twelve (12) consecutive quarterly installments commencing on September 30, 1995, the first and second of which being in the amount of \$250,000 each, the third and fourth of which being in the amount of \$325,000 each, the fifth through and including the eleventh of which being in the amount of \$350,000 each, and the twelfth and final installment in the amount of the unpaid principal balance then owing thereunder being due and payable on the Final Maturity Date. The Term Note shall otherwise be in substantially the form of Exhibit A-2 hereto. The Term Note represents a renewal, extension, rearrangement and modification of the Prior Term Note.

The date, amount, Type, interest rate and Interest Period of each Loan and all payments made on account of the principal thereof, shall be recorded by the Lender on its books for the Note, and, prior to any transfer, endorsed by the Lender on the schedule attached to such Note or any continuation thereof. Such records shall be deemed conclusive absent manifest error.

Section 2.07 PREPAYMENTS.

(a) VOLUNTARY PREPAYMENTS. The Borrower may prepay the Base Rate

Loans upon not less than one (1) Business Day prior notice to the Lender, which notice shall specify the prepayment date (which shall be a Business Day) and the amount of the prepayment (which shall be at least \$250,000 or the remaining principal balance outstanding on the Note being prepaid) and shall be irrevocable and effective only upon receipt by the Lender, provided that interest on the principal prepaid, accrued to the prepayment date, shall be paid on the prepayment date. The Borrower may not prepay any Eurodollar Loans prior to the end of an Interest Period (provided that this sentence shall not affect the Borrower's obligation to prepay Loans pursuant to Sections 2.07(b) or (c) or Section 10.01 hereof).

(b) MANDATORY PREPAYMENTS.

(i) If, after giving effect to any reduction of the Revolving Credit Commitment pursuant to Section 2.03(b), the outstanding aggregate principal amount of the Revolving Credit Loans plus the LC Exposure exceeds the Revolving Credit Commitment, the Borrower shall (A) either (x) prepay the Revolving Credit Loans on the date of such reduction in an aggregate principal amount equal to the excess, together with interest on the principal amount paid accrued to the date of such

-21-

prepayment or (y) deliver to Lender a letter of credit for the benefit of Lender (or other collateral reasonably satisfactory to the Lender), in form, substance and amount (and from an issuing bank) reasonably satisfactory to Lender, and (B) if any excess remains after prepaying all of the Revolving Credit Loans or providing one or more letters of credit, pay to the Lender an amount equal to the excess to be held as cash collateral as provided in Section 2.09(b) hereof.

(ii) If at any time the Borrowing Base is less than the aggregate outstanding principal amount of the Revolving Credit Loans made pursuant to Section 2.01(a) plus the LC Exposure, then the Borrower shall immediately upon receipt of written notice from the Lender thereof: (A) prepay such Revolving Credit Loans in an aggregate principal amount equal to such excess, together with interest on the principal amount paid accrued to the date of such prepayment and (B) if a Borrowing Base deficiency remains after prepaying all of the Revolving Credit Loans because of LC Exposure, either pay to the Lender an amount equal to such Borrowing Base deficiency to be held as cash collateral as provided in Section 2.09(b) hereof, or deliver to Lender a letter of credit for the benefit of Lender (or other collateral reasonably satisfactory to the Lender) in form, substance and amount (and from an issuing Bank) all reasonably satisfactory to the Lender.

(iii) The following proceeds received by the Borrower or any Subsidiary shall be delivered to the Lender for application towards principal reductions on the Term Note:

(A) 100% of the Net Cash Proceeds from the sale of the Excluded Subsidiaries (not including the Foreign Subsidiaries); provided, however, the Borrower or such Subsidiary, as applicable, shall be entitled to keep the first \$1,000,000 of all Net Cash Proceeds received by it from the sale of Portales 801, Inc., Pensacola 801, Inc., Ft. Bragg 801, Inc. and Ft. Stewart 801, Inc. and, thereafter, 50% of all such Net Cash Proceeds in excess of \$1,000,000 shall be delivered by the Borrower or such Subsidiary, as applicable, to the Lender; and

(B) Until all amounts owing under the Term Note are paid in full, 100% of Net Cash Proceeds received by the Borrower or any Subsidiary from (x) any insurance, condemnation and/or similar awards, unless such insurance, condemnation or similar awards are to be used by Borrower or such Subsidiary, as applicable, to rebuild, repair or replace the property that was the subject of such award, in which event the Lender shall, to the extent received by Lender, cooperate with Borrower or such Subsidiary, as applicable, in and effect the disbursement of such insurance, condemnation or other similar awards for such purposes, and (y) any asset sales not made in the ordinary course of business (excluding the Excluded Subsidiaries).

-22-

Such proceeds shall be delivered to the Lender within three (3) Business Day after the Borrower's receipt of same.

(c) PREPAYMENTS GENERALLY. Prepayments permitted or required under this Section 2.07 shall be without premium or penalty, except as required under Section 5.05 for prepayment of Eurodollar Loans. Any prepayment made on the Revolving Credit Note during the Revolving Credit Period may be reborrowed subject to the then effective Revolving Credit Commitment. Any prepayments made on the Term Note shall be applied to installments on the Term Note to which the prepayment is applied in the inverse order of maturity.

Section 2.08 ASSUMPTION OF RISKS. The Borrower assumes all risks of the acts or omissions of any beneficiary of any Letter of Credit or any transferee thereof with respect to its use of such Letter of Credit. Neither the Lender (except in the case of willful misconduct, gross negligence or bad faith on the part of the Lender or any of its employees) nor its correspondents shall be responsible for (a) the validity or genuineness of certificates or other documents or any endorsements thereon, even if such certificates or other documents should in fact prove to be invalid, fraudulent or forged, (b) errors, omissions, interruptions or delays in transmissions or delivery of any messages by mail, telex, or otherwise, whether or not they be in code, (c) errors in translation or for errors in interpretation of technical terms, (d) the validity of any instrument transferring or assigning or purporting to transfer or assign any Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason, or (e) for any other consequences arising from causes beyond the Lender's control or the control of its correspondents. In addition, the Lender shall not be responsible for any error, neglect, or default of any of its correspondents; and none of the above shall affect, impair or prevent the vesting of the Lender's or its rights or powers hereunder or under the Letter of Credit Agreements, all of which rights shall be cumulative. The Lender may accept certificates or other documents that appear on their face to be in order, without responsibility for further investigation of any matter contained therein, provided that the Lender believes such certificates or other documents to be genuine and to have been signed or sent by the proper person or persons. In furtherance and not in limitation of the foregoing provisions, the Borrower agrees that any action, inaction or omission taken or not taken by the Lender or by any correspondent for the Lender in good faith in connection with any Letter of Credit, or any related drafts, certificates, documents or instruments, shall be binding on the Borrower and shall not put the Lender or its correspondents under any resulting liability to the Borrower.

Section 2.09 OBLIGATION TO REIMBURSE AND TO PREPAY.

(a) If a disbursement by the Lender is made under any Letter of Credit, the Borrower shall pay to the Lender within two (2) Business Days after notice of any such

-23-

disbursement is received by the Borrower, the amount of each such disbursement made by the Lender under the Letter of Credit (if such payment is not sooner effected as may be required under this Section 2.09 or under other provisions of the Letter of Credit) together with interest on the amount disbursed from and including the date of disbursement until payment in full of such disbursed amount at a varying rate per annum equal to (i) the then applicable interest rate for Base Rate Loans through the second Business Day after notice of such disbursement is received by the Borrower, and (ii) the Post-Default Rate for Base Rate Loans (but in no event to exceed the Highest Lawful Rate) for the period from and including the third Business Day following the date of such disbursement to and including the date of repayment in full of such disbursed amount. The obligations of the Borrower under this Agreement and each Letter of Credit shall be absolute, unconditional and irrevocable and shall be paid or performed strictly in accordance with the terms of this Agreement under all circumstances whatsoever, including, without limitation, but only to the fullest extent permitted by applicable law, the following circumstances (i) any lack of validity or enforceability of this Agreement, any Letter of Credit or any of the Security Instruments, (ii) any amendment or waiver of (including any default), or any consent to departure from this Agreement (except to the extent permitted by any amendment or waiver), any Letter of Credit or any of the Security Instruments, (iii) the existence of any claim, set-off, defense or other rights which the Borrower may have at any time against the beneficiary of any Letter of Credit or any transferee of any Letter of Credit (or any Persons for whom any such beneficiary or any such transferee may be acting), the Lender or any other

Person, whether in connection with this Agreement, any Letter of Credit, the Security Instruments, the transactions contemplated hereby or any unrelated transaction, (iv) any statement, certificate, draft, notice or any other document presented under any Letter of Credit proves to have been forged, fraudulent, or invalid in any respect or any statement therein proves to have been untrue or inaccurate in any respect whatsoever, (v) payment by the Lender under any Letter of Credit against presentation of a draft or certificate which appears on its face to comply, but does not comply, with the terms of such Letter of Credit; and (vi) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing.

Notwithstanding anything in this Agreement to the contrary, the Borrower will not be liable for payment or performance that results from the gross negligence or willful misconduct of the Lender, except (i) where the Borrower or any Subsidiary actually recovers the proceeds for itself or the Lender of any payment made by the Lender in connection with such gross negligence or willful misconduct, or (ii) in cases where the Lender makes payment to the named beneficiary of a Letter of Credit in accordance with the terms of the Letter of Credit.

(b) In the event of the maturity of the Revolving Credit Note by acceleration, an amount equal to the LC Exposure shall be deemed to be forthwith due and owing by the Borrower to the Lender as of the date of any such occurrence; and the Borrower's obligation to pay such amount shall be absolute and unconditional, without

-24-

regard to whether any beneficiary of any such Letter of Credit has attempted to draw down all or a portion of such amount under the terms of a Letter of Credit, and, to the fullest extent permitted by applicable law, shall not be subject to any defense or be affected by a right of set-off, counterclaim or recoupment which the Borrower may now or hereafter have against any such beneficiary, the Lender or any other Person for any reason whatsoever. Such payments shall be held by the Lender as cash collateral securing the LC Exposure. In the event of any such payment by the Borrower of amounts contingently owing under outstanding Letters of Credit and in the event that thereafter drafts or other demands for payment complying with the terms of such Letters of Credit are not made prior to the respective expiration dates thereof, the Lender agrees, if no Event of Default has occurred and is continuing or if no other amounts are outstanding under this Agreement, the Notes or the Security Instruments, to remit to the Borrower amounts for which the contingent obligations evidenced by the Letters of Credit have ceased.

(c) The Lender shall have the right (but not the obligation) to make advances under the Revolving Credit Note to fund any disbursement by the Lender under any Letter of Credit. Each such advance shall be made as a Base Rate Loan.

ARTICLE III

PAYMENTS OF PRINCIPAL AND INTEREST

Section 3.01 REPAYMENT OF LOANS. The Borrower will pay to the Lender, the principal payments required by this Section 3.01.

(a) REVOLVING CREDIT NOTE. On the Revolving Credit Termination Date the Borrower shall repay the aggregate principal amount of the Revolving Credit Note.

(b) TERM NOTE. The Term Note shall be payable in twelve (12) consecutive quarterly installments, the first and second of which being in the amount of \$250,000 each, the third and fourth of which being in the amount of \$325,000 each, the fifth through and including the eleventh of which being in the amount of \$350,000 each, and the twelfth and final installment being in the amount of the balance of principal then due on the Term Note. The first such installment is due and payable on September 30, 1995, and the remaining installments are due and payable in consecutive order on the last day of each succeeding December, March, June and September thereafter, with the final installment being due and payable on the Final Maturity Date.

Section 3.02 INTEREST. The Borrower will pay to the Lender interest on the unpaid principal amount of each Loan for the period commencing on the date such Loan is made to but excluding the date such Loan shall be paid in full, at the following rates per annum:

(a) if such a Loan is a Base Rate Loan, the Base Rate (as in effect from time to time) plus the Applicable Margin, but in no event to exceed the Highest Lawful Rate; and

(b) if such a Loan is a Eurodollar Loan, for each Interest Period relating thereto, the Fixed Rate for such Loan plus the Applicable Margin, but in no event to exceed the Highest Lawful Rate.

Notwithstanding the foregoing, the Borrower will pay to the Lender interest at the applicable Post-Default Rate on any principal of any Loan, and (to the fullest extent permitted by law) except as otherwise expressly set forth herein, on any other amount payable by the Borrower hereunder or under the Notes which shall not be paid in full when due (whether at stated maturity, by acceleration or otherwise), for the period commencing on the due date thereof until the same is paid in full.

Accrued interest on Base Rate Loans shall be payable on the last day of each September, December, March and June, commencing on September 30, 1995, and accrued interest on each Eurodollar Loan shall be payable on the last day of the Interest Period therefor and, if such Interest Period is longer than three months at three-month intervals following the first day of such Interest Period, except that interest payable at the Post-Default Rate shall be payable from time to time on demand and interest on any Eurodollar Loan that is converted into a Base Rate Loan (pursuant to Section 5.04) shall be payable on the date of conversion (but only to the extent so converted).

Promptly after the determination of any interest rate provided for herein or any change therein, the Lender shall notify the Borrower thereof. Each determination by the Lender of an interest rate or fee hereunder shall, except in cases of manifest error, be presumed to be correct.

ARTICLE IV

PAYMENTS; COMPUTATIONS; ETC.

Section 4.01 PAYMENTS. Except to the extent otherwise provided herein, all payments of principal, interest and other amounts to be made by the Borrower under this Agreement, the Notes and the Letters of Credit shall be made in Dollars, in immediately available funds, to the Lender at such account as the Lender shall specify by notice to the Borrower from time to time, not later than 11:00 a.m. Houston, Texas time on the date on which such payments shall become due (each such payment made after such time on such due date to be deemed to have been made on the next succeeding Business Day). Such payments shall be made without (to the fullest extent permitted by applicable law) defense, set-off or counterclaim; provided, all such defenses and counterclaims may be reserved.

Each payment received by the Lender under this Agreement or the Notes shall be paid promptly to the Lender, in immediately available funds. If the due date of any payment under this Agreement or the Notes would otherwise fall on a day which is not a Business Day such date shall be extended to the next succeeding Business Day and interest shall be payable for any principal so extended for the period of such extension. At the time of each payment of any principal of or interest on any borrowing to the Lender, the Borrower shall notify the Lender of the Loans to which such payment shall apply. In the absence of such notice the Lender may specify the Loans to which such payment shall apply, but to the extent possible such payment or prepayment will be applied first to the Loans comprised of Base Rate Loans.

Section 4.02 COMPUTATIONS. Interest on Loans and fees shall be computed on the basis of a year of 360 days and actual days elapsed (including the first day but excluding the last day) occurring in the period for which payable, unless such calculation would exceed the Highest Lawful Rate, in which case interest shall be calculated on the per annum basis of a year of 365 or 366 days, as the case may be.

Section 4.03 SET-OFF. The Borrower agrees that, in addition to (and without limitation of) any right of set-off, bankers' lien or counterclaim the Lender may otherwise have, the Lender shall have the right and be entitled, at its option after the occurrence of an Event of Default and so long as same shall be continuing, to offset balances held by it or by any of its Affiliates

for account of the Borrower or any Subsidiary at any of its offices, in Dollars or in any other currency, against any principal of or interest on any of the Loans or any other amount payable to the Lender hereunder, which is not paid when due (regardless of whether such balances are then due to the Borrower), in which case it shall promptly notify the Borrower thereof, provided that Lender's failure to give such notice shall not affect the validity thereof.

Section 4.04 TAXES.

(a) PAYMENTS FREE AND CLEAR. Any and all payments by the Borrower hereunder shall be made, in accordance with Section 4.01, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto resulting from a Regulatory Change, EXCLUDING, taxes imposed or based on its income, and franchise or similar taxes imposed on it, by (i) any jurisdiction (or political subdivision thereof) of which the Lender, is a citizen or resident or in which the Lender has an Applicable Lending Office, (ii) the jurisdiction (or any political subdivision thereof) in which the Lender is organized, or (iii) any jurisdiction (or political subdivision thereof) in which the Lender does business which taxes are imposed solely as a result of doing business in such jurisdiction (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "TAXES"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to the Lender (i) the sum payable shall be

-27-

increased by the amount necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 4.04) the Lender shall receive an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions, and (iii) the Borrower shall pay the full amount deducted to the relevant taxing authority or other Governmental Authority in accordance with applicable law.

(b) OTHER TAXES. In addition, to the fullest extent permitted by applicable law, the Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies other than excluded taxes as aforesaid, that arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or any other Security Instrument (hereinafter referred to as "OTHER TAXES").

(c) INDEMNIFICATION. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE BORROWER WILL INDEMNIFY THE LENDER FOR THE FULL AMOUNT OF TAXES AND OTHER TAXES (INCLUDING, BUT NOT LIMITED TO, ANY TAXES OR OTHER TAXES IMPOSED BY ANY GOVERNMENTAL AUTHORITY ON AMOUNTS PAYABLE UNDER THIS SECTION 4.04) PAID BY THE LENDER AND ANY LIABILITY (INCLUDING PENALTIES, INTEREST AND EXPENSES) ARISING THEREFROM OR WITH RESPECT THERETO, WHETHER OR NOT SUCH TAXES OR OTHER TAXES WERE CORRECTLY OR LEGALLY ASSERTED UNLESS THE PAYMENT OF SUCH TAXES WERE NOT CORRECTLY OR LEGALLY ASSERTED AND THE LENDER'S PAYMENT OF SUCH TAXES OR OTHER TAXES WAS THE RESULT OF ITS GROSS NEGLIGENCE OR WILFUL MISCONDUCT PROVIDED, THAT BORROWER'S INDEMNITY HEREUNDER DOES NOT EXTEND TO OR COVER ANY TAXES EITHER IMPOSED OR BASED UPON LENDER'S INCOME OR CONSTITUTING FRANCHISE OR SIMILAR TAXES. ANY PAYMENT PURSUANT TO SUCH INDEMNIFICATION SHALL BE MADE WITHIN THIRTY (30) DAYS AFTER THE DATE THE LENDER MAKES WRITTEN DEMAND THEREFOR. IF THE LENDER RECEIVES A REFUND OR CREDIT IN RESPECT OF ANY TAXES OR OTHER TAXES FOR WHICH IT HAS RECEIVED PAYMENT FROM THE BORROWER HEREUNDER IT SHALL PROMPTLY NOTIFY THE BORROWER OF SUCH REFUND OR CREDIT AND SHALL, IF NO PAYMENT DEFAULT HAS OCCURRED AND IS CONTINUING, WITHIN 30 DAYS AFTER RECEIPT OF A REQUEST BY THE BORROWER (OR PROMPTLY UPON RECEIPT, IF THE BORROWER HAS REQUESTED APPLICATION FOR SUCH REFUND OR CREDIT PURSUANT HERETO), PAY AN AMOUNT EQUAL TO SUCH REFUND OR CREDIT TO THE BORROWER WITHOUT INTEREST (BUT WITH ANY INTEREST SO REFUNDED OR CREDITED), PROVIDED THAT THE BORROWER, UPON THE REQUEST OF THE LENDER, AGREES TO RETURN SUCH REFUND OR CREDIT (PLUS PENALTIES, INTEREST OR OTHER CHARGES) TO THE LENDER IN THE EVENT THE LENDER IS REQUIRED TO REPAY SUCH REFUND OR CREDIT.

-28-

ARTICLE V

ADDITIONAL COSTS; CAPITAL ADEQUACY; ETC.

Section 5.01 ADDITIONAL COSTS.

(a) EURODOLLAR REGULATIONS, ETC. The Borrower shall pay directly

to Lender from time to time such amounts as the Lender may determine in good faith to be necessary to compensate the Lender for any material costs (which, solely for purposes of this Article V, are costs in excess of \$5,000.00) which it determines are attributable to its making or maintaining of any Eurodollar Loans or issuing or participating in Letters of Credit hereunder or its obligation to make any Eurodollar Loans or issue any Letters of Credit hereunder, or any reduction in any amount receivable by the Lender hereunder in respect of any of such Eurodollar Loans, Letters of Credit or such obligation (such increases in costs and reductions in amounts receivable being herein called "ADDITIONAL COSTS"), resulting from any Regulatory Change which: (i) changes the basis of taxation of any amounts payable to the Lender under this Agreement or any Note in respect of any of such Eurodollar Loans or Letters of Credit (other than taxes imposed or based in whole or in part on the overall net income of the Lender or of its Applicable Lending Office for any of such Eurodollar Loans by the jurisdiction in which the Lender has its Principal Office or Applicable Lending Office), or (ii) imposes or modifies any reserve, special deposit, minimum capital, capital ratio or similar requirements (other than the Reserve Requirement utilized in the determination of the Fixed Rate for such Loan) relating to any extensions of credit or other assets of, or any deposits with or other liabilities of the Lender (including any of such Eurodollar Loans or any deposits referred to in the definition of "Fixed Eurodollar Rate" in Section 1.02 hereof), or the Commitment or the Eurodollar interbank market, or (iii) imposes any other condition affecting this Agreement or the Note (or any of such extensions of credit or liabilities) or the Commitment. The Lender will notify the Borrower of any event occurring after the Closing Date which will entitle it to compensation pursuant to this Section 5.01(a) as promptly as practicable after it obtains knowledge thereof and determines in good faith to request such compensation, and will designate a different Applicable Lending Office for the Loans affected by such event if such designation will avoid the need for, or reduce the amount of, such compensation. If the Lender requests compensation from the Borrower under this Section 5.01(a), the Borrower may, by notice to the Lender, suspend the obligation of the Lender to make additional Loans of the Type with respect to which such compensation is requested until the Regulatory Change giving rise to such request ceases to be in effect (in which case the provisions of Section 5.04 shall be applicable).

(b) REGULATORY CHANGE. Without limiting the effect of the provisions of Section 5.01(a), in the event that, by reason of any Regulatory Change, the Eurodollar interbank market or the Lender's position in such market, the Lender either (i) incurs Additional Costs based on or measured by the excess above a specified level of the amount

-29-

of a category of deposits or other liabilities of the Lender which includes deposits by reference to which the interest rate on Eurodollar Loans is determined as provided in this Agreement or a category of extensions of credit or other assets of the Lender which includes Eurodollar Loans, or (ii) becomes subject to restrictions on the amount of such a category of liabilities or assets which it may hold, then, if the Lender so elects by notice to the Borrower, the obligation of the Lender to make additional Eurodollar Loans shall be suspended until such Regulatory Change or other circumstances ceases to be in effect (in which case the provisions of Section 5.04 shall be applicable).

(c) CAPITAL ADEQUACY. Without limiting the effect of the foregoing provisions of this Section 5.01 (but without duplication), the Borrower shall pay directly to the Lender from time to time on request such material amounts as the Lender may reasonably determine to be necessary to compensate it or its parent or holding company for any costs which are attributable to the maintenance by it or its parent or holding company (or any Applicable Lending Office), pursuant to any Governmental Requirement following any Regulatory Change, of capital in respect of the Commitment, any Note, the Loans or any interest held by it in any Letter of Credit (such compensation to include, without limitation, an amount equal to any reduction of the rate of return on assets or equity of the Lender or its parent or holding company (or any Applicable Lending Office) to a level below that which the Lender or its parent or holding company (or any Applicable Lending Office) could have achieved but for such Governmental Requirement). The Lender will notify the Borrower that it is entitled to compensation pursuant to this Section 5.01(c) as promptly as practicable after it determines to request such compensation.

(d) COMPENSATION PROCEDURE. If Lender notifies the Borrower in writing of the incurrence of additional costs under this Section 5.01, such notice to the Borrower shall set forth the basis and amount of its request for

compensation. Determinations and allocations by the Lender for purposes of this Section 5.01 of the effect of any Regulatory Change pursuant to Section 5.01(a) or (b), or of the effect of capital maintained pursuant to Section 5.01(c), on its costs or rate of return of maintaining Loans or its obligation to make Loans or issue Letters of Credit, or on amounts receivable by it in respect of Loans or Letters of Credit, and of the amounts required to compensate the Lender under this Section 5.01, shall be presumed correct for all purposes and shall be evidenced by a certificate from Lender setting forth the relevant calculations, provided that such determinations and allocations are made on a reasonable basis. Any request for additional compensation under this Section 5.01 shall be paid by the Borrower within twenty (20) Business Days of the receipt by the Borrower of the notice described in this Section 5.01(d).

Section 5.02 LIMITATION ON EURODOLLAR LOANS. Anything herein to the contrary notwithstanding, if, on or prior to the determination of any Fixed Eurodollar Rate for any Interest Period:

-30-

(a) the Lender determines in good faith (which determination shall be presumed correct absent manifest error) that quotations of interest rates for the relevant deposits referred to in the definition of "Fixed Eurodollar Rate" in Section 1.02 are not being provided in the relevant amounts or for the relevant maturities for purposes of determining rates of interest for Eurodollar Loans as provided herein; or

(b) the Lender determines in good faith (which determination shall be presumed correct absent manifest error) that the relevant rates of interest referred to in the definition of "Fixed Eurodollar Rate" in Section 1.02 upon the basis of which the rate of interest for Eurodollar Loans for such Interest Period is to be determined are not likely to adequately cover the cost to the Lender of making or maintaining Eurodollar Loans;

then the Lender shall give the Borrower prompt notice thereof, and so long as such condition remains in effect, the Lender shall be under no obligation to make additional Eurodollar Loans.

Section 5.03 ILLEGALITY. Notwithstanding any other provision of this Agreement, in the event that it becomes unlawful for the Lender or its Applicable Lending Office to honor its obligation to make or maintain Eurodollar Loans hereunder, then the Lender shall promptly notify the Borrower thereof and the Lender's obligation to make Eurodollar Loans shall be suspended until such time as the Lender may again make and maintain Eurodollar Loans (in which case the provisions of Section 5.04 shall be applicable).

Section 5.04 BASE RATE LOANS PURSUANT TO SECTIONS 5.01, 5.02 AND 5.03. If the obligation of the Lender to make Eurodollar Loans shall be suspended pursuant to Sections 5.01, 5.02 or 5.03 ("AFFECTED LOANS"), all Affected Loans which would otherwise be made by the Lender shall be made instead as Base Rate Loans (and, if an event referred to in Section 5.01(b) or Section 5.03 has occurred and the Lender so requests by notice to the Borrower, all Affected Loans then outstanding shall be automatically converted into Base Rate Loans on the date specified by the Lender in such notice) and, to the extent that Affected Loans are so made as (or converted into) Base Rate Loans, all payments of principal which would otherwise be applied to the Affected Loans shall be applied instead to Base Rate Loans. Any conversion of a Eurodollar Loan into a Base Rate Loan, to the extent required pursuant to this Section 5.04, shall be made without any penalty or charge to Borrower, as if such conversion had been made on the last day of the Interest Period applicable to such Eurodollar Loan.

Section 5.05 COMPENSATION. The Borrower shall pay to the Lender within thirty (30) days of receipt of written request of Lender (which request shall set forth, in reasonable detail, the basis for requesting such amounts and which shall be conclusive and binding for all purposes provided that such determinations are made on a reasonable basis),

-31-

such amount or amounts as shall compensate it for any loss, cost, expense or liability which the Lender determines are attributable to:

(a) any payment, prepayment or conversion of a Eurodollar Loan properly made by the Borrower for any reason, or by Lender as a result of the acceleration of the Loans pursuant to Section 10.01, on a date other than the last day of the Interest Period for such Loan; or

(b) any failure by the Borrower for any reason (including but not limited to, the failure of any of the conditions precedent specified in Article VI to be satisfied) to borrow, continue or convert a Eurodollar Loan on the date for such borrowing, continuation or conversion specified in the relevant notice given pursuant to Section 2.02(c).

Without limiting the effect of the preceding sentence, such compensation shall include an amount equal to the excess, if any, of (i) the amount of interest which otherwise would have accrued on the principal amount so paid, prepaid or converted or not borrowed for the period from the date of such payment, prepayment or conversion or failure to borrow to the last day of the Interest Period for such Loan (or, in the case of a failure to borrow, the Interest Period for such Loan which would have commenced on the date specified for such borrowing) at the applicable rate of interest for such Loan provided for herein over (ii) the interest component of the amount the Lender would have bid in the London interbank market for Dollar deposits of leading banks in amounts comparable to such principal amount and with maturities comparable to such period (as reasonably determined by the Lender).

ARTICLE VI

CONDITIONS PRECEDENT

Section 6.01 INITIAL FUNDING.

The obligation of the Lender to make the Initial Funding and to issue any Letters of Credit hereunder is subject to its receipt by the Lender of all fees payable pursuant to Section 2.04 on or before the Closing Date or otherwise under this Agreement and the following documents and satisfaction of the other conditions provided in this Section 6.01, each of which shall be satisfactory to the Lender in form and substance:

(a) (i) A certificate of the Secretary or an Assistant Secretary of the Borrower and each Guarantor or other Subsidiary party to any of the Security Instruments setting forth (A) resolutions of its board of directors with respect to the authorization of the Borrower, such Guarantor and such other Subsidiary to execute and deliver this Agreement, the Note and the Security Instruments to which it is a

-32-

party and to enter into the transactions contemplated in those documents, (B) the officers of the Borrower, such Guarantor and such other Subsidiary (x) who are authorized to sign this Agreement, the Note and the Security Instruments to which Borrower, such Guarantor and such other Subsidiary is a party, and (y) who will, until replaced by another officer or officers duly authorized for that purpose, act as its representative for the purposes of signing documents and giving notices and other communications in connection with this Agreement and the transactions contemplated hereby, (C) specimen signatures of the authorized officers, and (D) the articles or certificate of incorporation and bylaws of the Borrower, such Guarantor and such other Subsidiary, certified as being true and complete. The Lender may conclusively rely on such certificate until it receives notice in writing from the Borrower to the contrary.

(b) Certificates of the Secretary of State of Texas with respect to the existence, qualification and good standing of the Borrower and Guarantors.

(c) A compliance certificate which shall be substantially in the form of Exhibit C, duly and properly executed by a Responsible Officer and dated as of the date of the Initial Funding.

(d) The Notes, each duly completed and executed.

(e) The Security Instruments described on Exhibit E, duly completed and executed in sufficient number of counterparts for recording, if necessary.

(f) An opinion of the General Counsel of the Borrower and the Guarantors dated as of the Closing Date as to such matters as Lender shall reasonably request, reasonably satisfactory to Lender. Lender has received the legal opinion of Fulbright & Jaworski L.L.P. dated April 8, 1994, rendered in connection with the 1994 Credit Agreement.

(g) A certificate of hazard insurance coverage of the Borrower evidencing that the Borrower is carrying hazard insurance in accordance with Section 7.19 hereof together with a schedule describing all other insurance carried in accordance with Section 7.19 hereof.

(h) The Lender shall have received the Financial Statements of the Borrower described or referred to in Section 7.02.

(i) An initial borrowing base report, which shall contain supporting schedules and being otherwise in substantially the form of Exhibit G attached hereto.

-33-

(j) Such other documents as the Lender or its counsel may reasonably request.

Section 6.02 INITIAL AND SUBSEQUENT LOANS. The obligation of the Lender to issue Letters of Credit and to make Loans to the Borrower upon the occasion of each borrowing hereunder (including the Initial Funding) is subject to the further conditions precedent that, as of the date of such Loans and after giving effect thereto (a) no Default shall have occurred and be continuing, (b) no Material Adverse Effect shall have occurred, and (c) the representations and warranties made by the Borrower in Article VII and in the Security Instruments shall be true in all material respects on and as of the date of the making of such Loans with the same force and effect as if made on and as of such date and following such new borrowing, except as such representations and warranties are modified to give effect to transactions expressly permitted hereby and except for such representations and warranties as are by their express terms limited to a specific date. Each request for a borrowing by the Borrower hereunder shall constitute a certification by the Borrower to the effect set forth in the preceding sentence (both as of the date of such notice and, unless the Borrower otherwise notifies the Lender prior to the date of and immediately following such borrowing as of the date thereof) except there shall be no such certification for such representations and warranties as are by their express terms limited to a specific date.

Section 6.03 CONDITIONS RELATING TO LETTERS OF CREDIT. In addition to the satisfaction of all other conditions precedent set forth in this Article VI, the issuance, renewal, extension or reissuance of the Letters of Credit referred to in Section 2.01(b) hereof is subject to the following conditions precedent:

(a) At least three (3) Business Days prior to the date of the issuance and at least thirty (30) Business Days prior to the date of the renewal, extension or reissuance of each Letter of Credit (except for such Letters of Credit as contain a provision for automatic renewal or extension thereof without any further act or documentation by Lender) the Lender shall have received a written request for a Letter of Credit; provided, however, with respect to Letters of Credit which are automatically renewed or extended, Borrower shall still furnish Lender with a written request for same following Lender's request for same but such request shall not be a condition to such automatically renewed or extended Letter of Credit.

(b) Each of the Letters of Credit shall (i) be issued by the Lender, (ii) contain such terms and provisions as are reasonably required by the Lender, (iii) be for the account of the Borrower, and (iv) have a maturity of one year or less (which may incorporate automatic annual renewals with consent of the Lender), but in no event shall any Letter of Credit expire later than one (1) year after the Revolving Credit Termination Date.

-34-

(c) The Borrower shall have duly and validly executed and delivered to the Lender a Letter of Credit Agreement pertaining to the Letter of Credit.

Section 6.04 POST CLOSING CONDITIONS. In addition to the satisfaction of all other conditions precedent set forth in this Article VI, Borrower shall deliver to Lender no later than 30 days after the Closing Date, certificates of the appropriate state agencies (other than the Secretary of State of Texas) with respect to the existence, qualification and good standing of the Borrower and the Guarantors.

Section 6.05 AUDIT AND ASSET MANAGEMENT REVIEW. In addition to all other conditions precedent set forth in this Article VI, the Lender will engage its Audit and Asset Management Group to review the financial systems, controls and working capital assets of the Borrower. The Borrower agrees to pay all out-of-pocket expenses (excluding overhead allocations) reasonably incurred by the Lender in connection with such review.

ARTICLE VII

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Lender that (each representation and warranty herein is given as of the Closing Date and shall be deemed repeated and reaffirmed on the dates of each borrowing as provided in Section 6.02):

Section 7.01 CORPORATE EXISTENCE. Each of the Borrower and each Subsidiary (except the Foreign Subsidiaries) (a) is a corporation duly organized, legally existing and in good standing under the laws of the jurisdiction of its incorporation, (b) has all requisite corporate power, and has all material governmental licenses, authorizations, consents and approvals necessary to own its assets and carry on its business as now being or as proposed to be conducted, and (c) is qualified to do business in all jurisdictions in which the nature of the business conducted by it makes such qualification necessary and where failure so to qualify would have a Material Adverse Effect.

Section 7.02 FINANCIAL CONDITION. The audited consolidated balance sheet of the Borrower and its Subsidiaries as at May 31, 1995 and the related consolidated statement of income, stockholders' equity and cash flow of the Borrower and its Subsidiaries for the fiscal year ended on said date, the related notes, with the opinion thereon of Deloitte & Touche heretofore furnished to the Lender and the unaudited consolidated balance sheet of the Borrower and its Subsidiaries as at February 28, 1995 and their related consolidated statements of income, stockholders' equity and cash flow of the Borrower and its Subsidiaries for the six-month period ended on such date heretofore furnished to the Lender, are complete and correct and fairly present in all material respects the consolidated financial condition of the Borrower and its Subsidiaries as at said dates and the results of

-35-

its operations for the fiscal year and the six-month period on said dates, all in accordance with GAAP, as applied on a consistent basis (subject, in the case of the interim financial statements, to normal year-end adjustments). The Borrower and the Subsidiaries, taken as a whole, do not have as of the Closing Date any material Debt, contingent liability or material long-term obligation not otherwise set forth in such financial statements or in filings made with the SEC pursuant to and required by the Securities Exchange Act of 1934 (the "1934 Act") as amended and all such filings have been furnished to the Lender except for the Certificates of Participation described on Schedule 9.01, which are hereby represented to be nonrecourse liabilities. Since May 31, 1995, there has been no change or event having a Material Adverse Effect. Since the date of the Financial Statements, neither the business nor the Properties of the Borrower or any Subsidiary have been materially and adversely affected as a result of any fire, explosion, earthquake, flood, drought, windstorm, accident, strike or other labor disturbance, embargo, requisition or taking of Property or cancellation of contracts, permits or concessions by any Governmental Authority, riot, activities of armed forces or acts of God or of any public enemy.

Section 7.03 LITIGATION. Except as disclosed in filings on Form 10-K or 10-Q made with the SEC (with copies of same delivered to Lender) or disclosed on Schedule 7.03 attached hereto, at the Closing Date there is no litigation, legal, administrative or arbitral proceeding, investigation or other action of any nature pending or, to the knowledge of the Borrower threatened against or affecting the Borrower or any Subsidiary which could reasonably be expected to have a Material Adverse Effect, except for any effect on any quarterly income statement.

Section 7.04 NO BREACH. Neither the execution and delivery of this Agreement, the Notes or the other Security Instruments, nor compliance with the terms and provisions hereof will conflict with or result in a breach of or default of, or require any consent which has not been obtained as of the Closing Date under, the respective charter or by-laws of the Borrower or any Subsidiary, or any Governmental Requirement or any agreement or instrument to which the Borrower or any Subsidiary is a party or by which it is bound or to which it or its Properties are subject, the breach, default or violation of which could reasonably be expected to have a Material Adverse Effect, or result in the creation or imposition of any Lien upon any of the revenues or assets of the Borrower or any Subsidiary pursuant to the terms of any such agreement or instrument other than the Liens created by the Security Instruments.

Section 7.05 AUTHORITY. The Borrower and each Consolidated Subsidiary have all necessary corporate power and authority to execute, deliver and perform its obligations under this Agreement, the Notes or the other Security Instruments to which it is a party; and the execution, delivery and performance by the Borrower and each Consolidated Subsidiary of this Agreement, the Notes or the other Security Instruments to which it is a party, have been duly authorized by all necessary corporate action on its part; and assuming the enforceability thereof against the Lender, this Agreement, the Notes and the Security

-36-

Instruments constitute the legal, valid and binding obligations of the Borrower and each Subsidiary, enforceable in accordance with their terms except as may be limited by bankruptcy, insolvency, moratorium, fraudulent transfer and other similar laws and judicial decisions relating to the enforcement of creditors' rights generally, and by general principles of equity.

Section 7.06 APPROVALS. No authorizations, approvals or consents of, and no filings or registrations with, any Governmental Authority are necessary for the execution, delivery or performance by the Borrower or any Consolidated Subsidiary of this Agreement, the Notes or the Security Instruments or for the validity or enforceability thereof, except for the recording and filing of the Security Instruments as required by this Agreement.

Section 7.07 USE OF LOANS. The proceeds of the Loans shall be used (a) to renew, extend, rearrange and modify the Prior Revolving Credit Note and the Prior Term Note, as applicable, (b) for ongoing working capital, and (c) for general corporate purposes. The Borrower is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose, whether immediate, incidental or ultimate, of buying or carrying margin stock (within the meaning of Regulation U or X of the Board of Governors of the Federal Reserve System) and no part of the proceeds of any Loan hereunder will be used to buy or carry any margin stock. Neither the Borrower nor any Person acting on behalf of the Borrower has taken or will take any action which might cause any Note or any of the Security Instruments, including this Agreement, to violate Regulation U or X or any other regulation of the Board of Governors of the Federal Reserve System or to violate Section 7 of the SEC or any rule or regulation thereunder, in each case as now in effect or as the same may hereinafter be in effect.

Section 7.08 ERISA. Neither the Borrower nor any ERISA Affiliate maintains or contributes to, nor at any time in the six-year period preceding the Closing Date has sponsored, maintained or contributed to, any Multiemployer Plan.

Section 7.09 TAXES. Each of the Borrower and its Subsidiaries has filed all United States Federal income tax returns and to the Borrower's knowledge, all other tax returns which are required to be filed by them and have paid all material taxes due pursuant to such returns. The charges, accruals and reserves on the books of the Borrower and its Subsidiaries in respect of taxes and other governmental charges are, in the opinion of the Borrower, adequate. No tax lien has been filed and, to the knowledge of the Borrower, no material claim is being asserted with respect to any such tax.

Section 7.10 TITLES, ETC.

(a) The Borrower and its Consolidated Subsidiaries have good and defensible title to its material (individually or in the aggregate) Properties, free and clear of all Liens except Liens permitted by Section 9.02.

(b) All leases and agreements necessary in all material respects for the conduct of the business of the Borrower and its Consolidated Subsidiaries are valid and subsisting, in full force and effect and there exists no default or event or circumstance which with the giving of notice or the passage of time or both would give rise to a default under any such lease or leases, which would adversely affect in any material respect the conduct of the business of the Borrower and its Consolidated Subsidiaries, taken as a whole.

(c) The rights, properties and other assets presently owned, leased or licensed by the Borrower and its Consolidated Subsidiaries including, without limitation, all easements and rights of way, include all rights, Properties and other assets necessary to permit the Borrower and its Consolidated Subsidiaries to conduct their business in all material respects in the same manner as its business has been conducted prior to the Closing Date.

(d) Substantially all of the assets and Properties of the Borrower and its Consolidated Subsidiaries which are reasonably necessary for the operation of its business are in good working condition and are maintained in accordance with prudent business standards.

Section 7.11 NO MATERIAL MISSTATEMENTS. As of the date delivered, no written information, exhibit, certificate, document or report furnished to the Lender by the Borrower or any Subsidiary pursuant to this Agreement contains any material misstatement of fact or omits to state a material fact or any fact necessary to make the statements contained therein not materially misleading in the light of the circumstances in which made and with respect to the Borrower and its Subsidiaries taken as a whole.

Section 7.12 INVESTMENT COMPANY ACT. Neither the Borrower nor any Subsidiary is an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended.

Section 7.13 PUBLIC UTILITY HOLDING COMPANY ACT. Neither the Borrower nor any Subsidiary is a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," or a "public utility" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

Section 7.14 SUBSIDIARIES AND PARTNERSHIPS. Except as set forth on Schedule 7.14, the Borrower has no Subsidiaries and has no interest in any formally organized and documented partnerships with assets exceeding \$250,000.

Section 7.15 LOCATION OF BUSINESS AND OFFICES. The Borrower's principal place of business and chief executive office are located at the address stated on the signature

page of this Agreement. The principal place of business and chief executive office of each Consolidated Subsidiary are located at the addresses stated on Schedule 7.14.

Section 7.16 DEFAULTS. Neither the Borrower nor any Subsidiary is in default nor has any event or circumstance occurred which, but for the expiration of any applicable grace period or the giving of notice, or both, would constitute a default under any material agreement or instrument to which the Borrower or any Subsidiary is a party or by which the Borrower or any Subsidiary is bound which default would have a Material Adverse Effect except as disclosed on Schedule 7.16 attached hereto. No Default hereunder has occurred and is continuing.

Section 7.17 ENVIRONMENTAL MATTERS. Except as would not have a Material Adverse Effect (or with respect to (c), (d) and (e) below, where the failure to take such actions would not have a Material Adverse Effect):

(a) To Borrower's knowledge, neither any Property of the Borrower or any Subsidiary nor the operations conducted thereon violate any order or requirement of any court or Governmental Authority or any Environmental Laws;

(b) Without limitation of clause (a) above, the operations currently conducted by Borrower or its Subsidiaries on the Property are

not subject to any existing, pending or, to Borrower's knowledge, threatened action, suit, investigation, inquiry or proceeding by or before any court or Governmental Authority or to any remedial obligations under Environmental Laws;

(c) All notices, permits, licenses or similar authorizations, if any, required to be obtained or filed in connection with the operation or use of any and all Property of the Borrower or any Subsidiary, including without limitation past (but only to the extent of Borrower's knowledge with respect to "past" activities) or present treatment, storage, disposal or release of a hazardous substance into the environment, have been duly obtained or filed, and the Borrower and each Subsidiary are in compliance with the terms and conditions of all such notices, permits, licenses and similar authorizations;

(d) To Borrower's knowledge, all hazardous substances generated at any and all Property of the Borrower or any Subsidiary have (to the extent required by applicable law) in the past been transported, treated and disposed of only by carriers maintaining valid permits under RCRA and any other Environmental Law and only at treatment, storage and disposal facilities maintaining valid permits under RCRA and any other Environmental Law;

-39-

(e) To Borrower's knowledge, no hazardous substances have been disposed of or otherwise released on or to any Property of the Borrower or any Subsidiary except in compliance with Environmental Laws;

(f) To Borrower's knowledge and except as previously disclosed in filings with the Securities and Exchange Commission, neither the Borrower nor any Subsidiary has any contingent liability in connection with any release of any oil or hazardous substance into the environment.

Notwithstanding the foregoing or anything else to the contrary contained in this Agreement or elsewhere, all of Borrower's representations and warranties under this Section 7.17 with respect to or in connection with the Property of First American Capital Corporation and its Subsidiaries are made only as of June 1, 1992 and only as to Borrower's knowledge and are not to be deemed repeated after the Closing Date.

Section 7.18 COMPLIANCE WITH THE LAW. Neither the Borrower nor any Subsidiary has violated any Governmental Requirement or failed to obtain any license, permit, franchise or other governmental authorization necessary for the ownership of any of its Properties or the conduct of its business, which violation or failure would have (in the event such violation or failure were asserted by any Person through appropriate action) a Material Adverse Effect.

Section 7.19 INSURANCE. Schedule 7.19 attached hereto contains an accurate summary of all material hazard and general liability insurance owned or held by the Borrower and each Consolidated Subsidiary. All such policies are in full force and effect, all premiums with respect thereto covering all periods up to and including the date of the closing have been paid, and no notice of cancellation or termination has been received with respect to any such policy. Such policies are sufficient for compliance with all requirements of law and of all agreements to which the Borrower or any Consolidated Subsidiary is a party; are valid, outstanding policies; provide adequate insurance coverage in at least such amounts and against at least such risks (but including in any event public liability) as are usually insured against in the same general area by companies of comparable size engaged in the same or a similar business for the assets and operations of the Borrower and each Consolidated Subsidiary; and will not in any way be adversely affected by, or terminate or lapse by reason of, the transactions contemplated by this Agreement.

Section 7.20 HEDGING AGREEMENTS. As of the Closing Date, neither Borrower nor any Consolidated Subsidiary has entered into any Hedging Agreements (including commodity price swap agreements, forward agreements or contracts of sale which provide for prepayment for deferred shipment or delivery of oil, gas or other commodities).

Section 7.21 RESTRICTION ON LIENS. Neither the Borrower nor any of its Consolidated Subsidiaries is a party to any court order, judgment, writ or decree, which

-40-

either restricts or purports to restrict its ability to grant Liens to other Persons on or in respect of their respective assets or Properties.

Section 7.22 MATERIAL AGREEMENTS. The agreements set forth on Schedule 7.22, together with the agreements set forth in Borrower's Annual Report on Form 10-K for the fiscal year ended May 31, 1995 and Quarterly Report on Form 10-Q for the fiscal quarter ended February 28, 1995, constitute all agreements which are considered by the Borrower to be material to the Borrower and its Subsidiaries on a consolidated basis.

ARTICLE VIII

AFFIRMATIVE COVENANTS

The Borrower covenants and agrees that, so long as the Commitment is in effect and until payment in full of all Loans hereunder, all interest thereon and all other amounts payable by the Borrower hereunder:

Section 8.01 FINANCIAL STATEMENTS AND OTHER REPORTS. The Borrower shall deliver, or shall cause to be delivered, to the Lender:

(a) As soon as available and in any event within 95 days after the end of each fiscal year of the Borrower, the audited consolidated statements of income, stockholders' equity, and cash flow of the Borrower and its Subsidiaries for such fiscal year, and the related consolidated balance sheets of the Borrower and its Subsidiaries as at the end of such fiscal year, and setting forth in each case in comparative form the corresponding figures for the preceding fiscal year, and accompanied by the related opinion of independent public accountants of recognized national standing which opinion shall state to the effect that said financial statements fairly present in all material respects the consolidated financial condition and results of operations of the Borrower and its Subsidiaries as at the end of, and for, such fiscal year and that such financial statements have been prepared in accordance with GAAP except for such changes in such principles with which the independent public accountants shall have concurred and such opinion shall not contain a "going concern" exception. In addition, within said 95 days, Borrower shall also deliver to the Lender consolidating statements of income and consolidating balance sheets of the Borrower and its Subsidiaries for such fiscal year.

(b) As soon as available and in any event within 45 days after the end of each of the first three fiscal quarterly periods of each fiscal year of the Borrower, consolidated statements of income and cash flow of the Borrower and its Subsidiaries for such period and for the period from the beginning of the respective fiscal year to the end of such period, and setting forth in each case in comparative form the

-41-

corresponding figures for the corresponding period in the preceding fiscal year, and the related consolidated balance sheets as at the end of such period, accompanied by the certificate of a Responsible Officer, which certificate shall state that said financial statements fairly present in all material respects the consolidated and consolidating financial condition and results of operations of the Borrower and its Subsidiaries in accordance with GAAP, as at the end of, and for, such period (subject to normal year-end audit adjustments and notes). In addition, within said 45 days, Borrower shall also deliver to the Lender consolidating statements of income and consolidating balance sheets of the Borrower and its Subsidiaries for such fiscal quarters.

(c) Promptly after the Borrower knows that any Default or any Material Adverse Effect has occurred, a notice of such Default or Material Adverse Effect, describing the same in reasonable detail and the action the Borrower proposes to take with respect thereto.

(d) Promptly upon its becoming available, each financial statement, report, notice or proxy statement sent by the Borrower to stockholders generally and each regular or periodic report (other than reports on Form 11-K or any successor form) and any effective registration statement, or final prospectus (other than registration statements on Form S-8 or any successor form, or reports on Forms 3, 4 and 5) in respect thereof filed by the Borrower with the SEC or any

successor agency or (except for routine listing applications) with any national securities exchanges, except for reports filed with any such exchange but not available for public inspection.

(e) As soon as available and in any event within 30 days after the end of each calendar month, a borrowing base report, which shall contain supporting schedules and being otherwise in substantially the form of Exhibit G attached hereto.

(f) From time to time such other information regarding the business, affairs or financial condition of the Borrower or any Subsidiary (including, without limitation, any Plan or Multiemployer Plan and any reports or other information required to be filed under ERISA) as the Lender may reasonably request.

The Borrower will furnish to the Lender, at the time it furnishes each set of financial statements pursuant to paragraph (a) or (b) above, a certificate substantially in the form of Exhibit C hereto executed by a Responsible Officer (i) certifying as to the matters set forth therein and stating that no Default has occurred and is continuing (or, if any Default has occurred and is continuing, describing the same in reasonable detail), and (ii) setting forth in reasonable detail the computations necessary to determine whether the Borrower is in compliance with Sections 9.13, 9.14, 9.15, 9.16 and 9.17 as of the end of the respective fiscal quarter or fiscal year.

-42-

Section 8.02 LITIGATION. The Borrower shall promptly give to the Lender notice of all legal or arbitral proceedings, and all proceedings before any governmental authority affecting the Borrower or any Subsidiary, except proceedings which do not pose a material risk of having a Material Adverse Effect. In addition, the Borrower will, and will cause each of its Consolidated Subsidiaries to, promptly notify Lender of any judgment affecting the Property of the Borrower or any Subsidiary if the value of such judgment shall exceed \$500,000 over amounts covered by insurance.

Section 8.03 MAINTENANCE, ETC.

(a) The Borrower shall and shall cause each Consolidated Subsidiary to (i) preserve and maintain its corporate existence and all of its material rights, privileges and franchises, except that the foregoing shall not prohibit or limit (A) any merger or consolidation permitted under Section 9.08 hereof or (B) the dissolution or sale of any Subsidiaries other than Team Environmental Services, Inc. (ii) keep books of record and account in which full, true and correct entries will be made of all dealings or transactions in relation to its business and activities, (iii) comply with all Governmental Requirements if failure to comply with such requirements will have a Material Adverse Effect, (iv) pay and discharge all taxes, assessments and governmental charges or levies imposed on it or on its income or profits or on any of its Property prior to the date on which penalties attach thereto, except for any such tax, assessment, charge or levy the payment of which is being contested in good faith and by proper proceedings and against which adequate reserves are being maintained, (v) upon reasonable notice and at reasonable times, permit authorized representatives of the Lender, during normal business hours, to examine, copy and make extracts from its books and records (provided, however, Lender shall be bound by all copyright laws and all confidentiality agreements (disclosed to Lender by Borrower) in same manner and to the same extent as Borrower), to inspect its Properties, and to discuss its business and affairs with its officers, all to the extent reasonably requested by the Lender, (vi) and keep insured by financially sound and reputable insurers all Property of a character usually insured by Persons engaged in the same or similar business similarly situated against loss or damage of the kinds and in the amounts customarily insured against by such Persons and carry such other insurance as is usually carried by such Persons.

(b) The Borrower will and will cause each Subsidiary to operate its Properties or cause such Properties to be operated in accordance with the practices of the industry and in compliance with all applicable contracts and agreements and in compliance in all material respects with all Governmental Requirements the breach or violation of which could reasonably be expected to have a Material Adverse Effect.

Section 8.04 ENVIRONMENTAL MATTERS.

(a) The Borrower will and will cause each Consolidated Subsidiary

to establish and implement policies and procedures as may be necessary to reasonably assure

-43-

that (i) all Property of the Borrower and its Subsidiaries and the operations conducted thereon are in compliance with and do not violate the requirements of any Environmental Laws, except for such violations as could not reasonably be expected to have a Material Adverse Effect, (ii) no oil or solid wastes are disposed of or otherwise released on or to any Property owned by any such party except in compliance with Environmental Laws, except for such violations as could not reasonably be expected to have a Material Adverse Effect, (iii) no hazardous substance will be released on or to any such Property in a quantity equal to or exceeding that quantity which requires reporting pursuant to Section 103 of CERCLA, except for such violations as could not reasonably be expected to have a Material Adverse Effect, and (iv) no oil or hazardous substance is released on or to any such Property so as to pose an imminent and substantial endangerment to public health or welfare or the environment except for such violations as could not reasonably be expected to have a Material Adverse Effect.

(b) The Borrower will promptly notify the Lender in writing if it has been contacted by any Governmental Authority with respect to any investigation or inquiry by any Governmental Authority (as to which Borrower has received written notice) in connection with any Environmental Laws, excluding routine testing and corrective action.

Section 8.05 FURTHER ASSURANCES. The Borrower will and will cause each Consolidated Subsidiary to cure promptly any defects in the creation and issuance of the Notes and the execution and delivery of the Security Instruments, including this Agreement. The Borrower at its expense will and will cause each Consolidated Subsidiary to promptly execute and deliver to the Lender upon request all such other documents, agreements and instruments to comply with or accomplish the covenants and agreements of the Borrower or any Consolidated Subsidiary in the Security Instruments, including this Agreement, or to further evidence and more fully describe the collateral intended as security for the Notes, or to correct any omissions in the Security Instruments, or state more fully the security obligations set out herein or in any of the Security Instruments, or to perfect, protect or preserve any Liens created pursuant to any of the Security Instruments, or to make any recordings, to file any notices, or obtain any consents, all as may be necessary or appropriate in connection therewith.

Section 8.06 PERFORMANCE OF OBLIGATIONS. The Borrower will pay the Notes according to the reading, tenor and effect thereof; and the Borrower will and will cause each Consolidated Subsidiary to do and perform every act and discharge all of the obligations provided to be performed and discharged by the them under the Security Instruments, including this Agreement, at the time or times and in the manner specified.

Section 8.07 KEY MAN LIFE INSURANCE POLICY. The Borrower shall pay all premiums and otherwise do all things necessary to maintain and keep in full force and effect a separate key man life insurance policy on H. Wesley Hall in the amount of \$2,000,000 and same shall remain assigned to the Lender pursuant to the Assignment of Key Man Life

-44-

Insurance Policy referred to on Exhibit E, until such time as the Lender reassigns said \$2,000,000 policy to the Borrower.

Section 8.08 CERTAIN SUBSIDIARIES. If, within 90 days from and after the Closing Date, Texas Lite and Barricade, Inc. (formerly Universal Texas Lite and Barricade, Inc.), USA Water Consulting Services, Inc. (formerly Water Company of America) and USA Concrete Restoration Services, Inc. (formerly Epoxy Design Systems, Inc.) are not merged out of existence or dissolved, the Borrower will cause each such Subsidiary to execute and deliver to the Lender a Guaranty Agreement in form and substance satisfactory to the Lender guaranteeing, unconditionally, payment of the Indebtedness, as the same may be amended, modified or supplemented from time to time, and such other Security Instruments as the Lender may reasonably request.

ARTICLE IX

NEGATIVE COVENANTS

The Borrower covenants and agrees that, so long as the Commitment is in effect and until payment in full of Loans hereunder, all interest thereon and all other amounts payable by the Borrower hereunder, without the prior written consent of the Lender:

Section 9.01 DEBT. Neither the Borrower nor any Consolidated Subsidiary will incur, create, assume or suffer to exist any Debt, except:

(a) the Notes or other Indebtedness or any guaranty of or suretyship arrangement for the Notes or other Indebtedness;

(b) Debt of the Borrower or its Consolidated Subsidiaries existing on the Closing Date which is reflected in the Financial Statements or is disclosed in Schedule 9.01, and any renewals or extensions (but not increases) thereof;

(c) accounts payable (for the deferred purchase price of Property or services) from time to time incurred in the ordinary course of business which, if greater than 90 days past the invoice or billing date, are being contested in good faith by appropriate proceedings if reserves adequate under GAAP shall have been established therefor;

(d) Debt under capital leases (as required to be reported on the financial statements of the Borrower pursuant to GAAP) not to exceed \$1,000,000;

(e) Debt of the Borrower and its Subsidiaries under Hedging Agreements with the Lender or otherwise approved by the Lender;

-45-

(f) Funded Debt of the Foreign Subsidiaries not to exceed \$500,000 in the aggregate at any one time outstanding;

(g) Debt incurred for capital expenditures permitted under Section 9.12 hereof, subject to the limitations therein, for the purchase of (in respective amounts no greater than the purchase price of) capital assets;

(h) liabilities for taxes, assessments, governmental charges or levies which are being contested in good faith by appropriate proceedings diligently conducted if reserves adequate under GAAP have been established therefor;

(i) (i) Debt owed by any Subsidiary to Borrower or to any other Subsidiary as of the Closing Date, (ii) Debt incurred thereafter by any Consolidated Subsidiary and owed to any other Consolidated Subsidiary or to Borrower and (iii) Debt owed by Borrower to any Consolidated Subsidiary thereof;

(j) Guaranties by the Borrower of (A) Debt of Consolidated Subsidiaries otherwise permitted hereby, and (B) payment obligations of the Consolidated Subsidiaries (but not for borrowed money);

(k) Debt of Borrower and its Consolidated Subsidiaries (in addition to Debt otherwise permitted under this Section 9.01) which does not exceed in aggregate \$500,000 at any one time outstanding prior to payment in full of the Term Loan and \$2,500,000 at any one time outstanding after payment in full of the Term Loan but only if no Default has occurred hereunder and is continuing; and

(l) Debt which is a permitted investment under Section 9.03 hereof.

Section 9.02 LIENS. Neither the Borrower nor any Consolidated Subsidiary will create, incur, assume or permit to exist any Lien on any of its Properties (now owned or hereafter acquired), except:

(a) Liens securing the payment of any Indebtedness;

(b) Excepted Liens;

(c) Liens securing leases allowed under Section 9.01(d) but only on the Property under lease;

(d) Liens disclosed on Schedule 9.02; and

-46-

(e) Liens securing Debt incurred for capital expenditures permitted under Section 9.12 hereof, upon capital assets for which such Debt was incurred which shall not exceed \$1,000,000 at any time outstanding.

Section 9.03 INVESTMENTS, LOANS AND ADVANCES. Neither the Borrower nor any Consolidated Subsidiary will make or permit to remain outstanding any loans or advances to or investments in any Person, except that the foregoing restriction shall not apply to:

(a) investments, loans or advances reflected in the Financial Statements or which are disclosed to the Lender in Schedule 9.03 or in any filing with the SEC by the Company on Form 10-K or Form 10-Q, effected prior to the date hereof (copies of which were delivered to Lender), but not any increases thereto and not any reinvestment, reloan or readvance thereof once same are reduced;

(b) accounts receivable arising in the ordinary course of business;

(c) direct obligations of the United States or any agency thereof, or obligations guaranteed by the United States or any agency thereof, in each case maturing within one year from the date of creation thereof;

(d) commercial paper maturing within one year from the date of creation thereof rated in the second highest grade or better by Standard & Poor's Corporation or Moody's Investors Service, Inc.;

(e) deposits maturing within one year from the date of creation thereof with, including certificates of deposit issued by, the Lender or any office located in the United States of any other bank or trust company which is organized under the laws of the United States or any state thereof, has capital, surplus and undivided profits aggregating at least \$100,000,000.00 (as of the date of the Lender's or bank or trust company's most recent financial reports) and has a short term deposit rating of no lower than A2 or P2, as such rating is set forth from time to time, by Standard & Poor's Corporation or Moody's Investors Service, Inc., respectively;

(f) deposits in money market funds investing exclusively in investments described in Section 9.03(d), 9.03(e) or 9.03(c);

(g) loans, advances and investments by the Borrower to or in its Consolidated Subsidiaries, and by Consolidated Subsidiaries to one another or to the Borrower;

(h) investments in eurodollars not in excess of \$1,000,000 in the aggregate, placed through any bank with capital of not less than \$100,000,000;

-47-

(i) investments in partnerships and joint ventures permitted to be formed under Section 9.21 hereof;

(j) additional investments and advances made by the Borrower after date hereof in its Excluded Subsidiaries, not to exceed at any one time outstanding \$2,200,000 in the aggregate (but not to include any investment greater than \$1,700,000 in the Excluded Subsidiaries (excluding Foreign Subsidiaries) and \$500,000 in Foreign Subsidiaries); and

(k) other investments, loans or advances (in addition to those otherwise permitted under this Section 9.03) not to exceed \$500,000 in the aggregate at any time (but not to include any investment in Excluded Subsidiaries).

Section 9.04 DIVIDENDS, DISTRIBUTIONS AND REDEMPTIONS. The Borrower will not declare or pay any dividend, purchase, redeem or otherwise

acquire for value any of its stock now or hereafter outstanding, return any capital to its stockholders or make any distribution of its assets to its stockholders, except that Borrower (i) may purchase, redeem or otherwise acquire for value its capital stock now or hereafter outstanding provided that expenditures therefor do not exceed \$100,000 in any one fiscal year of Borrower and (ii) may purchase, redeem or acquire capital stock of the Borrower or its Subsidiaries for distribution by an employee benefit plan of Borrower or its Subsidiaries so long as such purchase is expensed on the income statement of Borrower (or applicable Subsidiary) in accordance with GAAP.

Section 9.05 SALES AND LEASEBACKS. Neither the Borrower nor any Consolidated Subsidiary will enter into any arrangement, directly or indirectly, with any Person whereby the Borrower or any Consolidated Subsidiary shall sell or transfer any of its Property, whether now owned or hereafter acquired, and whereby the Borrower or any Consolidated Subsidiary shall then or thereafter rent or lease as lessee such Property or any part thereof or other Property which the Borrower or any Consolidated Subsidiary intends to use for substantially the same purpose or purposes as the Property sold or transferred.

Section 9.06 NATURE OF BUSINESS. Neither the Borrower nor any Consolidated Subsidiary will allow any material change to be made in the character of the business of the Borrower and its Consolidated Subsidiaries, taken as a whole, on the Closing Date.

Section 9.07 LIMITATION ON LEASES. Neither the Borrower nor any Consolidated Subsidiary will create, incur, assume or suffer to exist any obligation for the payment of rent or hire of Property of any kind whatsoever (real or personal including capital leases but excluding leases of Hydrocarbon Interests), under leases or lease agreements which would cause the aggregate amount of all payments made by the Borrower and its Consolidated Subsidiaries pursuant to such leases or lease agreements to exceed \$2,250,000 in the aggregate in any period of twelve consecutive calendar months.

-48-

Section 9.08 MERGERS, ETC. Neither the Borrower nor any Consolidated Subsidiary will merge into or with or consolidate with any other Person, or sell, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its Property or assets to any other Person; provided however, that (A) any Subsidiary of the Borrower may merge with or into Borrower or any Consolidated Subsidiary (i) so long as in any merger or consolidation involving the Borrower, the Borrower shall be the surviving or continuing corporation, and (ii) so long as in any merger or consolidation involving a Consolidated Subsidiary, one of the Consolidated Subsidiaries shall be the surviving or continuing corporation, (B) the Borrower may consolidate or merge with any other corporation if (i) the Borrower is the survivor of such consolidation or merger, and (ii) at the time of such consolidation or merger and after giving effect thereto no Event of Default shall have occurred and be continuing and (C) any Consolidated Subsidiary may sell, lease or otherwise dispose of all or any part of its assets to the Borrower or any Consolidated Subsidiary.

Section 9.09 PROCEEDS OF NOTES. The Borrower will not permit the proceeds of the Notes to be used for any purpose other than those permitted by Section 7.07.

Section 9.10 ERISA COMPLIANCE. The Borrower will not, and will not permit any Subsidiary to, at any time create any Multiemployer Plan without first informing the Lender at least thirty (30) days advance written notice and without causing this Agreement to be amended to incorporate typical provisions regarding ERISA representations, covenants and compliance.

Section 9.11 SALE OR DISCOUNT OF RECEIVABLES. Neither the Borrower nor any Consolidated Subsidiary will discount or sell (with or without recourse) any of its notes receivable or accounts receivable, provided however, that the foregoing shall not restrict Borrower's and its Consolidated Subsidiaries' ability to compromise and otherwise reduce (a) doubtful or disputed accounts with account debtors in the ordinary course of business in order to minimize losses on bona fide accounts previously contracted for, and (b) intercompany accounts without limitation so long as such discounts in all cases are accounted for under GAAP.

Section 9.12 CAPITAL EXPENDITURES. Beginning August 31, 1995, and for each three-month period thereafter ending on November 30, 1995, February 28, 1996, May 31, 1996, and August 31, 1996, respectively, the Borrower will not

make any capital expenditures if, after giving effect thereto, the aggregate of such expenditures for the previous twelve-month period would exceed \$1,500,000. Beginning September 1, 1996, and for each three-month period thereafter ending on November 30, February 28, May 31 and August 31, respectively, the Borrower will not make any capital expenditures if, after giving effect thereto, the aggregate amount of such expenditures for the previous twelve-month period would exceed \$2,000,000.

-49-

Section 9.13 CURRENT RATIO. The Borrower will not permit the ratio of (i) consolidated current assets less prepaid expenses to (ii) consolidated current liabilities of the Borrower and its Consolidated Subsidiaries, determined on the last day of each three-month fiscal quarter of the Borrower, to be less than 1.25 to 1.0 for the period from and after the Closing Date through August 31, 1996, and 1.50 to 1.0 thereafter.

Section 9.14 TANGIBLE NET WORTH. The Borrower will not permit the tangible net worth of the Borrower and its Subsidiaries to be less than \$13,500,000, which amount shall increase each fiscal quarter beginning with the fiscal quarter ended August 31, 1995 by an amount equal to fifty percent (50%) of the net earnings of the Borrower and its Subsidiaries for such quarter (but shall not decrease for any net losses). As used in this Section 9.14, "TANGIBLE NET WORTH" means the sum of preferred stock (if any), par value of common stock, capital in excess of par value of common stock, and retained earnings less treasury stock (if any), less good will, cost in excess of the fair value of net assets acquired and all other assets as are properly classified as intangible assets.

Section 9.15 FUNDED DEBT TO CASH FLOW.

(a) For the fiscal quarter ending August 31, 1995 the Borrower will not permit the ratio of (i) Funded Debt to (ii) Cash Flow (for the previous twelve-month period) for the Borrower and its Consolidated Subsidiaries to be greater than 3.50 to 1.0.

(b) For each of the fiscal quarters ending November 30, 1995 and February 28, 1996, the Borrower will not permit the ratio of (i) Funded Debt to (ii) Cash Flow (for the previous twelve-month period) for the Borrower and its Consolidated Subsidiaries to be greater than 3.25 to 1.0.

(c) For each of the fiscal quarters ending May 31, 1996, August 31, 1996, and November 30, 1996, the Borrower will not permit the ratio of (i) Funded Debt to (ii) Cash Flow (for the previous twelve-month period) for the Borrower and its Consolidated Subsidiaries to be greater than 3.00 to 1.0.

(d) For each of the fiscal quarters ending February 28, 1997 and May 31, 1997, the Borrower will not permit the ratio of (i) Funded Debt to (ii) Cash Flow (for the previous twelve-month period) for the Borrower and its Consolidated Subsidiaries to be greater than 2.75 to 1.0.

(e) Beginning with the fiscal quarter ending August 31, 1997 and for each fiscal quarter thereafter the Borrower will not permit the ratio of (i) Funded Debt to (ii) Cash Flow (for the previous twelve-month period) to be less than 2.50 to 1.0.

-50-

Section 9.16 FIXED CHARGE COVERAGE RATIO.

(a) For the four fiscal-quarter period ending August 31, 1996 the Borrower will not permit the ratio of (i) Cash Flow (for the previous twelve-month period) to (ii) cash payments made for mandatory payments of "current maturities of term debt" (as defined in accordance with GAAP) and interest plus capital expenditures plus dividends for the Borrower and its Consolidated Subsidiaries (for the previous twelve-month period) to be less than 1.0 to 1.0.

(b) For the four fiscal-quarter period ending August 31, 1997 the Borrower will not permit the ratio of (i) Cash Flow (for the previous twelve-month period) to (ii) cash payments made for mandatory payments of "current maturities of term debt" (as defined in accordance with GAAP) and interest plus capital expenditures plus dividends for the Borrower and its Consolidated Subsidiaries (for the previous twelve-month period) to be less than 1.1 to 1.0.

(c) For the four fiscal-quarter period ending August 31, 1998 the Borrower will not permit the ratio of (i) Cash Flow (for the previous twelve-month period) to (ii) cash payments made for mandatory payments of "current maturities of term debt" (as defined in accordance with GAAP) and interest plus capital expenditures plus dividends of the Borrower and its Consolidated Subsidiaries (for the previous twelve-month period) to be less than 1.2 to 1.0.

Section 9.17 INTEREST COVERAGE RATIO.

(a) For the four fiscal-quarter period ending August 31, 1996 the Borrower will not permit the ratio of (i) Cash Flow (for the previous twelve-month period) to (ii) cash interest payments made by the Borrower and its Consolidated Subsidiaries (for the previous twelve-month period) to be less than 3.0 to 1.0.

(b) Beginning with the four fiscal-quarter period ending August 31, 1997 and for each four fiscal-quarter period thereafter the Borrower will not permit the ratio of (i) Cash Flow (for the previous twelve-month period) to (ii) cash interest payments made by the Borrower and its Consolidated Subsidiaries (for the previous twelve-month period) to be less than 3.5 to 1.0.

Section 9.18 SALE OF PROPERTIES. The Borrower will not sell, assign, farm-out, convey or otherwise transfer any Property or any interest in any Property except the sale of Property in the ordinary course of business for which the Borrower has given the Lender at least thirty (30) days prior written notice of the proposed transfer and which shall not exceed \$250,000 in the aggregate in any fiscal year; provided however, that, following consent of the Lender (which shall not be unreasonably withheld), Borrower may sell, assign

-51-

or transfer its interest in any or all of the Subsidiaries which are not Consolidated Subsidiaries at any time and upon such terms as Borrower may elect.

Section 9.19 TRANSACTIONS WITH AFFILIATES. Neither the Borrower nor any Consolidated Subsidiary will enter into any transaction, including, without limitation, any purchase, sale, lease or exchange of Property or the rendering of any service, with any Affiliate unless such transactions are otherwise permitted under this Agreement, are in the ordinary course of its business and are upon fair and reasonable terms no less favorable to it than it would obtain in a comparable arm's length transaction with a Person not an Affiliate; provided that Consolidated Subsidiaries may enter into any transaction, including without limitation any purchase, sale, lease or exchange of Property or the rendering of any service or the making of any loan, with Borrower or any Consolidated Subsidiary on such terms as such parties may choose, so long as such transaction is not otherwise prohibited under any other provision of this Agreement.

Section 9.20 SUBSIDIARIES AND PARTNERSHIPS. The Borrower shall not create any additional Subsidiaries or partnerships unless Borrower shall first give five (5) Business Days' prior written notice to Lender of Borrower's intention to create a new Subsidiary or form a new partnership or formal, written joint venture and such new Subsidiary shall immediately guarantee the Indebtedness.

Section 9.21 NEGATIVE PLEDGE AGREEMENTS. After the Closing Date, neither the Borrower nor any Consolidated Subsidiary will create, incur, assume any contract, agreement or understanding (other than this Agreement and the Security Instruments) which in any way prohibits or restricts the granting, conveying, creation or imposition of any Lien on any of its Property or restricts any Consolidated Subsidiary from paying dividends to the Borrower, or which requires the consent of or notice to other Persons in connection therewith, except restrictions against granting, conveying, creating or imposing any Lien on any Property which is the subject of any capital lease or purchase money security interest or Lien pursuant to Sections 9.02(b), (c), (d) and (e).

Section 9.22 TRANSFER OF ASSETS TO CERTAIN SUBSIDIARIES. The Borrower will not transfer, or permit any Subsidiary to transfer any asset to Texas Lite and Barricade, Inc., USA Water Consulting Services, Inc. or USA Concrete Restoration Services, Inc., nor will the Borrower permit any material assets to exist in any such Subsidiary.

Section 9.23 EXCLUDED SUBSIDIARIES. The Borrower will not permit

any of the Excluded Subsidiaries to enter into any transaction or otherwise take or refrain from taking any action which could reasonably be expected to have a Material Adverse Effect on the Borrower and its Subsidiaries on a consolidated basis.

-52-

ARTICLE X

EVENTS OF DEFAULT; REMEDIES

Section 10.01 EVENTS OF DEFAULT. If one or more of the following events (herein called "EVENTS OF DEFAULT") shall occur and be continuing:

(a) The Borrower shall default in the payment or prepayment when due of any principal of or interest on any Loan, of any reimbursement obligation for a disbursement made under any Letter of Credit, or any fees or other amount payable by it hereunder or under any Security Instrument and such default shall continue unremedied for a period of 3 Business Days; or

(b) The Borrower or any Consolidated Subsidiary shall default in the payment when due of any principal of or interest on any of its other Debt aggregating \$100,000 or more (so long as such payment default is as a result of the Borrowers or applicable Consolidated Subsidiary's refusal or inability to pay), or any event specified in any note, agreement, indenture or other document evidencing or relating to any such Debt shall occur if the effect of such event is to cause, or (with the giving of any notice or the lapse of time or both) to permit the holder or holders of such Debt (or a trustee or agent on behalf of such holder or holders) to cause, such Debt to become due prior to its stated maturity; or

(c) Any material representation, warranty or certification made or deemed made herein or in any Security Instrument by the Borrower or any Subsidiary, or any certificate furnished to the Lender pursuant to the provisions hereof or any Security Instrument, shall prove to have been false or misleading as of the time made or furnished in any material respect; or

(d) The Borrower or any Subsidiary which is party to a Security Instrument shall default in the performance of any of its obligations under this Agreement or under any Security Instrument (other than the payment of principal or interest due which shall be governed by Section 10.01(a)) and such default shall continue unremedied for a period of thirty (30) days after notice thereof to the Borrower or appropriate Subsidiary by the Lender; or

(e) The Borrower shall admit in writing its inability to, or be generally unable to, pay its debts as such debts become due; or

(f) The Borrower shall (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its property, (ii) make a general assignment for the benefit

-53-

of its creditors, (iii) commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect), (iv) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or readjustment of debts, (v) fail to controvert in a timely and appropriate manner, or acquiesce in writing to, any petition filed against it in an involuntary case under the Federal Bankruptcy Code, or (vi) take any corporate action for the purpose of effecting any of the foregoing; or

(g) A proceeding or case shall be commenced, without the application or consent of the Borrower, in any court of competent jurisdiction, seeking (i) its liquidation, reorganization, dissolution or winding-up, or the composition or readjustment of its debts, (ii) the appointment of a trustee, receiver, custodian, liquidator or the like of the Borrower of all or any substantial part of its assets, or (iii) similar relief in respect of the Borrower under any law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or

adjustment of debts, and such proceeding or case shall continue undismitted, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect, for a period of 90 days; or (iv) an order for relief against the Borrower shall be entered in an involuntary case under the Federal Bankruptcy Code; or

(h) A judgment or judgments for the payment of money in excess of \$500,000 in the aggregate shall be rendered by a court against the Borrower or any Consolidated Subsidiary and the same shall not be covered by insurance and shall not be discharged (or provision shall not be made for such discharge), or a stay of execution thereof shall not be procured, within thirty (30) days from the date of entry thereof and the Borrower or such Consolidated Subsidiary shall not, within said period of 30 days, or such longer period during which execution of the same shall have been stayed, appeal therefrom and cause the execution thereof to be stayed during such appeal; or

(i) An event or condition specified in Section 9.10 shall occur or exist with respect to any Plan or Multiemployer Plan and, as a result of such event or condition, together with all other such events or conditions, the Borrower, any Subsidiary or any ERISA Affiliate shall incur a liability to a Plan, a Multiemployer Plan or PBGC (or any combination of the foregoing) which is material in relation to the financial position of the Borrower and its Consolidated Subsidiaries, taken as a whole; or

(j) The Security Instruments after delivery thereof shall for any reason, except to the extent permitted by the terms thereof, cease to be in full force and effect and valid, binding and enforceable in accordance with their terms, or cease to create a valid and perfected Lien of the priority required thereby on any of the collateral purported to be covered thereby, or the Borrower shall so state in writing; or

-54-

(k) H. Wesley Hall ceases to hold a senior managerial position with the Borrower; or

(l) Any Consolidated Subsidiary takes, suffers or permits to exist any of the events or conditions referred to in paragraphs (e), (f), (g) or (h) hereof.

Section 10.02 REMEDIES.

(a) In the case of an Event of Default other than ones referred to in clauses (e), (f) or (g) of Section 10.01 or in clause (l) to the extent it relates to clauses (e), (f) or (g), the Lender may, by notice to the Borrower, cancel the Commitment and/or declare the principal amount then outstanding of, and the accrued interest on, the Loans and all other amounts payable by the Borrower hereunder and under the Notes (including without limitation the payment of cash collateral to secure the LC Exposure as provided in Section 2.09(b) hereof) to be forthwith due and payable, whereupon such amounts shall be immediately due and payable without presentment, demand, protest, notice of intent to accelerate, notice of acceleration or other formalities of any kind, all of which are hereby expressly waived by the Borrower.

(b) In the case of the occurrence of an Event of Default referred to in clauses (e), (f) or (g) of Section 10.01 or in clause (l) to the extent it relates to clauses (e), (f) or (g), the Commitment shall be automatically cancelled and the principal amount then outstanding of, and the accrued interest on, the Loans and all other amounts payable by the Borrower hereunder and under the Notes (including without limitation the payment of cash collateral to secure the LC Exposure as provided in Section 2.09(b) hereof) shall become automatically immediately due and payable without presentment, demand, protest, notice of intent to accelerate, notice of acceleration or other formalities of any kind, all of which are hereby expressly waived by the Borrower.

(c) All proceeds received after maturity of any Notes, whether by acceleration or otherwise shall be applied first to reimbursement of expenses and indemnities provided for in this Agreement and the Security Instruments; second to accrued interest on such Note; third to fees; fourth to principal outstanding on such Note; fifth to serve as cash collateral to be held by the Lender to secure the LC Exposure; and, to the extent of any excess to be paid to the Borrower or as otherwise required by any Governmental Requirement.

ARTICLE XI

MISCELLANEOUS

Section 11.01 WAIVER. No failure on the part of the Lender to exercise and no delay in exercising, and no course of dealing with respect to, any right, power or privilege under this Agreement, the Notes or any Security Instrument shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under this Agreement, the Notes or any Security Instrument preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

Section 11.02 NOTICES. All notices and other communications provided for herein and in the other Security Instruments (including, without limitation, any modifications of, or waivers or consents under, this Agreement or the other Security Instruments) shall be given or made by telex, telecopy, telegraph, cable, courier or U.S. Mail or in writing and telexed, telecopied, telegraphed, cabled, mailed or delivered to the intended recipient at the "Address for Notices" specified below its name on the signature pages hereof or in the other Security Instruments or, as to any party, at such other address as shall be designated by such party in a notice to each other party. Except as otherwise provided in this Agreement or in the other Security Instruments, all such communications shall be deemed to have been duly given when transmitted by telex or telecopier, delivered to the telegraph or cable office or personally delivered or, in the case of a mailed notice, three (3) Business Days after the date deposited in the mails, postage prepaid, in each case given or addressed as aforesaid.

Section 11.03 PAYMENT OF EXPENSES, INDEMNITIES, ETC. The Borrower agrees:

(a) whether or not the transactions hereby contemplated are consummated, to pay all reasonable expenses of the Lender in the administration (both before and after the execution hereof and including advice of counsel as to the rights and duties of the Lender with respect thereto) of, and in connection with the negotiation, syndication, investigation, preparation, execution and delivery of, recording or filing of, preservation of rights under, enforcement of, and refinancing, renegotiation or restructuring of, this Agreement, the Notes and the other Security Instruments and any amendment, waiver or consent relating thereto (including, without limitation, travel, photocopy, mailing, courier, telephone and other similar expenses of the Lender, the cost of environmental audits, surveys and appraisals at reasonable intervals, the reasonable fees and disbursements of counsel for the Lender and in the case of enforcement for the Lender); and promptly reimburse the Lender for all amounts expended, advanced or incurred by the Lender to satisfy any obligation of the Borrower under this Agreement or any Security Instrument;

(B) TO INDEMNIFY THE LENDER AND EACH OF ITS AFFILIATES AND EACH OF THEIR OFFICERS, DIRECTORS, EMPLOYEES, REPRESENTATIVES, AGENTS, ATTORNEYS, ACCOUNTANTS AND EXPERTS ("INDEMNIFIED PARTIES") FROM, HOLD EACH OF THEM HARMLESS AGAINST AND PROMPTLY UPON DEMAND PAY OR REIMBURSE EACH OF THEM FOR, THE INDEMNITY MATTERS WHICH MAY BE INCURRED BY OR ASSERTED AGAINST OR INVOLVE ANY OF THEM (WHETHER OR NOT ANY OF THEM IS DESIGNATED A PARTY THERETO) AS A RESULT OF, ARISING OUT OF OR IN ANY WAY RELATED TO (I) ANY ACTUAL OR PROPOSED USE BY THE BORROWER OF THE PROCEEDS OF ANY OF THE LOANS, (II) THE EXECUTION, DELIVERY AND PERFORMANCE OF THIS AGREEMENT, THE NOTE AND THE OTHER SECURITY INSTRUMENTS, (III) THE OPERATIONS OF THE BUSINESS OF THE BORROWER AND ITS SUBSIDIARIES, (IV) THE FAILURE OF THE BORROWER OR ANY SUBSIDIARY TO COMPLY WITH THE TERMS OF ANY SECURITY INSTRUMENT, INCLUDING THIS AGREEMENT, OR WITH ANY GOVERNMENTAL REQUIREMENT, (V) ANY INACCURACY OF ANY REPRESENTATION OR ANY BREACH OF ANY WARRANTY OF THE BORROWER OR ANY GUARANTOR SET FORTH IN THIS AGREEMENT OR THE OTHER SECURITY INSTRUMENTS, (VI) THE ISSUANCE, EXECUTION AND DELIVERY OR TRANSFER OF OR PAYMENT OR FAILURE TO PAY UNDER ANY LETTER OF CREDIT (EXCEPT TO THE EXTENT THE LENDER BREACHED ITS OBLIGATIONS WITH RESPECT TO SUCH LETTER OF CREDIT), OR (VII) ANY ASSERTION THAT THE LENDER WAS NOT ENTITLED TO RECEIVE THE

PROCEEDS RECEIVED PURSUANT TO THE SECURITY INSTRUMENTS, OR (VIII) ANY OTHER ASPECT OF THIS AGREEMENT, THE NOTE AND THE SECURITY INSTRUMENTS, INCLUDING, WITHOUT LIMITATION, THE REASONABLE FEES AND DISBURSEMENTS OF COUNSEL AND ALL OTHER EXPENSES INCURRED IN CONNECTION WITH INVESTIGATING, DEFENDING OR PREPARING TO DEFEND ANY SUCH ACTION, SUIT, PROCEEDING (INCLUDING ANY INVESTIGATIONS) OR CLAIM AND INCLUDING ALL INDEMNITY MATTERS ARISING BY REASON OF THE ORDINARY NEGLIGENCE OF ANY INDEMNIFIED PARTY, BUT EXCLUDING ALL INDEMNITY MATTERS ARISING SOLELY BY REASON OF CLAIMS OF THE LENDER'S SHAREHOLDERS AGAINST THE LENDER OR BY REASON OF THE GROSS NEGLIGENCE OR WILFUL MISCONDUCT ON THE PART OF THE INDEMNIFIED PARTY; AND

(C) TO INDEMNIFY AND HOLD HARMLESS FROM TIME TO TIME THE INDEMNIFIED PARTY FROM AND AGAINST ANY AND ALL LOSSES, CLAIMS, COST RECOVERY ACTIONS, ADMINISTRATIVE ORDERS OR PROCEEDINGS, DAMAGES AND LIABILITIES TO WHICH ANY SUCH PERSON MAY BECOME SUBJECT (I) UNDER ANY ENVIRONMENTAL LAW APPLICABLE TO THE BORROWER OR ANY SUBSIDIARY OR ANY OF THEIR PROPERTIES, INCLUDING WITHOUT LIMITATION, THE TREATMENT OR DISPOSAL OF HAZARDOUS SUBSTANCES ON ANY OF THEIR PROPERTIES, (II) AS A RESULT OF THE BREACH OR NONCOMPLIANCE BY THE BORROWER OR ANY SUBSIDIARY WITH ANY ENVIRONMENTAL LAW APPLICABLE TO THE BORROWER OR ANY SUBSIDIARY, (III) DUE TO PAST OWNERSHIP BY THE BORROWER OR ANY SUBSIDIARY OF ANY OF THEIR PROPERTIES OR PAST ACTIVITY ON ANY THEIR PROPERTIES WHICH, THOUGH LAWFUL AND FULLY PERMISSIBLE AT THE TIME, COULD RESULT IN PRESENT LIABILITY, (IV) THE

-57-

PRESENCE, USE, RELEASE, STORAGE, TREATMENT OR DISPOSAL OF HAZARDOUS SUBSTANCES ON OR AT ANY OF THE PROPERTIES OWNED OR OPERATED BY THE BORROWER OR ANY SUBSIDIARY, OR (V) ANY OTHER ENVIRONMENTAL, HEALTH OR SAFETY CONDITION IN CONNECTION WITH THIS AGREEMENT, THE NOTE OR ANY OTHER SECURITY INSTRUMENT, PROVIDED, HOWEVER, NO INDEMNITY SHALL BE AFFORDED UNDER THIS SECTION 11.03 (C) IN RESPECT OF ANY PROPERTY FOR ANY OCCURRENCE ARISING FROM THE ACTS OR OMISSIONS OF THE LENDER DURING THE PERIOD AFTER WHICH SUCH PERSON, ITS SUCCESSORS OR ASSIGNS SHALL HAVE OBTAINED POSSESSION OF SUCH PROPERTY (WHETHER BY FORECLOSURE OR DEED IN LIEU OF FORECLOSURE, AS MORTGAGEE-IN-POSSESSION OR OTHERWISE).

(d) No Indemnified Party may settle any claim to be indemnified without the consent of the indemnitor, such consent not to be unreasonably withheld; provided, that the indemnitor may not reasonably withhold consent to any settlement that an Indemnified Party proposes, if the indemnitor does not have the financial ability to pay all its obligations outstanding and asserted against the indemnitor at that time, including the maximum potential claims against the Indemnified Party to be indemnified pursuant to this Section 11.03.

(e) In the case of any indemnification hereunder, the Lender shall give notice to the Borrower of any such claim or demand being made against the Indemnified Party and the Borrower shall have the non-exclusive right to join in the defense against any such claim or demand provided that if the Borrower provides a defense, the Indemnified Party shall bear its own cost of defense unless there is a conflict between the Borrower and such Indemnified Party.

(F) THE FOREGOING INDEMNITIES SHALL EXTEND TO THE INDEMNIFIED PARTIES NOTWITHSTANDING THE SOLE OR CONCURRENT NEGLIGENCE OF EVERY KIND OR CHARACTER WHATSOEVER, WHETHER ACTIVE OR PASSIVE, WHETHER AN AFFIRMATIVE ACT OR AN OMISSION, INCLUDING WITHOUT LIMITATION, ALL TYPES OF NEGLIGENT CONDUCT IDENTIFIED IN THE RESTATEMENT (SECOND) OF TORTS OF ONE OR MORE OF THE INDEMNIFIED PARTIES OR BY REASON OF STRICT LIABILITY IMPOSED WITHOUT FAULT ON ANY ONE OR MORE OF THE INDEMNIFIED PARTIES. TO THE EXTENT THAT AN INDEMNIFIED PARTY IS FOUND TO HAVE COMMITTED AN ACT OF GROSS NEGLIGENCE OR WILFUL MISCONDUCT, THIS CONTRACTUAL OBLIGATION OF INDEMNIFICATION SHALL CONTINUE BUT SHALL ONLY EXTEND TO THE PORTION OF THE CLAIM THAT IS DEEMED TO HAVE OCCURRED BY REASON OF EVENTS OTHER THAN THE GROSS NEGLIGENCE OR WILFUL MISCONDUCT OF THE INDEMNIFIED PARTY.

(g) The Borrower's obligations under this Section 11.03 shall survive any termination of this Agreement and the payment of the Notes and shall continue thereafter in full force and effect.

-58-

(h) The Borrower shall pay any amounts due under this Section 11.03 within thirty (30) days of the receipt by the Borrower of notice of the amount due.

Section 11.04 AMENDMENTS, ETC. Any provision of this Agreement or any other Security Instruments may be amended, modified or waived with the Borrower's and the Lender's prior written consent.

Section 11.05 SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

Section 11.06 ASSIGNMENTS AND PARTICIPATIONS.

(a) The Borrower may not assign its rights or obligations hereunder or under the Note or any Letters of Credit without the prior consent of the Lender.

(b) The Lender may (i) assign to Chemical Bank without the prior written consent of the Borrower, or (ii) upon the prior written consent of the Borrower (which consent shall not be unreasonably withheld) assign to one or more other assignees, all or a portion of its rights and obligations under this Agreement. Any assignment will become effective upon the execution and delivery of the assignment to the Borrower. Upon receipt and acceptance of such executed assignment, the Borrower, will execute and deliver new Notes to the assignor and/or assignee, as appropriate, in accordance with their respective interests as they appear. Upon the effectiveness of any assignment pursuant to this Section 11.06(b), the assignee will become a "Lender," if not already a "Lender," for all purposes of this Agreement and the other Security Instruments. The assignor shall be relieved of its obligations hereunder to the extent of such assignment (and if the assigning Lender no longer holds any rights or obligations under this Agreement, such assigning Lender shall cease to be a "Lender" hereunder except that its rights under Sections 4.04, 5.01, 5.05 and 11.03 shall not be affected). Anything contained in this Section 11.06 notwithstanding, Lender shall not sell or assign interests in the Loans, this Agreement or the Letters of Credit issued pursuant hereto unless (i) such interests are in the amount of at least \$10,000,000, and integer multiples of \$1,000,000 in excess thereof, and (ii) Lender retains legal and beneficial interests of at least 51% of the credit facilities provided hereunder.

(c) The Lender may transfer, grant or assign participations in all or any part of its interests hereunder pursuant to this Section 11.06(c) to any Person, PROVIDED that: (i) the Lender shall remain the "Lender" for all purposes of this Agreement and the transferee of such participation shall not constitute a "Lender" hereunder; (ii) no participant under any such participation shall have rights to approve any amendment to or waiver of this Agreement, the Notes or any Security Instrument except to the extent such amendment or waiver would (x) extend the Revolving Credit Termination Date, (y) reduce the interest rate (other than as a result of waiving the applicability of any post-default increases in

-59-

interest rates) or fees applicable to any of the Commitment or Loans or Letters of Credit in which such participant is participating, or postpone the payment of any thereof, or (z) release all or substantially all of the collateral (except as expressly provided in the Security Instruments) supporting any of the Commitment or Loans or Letters of Credit in which such participant is participating; (iii) the Lender shall retain, and shall not sell participations in, interests in 51% of the credit facilities provided hereunder, (iv) each participation sold herein shall be in the amount of \$10,000,000 or integer multiples of \$1,000,000 in excess thereof, and (v) participants shall only be commercial banks with aggregate assets for each such bank in excess of \$100,000,000 in assets. In the case of any such participation, the participant shall not have any rights under this Agreement or any of the Security Instruments (the participant's rights against the Lender in respect of such participation to be those set forth in the agreement creating such participation), and all amounts payable by the Borrower hereunder shall be determined as if the Lender had not sold such participation, PROVIDED that such participant shall be entitled to receive additional amounts under Article V on the same basis as if it were a Lender and be indemnified under Section 11.03 as if it were a Lender. In addition, each agreement creating any participation must include an agreement by the participant to be bound by the provisions of Section 11.15.

(d) The Lender may furnish any information concerning the Borrower in its possession from time to time to assignees and participants (including prospective assignees and participants); provided that, such Persons agree to be bound by the provisions of Section 11.15 hereof.

(e) Notwithstanding anything in this Section 11.06 to the contrary, the Lender may assign and pledge the Notes, or any one of them, to any Federal Reserve Bank or the United States Treasury as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any operating circular issued by such Federal Reserve System and/or such Federal Reserve Bank. No such assignment and/or pledge shall release the Lender from its obligations hereunder.

(f) Notwithstanding any other provisions of this Section 11.06, no transfer or assignment of the interests or obligations of the Lender or any grant of participations therein shall be permitted if such transfer, assignment or grant would require the Borrower to file a registration statement with the SEC or to qualify the Loans under the "Blue Sky" laws of any state.

Section 11.07 INVALIDITY. In the event that any one or more of the provisions contained in the Note, this Agreement, the Letters of Credit, the Letter of Credit Agreements or in any other Security Instrument shall, for any reason, be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of the Notes, this Agreement or any other Security Instrument.

-60-

Section 11.08 COUNTERPARTS. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

Section 11.09 REFERENCES. The words "herein," "hereof," "hereunder" and other words of similar import when used in this Agreement refer to this Agreement as a whole, and not to any particular article, section or subsection. Any reference herein to a Section shall be deemed to refer to the applicable Section of this Agreement unless otherwise stated herein. Any reference herein to an exhibit or schedule shall be deemed to refer to the applicable exhibit or schedule attached hereto unless otherwise stated herein.

Section 11.10 SURVIVAL. The obligations of the parties under Section 4.04, Article V, and Sections 11.03 and 11.15 shall survive the repayment of the Loans and the termination of the Commitment for a period of five (5) years from and after the repayment of the Loans and the termination of the Commitment. To the extent that any payments on the Indebtedness or proceeds of any collateral are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, debtor in possession, receiver or other Person under any bankruptcy law, common law or equitable cause, then to such extent, the Indebtedness so satisfied shall be revived and continue as if such payment or proceeds had not been received and the Lender's Liens, security interests, rights, powers and remedies under this Agreement and each Security Instrument shall continue in full force and effect. In such event, each Security Instrument shall be automatically reinstated and the Borrower shall take such action as may be reasonably requested by the Lender to effect such reinstatement.

Section 11.11 CAPTIONS. Captions and section headings appearing herein are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

Section 11.12 NO ORAL AGREEMENTS. THE NOTE, THIS AGREEMENT AND THE SECURITY INSTRUMENTS EMBODY THE ENTIRE AGREEMENT AND UNDERSTANDING BETWEEN THE PARTIES AND SUPERSEDE ALL OTHER AGREEMENTS AND UNDERSTANDINGS BETWEEN SUCH PARTIES RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF. THIS WRITTEN AGREEMENT, THE NOTE AND THE SECURITY INSTRUMENTS 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 NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Section 11.13 GOVERNING LAW; SUBMISSION TO JURISDICTION.

(a) THIS AGREEMENT AND THE NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF TEXAS.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT, THE NOTE OR THE OTHER SECURITY INSTRUMENTS MAY BE BROUGHT IN THE COURTS OF THE STATE OF TEXAS OR OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF TEXAS, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, THE BORROWER HEREBY ACCEPTS FOR ITSELF AND (TO THE EXTENT PERMITTED BY LAW) IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE JURISDICTION OF THE AFORESAID COURTS. THE BORROWER HEREBY IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY SUCH ACTION OR PROCEEDING IN SUCH RESPECTIVE JURISDICTIONS. THIS SUBMISSION TO JURISDICTION IS NON-EXCLUSIVE AND DOES NOT PRECLUDE THE LENDER FROM OBTAINING JURISDICTION OVER THE BORROWER IN ANY COURT OTHERWISE HAVING JURISDICTION.

(c) THE BORROWER HEREBY CONFIRMS THAT ITS PREVIOUSLY HAS IRREVOCABLY DESIGNATED C.T. CORPORATION LOCATED AT 811 DALLAS, HOUSTON, TEXAS 77002, AS THE DESIGNEE, APPOINTEE AND AGENT OF THE BORROWER TO RECEIVE, FOR AND ON BEHALF OF THE BORROWER, SERVICE OF PROCESS IN SUCH RESPECTIVE JURISDICTIONS IN ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT, THE NOTE OR THE OTHER SECURITY INSTRUMENTS. IT IS UNDERSTOOD THAT A COPY OF SUCH PROCESS SERVED ON SUCH AGENT WILL BE PROMPTLY FORWARDED BY OVERNIGHT COURIER TO THE BORROWER AT ITS ADDRESS SET FORTH UNDER ITS SIGNATURE BELOW, BUT THE FAILURE OF THE BORROWER TO RECEIVE SUCH COPY SHALL NOT AFFECT IN ANY WAY THE SERVICE OF SUCH PROCESS. THE BORROWER FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO THE BORROWER AT ITS SAID ADDRESS, SUCH SERVICE TO BECOME EFFECTIVE THIRTY (30) DAYS AFTER SUCH MAILING.

(d) NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE LENDER OR ANY HOLDER OF A NOTE TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST THE BORROWER IN ANY OTHER JURISDICTION.

(e) EACH OF THE BORROWER AND THE LENDER HEREBY (A) IRREVOCABLY WAIVE, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY SUCH LITIGATION ANY PUNITIVE DAMAGES; (B) CERTIFY THAT NO PARTY HERETO NOR ANY REPRESENTATIVE OR COUNSEL FOR ANY PARTY HERETO HAS REPRESENTED, EXPRESSLY OR OTHERWISE, OR IMPLIED THAT SUCH PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS, AND (C) ACKNOWLEDGE THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT, THE OTHER SECURITY INSTRUMENTS AND THE TRANSACTIONS

CONTEMPLATED HEREBY AND THEREBY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS CONTAINED IN THIS SECTION 11.13.

Section 11.14 INTEREST. It is the intention of the parties hereto that Lender shall conform strictly to usury laws applicable to it. Accordingly, if the transactions contemplated hereby would be usurious as to the Lender under laws applicable to it (including the laws of the United States of America and the State of Texas or any other jurisdiction whose laws may be mandatorily applicable to the Lender notwithstanding the other provisions of this Agreement), then, in that event, notwithstanding anything to the contrary in any Note, this Agreement or in any other Security Instrument or agreement entered into in connection with or as security for the Notes, it is agreed as follows: (i) the aggregate of all consideration which constitutes interest under law applicable to the Lender that is contracted for, taken, reserved, charged or received by the Lender under the Notes, this Agreement or under any of the other aforesaid Security Instruments or agreements or otherwise in connection with the Notes shall under no circumstances exceed the maximum amount allowed by such applicable law, and any excess shall be cancelled automatically and if theretofore paid shall be credited by the Lender on the principal amount of the Indebtedness (or, to the extent that the principal amount of the Indebtedness shall have been or would thereby be paid in full, refunded by the Lender to the Borrower); and (ii) in the event that the maturity of the Notes is accelerated by reason of an election of the holder thereof resulting from any Event of Default under this Agreement or otherwise, or in the event of any required or permitted prepayment, then such consideration that constitutes interest under law applicable to the Lender may never include more than the maximum amount allowed by such applicable law, and excess interest, if any, provided for in this Agreement or otherwise shall be cancelled automatically by the Lender as of

the date of such acceleration or prepayment and, if theretofore paid, shall be credited by the Lender on the principal amount of the Indebtedness (or, to the extent that the principal amount of the Indebtedness shall have been or would thereby be paid in full, refunded by the Lender to the Borrower). All sums paid or agreed to be paid to the Lender for the use, forbearance or detention of sums due hereunder shall, to the extent permitted by law applicable to the Lender, be amortized, prorated, allocated and spread throughout the full term of the Loans evidenced by the Notes until payment in full so that the rate or amount of interest on account of any Loans hereunder does not exceed the maximum amount allowed by such applicable law. If at any time and from time to time (i) the amount of interest payable to the Lender on any date shall be computed at the Highest Lawful Rate applicable to the Lender pursuant to this Section 11.14, and (ii) in respect of any subsequent interest computation period the amount of interest otherwise payable to the Lender would be less than the amount of interest payable to the Lender computed at the Highest Lawful Rate applicable to the Lender, then the amount of interest payable to the Lender in respect of such subsequent interest computation period shall continue to be computed at the Highest Lawful Rate applicable to the Lender until the total amount of interest payable to the Lender shall equal the total amount of interest which would have been

-63-

payable to the Lender if the total amount of interest had been computed without giving effect to this Section 11.14.

Section 11.15 CONFIDENTIALITY. In the event that the Borrower provides to the Lender written confidential information belonging to the Borrower, if the Borrower shall denominate such information in writing as "confidential", the Lender shall thereafter maintain such information in confidence in accordance with the standards of care and diligence that each utilizes in maintaining its own confidential information. This obligation of confidence shall not apply to such portions of the information which (i) are in the public domain, (ii) hereafter become part of the public domain without the Lender breaching its obligation of confidence to the Borrower, (iii) are previously known by the Lender from some source other than the Borrower, (iv) are hereafter developed by the Lender without using the Borrower's information, (v) are hereafter obtained by or available to the Lender from a third party who owes no obligation of confidence to the Borrower with respect to such information or through any other means other than through disclosure by the Borrower, (vi) are disclosed with the Borrower's consent, (vii) must be disclosed either pursuant to any Governmental Requirement or to persons regulating the activities of the Lender, or (viii) as may be required by law or regulation or order of any Governmental Authority in any judicial, arbitration or governmental proceeding, two (2) Business Days after notice of such proceeding is delivered to Borrower. Further, the Lender may disclose any such information to any independent petroleum engineers or consultants, any independent certified public accountants, any legal counsel employed by such Person in connection with this Agreement or any Security Instrument, including without limitation, the enforcement or exercise of all rights and remedies thereunder, or any assignee or participant (including prospective assignees and participants) in the Loans; provided, however, that the Lender imposes on the Person to whom such information is disclosed the same obligation to maintain the confidentiality of such information as is imposed upon it hereunder. Notwithstanding anything to the contrary provided herein, this obligation of confidence shall cease three (3) years from the date the information was furnished, unless the Borrower requests in writing at least thirty (30) days prior to the expiration of such three year period, to maintain the confidentiality of such information for an additional three year period. The Borrower waives any and all other rights it may have to confidentiality as against the Lender arising by contract, agreement, statute or law except as expressly stated in this Section 11.15.

Section 11.16 EFFECTIVENESS. This Agreement shall be effective on the Closing Date (the "EFFECTIVE DATE").

Section 11.17 TAX REPRESENTATIONS.

(a) Lender represents that it is either (i) a corporation organized under the laws of the United States of America or any state thereof or (ii) it is entitled to complete exemption from United States withholding tax imposed on or with respect to any payments,

-64-

including fees, to be made to it pursuant to this Agreement (A) under an applicable provision of a tax convention to which the United States of America is a party or (B) because it is acting through a branch, agency or office in the United States of America and any payment to be received by it hereunder is effectively connected with a trade or business in the United States of America. If Lender is not a corporation organized under the laws of the United States of America or any state thereof, it agrees to provide to the Borrower on the Closing Date, or on the date of its delivery of the assignment pursuant to which it becomes a Lender, and at such other times as required by United States law or as the Borrower shall reasonably request, two accurate and complete original signed copies of either (A) Internal Revenue Service Form 4224 (or successor form) certifying that all payments to be made to it hereunder will be effectively connected to a United States trade or business (the "FORM 4224 CERTIFICATION") or (B) Internal Revenue Service Form 1001 (or successor form) certifying that it is entitled to the benefit of a provision of a tax convention to which the United States of America is a party which completely exempts from United States withholding tax all payments to be made to it hereunder (the "FORM 1001 CERTIFICATION"). In addition, Lender agrees that if it previously filed a Form 4224 Certification it will deliver to the Borrower a new Form 4224 Certification prior to the first payment date occurring in each of its subsequent taxable years; and if it previously filed a Form 1001 Certification, it will deliver to the Borrower a new certification prior to the first payment date falling in the third year following the previous filing of such certification. Lender also agrees to deliver to the Borrower such other or supplemental forms as may at any time be required as a result of changes in applicable law or regulation in order to confirm or maintain in effect its entitlement to exemption from United States withholding tax on any payments hereunder, PROVIDED that the circumstances of the Lender at the relevant time and applicable laws permit it to do so. If Lender determines, as a result of any change in either (i) applicable law, regulation or treaty, or in any official application thereof or (ii) its circumstances, that it is unable to submit any form or certificate that it is obligated to submit pursuant to this Section 11.17, or that it is required to withdraw or cancel any such form or certificate previously submitted, it shall promptly notify the Borrower of such fact. If Lender is organized under the laws of a jurisdiction outside the United States of America, unless the Borrower has received a Form 1001 Certification or Form 4224 Certification satisfactory to it indicating that all payments to be made to the Lender hereunder are not subject to United States withholding tax, the Borrower shall withhold taxes from such payments at the applicable statutory rate. Lender agrees to indemnify and hold harmless from any United States taxes, penalties, interest and other expenses, costs and losses incurred or payable by the Borrower as a result of its reliance on any such form or certificate which Lender has provided to it pursuant to this Section 11.17.

(b) For any period with respect to which Lender has failed to provide the Borrower with the form required pursuant to Section 11.17, if any, (other than if such failure is due to a change in a Governmental Requirement occurring subsequent to the date on which a form originally was required to be provided), the Lender shall not be entitled to indemnification under Section 4.04 with respect to taxes imposed by the United States

-65-

which taxes would not have been imposed but for such failure to provide such forms; PROVIDED, HOWEVER, that should Lender, which is otherwise exempt from or subject to a reduced rate of withholding tax becomes subject to taxes because of its failure to deliver a form required hereunder, the Borrower shall take such steps as the Lender shall reasonably request to assist the Lender to recover such taxes.

(c) If the Lender claims any additional amounts payable pursuant to this Section 11.17, it shall use reasonable efforts (consistent with legal and regulatory restrictions) to file any certificate or document requested by the Borrower or to change the jurisdiction of its Applicable Lending Office or to contest any tax imposed if the making of such a filing or change or contesting such tax would avoid the need for or reduce the amount of any such additional amounts that may thereafter accrue and would not, in its sole determination, be otherwise disadvantageous to the Lender.

WITH RESPECT TO TEXAS LAW:

Section 11.18 EXCULPATION PROVISIONS. EACH OF THE PARTIES HERETO SPECIFICALLY AGREES THAT IT HAS A DUTY TO READ THIS AGREEMENT AND THE OTHER SECURITY INSTRUMENTS AND AGREES THAT IT IS CHARGED WITH NOTICE AND KNOWLEDGE OF THE TERMS OF THIS AGREEMENT AND THE OTHER SECURITY INSTRUMENTS; THAT IT HAS IN

FACT READ THIS AGREEMENT AND IS FULLY INFORMED AND HAS FULL NOTICE AND KNOWLEDGE OF THE TERMS, CONDITIONS AND EFFECTS OF THIS AGREEMENT; THAT IT HAS BEEN REPRESENTED BY INDEPENDENT LEGAL COUNSEL OF ITS CHOICE THROUGHOUT THE NEGOTIATIONS PRECEDING ITS EXECUTION OF THIS AGREEMENT AND THE OTHER SECURITY INSTRUMENTS; AND HAS RECEIVED THE ADVICE OF ITS ATTORNEY IN ENTERING INTO THIS AGREEMENT AND THE OTHER SECURITY INSTRUMENTS; AND THAT IT RECOGNIZES THAT CERTAIN OF THE TERMS OF THIS AGREEMENT AND THE OTHER SECURITY INSTRUMENTS RESULT IN ONE PARTY ASSUMING THE LIABILITY INHERENT IN SOME ASPECTS OF THE TRANSACTION AND RELIEVING THE OTHER PARTY OF ITS RESPONSIBILITY FOR SUCH LIABILITY. EACH PARTY HERETO AGREES AND COVENANTS THAT IT WILL NOT CONTEST THE VALIDITY OR ENFORCEABILITY OF ANY EXCULPATORY PROVISION OF THIS AGREEMENT AND THE OTHER SECURITY INSTRUMENTS ON THE BASIS THAT THE PARTY HAD NO NOTICE OR KNOWLEDGE OF SUCH PROVISION OR THAT THE PROVISION IS NOT "CONSPICUOUS."

Section 11.19 CONFLICTING PROVISIONS. In the event of any conflict between the terms, conditions or provisions of this Agreement and those contained in any other Security Instruments, those contained in this Agreement shall prevail, govern and control.

-66-

The parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

BORROWER: TEAM, INC.

By: /s/ JOHN M. SLACK
Name: John M. Slack
Title: Vice President and C.F.O.

Address for Notices:

1001 Fannin, Suite 4656
Houston, Texas 77002

LENDER: TEXAS COMMERCE BANK
NATIONAL ASSOCIATION

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

-67-

EXHIBIT A-1

REVOLVING CREDIT NOTE
(RENEWAL NOTE)

\$12,000,000.00

August 24, 1995

FOR VALUE RECEIVED, TEAM, INC., a Texas corporation (the "Borrower"), hereby promises to pay on or before the Revolving Credit Termination Date to the order of TEXAS COMMERCE BANK NATIONAL ASSOCIATION (the "LENDER") at its Principal Office at 712 Main Street, Houston, Texas 77002, the principal sum of TWELVE MILLION AND NO/100 Dollars (\$12,000,000.00), or such lesser amount as shall equal the aggregate unpaid principal amount of the Loans made by the Lender to the Borrower under the Credit Agreement, as hereinafter defined, in lawful money of the United States of America and in immediately available funds, on the dates and in the principal amounts provided in the Credit Agreement, and to pay interest on the unpaid principal amount of each such Loan, at such office, in like money and funds, for the period commencing on the date of such Loan until such Loan shall be paid in full, at the rates per annum and on the dates provided in the Credit Agreement.

The date, amount, Type, interest rate, Interest Period and maturity of each Loan made by the Lender to the Borrower, and each payment made on account of the principal thereof, shall be recorded by the Lender on its books and, prior to any transfer of this Note, endorsed by the Lender on the scheduleS attached hereto or any continuation thereof.

This Note is the Revolving Credit Note referred to in the Amended and Restated Credit Agreement of even date herewith between the Borrower and the Lender and evidences Revolving Credit Loans made by the Lender thereunder (such Amended and Restated Credit Agreement as the same may be amended or supplemented

from time to time, the "CREDIT AGREEMENT"). Capitalized terms used in this Note have the respective meanings assigned to them in the Credit Agreement.

This Note represents a renewal, extension, rearrangement and modification of the Prior Revolving Credit Note.

This Note is issued pursuant to the Credit Agreement and is entitled to the benefits provided for in the Credit Agreement and the Security Instruments. The Credit Agreement provides for the acceleration of the maturity of this Note upon the occurrence of certain events, for prepayments of Loans upon the terms and conditions specified therein and other provisions relevant to this Note.

-A1-

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF TEXAS.

TEAM, INC.

By: /s/ JOHN M. SLACK
Name: John M. Slack
Title: Vice President and C.F.O.

A-2

EXHIBIT A-2

TERM NOTE
(RENEWAL NOTE)

\$3,950,000.00

August 24, 1995

FOR VALUE RECEIVED, TEAM, INC., a Texas corporation (the "BORROWER"), hereby promises to pay to the order of TEXAS COMMERCE BANK NATIONAL ASSOCIATION (the "LENDER"), at its Principal Office at 712 Main Street, Houston, Texas 77002, the principal sum of THREE MILLION NINE HUNDRED FIFTY THOUSAND AND NO/100 Dollars (\$3,950,000.00), in lawful money of the United States of America and in immediately available funds, in installments, as herein provided, and to pay interest on the unpaid principal amount of each such Loan, at such office, in like money and funds, for the period commencing on the date of such Loan until such Loan shall be paid in full, at the rates per annum and on the dates provided in the Credit Agreement.

The principal on this Note is due and payable in twelve (12) consecutive quarterly installments, the first and second of which being in the amount of \$250,000 each, the third and fourth of which being in the amount of \$325,000 each, the fifth through and including the eleventh of which being in the amount of \$350,000 each, and the twelfth and final installment being in the amount of the balance of principle then due hereon. The first such installment is due and payable September 30, 1995, and the remaining installments are due and payable in consecutive order on the last day of each and every succeeding December, March, June and September thereafter until all sums called for hereunder have been paid in full, with the maturity of the final installment (if this Note has not been fully paid or prepaid earlier) being the Final Maturity Date.

The date, amount, Type, interest rate, Interest Period and maturity of each Loan made by the Lender to the Borrower, and each payment made on account of the principal thereof, shall be recorded by the Lender on its books and, prior to any transfer of this Note, endorsed by the Lender on the scheduleS attached hereto or any continuation thereof.

This Note is the Term Note referred to in the Amended and Restated Credit Agreement of even date herewith between the Borrower and the Lender and evidences the Term Loan made by the Lender thereunder (such Amended and Restated Credit Agreement as the same may be amended or supplemented from time to time, the "CREDIT AGREEMENT"). Capitalized terms used in this Note have the respective meanings assigned to them in the Credit Agreement.

A-2-1

This Note represents a renewal, extension, rearrangement and modification of the Prior Term Note.

This Note is issued pursuant to the Credit Agreement and is entitled to the benefits provided for in the Credit Agreement and the Security Instruments.

The Credit Agreement provides for the acceleration of the maturity of this Note upon the occurrence of certain events, for prepayments of Loans upon the terms and conditions specified therein and other provisions relevant to this Note.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF TEXAS.

TEAM, INC.

By: /s/ JOHN M. SLACK
Name: John M. Slack
Title: Vice President and C.F.O.

A-2-2

EXHIBIT B

FORM OF BORROWING, CONTINUATION AND CONVERSION REQUEST

_____, 199__

TEAM, INC., a Texas corporation (the "BORROWER"), pursuant to the Amended and Restated Credit Agreement dated as of August ____, 1995, between the Borrower and TEXAS COMMERCE BANK NATIONAL ASSOCIATION (the "LENDER") (the "CREDIT AGREEMENT") hereby makes the requests indicated below (unless otherwise defined herein, capitalized terms are defined in the Credit Agreement):

- [] 1. Revolving Credit Loans:
- (a) Aggregate amount of new Revolving Credit Loans to be \$ _____ - _____;
 - (b) Requested funding date is _____, 199__;
 - (c) \$ _____ of such borrowings are to be Eurodollar Loans;
\$ _____ of such borrowings are to be Base Rate Loans; and
 - (d) Length of Interest Period for Eurodollar Loans is:
_____.
- [] 2. Eurodollar Loan Continuation for Eurodollar Loans maturing on _____ under the Revolving Credit Note:
- (a) Aggregate amount to be continued as Eurodollar Loans is \$ _____ - _____;
 - (b) Aggregate amount to be converted to Base Rate Loans is \$ _____ - _____;
 - (c) Length of Interest Period for continued Eurodollar Loans is _____.
- B-1
- [] 3. Eurodollar Loan Continuation for Eurodollar Loans maturing on _____ under the Term Note:
- (a) Aggregate amount to be continued as Eurodollar Loans is \$ _____ - _____;
 - (b) Aggregate amount to be converted to Base Rate Loans is \$ _____ - _____;
 - (c) Length of Interest Period for continued Eurodollar Loans is _____.
- [] 4. Conversion of Outstanding Base Rate Loans to Eurodollar Loans:
- Convert \$ _____ of the outstanding Base Rate Loans to Eurodollar Loans on _____ with an Interest Period of _____.

\$ _____ under the _____ Revolving Credit
Note, and/or

\$ _____ under the _____ Term Note

Requested funding date: _____.

The undersigned certifies that he is the _____ of the Borrower, and that as such he is authorized to execute this certificate on behalf of the Borrower. The undersigned further certifies, represents and warrants on behalf of the Borrower that the Borrower is entitled to receive the requested borrowing, continuation or conversion under the terms and conditions of the Credit Agreement.

TEAM, INC.

By:
Name:
Title:

B-2

EXHIBIT C

FORM OF COMPLIANCE CERTIFICATE

The undersigned hereby certifies that he is the _____ of TEAM, INC., a Texas corporation (the "BORROWER") and that as such he is authorized to execute this certificate on behalf of the Borrower. With reference to the Amended and Restated Credit Agreement dated as of August ____, 1995 (together with all amendments or supplements thereto being the "AGREEMENT"), between the Borrower and TEXAS COMMERCE BANK NATIONAL ASSOCIATION (the "LENDER"), the undersigned represents and warrants as follows (each capitalized term used herein having the same meaning given to it in the Agreement unless otherwise specified):

(a) The representations and warranties of the Borrower contained in Article VII of the Agreement and in the Security Instruments and otherwise made in writing by or on behalf of the Borrower pursuant to the Agreement and the Security Instruments were true and correct in all material respects when made, and are repeated at and as of the time of delivery hereof and to the best of the undersigned's knowledge, are true and correct in all material respects at and as of the time of delivery hereof, except as such representations and warranties are modified to give effect to the transactions expressly permitted by the Agreement and except for such representations and warranties as are by their express terms limited to a specific date and except as otherwise disclosed to the Lender in writing.

(b) The Borrower has performed and complied with all agreements and conditions contained in the Agreement and in the Security Instruments required to be performed or complied with by it prior to or at the time of delivery hereof.

(c) Neither the Borrower nor any Subsidiary has incurred any material liabilities, direct or contingent, since _____, except those allowed by the terms of the Agreement or consented to by the Lender in writing.

(d) Since _____, no change has occurred, either in any case or in the aggregate, in the business, financial condition or results of operations, of the Borrower or any Subsidiary which would have a Material Adverse Effect.

(e) There exists, and, after giving effect to the loan or loans with respect to which this certificate is being delivered, will exist, no Default under the Agreement or any event or circumstance which constitutes, or with notice

C-1

or lapse of time (or both) would constitute, an event of default which would permit the acceleration of Debt in excess of \$500,000 under any

loan or credit agreement, indenture, deed of trust, security agreement or other agreement or instrument evidencing or pertaining to any Debt of the Borrower or any Consolidated Subsidiary.

(f) Schedule I attached hereto sets forth in reasonable detail computations verifying that the Borrower is in compliance with Sections 9.13, 9.14, 9.15, 9.16 and 9.17 of the Agreement.

EXECUTED AND DELIVERED this ____ day of _____.

TEAM, INC.

By:
Name:
Title:

C-2

EXHIBIT E

LIST OF SECURITY INSTRUMENTS

1. Guaranty Agreement dated as of August 24, 1995, from Team Environmental Services, Inc.; Teco Manufacturing Inc.; Pipe Repairs, Inc.; Mudco, Inc.; Allstate Vacuum & Tanks, Inc.; New Damon Disposal Company; Hellums Service, Inc.; Elsik, Inc.; Team-Beacon Energy, Inc.; Beacon Services, Inc.; Soil Enrichment, Inc.; Composite Pole Repair, Inc.; USA Public Services, Inc. (formerly Infrastructure Services, Inc.); USA Maintenance and Repair Services, Inc. (formerly Universal Services Co., Inc.); USA Federal Services, Inc. (formerly Universal Federal Services, Inc.); USA Gunite Services, Inc. (formerly General Gunite & Construction Co., Inc.) and Leak Repairs, Inc.
2. Subrogation and Contribution Agreement
3. Security Agreements (Accounts, Inventory and Equipment)
 - A. Security Agreement (Accounts, Inventory and Equipment) dated as of April 7, 1994, from:
 - a. Team, Inc.
 - b. Team Environmental Services, Inc.
 - c. Other Subsidiaries:
 - (i) Teco Manufacturing, Inc.
 - (ii) Pipe Repairs, Inc.
 - (iii) Mudco, Inc.
 - (iv) Allstate Vacuum & Tanks, Inc.
 - (v) New Damon Disposal Company
 - (vi) Hellums Service, Inc. (No Equipment)
 - (vii) Elsik, Inc. (No Equipment)
 - (viii) Team-Beacon Energy, Inc.
 - (ix) Beacon Services, Inc.
 - (x) Soil Enrichment, Inc.
 - (xi) Composite Pole Repair, Inc.
 - (xii) USA Public Services, Inc.
 - (xiii) USA Maintenance and Repair Services, Inc.
 - (xiv) USA Federal Services, Inc.
 - (xv) USA Gunite Services, Inc.
 - (xvi) Leak Repairs, Inc.

E-1

- B. First Amendment and Supplement to Security Agreement (Accounts, Inventory and Equipment) dated as of August 24, 1995, supplementing and amending document no. 3A, from:
 - a. Team, Inc.
 - b. Team Environmental Services, Inc.
 - c. Other Subsidiaries:
 - (i) Teco Manufacturing, Inc.
 - (ii) Pipe Repairs, Inc.
 - (iii) Mudco, Inc.
 - (iv) Allstate Vacuum & Tanks, Inc.

- (v) New Damon Disposal Company
- (vi) Hellums Service, Inc. (No Equipment)
- (vii) Elsik, Inc. (No Equipment)
- (viii) Team-Beacon Energy, Inc.
- (ix) Beacon Services, Inc.
- (x) Soil Enrichment, Inc.
- (xi) Composite Pole Repair, Inc.
- (xii) USA Public Services, Inc.
- (xiii) USA Maintenance and Repair Services, Inc.
- (xiv) USA Federal Services, Inc.
- (xv) USA Gunite Services, Inc.
- (xvi) Leak Repairs, Inc.

4. Financing Statements relating to Document No. 3

- a. Team, Inc.
- b. Team Environmental Services, Inc.
- c. Teco Manufacturing, Inc.
- d. Pipe Repairs, Inc.
- e. Mudco, Inc.
 - (i) Allstate Vacuum & Tanks, Inc.
- f. New Damon Disposal Company
- g. Hellums Service, Inc.
- h. Elsik, Inc.
- i. Team-Beacon Energy, Inc.
- j. Beacon Services, Inc.
- k. Soil Enrichment, Inc.
- l. Composite Pole Repair, Inc.
- m. USA Public Services, Inc.
- n. USA Maintenance and Repair Services, Inc.
- o. USA Federal Services, Inc.

E-2

- p. USA Gunite Services, Inc.
- q. Leak Repairs, Inc.

5. Security Agreement (Pledge) -- from Team, Inc.

A. Security Agreement (Pledge) dated as of April 7, 1994, from Team, Inc. covering stock of:

- a. Team Environmental Services, Inc.
- b. Teco Manufacturing, Inc.
- c. Pipe Repairs, Inc.
- d. Mudco, Inc.
- e. Hellums Service, Inc.
- f. Elsik, Inc.
- g. Team-Beacon Energy, Inc.
- h. Soil Enrichment, Inc.
- i. Composite Pole Repair, Inc.
- j. USA Public Services, Inc.
- k. Leak Repairs, Inc.

B. First Amendment and Supplement to Security Agreement (Pledge) dated as of August 24, 1995, from Team, Inc., amending and supplementing document no. 5A.

6. Assignments Separate from Stock Certificate relating to Document No. 5, together with related Stock Certificates

- a. Team Environmental Services, Inc.
- b. Teco Manufacturing, Inc.
- c. Pipe Repairs, Inc.
- d. Mudco, Inc.
- e. Hellums Service, Inc.
- f. Elsik, Inc.
- g. Team-Beacon Energy, Inc.
- h. Soil Enrichment, Inc.
- i. Composite Pole Repair, Inc.
- j. USA Public Services, Inc.
- k. Leak Repairs, Inc.

7. Security Agreement (Pledge) -- from certain Subsidiaries

A. Security Agreement (Pledge) dated April 7, 1994, from:

E-3

- a. Mudco, Inc., covering stock of Allstate Vacuum & Tanks, Inc.
- b. Team-Beacon Energy, Inc., covering the stock of Beacon Services, Inc.
- c. USA Public Services, Inc., covering the stock of:
 - (i) USA Maintenance and Repair Services, Inc.
 - (ii) USA Gunite Services, Inc.
- d. Allstate Vacuum & Tanks, Inc., covering the stock of New Damon Disposal Company
- e. USA Maintenance and Repair Services, Inc., covering the stock of USA Federal Services, Inc.

B. First Amendment and Supplement to Security Agreement (Pledge) dated as of August 24, 1995, amending and supplementing document no. 7A, from:

- a. Mudco, Inc., covering stock of Allstate Vacuum & Tanks, Inc.
- b. Team-Beacon Energy, Inc., covering the stock of Beacon Services, Inc.
- c. USA Public Services, Inc., covering the stock of:
 - (i) USA Maintenance and Repair Services, Inc.
 - (ii) USA Gunite Services, Inc.
- d. Allstate Vacuum & Tanks, Inc., covering the stock of New Damon Disposal Company
- e. USA Maintenance and Repair Services, Inc., covering the stock of USA Federal Services, Inc.

8. Assignments Separate from Stock Certificate relating to Document No. 7, together with related Stock Certificates

- a. Mudco, Inc., covering stock of Allstate Vacuum & Tanks, Inc.
- b. Team-Beacon Energy, Inc., covering the stock of Beacon Services, Inc.
- c. USA Public Services, Inc., covering the stock of:
 - (i) USA Maintenance and Repair Services, Inc.

E-4

- (ii) USA Gunite Services, Inc.
- d. Allstate Vacuum & Tanks, Inc., covering the stock of New Damon Disposal Company
- e. USA Maintenance and Repair Services, Inc., covering the stock of USA Federal Services, Inc.

9. Assignment of Key Man Life Insurance Policy

E-5

EXHIBIT F

GUARANTORS

TECO MANUFACTURING, INC., a Texas corporation
PIPE REPAIRS, INC., a Texas corporation
MUDCO, INC., a Texas corporation
ALLSTATE VACUUM & TANKS, INC., a Texas corporation
NEW DAMON DISPOSAL COMPANY, a Texas corporation
HELLUMS SERVICE, INC., a Texas corporation
ELSIK, INC., a Texas corporation
TEAM-BEACON ENERGY, INC., a Texas corporation
BEACON SERVICES, INC., an Oklahoma corporation
SOIL ENRICHMENT, INC., a Texas corporation
COMPOSITE POLE REPAIR, INC., a Texas corporation
USA PUBLIC SERVICES, INC. (formerly Infrastructure Services, Inc.)
USA MAINTENANCE AND REPAIR SERVICES, INC. (formerly Universal Services Co., Inc.)
USA FEDERAL SERVICES, INC. (formerly Universal Federal Services, Inc.)
USA GUNITE SERVICES, INC. (formerly General Gunite & Construction Co., Inc.)
LEAK REPAIRS, INC., a Delaware corporation

F-1

SCHEDULE 7.03

LITIGATION

NONE

SCHEDULE 7.14

SUBSIDIARIES AND PARTNERSHIPS

SUBSIDIARIES

Team Environmental Services, Inc., a Texas corporation
Teco Manufacturing, Inc., a Texas corporation
Pipe Repairs, Inc., a Texas corporation
Mudco, Inc., a Texas corporation
Allstate Vacuum & Tanks, Inc., a Texas corporation
New Damon Disposal Company, a Texas corporation
Hellums Service, Inc., a Texas corporation
Elsik, Inc., a Texas corporation
Team-Beacon Energy, Inc., a Texas corporation
Beacon Services, Inc., an Oklahoma corporation
Soil Enrichment, Inc., a Texas corporation
Composite Pole Repair, Inc., a Texas corporation
First America Capital Corporation, a Texas corporation

Portales 801, Inc., a Texas corporation

Pensacola 801, Inc., a Texas corporation

Ft. Bragg 801, Inc., a Texas corporation

Ft. Stewart 801, Inc., a Texas corporation

First America Development Corporation, a Texas corporation

USA Public Services, Inc. (formerly Infrastructure Services, Inc.), a Texas corporation

USA Maintenance and Repair Services, Inc. (formerly Universal Services Co., Inc.), a Texas corporation

1

USA Federal Services, Inc. (formerly Universal Federal Services, Inc.), a Texas corporation

USA Gunitite Services, Inc. (formerly General Gunitite & Construction Co., Inc.), an Alabama corporation

Leak Repairs, Inc., a Delaware corporation

*Texas Lite & Barricade, Inc. (formerly Universal Texas Lite and Barricade, Inc.), a Texas corporation

*USA Water Consulting Services, Inc. (formerly Water Company of America), a Texas corporation

*USA Concrete Restoration Services, Inc. (formerly Epoxy Design Systems, Inc.), a Texas corporation

*THESE SUBSIDIARIES WILL BE DISSOLVED OR MERGED OUT OF EXISTENCE WITHIN 90 DAYS FROM AND AFTER THE CLOSING DATE

2

SCHEDULE 7.16

DEFAULTS

A subsidiary of the Company, Ft. Stewart 801, Inc., 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 is presently being appealed to the United States Armed Services Board of Contract Appeals. During fiscal 1994, the Corps terminated the Agreement allegedly as a result of Ft. Stewart 801, Inc.'s default, thereby cancelling the project. In February 1994, the Company separately appealed the Corps' decision to terminate the Agreement, again with the United States Armed Services Board of Contract Appeals.

SCHEDULE 7.19

INSURANCE

Separately delivered by Borrower to Lender

SCHEDULE 7.22

MATERIAL AGREEMENTS

- 1) Asset Purchase Agreement dated April 10, 1995 by and between Hellums Services, Inc. and Hellums Services II, Inc.
- 2) Asset Purchase Agreement dated April 10, 1995 by and Between Elsik, Inc. and Elsik II, Inc.

SCHEDULE 9.01

DEBT

OUTSTANDING AS OF
JULY 31, 1995

1.	Certificates of Participation related to the Construction of the Federal Section 801 Housing Projects	\$39,253,420
2.	Sterling Bank Corp.	\$1,533,929
3.	Finova Capital Corp. (capitalized leases covering various computer equipment)	\$190,454
4.	Mobile Modular Management Corp. (building improvements at 1019 S. Hood Street, Alvin, Texas	\$45,486

SCHEDULE 9.02

LIENS

1. Mortgages and/or Deeds of Trust in favor of Bank of America, as Trustee for Holders of Certificates of Participation, securing properties held by Ft. Bragg 801, Inc., Pensacola 801, Inc. and Portales 801, Inc., as assigned to U.S. Trust Company of New York, as successor Trustee.
2. Lien in favor of Sterling Bank securing certain property at Team, Inc.'s manufacturing and training facilities in Alvin, Texas.

SCHEDULE 9.03

INVESTMENTS, LOANS AND ADVANCES

NONE

TEXAS COMMERCE BANK NATIONAL ASSOCIATION
712 Main Street
Houston, Texas 77002-8096

September 13, 1995

Mr. John M. Slack
Vice President, Chief Financial Officer
Team, Inc.
1001 Fannin, Suite 4656
Houston, Texas 77002

Re: Amended and Restated Loan Agreement ("Agreement") dated
August 24, 1995 between Team, Inc. ("Borrower") and Texas
Commerce Bank ("Bank")

Dear John:

The Bank hereby permanently waives the violation of the covenant contained in Section 10.01(k) of the Agreement regarding the departure of H. Wesley Hall of which the Bank was informed on August 25, 1995, subject to the Borrower's agreement on the following modifications to the Agreement (all of which will be embodied in a formal amendment to the Agreement as soon as practicable):

1. The maturity date for both the Revolver and the Term Loan will be December 1, 1996.
2. A revised amortization of the Term Loan will require quarterly payments of principal in the amount of \$350,000 commencing September 30, 1995.
3. The Company will apply 50% of the net cash proceeds from the sale of its 801 Projects as a prepayment on the Term Loan. In addition, the Company will assign to the Bank 100% of any deferred purchase price consideration.
4. The existing management change clause contained in Section 10.01(k) of the Agreement will be deleted and replaced in its entirety by a management change clause which will read in its entirety as follows:

-1-

"(k) Any change is made in the individual holding the position of Chief Executive Officer of Borrower unless the Bank consents to such change within ten (10) Business Days after the earlier of written notice thereof from Borrower to Bank or the appointment or election of a new Chief Executive Officer, which consent will not be unreasonably withheld; or"

5. New affirmative covenants will be required:
 - o to give Bank notice of any termination or withdrawal of Borrower's CEO;
 - o to require delivery of notice of appointment of a new CEO along with his/her resume and references; and
 - o to give Bank notice of acting CEO's in the interim while a search is made for a new CEO.
6. The key-man life insurance on Wes Hall will be released, and a \$2,000,000 key-man life insurance policy will be required on William Ryan, subject to such insurance coverage being reasonably available.
7. With regard to calculation of the Current Ratio in Section 9.13 of the Agreement, the Borrower will be permitted to not treat the entire Indebtedness as a current liability, rather only the scheduled principal payments which become due in the

subject period will be included.

Similar adjustments will be made for calculation of the Fixed Charged Coverage Ratio and any other financial covenants in the Agreement, as necessary, to avoid any default of such financial covenants occasioned by the Indebtedness being considered a current liability.

-2-

If the foregoing meets with your understanding of our agreement on these matters, please so signify by signing and returning a copy of this to the attention of the undersigned.

Sincerely,

TEXAS COMMERCE BANK NATIONAL
ASSOCIATION

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

AGREED AND ACCEPTED AS OF
SEPTEMBER 13, 1995:

TEAM, INC.

By: JOHN M. SLACK
John M. Slack
Vice President

cc: Valerie L. Banner, Esq.
Craig W. Murray, Esq.

-3-

AGREEMENT RESPECTING EMPLOYMENT

THIS AGREEMENT RESPECTING EMPLOYMENT (this "Agreement") effective as of October 1, 1990 by and between TEAM, INC., a Texas corporation (the "Company") and VALERIE L. BANNER (the "Employee").

R E C I T A L S:

The Company recognizes the importance of employing the Employee as a key employee.

The Company wishes to take steps to assure that the Company will have the Employee's services available to the Company, and the Company and the Employee desire to execute this Agreement.

In consideration for the foregoing, the mutual provisions contained herein, and for other good and valuable consideration, the parties agree with each other as follows:

1. A. EMPLOYMENT. The Company shall employ the Employee in the capacity of General Counsel, and the Employee hereby accepts employment upon such terms and conditions hereinafter set forth. The Employee shall perform those duties, and have such powers, authority, functions and responsibilities for the Company and corporations affiliated with the Company commensurate with such employment capacity, and have such additional duties, powers, authority, functions and responsibilities as may from time to time be assigned to her by the Company's Chief Executive Officer which are not (except with the Employee's consent) inconsistent with or which interfere with or detract from those vested in or being performed by the Employee for the Company.

B. OTHER ACTIVITIES. The Employee shall not, while employed on full-time status, be engaged in any other activities if such activities interfere materially with the Employee's current duties, authority and responsibilities for the Company, except for those other activities as shall hereafter be carried on with the Company's consent. The Employee shall be entitled to make and manage her personal investments, provided such investments or other activities do not violate in any material respect the terms of Sections 6 or 7 hereof.

2. TERM.

The term of the Employee's employment under this Agreement shall be for a continually renewing term of one (1) year, without any further action by either the Company or the Employee, until the Employee reaches age 65.

1

3. COMPENSATION.

For all services rendered by the Employee under this Agreement, the Company agrees to compensate the Employee for each compensation year (January 1 through December 31) during the term hereof, as follows:

A. Base Salary. A base salary shall be payable to the Employee by the Company as a guaranteed annual amount under this Agreement equal initially to for each compensation year (as the same may be adjusted as provided herein, the "Base Salary"), which shall be payable in intervals consistent with the Company's normal payroll schedules (but in no event less frequently than semi-monthly). The Base Salary shall be subject to being increased (but not decreased or adjusted other than as provided in Section 4 of this Agreement) in the sole discretion of the Chief Executive Officer of the Company. The official action of the Chief Executive Officer increasing the Base Salary payable to the Employee shall modify the amount of Base Salary stated in this Section 3(A).

B. Other Compensation. The Employee shall be entitled to receive from the Company a bonus for each compensation year commensurate with bonuses paid to officers and key employees of the Company. In addition, the Chief Executive Officer shall use his best efforts to cause the Company to grant to Employee, within sixty (60) days after the date hereof, options to purchase 10,000 shares of Common Stock, \$.30 par value, of the Company, which options shall vest immediately upon grant.

C. Change in Control. Company agrees to amend this Agreement to provide for certain protections to Employee, in the event a change in control occurs

with respect to the Company, equal to the protections provided from time to time by the Company to officers of the Company.

4. TERMINATION, DEATH AND DISABILITY.

A. Termination by Company. The employment of the Employee under this Agreement may be terminated immediately at any time by the Company only for cause in the event of: (x) the Employee's final conviction of a felony involving moral turpitude, or (y) the Employee's deliberate and intentional continuing refusal to substantially perform her duties and obligations under this Agreement (except by reason of incapacity due to illness or accident) if she (i) shall have either failed to remedy such alleged breach within forty-five (45) days from the date written notice is given by the Secretary of the Company demanding that she remedy such alleged breach, or (ii) shall have failed to take reasonable steps in good faith to that end during such forty-five (45) day period, or (z) upon finding by the Board of Directors that the Employee has engaged in willful fraud or defalcation either of which involved material funds or other assets of the Company. Upon termination of the Employee's employment under this Agreement by the Company for cause under this Section 4 (A), the Employee shall, in addition to all other reimbursements, payments or other allowances required to be paid under this

2

Agreement or under any other plan, agreement or policy which survives the termination of this Agreement, be entitled to receive the monthly installment of her Base Salary being paid at the time of such termination, up to the effective date of such termination; the Employee shall not be entitled to any pro rata incentive compensation with respect to the year in which such termination occurs. Thereupon, this Agreement shall terminate and the Employee shall have no further rights under or be entitled to any other benefits of this Agreement, provided that the provisions of Sections 6 and 7 shall survive such termination.

In addition, the Company shall have the right to terminate Employee at any time by giving thirty (30) days prior written notice to Employee. In the event Company shall so terminate Employee, Company shall be required to pay, and Employee shall be entitled to receive, in addition to the installment of Base Salary payable during such thirty (30) day period after the giving of notice, a payment in an amount equal to the annual Base Salary (less any required tax withholding) in effect pursuant to Section 3(A) at the time Company effects such termination, payable in twelve (12) equal monthly installments.

B. Termination by Employee. The Employee shall have the right at any time during his employment by the Company by giving written notice to the Secretary of the Company, to terminate the Employee's employment under this Agreement effective thirty (30) days after the date on which such notice is given by the Employee. In the event the Employee shall make such election, the Employee shall be entitled to be paid all reimbursements, payments or other allowances required to be paid under this Agreement throughout the date of termination and under any other plan, agreement or policy which survives the termination of this Agreement. Thereupon, this Agreement shall terminate and the Employee shall have no further rights under or be entitled to any other benefits of this Agreement, provided that the provisions of Sections 6 and 7 shall survive such termination.

C. Death. In the event of the Employee's death during the term of this Agreement, in addition to any other benefits that may be provided by the Company's plans, the Company shall pay to the Employee's surviving spouse or to the executor or administrator of the Employee's estate if her spouse shall not survive her an amount equal to the sum of (i) the installments of her Base Salary then payable pursuant to Section 3(A), as the case may be, for the month in which she dies, and (ii) three (3) monthly installments of the Base Salary (less required tax withholding) in effect pursuant to Section 3(A) at the time of the Employee's death.

D. Return of Property. Upon termination of the Employee's employment under this Agreement, however brought about, the Employee (or her representatives) shall promptly deliver and return to the Company all the Company's property including, but not limited to, credit cards, manuals, customer lists, financial data, letters, notes, notebooks and reports, and copies of any of the above, and any Protected Information (as defined in Section 7) which is in the possession or under the control of the Employee.

3

5. OTHER EMPLOYEE RIGHTS.

A. Benefit Plans. The Employee shall be entitled to participate in or receive (i) the Company's pension, group life/medical/dental/accidental/disability insurance, thrift, savings, deferred compensation and incentive or supplemental compensation plans, (ii) the Company's stock option, unit or award plans, automobile allowances and all other Company benefit plans, fringe benefits, allowances and accommodations of employment (including dues of business and professional societies, etc.) as are from time to time generally available or applicable to the Company's officers and key employees, and (iii) annual vacation in accordance with the vacation policy established by the Company for the Company's officers and key employees (but in no event less than available to the Employee immediately prior to the date hereof) during which time her applicable compensation shall be paid in full. Employee recognizes that the Company does not yet have a deferred compensation plan. The Company agrees to use its reasonable business efforts to implement such a plan during calendar year 1991 in order that Employee may participate in such plan.

B. Employee Expenses. The Employee is authorized (to the same extent and in the same manner as the Company's officers and key employees are authorized) to incur reasonable business expenses while on full-time or part-time status as an employee of the Company, including expenses for meals, entertainment, hotel and air travel, telephone, automobile, fees and similar items. The Company shall either pay directly or promptly reimburse the Employee for such expenses upon the presentment by the Employee from time to time of an itemized accounting (as reasonably required by the Company's policies) of such expenditures for which reimbursement is sought.

C. Office. The Employee's principal office shall be in Houston, Texas, and the Employee shall not be required to move her principal place of residence or office without her consent, or to perform duties which would reasonably be expected to require such move, and the Company agrees that no prejudice shall be held against the Employee in the event the Company should request such move and the Employee declines such request.

6. COVENANT NOT TO COMPETE.

A. No competition. The Employee recognizes that in each of the highly competitive businesses in which the Company is engaged, personal contact is of primary importance in securing new customers and in retaining the accounts and goodwill of present customers and protecting the business of the Company. The Employee, therefore, agrees that at all times during the term of her employment hereunder and for a period of one (1) year after the termination of her employment hereunder, by Employee or by the Company for cause, she will not, within 100 miles of

(i) The principal place of business of the Company,

4

(ii) any other geographic location in which the Employee has specifically represented the interests of the Company or such other affiliated entity, in any of the businesses described below, during the twelve (12) months prior to the termination of this Agreement, as principal, agent, partner, employee, consultant, distributor, dealer, contractor, broker or trustee or through the agency of any corporation, partnership, association or agent or agency engage, directly or indirectly, in any material business of the Company at the date of termination and shall not be the owner of more than one percent (1%) of the outstanding capital stock of any corporation (other than the Company), or an officer, director or employee of any corporation (other than the Company or a corporation affiliated with the Company), or a member or employee of any partnership, or an owner, investor, lender, agent, consultant, distributor, dealer, contractor, broker or employee of any other business which conducts a business described above, within the territory described above.

B. No Solicitation. The Employee agrees that during the term of her employment under this Agreement and for a period of one (1) year after the termination of the Employee's employment under this Agreement, she will not directly or indirectly (i) induce any customers of the Company or corporations affiliated with the company to patronize any similar business which competes with any material business of the Company; (ii) canvass, solicit or accept any similar business from any customer of the Company or corporations affiliated with the Company; (iii) directly or indirectly request or advise any customers of the Company or corporations affiliated with Company to withdraw, curtail or cancel such customers' business with the Company; or (iv) directly or indirectly

disclose to any other person, firm or corporation the names or addresses of any of the customers of the Company or corporations affiliated with the Company. The Employee further agrees that she shall not engage in any pattern of conduct that involves the making or publishing of written or oral statements or remarks (including, without limitation, the repetition or distribution of derogatory rumors, allegations, negative reports or comments) which are disparaging, deleterious or damaging to the integrity, reputation or goodwill of the company, its management or of management of corporations affiliated with the Company.

C. Injunction. If the provisions of this Section 6 are violated, in whole or in part, the Company shall be entitled, upon application to any court of proper jurisdiction, to a temporary restraining order or preliminary injunction (without the necessity of posting any bond with respect thereto) to restrain and enjoin the Employee from such violation without prejudice to any other remedies the Company may have at law or in equity. Further, in the event that the provisions of this Section 6 should ever be deemed to exceed the time, geographic or occupational limitations permitted by the applicable laws, the Employee and the Company agree that such provisions shall be and are hereby reformed to the maximum time, geographic or occupational limitations permitted by the applicable laws. The provisions of this Section 6 shall survive the termination of the Employee's employment or expiration or termination of this Agreement.

5

7. CONFIDENTIAL INFORMATION.

A. Confidentiality. The Employee recognizes and acknowledges that she will have access to various confidential or proprietary information concerning the Company and corporations affiliated with Company of a special and unique value which may include, without limitation, (i) books and records relating to operation, finance, accounting, sales, personnel and management, (ii) policies and matters relating particularly to operations such as customer service requirements, costs of providing service and equipment, operating costs and pricing matters, and (iii) various trade or business secrets, including business opportunities, marketing or business diversification plans, business development and bidding techniques, methods and processes, financial data and the like (collectively, the "Protected Information").

B. No Disclosure. The Employee agrees, therefore, that she will not at any time, either while employed by the Company or afterwards, knowingly make any independent use of, or knowingly disclose to any other person or organization (except as authorized by the Company or required by law), any of the Protected Information.

C. Injunction. In the event of a breach or threatened breach by the Employee of the provisions of this Section 7, the Employee agrees that the Company shall be entitled to a temporary restraining order or a preliminary injunction (without the necessity of the Company posting any bond in connection therewith) restraining the Employee from using or disclosing, in whole or in part, such Protected Information. Nothing herein shall be construed as prohibiting the Company from pursuing any other remedies available to it for such breach or threatened breach, including the recovery of damages from the Employee.

8. GENERAL PROVISIONS.

A. Partial Invalidity. In case any one or more of the provisions of this Agreement shall, for any reason, be determined by a change in law or regulation, or held or found by final judgement of a court of competent jurisdiction, to be invalid, illegal or unenforceable in any respect (i) such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, and (ii) this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein (except that this subsection (ii) shall not prohibit any modification allowed under Section 6 hereof). If the effect of such a change in law or regulation or such a holding or finding that any one or more of the provisions of this Agreement are either invalid, illegal or unenforceable is to modify to the Employee's detriment, reduce or eliminate any compensation, reimbursement, payment, allowance or other benefit to the Employee intended by the Company and the employee in entering into this Agreement, the Company shall promptly negotiate and enter into an agreement with the Employee containing alternative terms and provisions (reasonably acceptable to the Employee) that will restore to the Employee (to the extent lawfully permissible) substantially the same economic benefits the Employee would have enjoyed had any one or more provisions of this Agreement not

been determined, held or found to be either invalid, illegal or unenforceable.
Failure to insist upon

6

strict compliance with any provision of this Agreement shall not be deemed a waiver of such provision or of any other provision of this Agreement.

B. Amendment. No provision of this Agreement may be amended, modified or waived unless such amendment, modification or waiver shall be agreed to in writing and signed by the Employee and by a person duly authorized by the Chief Executive Officer.

C. Assignment. No right to or interest in any compensation or reimbursement payable hereunder shall be assignable or divisible by the Employee; provided, however, that this provision shall not preclude the Employee from designating one or more beneficiaries to receive any amount that may be payable after his death and shall not preclude her executor or administrator from assigning any right hereunder to the person or persons entitled thereto.

D. Headings. The headings of sections and subsections hereof are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement.

E. Governing Law. This Agreement shall be construed in accordance with and governed for all purposes by the laws of the State of Texas.

F. Merger, etc. This Agreement may not be assigned, partitioned, subdivided, pledged, or hypothecated in whole or in part without the express prior written consent of the Employee and the Company. This Agreement shall not be terminated either by the voluntary or involuntary dissolution or the winding up of the affairs of the Company, or by any merger or consolidation wherein the Company is not the surviving corporation, or by any transfer of all or substantially all of the Company's assets on a consolidated basis. In the event of any such merger, consolidation or transfer of assets, the provisions of this Agreement shall be binding upon and shall inure to the benefit of the surviving corporation or to the corporation to which such assets shall be transferred.

G. Interest. If any amounts which are required or determined to be paid or payable or reimbursed or reimbursable to the Employee under this Agreement (or under any other plan, agreement, policy or arrangement with the Company) are not so paid at the times provided herein or therein, such amounts shall accrue interest compounded daily at the annual percentage rate which is three percentage points above the interest rate which is announced by Texas Commerce Bank, N.A., Houston, Texas, from time to time, as its Base Rate (prime lending rate), from the date such amounts were required or determined to have been paid or payable or reimbursed or reimbursable to the Employee until such amounts and any interest accrued thereon are finally and fully paid; provided, however, that in no event shall the amount of interest contracted for, charged or received hereunder exceed the maximum non-usurious amount of interest allowed by applicable law.

7

H. Privacy. The Company agrees with the Employee that, except to the extent required by law, it will not make or publish, without the express prior written consent of the Employee, any written or oral statement concerning the terms of the Employee's employment relationship with the Company and will not, if the Employee goes on part-time status for any reason or severs his employment with the Company, make or publish any written or oral statement concerning the Employee including, without limitation, his work-related performance or the reasons or basis for the Employee going on part-time status or otherwise severing his employment relationship with the Company.

10. NOTICES.

Any notice required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given when delivered in person or when deposited in the U.S. mail, registered or certified, postage prepaid, and mailed to the addressee's address set forth herein.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the day and year first set forth above.

/s/ VALERIE L. BANNER

(Employee's Signature)

Employee's Permanent Address

VALERIE L. BANNER
5203 VALKEITH
HOUSTON, TEXAS 77096

TEAM, INC.

BY: /s/ H. WESLEY HALL

1001 FANNIN, SUITE 4656
HOUSTON, TEXAS 77002

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made and entered into by and between John M. Slack, an individual ("Employee"), and Team, Inc., a Texas corporation ("Employer") who agree as follows:

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 Chief Financial Officer of the Employer and to perform those duties customarily performed by an employee in this capacity for 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 Chief Financial Officer. No change in the duties of Employee which are consistent with Employee's position as Chief Financial Officer shall result in a termination or rescission of this Agreement. Employee's duties shall include, but not be limited to, the taking of a leadership role in all aspects of the financial management of Employer and its Affiliates at every level of Employer and its Affiliates on a nationwide basis. Employee's duties shall include, but not be limited to, investor relations, Securities and Exchange Commission reporting, balance sheet structuring and review, risk management, market analysis, forecasting, budgeting and management of accounting systems.

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 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.

1

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 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 One Hundred and Eight Thousand Dollars (\$108,000) per year, which amount shall be paid in equal and consecutive installments ("Periodic Salary Payments") not less often than monthly. Employee may, at the sole discretion of the President of Employer after considering Employee's performance and company profitability, receive an annual bonus not to exceed twenty-five percent (25%) of Employee's annual salary. In addition, Employer shall grant to Employee, promptly after the execution of this Agreement by Employee, options to purchase 12,500 shares of common stock of Team, Inc. at market price, which shares shall vest in increments of twenty-five percent (25%) per year for four (4) years. Employee shall receive such other upward compensation adjustments, if any, as may be determined by Employer in its sole discretion from time to time.

b. PERIODIC SEVERANCE PAYMENT. In the event that Employee's employment is terminated by Employer for any reason other than "for cause," as defined in Paragraph 5(a) below during the Primary Term, as hereinafter defined, or in the event that Employee's employment is terminated by Employee "for cause," as defined in Paragraph 5(b) below during the Primary Term, then, in lieu of any and all damages or other compensation which Employee might otherwise be entitled hereunder, Employer shall continue to pay to Employee the full amount of the Periodic Salary Payments provided by Paragraph 2(a) without reduction, discount, or a duty to mitigate damages throughout the period which ends two (2) months from the date of termination of Employee's employment hereunder for every full year of Employee's employment with Employer, however, in no event will Employee be entitled to receive Periodic Salary Payments for more than six (6) months from the date of such termination; subject,

however, to Employer's right to discontinue such payments pursuant to Paragraph 6(j) in the event of the breach or threatened breach by Employee of his covenants contained in Paragraph 6.

c. OTHER BENEFITS. Employee shall be entitled to paid vacations, expense reimbursements, a company-owned car for Employee's use or an automobile allowance of \$450.00 per month with reimbursement for maintenance, repairs and gasoline, as the case may be, and similar perquisites incidental or necessary to the performance of Employee's duties and 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 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.

3. EMPLOYMENT COVENANT. Employee covenants that he will not commit any act which results in the Termination for Cause of his employment by Employer under the provisions of Paragraph 5 below.

4. TERM. The primary term ("Primary Term") of this Agreement commences effective November 1, 1994 and, unless sooner terminated by mutual agreement of the parties or pursuant to the provisions of Paragraph 5 of this Agreement, shall terminate on October 31, 1997. The parties may, however, extend the term of this Agreement by written amendment hereto executed by Employer and Employee at any time prior to October 31, 1997, or within thirty (30) days thereafter.

5. TERMINATION.

a. BY EMPLOYER. The Employer may terminate Employee's employment at any time "without cause" by giving written notice of such termination to Employee and Employee shall

in such event be entitled to receive the Periodic Severance Pay benefits provided by Paragraph 2(b) above. 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 convicted of a felony;

(ii) 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 term or provision contained herein, and such material failure, refusal or breach is not 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

(iii) Employee shall be determined by Employer (which determination shall be required to be made by a vote of not less than a majority of Employer's directors) to be guilty of fraud, dishonesty, or similar acts of misconduct. In the event that 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, either "for cause" or without cause, by Employee by giving two weeks' written notice of termination to Employer. In the event Employee terminates his employment without cause, Employee shall not be entitled to receive any further compensation from and after the date of such termination of employment. 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

4

(ii) upon a breach of 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 from Employee specifying the nature of such breach.

In the event Employee terminates his employment with Employer "for cause", Employee shall be entitled to receive the Periodic Severance Pay benefits provided by Paragraph 2(b) above.

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 full amount of the Periodic Salary Payments provided by Paragraph 2(a) (without reduction or discount) throughout the period which ends on the last day of the month following the month during which Employee's death occurs.

d. EFFECT. Except for the provisions of Paragraphs 6, 7, 8 and 9, and the procedural and remedial provisions of this Agreement, and except as otherwise specifically provided in Paragraphs 2(b), 5(b), and 5(c) 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. As a consequence of Employee's position with Employer, Employee will be privy to confidential and proprietary information regarding all aspects of Employer's financial and other operations at every level of the corporation and on a nation wide basis. Therefore, Employee shall not use or disclose, directly or indirectly, for any reason whatsoever or in any way, any confidential 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, budgets, forecasts, and other financial information; product or service pricing

5

information; contract proposals and bidding information; policies and procedures developed as part of a confidential business plan; and management systems and producers, 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 for 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. Due to the fact that Employee's duties will include the review, analysis and management of the financial operations of Employer on a nation wide basis, as well as each and every branch and regional office of its Affiliates, Employer and Employee do hereby agree that it is both reasonable and necessary to restrict Employee's activities after the term of this Agreement on a nationwide basis. Thus, 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 in the event Employee terminates his employment "for cause"), Employee shall not, directly or indirectly, either as an employee, employer, consultant, agent, principal, partner, stockholder (in excess of five percent (5%)), 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 of its Affiliates (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 employment with a company in competition in any manner whatsoever

with Employer or any Affiliates as such business is presently conducted and as conducted during the term of employment of Employee by Employer that does not have any facilities within a two hundred fifty (250) mile radius 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

6

(except in the event Employee terminates his employment "for cause"), Employee shall not solicit or negotiate 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 (except as set forth herein) or the other provisions of this Agreement and the corresponding employment relationship created herein, or Employee's performance hereunder.

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;

7

(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 trade secrets and other confidential 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 the United States and Employee will be privy to confidential information relating to such services at every level of the corporation;

(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 were to terminate his employment 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 restriction 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

8

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 discontinue all Periodic Severance Payments to Employee pursuant to Paragraph 2(b) above and further 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.

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 relating to 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

9

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

10

provision, there shall be added automatically as 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. Neither this Agreement nor any interest herein or rights, duties, or obligations hereunder may be assigned or delegated by either party without the prior written consent of the other party hereto.

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 to each other geographical area.

17. EMPLOYER POLICIES, REGULATIONS, AND GUIDELINES FOR EMPLOYEES. Employee acknowledges that he has been furnished with a current copy of the policy and procedures manual of Employer, that he has read and understands such policies and procedures set forth in such manual (and will read and become familiar with any revisions or supplements to or replacements of such manual), and, as a condition to the execution of this Agreement, that he understands such policies and procedures set forth in such manual are applicable to Employee in the performance of his duties for Employer. However, notwithstanding the foregoing, any conflict or inconsistency between this Agreement and such policies and procedures manual shall be governed by this Agreement.

11

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, at its option, 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 7th day of July, 1995, effective as of November 1, 1994.

/s/ JOHN M. SLACK
John M. Slack, Employee
Address:
3502 Forest City Drive
Kingwood, Texas 77339

TEAM, INC.,
Employer

By: /s/ H. WESLEY HALL
H. Wesley Hall, President
Address:
1001 Fannin, Suite 4656
Houston, Texas 77002

SUBSIDIARIES OF REGISTRANT

COMPANY -----	JURISDICTION/STATE OF INCORPORATION -----
Team, Inc.	Texas
Leak Repairs, Inc.	Delaware
Team Environmental Services, Inc. (formerly Leak Repairs, Inc.)	Texas
Team Environmental Services, Ltd.	United Kingdom
Teaminc Europe	The Netherlands
Teco Manufacturing, Inc.	Texas
Pipe Repairs, Inc. (formerly Paisano, Inc.)	Texas
Mudco, Inc. (formerly Posi-Vac)	Texas
Allstate Vacuum & Tanks, Inc.	Texas
New Damon Disposal Company	Texas
Hellums Service, Inc.	Texas
Elsik, Inc.	Texas
Team-Beacon Energy, Inc.	Texas
Beacon Services, Inc.	Oklahoma
Soil Enrichment, 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.	Texas
Formerly: Infrastructure Services, Inc.	Texas
USA Maintenance and Repair Services, Inc.	Texas
Formerly: Universal Services Co., Inc.	Texas
USA Federal Services, Inc.	Texas
Formerly: Universal Federal Services, Inc.	Texas
Texas Lite & Barricade, Inc.	Texas
Formerly: Universal Texas Lite and Barricade, Inc. .	Texas
USA Water Consulting Services, Inc.	Texas
Formerly: Water Company of America	Texas
USA Gunitite Services, Inc.	Alabama
Formerly: General Gunitite & Construction Co., Inc.	Alabama
USA Concrete Restoration Services, Inc.	Texas
Formerly: Epoxy Design Systems, Inc.	Texas

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

Team Environmental Services, Inc. in the State of California:

- Tracer Technologies

Water Company of America in the State of Texas and Harris County:

- d/b/a Energy Resource Management

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 August 24, 1995 (September 13, 1995 as to Note 8) appearing in this annual report on Form 10-K of Team, Inc. for the fiscal year ended May 31, 1995.

/s/ DELOITTE & TOUCHE LLP
Deloitte & Touche LLP

Houston, Texas
September 13, 1995

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES OF TEAM, INC. AND SUBSIDIARIES FOR THE YEAR ENDED MAY 31, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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<FN>

<F1> Property, plant and equipment consist of \$17,753,000 for core operational fixed assets and \$47,542,000 for the military housing projects' land and buildings. Accumulated depreciation consists of \$11,641,000 for core fixed assets and \$4,710,000 for the military housing projects' land and buildings.

<F2> Bonds, mortgages and similar debt consists of \$13,627,000 of long term debt and \$39,722,000 of non-recourse debt pertaining to Certificates of Participation financing the military housing projects.

</FN>