

TETRA TECHNOLOGIES INC
Form DEF 14A
March 30, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No. ____)

Filed by the registrant [X]

Filed by a party other than the registrant [_]

Check the appropriate box:

- [_] Preliminary proxy statement. [_] Confidential, for use of the Commission only (as permitted by Rule 14-a6(e)(2)).
 [X] Definitive proxy statement.
 [_] Definitive additional materials.
 [_] Soliciting material under Rule 14a-12.

TETRA Technologies, Inc.

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (check the appropriate box):

- [X] No Fee required.
 [_] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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(1) Amount Previously Paid:

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(4) Date Filed:

TETRA Technologies, Inc.

25025 Interstate 45 North, Suite 600

The Woodlands, Texas 77380

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held May 10, 2005

To our stockholders:

Where and When. We will hold our 2005 Annual Meeting of Stockholders at the Marriott Woodlands Waterway Hotel, 1601 Lake Robbins Drive, The Woodlands, Texas on Tuesday, May 10, 2005, at 11:00 a.m. local time.

Record Date. Only stockholders of record at the close of business on March 14, 2005 will be entitled to notice of and to vote at the Annual Meeting.

Purpose of the Meeting. We have called the Annual Meeting for the following purposes:

1. To elect three Class III Directors to serve three-year terms ending at the 2008 Annual Meeting of Stockholders, or until their successors have been duly elected or appointed;
2. To ratify and approve the appointment of Ernst & Young LLP as our independent auditors for the fiscal year ending December 31, 2005;
3. To consider and vote upon a proposal to adopt the TETRA Technologies, Inc. 2005 Equity Incentive Compensation Plan; and
4. To transact such other business as may properly come before the Annual Meeting or any adjournments.

You will find more information on our nominees for Directors and the other purposes listed above in the attached proxy statement. You will find more instructions on how to vote starting on page 2 of the proxy statement.

Your vote is important! Please mark, sign, date, and return the enclosed proxy card as soon as possible regardless of whether you plan to attend the Annual Meeting. You may revoke your proxy at any time before it is voted.

I hope you will be able to attend the Annual Meeting.

Bass C. Wallace, Jr.

Corporate Secretary

April 4, 2005

The Woodlands, Texas

TETRA Technologies, Inc.

25025 Interstate 45 North, Suite 600

The Woodlands, Texas 77380

PROXY STATEMENT

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This proxy statement, and the accompanying Notice of the 2005 Annual Meeting of Stockholders and proxy card, are first being mailed to our stockholders on or about April 4, 2005.

VOTING INFORMATION

GENERAL INSTRUCTIONS ON HOW TO VOTE YOUR PROXY

Below are instructions on how to vote as well as information on your rights as a stockholder as they relate to voting. Some of the instructions will differ depending on how your stock is held. It is important to follow the instructions that apply to your situation.

If your shares are held in “street name,” you should vote your shares in the method directed by your broker or other nominee.

If you plan to attend the meeting and vote in person, your instructions will depend on how your shares are held:

- *shares registered in your name* – check the appropriate box on the enclosed proxy card and bring evidence of your share ownership with you to the meeting. The proxy card and the evidence of your ownership will serve as your authorization to vote in person.
- *shares registered in the name of your broker or other nominee* – ask your broker to provide you with a broker’s proxy card in your name (which will allow you to vote your shares in person at the meeting) and bring evidence of your stock ownership from your broker with you to the meeting.

Remember that we will limit attendance at the Annual Meeting to stockholders as of the record date (or their authorized representatives) with evidence of their share ownership and our guests.

How to Revoke Your Proxy. If your shares are registered in your name, you may revoke your proxy at any time before it is exercised by:

- filing a written notice revoking it with our Corporate Secretary,
- executing and returning another proxy bearing a later date, or
- attending the Annual Meeting and expressing a desire to vote your shares of common stock in person.

If your shares are held in street name, you must contact your broker to revoke your proxy. You must address written notices to Corporate Secretary, TETRA Technologies, Inc., 25025 Interstate 45 North, Suite 600, The Woodlands, Texas, 77380. No revocation by written notice will be effective unless such notice has been received by our Secretary prior to the day of the Annual Meeting or by our inspector of election at the Annual Meeting.

VOTING RULES

Stockholders Entitled to Vote – the Record Date. We have fixed the close of business on March 14, 2005 as the record date for the determination of stockholders entitled to vote at the Annual Meeting and any adjournment(s) thereof. As of the record date, we had issued and outstanding 22,599,981 shares of common stock and no shares of preferred stock.

Quorum Required. A quorum must be present at the Annual Meeting for us to conduct business at the Annual Meeting. To establish a quorum, we need the presence, either in person or by proxy, of holders of a majority of the outstanding shares of our common stock as of the record date. We will count abstentions and broker nonvotes to determine whether a quorum is present. Broker nonvotes occur when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power and the nominee has not received voting instructions from the beneficial owner. The New York Stock Exchange (“NYSE”) precludes its member organizations from giving a proxy to vote on equity compensation plans unless the beneficial owner of the shares has given voting instructions. Accordingly, with respect to the 2005 Equity Incentive Compensation Plan, brokers who are NYSE members do not have discretionary authority to vote shares for beneficial owners who do not provide instructions.

Number of Votes. You are entitled to one vote per share of our common stock that you own as of the record date on each matter that is called to vote at the Annual Meeting.

Voting to Elect Directors. When voting to elect Directors, you have three options:

- Vote for all of the three nominees;
- Vote for one or more of the nominees, but not all; or
- Withhold authority to vote for all of the nominees.

If a quorum is present at the Annual Meeting, the three persons receiving the greatest number of votes will be elected to serve as Directors. Therefore, any shares that are not voted or whose votes are withheld will not influence the outcome of the election of Directors. You may not cumulate your votes for any one of the nominees.

Voting on Other Matters. When voting on all other matters, you have three options as follows:

- Vote FOR a given proposal;
- Vote AGAINST a given proposal; or
- ABSTAIN from voting on a given proposal.

Pursuant to our bylaws, each matter other than the election of Directors, including approval of the 2005 Equity Incentive Compensation Plan, requires the affirmative vote of a majority of the shares having voting power present or represented at the Annual Meeting. For the purpose of determining whether a proposal other than the election of Directors has received a majority vote, abstentions will be included in the vote totals with the result that an abstention will have the same effect as a vote against the proposal. With respect to the approval of auditors, brokers who have not received voting instructions from the beneficial owner have the discretionary authority to vote on this matter. Therefore, broker nonvotes will be included in the vote totals and have the same effect

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as a vote against this proposal. Brokers do not have discretionary authority to vote on the approval of the 2005 Equity Incentive Compensation Plan. Consequently, broker nonvotes are not considered in the vote totals for this proposal and will have no effect on the vote.

In addition to the vote required by our bylaws described above, under the NYSE rules, approval of the 2005 Equity Incentive Compensation Plan requires approval by a majority of votes cast on the proposal, provided that the total vote cast on the proposal represents over 50% in interest of all securities entitled to vote on the proposal. The NYSE takes the position that a broker nonvote is not a "vote cast." Accordingly, broker nonvotes have to be subtracted when determining whether the 50% in interest test has been met.

The proxy confers discretionary authority to the persons named in the proxy authorizing those persons to vote, in their discretion, on any other matters properly presented at the Annual Meeting. Our Board of Directors is not currently aware of any such other matters.

Voting of Proxies with Unmarked Votes. All proxies that are properly completed, signed, and returned prior to the Annual Meeting will be voted. If you return your proxy with no votes marked, your shares will be voted as follows:

- FOR the election of each of the nominees for Director,
- FOR the appointment of Ernst & Young LLP as our independent auditors,
- FOR the adoption of the 2005 Equity Incentive Compensation Plan.

It is possible for a proxy to indicate that some of the shares represented are not being voted as to certain proposals. This occurs, for example, when a broker is not permitted to vote on a proposal without instructions from the beneficial owner of the stock. In these cases, the nonvoted shares will be considered in the manner described above.

Who Counts the Votes. Votes will be counted by ADP Investor Communication Services.

Information About the Solicitation of Proxies. Our Board of Directors is soliciting the proxy accompanying this statement in connection with the Annual Meeting. In addition to the solicitation of proxies by use of this proxy statement, our Directors, officers and employees may solicit the return of proxies by mail, personal interview, telephone or email. Our officers and employees will not receive additional compensation for their solicitation efforts, but they will be reimbursed for any out-of-pocket expenses incurred. Brokerage houses and other custodians, nominees and fiduciaries will be requested, in connection with the stock registered in their names, to forward solicitation materials to the beneficial owners of such stock.

We will pay all costs of preparing, printing, assembling and mailing the Notice of the Annual Meeting, this proxy statement, the enclosed form of proxy card and any additional materials, as well as the cost of forwarding solicitation materials to the beneficial owners of stock and all other costs of solicitation.

PROPOSALS

PROPOSAL NO. 1: ELECTION OF DIRECTORS

The Nominating and Corporate Governance Committee of the Board of Directors has recommended, and the Board of Directors has nominated and urges you to vote "FOR" the election of the three Directors who have been nominated to serve three year terms as Class III Directors. Each proxy solicited hereby will be so voted unless you specify otherwise in the proxy. A plurality vote is required for the election of Directors in Proposal 1. Accordingly, if a quorum is present at the Annual Meeting, the three persons nominated for election as Directors receiving the greatest numbers of votes will be elected to serve as Directors.

Our bylaws divide the Board of Directors into three classes, designated as Class I, Class II and Class III, with respect to terms of office. Each class is elected to serve a three year term and consists of, as nearly as possible, one-third of the members of the entire Board. Currently there are nine members of the Board of Directors. The proxies solicited hereby cannot be voted for more than three nominees.

The term of office of each of the current Class III Directors, Hoyt Ammidon, Jr., Kenneth P. Mitchell and Kenneth E. White, Jr., expires at the time of the Annual Meeting, or as soon thereafter as their successors are elected or qualified. Messrs. Ammidon, Mitchell and White have been recommended by the Nominating and Corporate Governance Committee and nominated by the Board to serve additional three year terms as Class III Directors. Each of the nominees has consented to be named in this Proxy Statement and to serve as a Director, if elected.

It is intended that the proxies solicited hereby will be voted "FOR" the election of such nominees, unless authority to do so has been withheld. If, at the time of the Annual Meeting, any of the nominees should be unable or decline to serve, the discretionary authority provided in the proxy will enable the proxy holder to vote for a substitute nominee of the Board of Directors. The Board of Directors has no reason to believe that any substitute nominee will be required.

Nominees for Director

The three nominees for election as Class III Directors, whose terms of office as Directors will expire in 2008 if such persons are elected, are as follows:

Name	Age	Position with us	Year first became a director
Hoyt Ammidon, Jr.	67	Director (Class III)	1998
Kenneth P. Mitchell	65	Director (Class III)	1997
Kenneth E. White, Jr.	58	Director (Class III)	2002

Biographical summaries of the Class III Directors are set forth below. See "Beneficial Stock Ownership of Certain Stockholders and Management" below for information regarding the number of shares of our common stock owned by each of them.

Hoyt Ammidon, Jr. has served as a member of our Board of Directors since 1998. Mr. Ammidon currently acts as Chairman of our Audit Committee and serves on our Management and Compensation Committee. He served as a managing director of Berkshire Capital Corporation, a private company that provides merger and acquisition related services to the investment management and securities industries, from November 1994 to January 2004 and as an advisory director since January 2004. Prior thereto, he held various executive positions at Cazenove Incorporated, a brokerage firm, The Chase Manhattan Investment Bank and E.F. Hutton & Co., Inc. Mr. Ammidon serves as a director and chairman of the audit committee of the board of directors of Balchem Corporation, a public company that is subject to the reporting requirements of the Securities Exchange Act of 1934 (the "Exchange Act"), which manufactures microencapsulated products and is a specialty repackager of industrial gases. Mr. Ammidon received his B.A. degree in History from Yale University.

Kenneth P. Mitchell has served as a member of our Board of Directors since 1997. Mr. Mitchell currently serves on our Management and Compensation Committee and our Nominating and Corporate Governance Committee. He is presently a director and chairman of the compensation committee of Balchem Corporation, a public company subject to the reporting requirements of the Exchange Act that manufactures microencapsulated products and is a specialty repackager of industrial gases. Mr. Mitchell served as President and Chief Executive Officer of Oakite Products, Inc., a specialty chemicals company, from 1986 until he retired in 1993. From 1964 to 1986, he held a number of executive positions with Diamond Shamrock Corporation, all of which were related to various commodity and specialty chemical businesses. Mr. Mitchell received his B.S. degree in Marketing and Finance from Ohio State University, and he completed the Senior Executive Program at M.I.T. in 1979.

Kenneth E. White, Jr. has served as a member of our Board of Directors since 2002. Mr. White currently serves on our Audit Committee and our Management and Compensation Committee. He served as President and Chief Operating Officer and a director of Torch Energy Advisors, a private company that owns and operates oil and gas projects on behalf of its investors, until his retirement in January 2001. Prior to his initial employment by Torch in 1989, he served as Executive Vice President and General Manager of Gruy Engineering, a petroleum consulting firm affiliated with Torch, during 1989. From 1982 to 1989, Mr. White served in several positions with Tenneco Oil related to Gulf Coast reservoir management and engineering. He received his B.S. degree in Mechanical Engineering from Louisiana State University.

The Board of Directors recommends that you vote "FOR" the election of each of the above named nominees.

PROPOSAL NO. 2: APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Proposal 2 requests stockholder approval of the Board of Directors' appointment of the firm of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2005. Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting and will have an opportunity to make a statement if they desire and to respond to appropriate questions from those attending that meeting. Ernst & Young LLP have served as our independent auditors since 1981.

Our organizational documents do not require our stockholders to ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm. We are doing

so, as we have done in prior years, because we believe it is a matter of good corporate practice. If our stockholders do not ratify the appointment, the Audit Committee may reconsider its selection of the firm as our independent registered public accounting firm for the year ending December 31, 2005, but the Audit Committee may elect to retain the firm.

The Board of Directors recommends that you vote "FOR" ratification and approval of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the 2005 fiscal year, and proxies returned will be so voted unless contrary instructions are indicated thereon.

PROPOSAL NO. 3: ADOPTION OF OUR 2005 EQUITY INCENTIVE COMPENSATION PLAN

Our stockholders are being asked to consider and vote on a proposal to adopt the TETRA Technologies, Inc. 2005 Equity Incentive Compensation Plan, referred to in this description as the Plan. If the Plan is approved by our stockholders, it will supplement the Company's existing stock option plans, which are the 1990 Stock Option Plan, as amended (under which options are outstanding but no further options may be granted), the 1996 Stock Option Plan for Nonexecutive Employees and Consultants, the Director Stock Option Plan, as amended (the "Director Plan"), and the 1998 Director Stock Option Plan, as amended and restated (the "1998 Director Plan"), and provide us with more flexibility in creating incentives for our employees, officers and Directors. The Company's existing stock option plans will remain in effect in accordance with their terms if the Plan is approved by our stockholders; although no new options will be granted under any of the existing plans if the Plan is adopted by our stockholders as set forth herein.

The Plan was adopted by our Board of Directors, subject to the approval of our stockholders. Pursuant to our bylaws, approval of the Plan requires the affirmative vote of a majority of the common shares represented in person or by proxy at the annual meeting of stockholders and entitled to vote on the proposal. In addition, under the rules of the NYSE, approval of the Plan requires approval by a majority of votes cast on the proposal, provided that the total votes cast on the proposal represents over 50% in interest of all securities entitled to vote on the proposal. If the stockholders approve the Plan, it will be effective as of May 10, 2005. A copy of the Plan is attached to this proxy statement as Appendix A. The description of the Plan contained herein is not intended to be complete and is qualified by reference to Appendix A, which contains the complete text of the Plan.

The purposes of the Plan are to (1) promote our interests and the interests of our stockholders by encouraging the participants to acquire or increase their equity interest in us, thereby giving them an added incentive to work toward our continued growth and success; (2) enable us to compete for the services of the individuals needed for our continued growth and success; and (3) allow us to award incentive grants of equity awards that are less dilutive to our stockholders than the stock options that have traditionally been awarded under our stock option plans. To accomplish this purpose, the Plan provides for the grant to eligible persons of stock options, restricted stock, bonus stock, phantom stock, stock appreciation rights, and performance awards (collectively "Awards").

Available Shares

The maximum number of shares of Common Stock that may be covered by Awards granted under the Plan during any 12-consecutive-month period shall be 800,000 shares, subject to adjustment in the event of stock splits and certain other corporate events; provided, however, that the maximum number of shares of Common Stock that may be issued under the Plan shall in no event exceed 4,000,000 shares, subject to adjustment in the event of stock splits and certain other corporate events. Solely for purposes of implementing the 12-month limitation of the immediately

preceding sentence, an Award of an Option or a Stock Appreciation Right in respect of one share of Common Stock shall be deemed to be an Award of one share of Common Stock and an Award of a share of Bonus Stock, Phantom Stock or Restricted Stock shall be deemed to be an Award of two shares of Common Stock. With respect to any Performance Award, the value of the maximum benefit that may be paid under the Performance Award shall be divided by the FMV Per Share of Common Stock at the date of grant of the Performance Award, and each share resulting from such computation shall be deemed to be an Award of two shares of Common Stock for purposes of implementing the 12-month limitation on shares set forth in the first sentence of this paragraph. In addition, during any calendar year, the number of shares of Common Stock reserved for issuance under the Plan which are subject to Awards that may be granted to any one Participant shall not exceed 100,000 shares, subject to adjustment in the event of stock splits and certain other corporate events. To the extent shares cease to be issuable under an award made under the Plan, they will be available under the Plan for the grant of additional awards unless such shares cease to be subject to an award because of the exercise of the award or the vesting of a restricted stock award or similar award.

Persons Eligible to Participate

Except with respect to awards of incentive stock options, all employees, consultants and non employee Directors of us and our affiliates are eligible to participate in the Plan. Incentive stock options may be awarded only to employees. In selecting employees, consultants and non employee Directors to receive awards, including the type and size of the award, the Management and Compensation Committee of our Board of Directors (the "Committee") may consider any factors that it deems relevant.

Administration

The Plan will be administered by the Committee, which consists of three or more Directors appointed by the Board of Directors. The members of the Committee as of the date of this proxy statement are Messrs. Ammidon, Delimitros (as Chairman), Mitchell and White. Our Board of Directors has determined that each of these Directors is an "independent" Director as defined under the rules of the NYSE. No person shall be eligible to serve on the Committee unless such person is a "non employee Director" as defined in Rule 16b-3 promulgated under the Exchange Act, as then in effect, and also an "outside Director" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), and the rules and regulations thereunder. Subject to the provisions of the Plan, the Committee will (i) interpret the Plan and all awards under the Plan, (ii) make rules as it deems necessary for the proper administration of the Plan, (iii) make all other determinations necessary or advisable for the administration of the Plan and (iv) correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any award under the Plan in the manner and to the extent that it deems desirable to effectuate the Plan. Any action taken or determination made by the Committee pursuant to the Plan will be binding on all parties. No member of the Board of Directors or the Committee will be liable for any action or determination made in good faith with respect to the Plan or an award granted thereunder.

Types of Awards

The Plan provides for the grant of any or all of the following types of awards: (i) stock options, including incentive stock options and nonqualified stock options; (ii) restricted stock awards; (iii) bonus stock; (iv) stock appreciation rights; (v) phantom stock; and (vi) performance awards. All awards will be evidenced by a written agreement and the terms, conditions and/or restrictions contained in an award may differ from the terms, conditions and/or restrictions contained in any other award. Each type of award is discussed in more detail below.

Stock Options. The Committee has the authority to grant options, in such form as the Committee may from time to time approve, subject to the terms of the Plan. The Committee also has the authority to determine whether options granted to employees will be incentive stock options or nonqualified options.

To exercise an option granted under the Plan, the person entitled to exercise the option must deliver to us payment in full of the exercise price for the shares being purchased, together with any required withholding tax unless other arrangements have been made with the Committee. The payment must be (i) in cash or check, (ii) with the consent of the Committee, in shares of common stock already owned by the person for more than six months, or (iii) with the consent of the Committee, by sale through a broker. The value (the "Fair Market Value") of each share of common stock delivered will be deemed to be equal to the closing price on the principal exchange or over-the-counter market on which such shares are trading for the date of the determination, or, if no trade of the common stock has been reported for such date, the average of the high and low sales prices quoted on such exchange or the average of the closing bid and asked prices quoted on the market for the most recent trade prior to the determination date.

Except as described below, no option may be exercised later than the date which is ten years after the date of grant. The exercise price at which shares of common stock may be purchased upon the exercise of an option shall not be less than the Fair Market Value on the date of the grant of the option. In the case of incentive stock options granted to employees owning more than ten percent (10%) of the total combined voting power of us and our affiliates, the exercise price at which shares of common stock may be purchased upon the exercise of such incentive option shall be equal to one hundred ten percent (110%) of the Fair Market Value per share of common stock at the time of the grant and such incentive option may not be exercised later than five years after the date of grant. The aggregate fair market value (determined as of the respective date or dates of grant) of shares of common stock for which one or more options granted to any employee under the Plan (or any other option plan of ours or our affiliates) may for the first time become exercisable as incentive stock options during any one calendar year cannot exceed \$100,000.

The exercise price for and the number of shares of common stock subject to existing options shall be subject to appropriate adjustments in the event that the outstanding shares of our common stock are changed into or exchanged for a different number or kind of shares or other securities by reason of merger, consolidation, recapitalization, reclassification, stock split, stock dividend, combination of shares or the like. The Plan does not permit the Committee to reprice options or accelerate the vesting of options without stockholder approval. The Committee shall provide, in the option grant, the time or times at which the options will be exercisable.

Restricted Stock Awards. The Plan authorizes the Committee to grant awards in the form of restricted shares of common stock. These awards are subject to such restrictions as the Committee may impose, including forfeiture, transfer and repurchase restrictions, and in no event will the term of any such award exceed ten years. We have the right to repurchase restricted shares for the amount of cash paid for such shares, if any, if the participant terminates employment with or services to us prior to the lapse of such restrictions or the restricted stock is forfeited by the participant in accordance with the award thereof.

Bonus Stock. The Committee has the authority to grant shares of bonus stock to employees, consultants and non employee Directors of us or our affiliates for the performance of services by such individuals without additional consideration except as may be required by the Committee.

Stock Appreciation Rights. The Committee may grant stock appreciation rights (rights to receive the excess of the fair market value of the common stock on the date of exercise over the

grant price as determined by the Committee, which grant price shall not be less than the Fair Market Value of the common stock on the date of grant), in shares of common stock. The Committee may provide that the excess may not exceed a specified amount. The Committee shall determine at the date of grant the time or times at which and the circumstances under which a stock appreciation right may be exercised. The term of such award may not exceed ten years.

Phantom Stock. The Committee may grant phantom stock awards, which are rights to receive a specified number of shares of common stock at the end of a specified deferral period. To the extent the Committee determines that any phantom stock awards constitute performance based compensation for purposes of Section 162(m) of the Code, such awards may be subject to the achievement of performance goals as described for performance awards. The Committee may also impose restrictions on phantom stock awards, including a risk of forfeiture, which restrictions may lapse at the expiration of the deferral period or at earlier specified times. The term of any such award may not exceed ten years.

Performance Awards. The Plan authorizes the Committee to grant shares of common stock, cash or a combination thereof to participants upon the attainment of certain performance goals measured over a period of not less than three months or more than five years. After the end of each performance period, the Committee will determine the amount, if any, of performance awards payable to each participant based upon the achievement of certain established business criteria. In the case of any award granted to our Chief Executive Officer or any of our four highest paid officers (other than the Chief Executive Officer), the performance goals will be objective and meet the requirements of Section 162(m) of the Code, and regulations thereunder, including the requirement that achievement of performance goals be substantially uncertain at the time of grant. It is our intent that performance awards granted to covered employees will constitute performance based compensation within the meaning of Section 162(m) of the Code and the regulations thereunder.

The performance goals may differ among awards or participants; however, the Committee may not exercise discretion to increase any amount payable under a performance award intended to comply with Section 162(m) of the Code. In establishing performance goals, the Committee may use one or more of the following business criteria on a consolidated basis or for our specified subsidiaries, divisions or business or units: (i) earnings per share; (ii) increase in price per share; (iii) increase in revenues; (iv) increase in cash flow; (v) return on net assets; (vi) return on assets; (vii) return on investment; (viii) return on equity; (ix) economic value added; (x) gross margin; (xi) net income; (xii) pretax earnings; (xiii) pretax earnings before interest, depreciation, depletion and amortization; (xiv) pretax operating earnings after interest expense and before incentives, service fees, and extraordinary or special items; (xv) operating income; (xvi) total stockholder return; (xvii) debt reduction; and (xviii) any of the above goals determined on an absolute or relative basis or as compared to the performance of a published or special index deemed applicable by the Committee including, but not limited to, a market index or a group of comparable companies.

The amount payable under a performance award shall be divided by the fair market value per share of common stock on the determination date, and a stock certificate evidencing the resulting shares of common stock (to the nearest full share) shall be delivered to the participant or his personal representative, and the value of any fractional shares will be paid in cash.

Transferability

Except as otherwise provided in the Plan, no award and no right under the Plan, other than bonus stock or restricted stock as to which restrictions have lapsed is (i) assignable, saleable or transferable by a participant, or (ii) subject to any encumbrance, pledge or charge of any nature. Any attempted transfer in violation of the Plan will be void and ineffective for all purposes. The Committee may, however, establish rules and procedures to allow the transfer of specific

nonqualified stock options for estate planning purposes to one or more immediate family members or related family trusts or partnerships or similar entities.

Change in Control

Unless otherwise provided in an award, upon the occurrence of a change of control (defined generally as certain reorganizations, mergers, consolidations, sales of all or substantially all of our assets or liquidations), the Committee may, but is not required to, (i) accelerate vesting and the time at which all options and stock appreciation rights then outstanding may be exercised; (ii) waive all restrictions and conditions of all restricted stock and phantom stock then outstanding; or (iii) determine to amend performance awards or substitute new performance awards in consideration of the cancellation of outstanding performance awards.

If approved by our Board of Directors prior to or within 30 days after a change of control, the Board of Directors will have the right for the 45-day period following the change of control to require all participants to transfer to us all awards previously granted to the participants in exchange for an amount equal to the cash value of the awards. The cash value of an award will equal the sum of (i) the cash value of all benefits to which the participant would be entitled upon settlement or exercise of any award which is not an option or restricted stock and (ii) in the case of an option or restricted stock, the excess of the market value per share over the option price, or the market value per share of restricted stock, multiplied by the number of shares as to which such award is vested.

Termination, Death, Disability and Retirement

Unless otherwise provided for in an award, if the employment of an employee or service of a non employee Director is terminated for any reason other than death, disability or retirement, or if service of a consultant is terminated for any reason other than death, any nonvested award outstanding at the time of such termination will terminate, no further vesting will occur, and the participant will be entitled to exercise his or her exercise rights with respect to any portion of the award which is vested until the earlier of (i) the expiration date set forth in the award or (ii) three months after the termination date.

Unless otherwise provided for in an award, upon the retirement of an employee or non employee Director, any nonvested portion of an outstanding award will terminate and no further vesting will occur. Any exercise rights with respect to any vested award will expire on the earlier of (i) the expiration date set forth in the award or (ii) 12 months after the date of retirement, or, in the case of an incentive stock option, three months after the retirement date.

Unless otherwise provided for in an award, (i) upon the termination due to the disability of an employee or non employee Director, (ii) upon the death of a participant, (iii) with respect to a participant who is either a retired former employee or non employee Director who dies during the period in which he or she can exercise any vested award (the "applicable retirement period") or (iv) with respect to a disabled former employee or non employee Director who dies during the period that expires on the earlier of the expiration date set forth in any applicable outstanding award or the first anniversary of the person's termination due to disability (the "applicable disability period"), any nonvested portion of an outstanding award that has not already terminated will terminate and no further vesting will occur. In addition, any exercise rights with respect to any vested award will expire on the earlier of (i) the expiration date set forth in the award or (ii) the later of (x) the first anniversary of such termination due to death or disability or (y) the first anniversary of such person's death during the applicable retirement period or the applicable disability period.

The Committee may provide for the continuation of any award for such period and upon such terms as it determines in the event the participant ceases to be an employee, consultant or non employee Director.

Adjustments Upon Changes in Capitalization or Reorganization

The type or number of shares authorized under the Plan or subject to an award and/or the exercise or purchase price applicable to an award will be appropriately adjusted in the event of a subdivision or consolidation of shares, payment of stock dividend or any other increase or decrease in the number of shares effected without receipt of consideration by us, or in the event of a reorganization, merger, consolidation or recapitalization. Such adjustments shall be made by the Committee, whose determination shall be final and binding.

Amendment or Termination of the Plan and Amendment of Awards

Except with respect to awards then outstanding, if not sooner terminated by the Board of Directors, the Plan will terminate upon, and no further awards shall be made, after the fifth anniversary of the date the Plan is approved by the stockholders. The Board of Directors may amend, suspend or terminate the Plan, provided, however, that no amendment, suspension or termination of the Plan may, without the consent of the holder of an award, terminate such award or adversely affect such person's rights in any material respect. Moreover, no amendment to the Plan will be effective prior to its approval by the stockholders to the extent that (i) it would provide or accelerate vesting other than in connection with a change of control or would change stockholder approval requirements relating to option repricing or (ii) such approval is required by applicable law, the requirements of any securities exchange on which our stock may be listed or the requirements of the NASDAQ Stock Market, Inc. on which our stock may be listed. The Board of Directors may, however, amend the Plan as necessary to permit awards to meet the requirements of the Code or other applicable laws, or to prevent adverse tax consequences to participants.

Subject to the restrictions set forth in the Plan, the Committee may amend any outstanding award and may waive or accelerate any requirement or condition that is not mandatory under the Plan; however, except in the case of a change in control, the Committee may not waive or accelerate any term or condition of an award that is intended to qualify as performance based compensation for purposes of Section 162(m) of the Code, if such action would cause the award not to so qualify. The Committee may not amend any outstanding award in a manner that would adversely affect, in any material respect, the rights of a Plan participant without such participant's consent.

New Plan Benefits

No awards have been granted to date under the Plan, although it is anticipated that awards will be granted if the Plan is approved by our stockholders. The actual amount of awards to be granted under the Plan is not determinable in advance because the size and type of awards to be made in any year will be determined at the discretion of the Committee. Additionally, the specific performance criteria and targets will be selected each year by the Committee.

Federal Income Tax Consequences of the Plan

In General. The Plan is not intended to be subject to any provision of the Employee Retirement Income Security Act of 1974, as amended, and is not qualified under Section 401(a) of the Code. The following summary is based on the applicable provisions of the Code, as currently in effect, and the income tax regulations and proposed income tax regulations issued thereunder.

Status of Options. Options granted under the Plan may be either incentive stock options or nonqualified stock options. Under certain circumstances, an incentive stock option may be treated as a nonqualified stock option. The tax consequences, both to the option holder and to us, differ depending on whether an option is an incentive stock option or a nonqualified stock option.

Nonqualified Options. No federal income tax is imposed on the option holder upon the grant of a nonqualified stock option. Upon the exercise of a nonqualified stock option, the option holder will be treated as receiving compensation, taxable as ordinary income and subject to employment taxes in the year of exercise. The amount recognized as ordinary income and subject to employment taxes upon exercise is the excess of the fair market value of the shares of common stock at the time of exercise over the exercise price paid for such common stock. At the time common stock received upon exercise of a nonqualified stock option is disposed of, any difference between the fair market value of the shares of common stock at the time of exercise and the amount realized on the disposition will be treated as a capital gain or loss. The gain, if any, realized upon such a disposition will be treated as a long-term or short-term capital gain, depending on the holding period of the shares of common stock. Any loss realized upon such a disposition will be treated as a long-term or short-term capital loss, depending on the holding period of the shares of common stock.

Upon an option holder's exercise of a nonqualified stock option, and subject to the application of Section 162(m) of the Code as discussed below, we may claim a deduction for the compensation paid at the same time and in the same amount as compensation is treated as being received by the option holder, assuming we satisfy the federal income tax reporting requirements with respect to such compensation. We are not entitled to any tax deduction in connection with a subsequent disposition by the option holder of the shares of common stock.

If the shares of common stock received upon the exercise of a nonqualified stock option are transferred to the option holder, subject to certain restrictions, then the taxable income realized by the option holder, unless the option holder elects otherwise, and our tax deduction (assuming any federal income tax reporting requirements are satisfied) should be deferred and should be measured with reference to the fair market value of the shares at the time the restrictions lapse. The restriction imposed on officers, Directors and 10% stockholders by Section 16(b) of the Exchange Act is such a restriction during the period prescribed thereby if other shares have been purchased by such an individual within six (6) months of the exercise of a nonqualified stock option.

Incentive Stock Options. No federal income tax is imposed on the option holder upon the grant of an incentive stock option. The option holder will recognize no taxable income upon exercise of an incentive stock option if the option holder (a) does not dispose of the shares of common stock acquired pursuant to the exercise of an incentive stock option within two years from the date the option was granted or within one year after the shares of common stock were transferred to the option holder (the "Holding Period") and (b) is an employee of either (i) the company granting the option, (ii) the parent company or a subsidiary of such corporation or (iii) a corporation which has assumed such option of another corporation as a result of a corporate reorganization, merger or similar transaction. Such employment must continue for the entire time from the date the option was granted until three months before the date of exercise, or 12 months before the date of exercise if employment ceases due to permanent and total disability. If common stock received upon exercise of an incentive stock option is disposed of after completion of the Holding Period, any difference between the exercise price paid for such common stock and the amount realized on the disposition will be treated as a capital gain or loss. The gain, if any, realized upon such a disposition will be treated as a long-term capital gain. Any loss realized upon such a disposition will be treated as a long-term capital loss. We would not be entitled to any deduction in connection with the grant or exercise of the option or the disposition of the shares of common stock so acquired.

If, however, an option holder disposes of shares of common stock acquired pursuant to exercise of an incentive stock option before the Holding Period has expired (a "Disqualifying Disposition"), the option holder would be treated as having received, at the time of disposition, compensation taxable as ordinary income and subject to employment taxes. In such event, subject to the application of Section 162(m) of the Code, as discussed below, we may claim a deduction for compensation paid at the same time and in the same amount as compensation is treated as being received by the option holder. The amount treated as compensation is the lesser of (i) the excess of the fair market value of the common stock at the time of exercise over the exercise price or (ii) the excess of the amount realized on disposition over the exercise price. The balance of the gain, if any, realized upon such a disposition will be treated as a long-term or short-term capital gain depending on the holding period. If the amount realized at the time of the disposition is less than the exercise price, the option holder will not be required to treat any amount as ordinary income, provided that the disposition is of a type that would give rise to a recognizable loss. In such event, the loss will be treated as a long-term or short-term capital loss depending upon the holding period. A disposition generally includes a sale, exchange or gift, but does not include certain other transfers, such as by reason of death or a pledge or exchange of shares described in Section 424(c) of the Code.

Alternative Minimum Tax. Although the exercise of an incentive stock option does not result in current taxable income, there are implications with regard to the Alternative Minimum Tax ("AMT"). The excess of the fair market value of shares of common stock acquired upon exercise of an incentive stock option over the exercise price paid for such shares of common stock is an adjustment to AMT income for the option holder's taxable year in which such exercise occurs (unless the shares of common stock are disposed of in the same taxable year and the amount realized is less than the fair market value of the shares on the date of exercise, in which event the amount included in AMT income will not exceed the amount realized on the disposition over the adjusted basis of the shares).

Payment of Option Price in Shares. In the case of a nonqualified option, if the option price is paid by the delivery of shares of common stock previously acquired by the option holder having a fair market value equal to the option price ("Previously Acquired Shares"), no gain or loss would be recognized on the exchange of the Previously Acquired Shares for a like number of shares of common stock. The option holder's basis and holding period in the number of shares of common stock received (to the extent equal to the number of Previously Acquired Shares used) would be the same as his or her basis and holding period in the Previously Acquired Shares used. The option holder would treat the fair market value of the number of shares of common stock received in excess of the number of Previously Acquired Shares used as ordinary compensation income. The option holder's basis in such excess shares of common stock would be equal to the shares' fair market value at the time of exercise. The option holder's holding period in such excess shares of common stock begins on the date the option holder acquires those shares of common stock.

In the case of an incentive stock option, the federal income tax consequences to the option holder of the payment of the option price with Previously Acquired Shares depends on the nature of the Previously Acquired Shares. If the Previously Acquired Shares were acquired through the exercise of a qualified stock option, an incentive stock option, or an option granted under an employee stock purchase plan ("Statutory Option") and if such Previously Acquired Shares are being transferred prior to expiration of the applicable Holding Period, the transfer would be treated as a Disqualifying Disposition of the Previously Acquired Shares. If the Previously Acquired Shares were acquired other than pursuant to the exercise of a Statutory Option, or were acquired pursuant to the exercise of a Statutory Option but have been held for the applicable Holding Period, no gain or loss should be recognized on the exchange of the Previously Acquired Shares. In either case, (i) the option holder's basis and holding period in the number of shares of common stock received (to

the extent equal to the number of Previously Acquired Shares used) would be the same as his or her basis and holding period in the Previously Acquired Shares used, increased by any income recognized to the option holder upon the Disqualifying Disposition of the Previously Acquired Shares, (ii) the option holder's basis in the number of shares of common stock received in excess of the number of Previously Acquired Shares used would be zero, (iii) the option holder's holding period in such excess shares of common stock begins on the date the option holder acquires those shares of common stock, and (iv) the other incentive stock option rules would apply. Upon a subsequent Disqualifying Disposition of the shares of common stock so received, the shares with the lowest basis would be treated as disposed of first.

Restricted Stock. A participant who has been granted an award of restricted stock will not realize taxable income at the time of the award, and we will not be entitled to a tax deduction at the time of the award, unless the participant makes an election to be taxed at the time of the award. When the restrictions lapse without an election by the participant to be taxed at the time of the award, the participant will receive taxable income in an amount equal to the excess of the market value of the shares at such time over the amount, if any, paid for such shares. We will be entitled to a corresponding tax deduction assuming any federal income tax reporting requirements are satisfied.

Bonus Stock. In general, a person will treat the fair market value of bonus stock awards on the date such amount is received as compensation, taxable as ordinary income and subject to employment taxes. Subject to the application of Section 162(m) of the Code, as discussed below, we will be entitled to a deduction for the corresponding amount assuming any federal income tax reporting requirements are satisfied.

Stock Appreciation Rights and Phantom Stock. Upon receipt of stock pursuant to the exercise of a stock appreciation right or in connection with an award of phantom stock, the fair market value of the stock received is included in taxable income at the time the stock is received. Subject to Section 162(m) of the Code, described below, we will be entitled to a deduction at the same time and in the same amount as the income recognized by the Plan participant.

Performance Awards. In general, a participant who receives a performance award will not be taxed on receipt of the award; instead, the fair market value of the common stock received will be taxable as ordinary compensation income with respect to a performance award, on the date that the shares of common stock cease to be subject to forfeiture. Subject to the application of Section 162(m) of the Code, as discussed below, we will be entitled to a deduction for a corresponding amount. A grantee of a performance award may elect to recognize ordinary income at the time the stock is received by making an election under Section 83(b) of the Code, with the Internal Revenue Service within thirty (30) days of the transfer of such shares. If such election is filed, the grantee will not recognize income when the restrictions lapse, and any subsequent disposition of the shares will result in a capital gain or loss. If, upon a taxable disposition of the shares of common stock, the grantee receives proceeds of more or less than his or her basis in the shares of common stock, any gain will be a long-term or short-term capital gain, and any loss will be a long-term or short-term capital loss, depending on the holding period of the shares of common stock, measured (i) from the date that the shares of common stock were received, if receipt was a taxable event to such participant or, (ii) from the date the restrictions on the shares lapsed, if such lapse was a taxable event to the participant.

Withholding for Taxes

No common stock shall be issued under the Plan until arrangements satisfactory to us have been made for the payment of any tax amounts that may be required to be withheld or paid by us with respect thereto at the minimum statutory rate. At the discretion of the Committee, such arrangements may include allowing the participant (i) to tender to us shares of common stock

already owned by the participant or, (ii) to request that we withhold shares of common stock being acquired pursuant to the award which have an aggregate fair market value equal to the amount of any tax required to be withheld with respect to such award at the minimum statutory rate.

Additional Tax Consequences

Section 162(m) of the Code places a \$1 million cap on the deductible compensation that may be paid to certain executives of publicly traded corporations. Amounts that qualify as “performance based” compensation under Section 162(m)(4)(C) of the Code, are exempt from the cap and do not count toward the \$1 million limit. Generally, options granted with an exercise price at least equal to the fair market value of the stock on the date of grant will qualify as performance based compensation. Other awards may or may not so qualify, depending on their terms.

In addition, some awards may be covered by Section 409A of the Code. In such event, we would expect to design and administer any such award in a manner that ordinarily should avoid adverse federal income tax consequences under Section 409A of the Code to any affected participant.

Notwithstanding the foregoing, the Plan expressly provides that there is no commitment or guarantee that any federal, state, or local tax treatment will apply or be available to any person who participates or is eligible to participate in the Plan.

The Board of Directors recommends that you vote “FOR” the adoption of the TETRA Technologies, Inc. 2005 Equity Incentive Compensation Plan, and proxies returned will be so voted unless contrary instructions are indicated thereon.

INFORMATION ABOUT US

INFORMATION ABOUT CONTINUING DIRECTORS

The six continuing Directors and certain additional information with respect to each of them are as follows:

Name	Age	Position with us	Year first became a director
Paul D. Coombs	49	Executive Vice President, Chief Operating Officer and Director (Class I)	1994
Ralph S. Cunningham	64	Director (Class II)	1999
Tom H. Delimitros	64	Director (Class II)	1994
Geoffrey M. Hertel	60	President, Chief Executive Officer and Director (Class II)	1984
Allen T. McInnes	67	Director (Class I)	1993
J. Taft Symonds	65	Chairman of the Board and Director (Class I)	1981

Paul D. Coombs has served as Executive Vice President and Chief Operating Officer since May 2001. He served as an Executive Vice President from January 1994 to May 2001 and as a member of our Board of Directors since June 1994. Mr. Coombs served as our Senior Vice President – Oil & Gas from 1987 to 1994. From 1985 to 1987, he served as our General Manager – Oil & Gas. Mr. Coombs has served in numerous other positions for us since 1982.

Ralph S. Cunningham, Ph.D., has served as a member of our Board of Directors since 1999. Dr. Cunningham currently serves on our Audit Committee and is Chairman of our Nominating and Corporate Governance Committee. He retired in 1997 from CITGO Petroleum Corporation, where he had served as President and Chief Executive Officer since 1995. Dr. Cunningham served as Vice Chairman of Huntsman Corporation from April 1994 to April 1995; and from August 1990 to April 1994, he served as President of Texaco Chemical Company. Prior to joining Texaco Chemical Company, Dr. Cunningham held various executive positions with Clark Oil & Refining and Tenneco, Inc. He began his career in Exxon's refinery operations. Dr. Cunningham is presently a director of Agrium, Incorporated, a Canadian company involved in the agricultural chemicals business, a director of EnCana Corporation, a Canadian independent oil and gas company, and Chairman of the Board of Texas Eastern Products Pipeline Company, LLC, the General Partner of TEPPCO Partners, L.P., a hydrocarbon products pipeline, storage and transportation company headquartered in Houston, Texas that is subject to the reporting requirements of the Exchange Act. Dr. Cunningham received his B.S. degree in Chemical Engineering from Auburn University and his M.S. and Ph.D. degrees in Chemical Engineering from Ohio State University.

Tom H. Delimitros has served as a member of our Board of Directors since 1994. Mr. Delimitros is Chairman of our Management and Compensation Committee and also serves on our Nominating and Corporate Governance Committee. He is President of the corporate general partner of AMT Capital Ltd., a private limited partnership formed in 1991 that provides equity and debt capital to emerging growth companies involved in advanced material technologies and the energy sector. Mr. Delimitros is also a director and is chairman of the audit committee of the board of directors of Plains Exploration & Production Company, a publicly held energy company that is subject to the reporting requirements of the Exchange Act. Mr. Delimitros received his B.S. and M.S. degrees from the University of Washington in Seattle and his M.B.A. degree from Harvard Business School.

Geoffrey M. Hertel has served as our President since May 2000, as our Chief Executive Officer since May 2001, and as a member of our Board of Directors since 1984. From January 2000 to May 2001 he also served as our Chief Operating Officer. From January 1994 to 2000, Mr. Hertel served as our Executive Vice President – Finance and Administration. He joined us in March 1993 as Senior Vice President – Finance and Administration. From 1981 to 1984 Mr. Hertel was associated with us as a nonvoting director and special consultant to the Board. He has served as President and a director of Fairway Petroleum, Inc., a private oil and gas company, and LAGGS, Inc., a private natural gas pipeline company, since 1980. From 1972 to 1984, Mr. Hertel held various positions with Rotan Mosle, Inc., an investment banking firm, including Senior Vice President – Corporate Finance. Mr. Hertel received his B.A. and M.B.A. degrees from Michigan State University.

Allen T. McInnes has served as a member of our Board of Directors since 1993. He served as our President and Chief Executive Officer from April 1996 to January 2000. Mr. McInnes currently serves on our Audit Committee and our Nominating and Corporate Governance Committee. He has served as Dean of the Business School of Texas Tech University since September 2001. He has served as Chairman of the Board of TGC Industries, which is involved in the geophysical business, since July 1993. Mr. McInnes has been a director of Chase Packaging Corporation since 1993. He has been a director of Alamosa Holdings, Inc., a public company that provides wireless communications services, since February 2003. Mr. McInnes is a former Executive Vice President and director of Tenneco, Inc., where at various times he had overall corporate-level responsibility for chemicals, minerals, packaging, international development and real estate operations. Mr. McInnes received his B.B.A., M.B.A. and Ph.D. degrees from the University of Texas and he completed the Advanced Management Program at Harvard Business School in 1973.

J. Taft Symonds has served as a member of our Board of Directors since 1981 and as our Chairman of the Board since October 1993. Mr. Symonds also serves as a director and a member of the audit and compensations committees of the board of directors of Plains All American GP LLC, the general partner of Plains All American Pipeline, L.P., a public company subject to the reporting requirements of the Exchange Act that is engaged in crude oil transportation, terminaling and storage. He has served as Chairman of the Board of Symonds Trust Co., Ltd., a private investment firm, since 1978. Mr. Symonds received his B.A. degree from Stanford University and his M.B.A. from Harvard Business School.

DIRECTOR COMPENSATION

All Directors who are not our employees or employees of any of our subsidiaries or affiliates (the “Outside Directors”), other than Mr. Symonds, currently receive compensation of \$2,187.50 per month plus \$1,000 for each Board meeting attended, and they are reimbursed for out-of-pocket

expenses incurred in attending meetings of the Board. In addition, Outside Directors traveling from out of state to Board or Committee meetings receive a \$750 travel stipend. Outside Directors who are members of the Audit Committee, the Management and Compensation Committee or the Nominating and Corporate Governance Committee are also paid \$1,000 for each meeting of those committees attended. In addition to the \$1,000 for each meeting attended, the chairmen of the Management and Compensation Committee and Nominating and Corporate Governance Committee are paid \$500 per calendar quarter and the chairman of the Audit Committee is paid \$1,500 per calendar quarter. Mr. Symonds receives \$6,250 per month for serving as our Chairman of the Board of Directors, and he receives no additional compensation for attending meetings of the Board.

Under our the Directors' Plan, as amended, each of the Outside Directors generally receives an automatic grant of an option to purchase 12,000 shares of our common stock on January 1 of each year while serving as a Director. The options have an exercise price equal to the closing price as of the last trading day of the previous year. As a result, on January 1, 2005, each of the Outside Directors received an option to purchase 12,000 shares at an exercise price of \$28.30 per share. If the 2005 Equity Incentive Compensation Plan is approved at the Annual Meeting, no further grants will be made under the terms of the Directors' Plan. While it is contemplated that the Outside Directors will continue to receive equity compensation under the terms of the 2005 Equity Incentive Compensation Plan, the amount and form of such compensation has not yet been determined.

DIRECTOR INDEPENDENCE

In early 2005, each Director completed a questionnaire to assist the Board in making its determination of whether the Directors met our Director Independence Standards, which are contained in our Corporate Governance Guidelines. The Board, with the assistance of the Nominating and Corporate Governance Committee, considered such questionnaires as well as the transactions disclosed in "Certain Transactions" below and such other information considered relevant with respect to the existence of any material relationships between a Director and the Company. The Board of Directors has determined that all Directors other than Messrs. Symonds, Hertel and Coombs are independent under the standards set forth by the NYSE. Mr. Symonds is not considered independent under NYSE rule 303A.02(b)(i) for the sole reason that he was compensated by the Company as an employee until June 30, 2003, although he was never elected as an officer of the Company. Since July 1, 2003, Mr. Symonds has been compensated by the Company solely in his capacity as a Director and Chairman of the Board of Directors. Messrs. Hertel and Coombs are not considered independent because of their employment as senior executives of the Company.

BOARD MEETINGS AND COMMITTEES

Meetings and Attendance. During 2004, the Board of Directors had ten meetings. The standing committees of the Board of Directors currently consist of an Audit Committee, a Management and Compensation Committee, and a Nominating and Corporate Governance Committee. During 2004, the Audit Committee had seven meetings, the Management and Compensation Committee had four meetings, and the Nominating and Corporate Governance Committee had three meetings. Copies of the Audit Committee Charter, Management and Compensation Committee Charter, the Nominating and Corporate Governance Committee Charter, and the Corporate Governance Guidelines are available in the Governance section of the Investor Relations area of our website at <http://www.tetratec.com>. In addition, the Company has adopted a Code of Business Conduct and Ethics for Directors, officers and employees and a Code of Ethics for Senior Financial Officers, copies of which are available in the Corporate Governance Section of the Investor Relations area of our website at <http://www.tetratec.com>. If any substantive amendments are made to either code, the nature of such amendment will be disclosed on our website. In addition, if a waiver from either code is granted to an executive officer, Director or

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principal accounting officer, the nature of such waiver will be disclosed on our website. We will provide to our stockholders, without charge, printed copies of the foregoing materials upon written request. Requests for copies should be addressed to Corporate Secretary, TETRA Technologies, Inc., 25025 Interstate 45 North, Suite 600, The Woodlands, Texas 77380.

During 2004, each member of the Board of Directors attended 75% or more of the meetings of the Board of Directors held while serving as a member of the Board and 75% or more of the meetings of all committees of the Board of Directors of which he was a member that were held during the time he was a member. Our Corporate Governance Guidelines provide that our preference is to have our Directors attend the annual meeting of stockholders. All members of our Board of Directors attended the Annual Meeting of Stockholders in 2004.

Audit Committee. The Board of Directors has an Audit Committee, which is currently composed of Mr. Ammidon, as Chairman, and Messrs. Cunningham, McInnes and White. The Audit Committee's primary purpose is to assist the Board of Directors in its oversight of (a) the integrity of our financial statements, (b) our compliance with legal and regulatory requirements, (c) the independent auditor's qualifications and (d) the performance of our internal audit function and independent auditors. The Audit Committee has sole authority to appoint and terminate our independent auditors. To promote the independence of its audit, the Audit Committee consults separately and jointly with the independent auditors, the internal auditors, and management. As required by NYSE and Securities and Exchange Commission (the "Commission") rules regarding audit committees, the Board of Directors has reviewed the qualifications of its Audit Committee and has determined that none of the current members of the Audit Committee have a relationship with us that might interfere with the exercise of his independence from us or our management, as independence is defined in the listing standards for the NYSE. Accordingly, our Board of Directors has determined that all current members of our Audit Committee are independent as defined in Section 10A of the Exchange Act and independent as defined in the listing standards for the NYSE. Further, our Board has determined that Mr. Ammidon, Chairman of the Audit Committee, is an audit committee financial expert as described in Item 401(h) of Regulation S-K.

Management and Compensation Committee. The Board of Directors has a Management and Compensation Committee, which is currently composed of Mr. Delimitros, as Chairman, and Messrs. Ammidon, Mitchell and White. The functions performed by the Management and Compensation Committee include reviewing and establishing overall management compensation, administering our employee stock option plans, and approving salary and bonus awards to our executive officers. Our Board of Directors has determined that each member of the Management and Compensation Committee is independent, as independence is defined in the listing standards for the NYSE.

Nominating and Corporate Governance Committee. The Board of Directors has a Nominating and Corporate Governance Committee, which is currently composed of Mr. Cunningham, as Chairman, and Messrs. Delimitros, McInnes and Mitchell. The Nominating and Corporate Governance Committee investigates and makes recommendations to the Board with respect to qualified candidates to be nominated for election to the Board and reviews and makes recommendations to the Board of Directors with regard to candidates for Directors nominated by stockholders in accordance with our bylaws. The Nominating and Corporate Governance Committee will consider candidates