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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

(X) Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended February 28, 2002

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 0-18716

MATRIX SERVICE COMPANY
(Exact name of registrant as specified in its charter)

DELAWARE	73-1352174
(State of incorporation)	(I.R.S. Employer Identification No.)

10701 E. Ute St., Tulsa, Oklahoma 74116-1517
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (918) 838-8822

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 X No
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As of April 9, 2002 there were 9,642,638 shares of the Company's common stock, $.01 par value per share, issued and 7,793,181 shares outstanding.

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PART I

FINANCIAL INFORMATION

ITEM 1. Financial Statements

Matrix Service Company
Consolidated Statements of Income
(in thousands, except share and per share data)

	Three Months Ended (unaudited)		Nine Months Ended (unaudited)	
	February 28, 2002	February 28, 2001	February 28, 2002	February 28, 2001
Revenues	$ 54,588	$ 49,135	$ 156,731	$ 132,049
Cost of revenues	49,996	43,373	139,301	117,699
Gross profit	4,592	5,762	17,430	14,350
Selling, general and administrative expenses	3,941	3,617	11,241	10,462
Goodwill and non-compete amortization	86	91	254	267
Restructuring, impairment and abandonment	(665)	-	(70)	-
Operating income	1,230	2,054	6,005	3,621
Other income (expense):				
Interest expense	-	(119)	(177)	(248)
Interest income	5	32	36	113
Other	760	230	648	278
Income before income tax expense	1,995	2,197	6,512	3,764
Provision for federal, state and foreign income tax expense	756	747	2,483	1,317
Net income	$ 1,239	$ 1,450	$ 4,029	$ 2,447
Earnings per share of common stock:				
Basic	$ 0.16	$ 0.17	$ 0.52	$ 0.28
Diluted	$ 0.15	$ 0.17	$ 0.50	$ 0.28
Weighted average number of common shares:				
Basic	7,748,939	8,326,372	7,686,954	8,522,326
Diluted	8,120,275	8,591,324	8,031,724	8,686,031

See Notes to Consolidated Financial Statements

Matrix Service Company
Consolidated Balance Sheets
(in thousands)

ASSETS:	February 28, 2002 (unaudited)	May 31, 2001
Current assets:		
Cash and cash equivalents	$ 2,192	$ 835
Accounts receivable, less allowances (February 28 - $234, May 31 - $375)	39,254	29,184
Costs and estimated earnings in excess of billing on uncompleted contracts	10,183	12,951
Inventories	2,487	2,772
Income Taxes Receivable	519	-
Deferred income taxes	253	442
Prepaid expenses	2,325	2,573
Total current assets	57,213	48,757
Property, plant and equipment at cost:		
Land and buildings	10,197	10,108
Construction equipment	20,711	19,550
Transportation equipment	8,606	7,560
Furniture and fixtures	5,074	4,841
Construction in progress	10,666	2,306
	55,254	44,365
Less accumulated depreciation	24,867	22,507
Net property, plant and equipment	30,387	21,858
Goodwill, net of accumulated amortization (February 28 - $2,667, May 31 - $2,427)	10,935	11,258
Other assets	1,775	1,848
Total assets	$ 100,310	$ 83,721

See Notes to Consolidated Financial Statements

Matrix Service Company
Consolidated Balance Sheets
(in thousands)

	February 28, 2002 (unaudited)	May 31, 2001
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	$ 7,151	$ 10,229
Billings on uncompleted contracts in excess of costs and estimated earnings	15,047	7,148
Accrued insurance	1,807	2,362
Accrued environmental reserves	142	471
Income taxes payable	-	400
Other liabilities	5,746	4,307
Current portion of long-term debt	400	-
Total current liabilities	30,293	24,917
Long-term debt	10,037	3,515
Deferred income taxes	2,184	1,983
Stockholders' equity:		
Common stock	96	96
Additional paid-in capital	51,596	51,596
Retained earnings	16,500	12,245
Accumulated other comprehensive income	(1,158)	(813)
	67,034	63,124
Less: Treasury stock, at cost - 1,849,457 and 2,021,972 at February 28 and May 31, respectively	(9,238)	(9,818)
Total stockholders' equity	57,796	53,306
Total liabilities and stockholders' equity	$ 100,310	$ 83,721

See Notes to Consolidated Financial Statements

Matrix Service Company
Consolidated Statements of Cash Flow
(in thousands)

	Nine Months Ended (unaudited)	
	February 28, 2002	February 28, 2001
Cash flow from operating activities:		
Net income	$ 4,029	$ 2,447
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,702	3,379
Deferred income taxes	390	669
Gain on sale of equipment	(53)	(158)
Changes in current assets and liabilities increasing (decreasing) cash:		
Accounts receivable	(10,070)	(2,607)
Costs and estimated earnings in excess of billings on uncompleted contracts	2,768	(922)
Inventories	285	719
Prepaid expenses	248	(410)
Accounts payable	(3,078)	(2,129)
Billings on uncompleted contracts in excess of costs and estimated earnings	7,899	3,010
Accrued expenses	354	(2,442)
Income taxes receivable/payable	(919)	270
Other	73	(35)
Net cash provided by operating activities	5,628	1,791
Cash flow from investing activities:		
Capital expenditures	(12,076)	(3,386)
Proceeds from sale of exited operations	-	480
Investment in joint venture	-	(87)
Proceeds from other investing activities	128	638
Net cash used in investing activities	$ (11,948)	$ (2,355)

See Notes to Consolidated Financial Statements

Matrix Service Company
Consolidated Statements of Cash Flow
(in thousands)

	Nine Months Ended (unaudited)	
	February 28, 2002	February 28, 2001
Cash flows from financing activities:		
Repayment of acquisition payables	$ -	$ (17)
Repayment of equipment notes	-	(5)
Issuance of long-term debt	82,300	40,260
Repayments of long-term debt	(75,465)	(36,065)
Purchase of treasury stock	-	(4,212)
Issuance of stock	806	243
Net cash provided by financing activities	7,641	204
Effect of exchange rate changes on cash	36	(32)
Increase (decrease) in cash and cash equivalents	1,357	(392)
Cash and cash equivalents at beginning of period	835	1,806
Cash and cash equivalents at end of period	2,192	$ 1,414

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE A - BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Matrix Service Company ("Matrix") and its subsidiaries, all of which are wholly owned. All significant inter-company balances and transactions have been eliminated in consolidation.

The accompanying unaudited consolidated financial statements have been prepared in accordance with Rule 10-01 of Regulation S-X for interim financial statements required to be filed with the Securities and Exchange Commission and do not include all information and footnotes required by generally accepted accounting principles for complete financial statements. However, the information furnished reflects all adjustments, consisting only of normal recurring adjustments that are, in the opinion of management, necessary for a fair statement of the results for the interim periods.

The accompanying financial statements should be read in conjunction with the audited financial statements for the year ended May 3l, 2001, included in Matrix's Annual Report on Form 10-K for the year then ended. Matrix's business is seasonal; therefore, results for any interim period may not necessarily be indicative of future operating results.

NOTE B - SEGMENT INFORMATION

Matrix operates primarily in the United States and has operations in Canada. Matrix's industry segments are Aboveground Storage Tank (AST) Services, Construction Services, Plant Services, and Other Services.

Matrix Service Company
3/rd/ Quarter Segment Information
($ Amounts in millions)

	AST Services	Construction Services	Plant Services	Other Services	Combined Total
Three Months Ended February 28, 2002					
Gross revenues	37.4	6.1	11.3	0.0	54.8
Less: Inter-segment revenues	(0.2)	0.0	0.0	0.0	(0.2)
Consolidated revenues	37.2	6.1	11.3	0.0	54.6
Gross profit	1.9	0.8	1.9	0.0	4.6
Operating income (loss)	(1.0)	0.4	1.1	0.7	1.2
Income (loss) before income tax expense	(0.4)	0.6	1.1	0.7	2.0
Net income (loss)	(0.3)	0.3	0.7	0.5	1.2
Identifiable assets	77.4	7.1	13.8	2.0	100.3
Capital expenditures	3.2	0.0	0.2	0.0	3.4
Depreciation expense	1.0	0.0	0.2	0.0	1.2
Three Months Ended February 28, 2001					
Gross revenues	36.2	4.7	8.5	0.0	49.4
Less: Inter-segment revenues	(0.2)	(0.1)	0.0	0.0	(0.3)
Consolidated revenues	36.0	4.6	8.5	0.0	49.1
Gross profit	5.0	0.0	0.7	0.0	5.7
Operating income (loss)	2.2	(0.3)	0.2	(0.1)	2.0
Income (loss) before income tax expense	2.4	(0.4)	0.2	0.0	2.2
Net income (loss)	1.4	(0.2)	0.2	0.0	1.4
Identifiable assets	60.3	5.6	11.5	2.8	80.2
Capital expenditures	0.9	0.0	0.1	0.0	1.0
Depreciation expense	0.8	0.1	0.1	0.0	1.0
Nine Months Ended February 28, 2002					
Gross revenues	119.8	16.0	21.5	0.0	157.3
Less: Inter-segment revenues	(0.6)	0.0	0.0	0.0	(0.6)
Consolidated revenues	119.2	16.0	21.5	0.0	156.7
Gross profit	13.1	1.7	2.6	0.0	17.4
Operating income	4.7	0.6	0.6	0.1	6.0
Income before income tax expense	5.2	0.7	0.5	0.1	6.5
Net income	3.2	0.4	0.3	0.1	4.0
Identifiable assets	77.4	7.1	13.8	2.0	100.3
Capital expenditures	11.6	0.2	0.3	0.0	12.1
Depreciation expense	3.0	0.1	0.4	0.0	3.5
Nine Months Ended February 28, 2001					
Gross revenues	101.1	13.5	18.6	0.0	133.2
Less: Inter-segment revenues	(1.0)	(0.2)	0.0	0.0	(1.2)
Consolidated revenues	100.1	13.3	18.6	0.0	132.0
Gross profit	13.5	0.1	1.2	(0.5)	14.3
Operating income (loss)	5.3	(0.9)	(0.2)	(0.6)	3.6
Income (loss) before income tax expense	5.5	(1.1)	(0.2)	(0.4)	3.8
Net income (loss)	3.5	(0.7)	(0.1)	(0.3)	2.4
Identifiable assets	60.3	5.6	11.5	2.8	80.2
Capital expenditures	2.9	0.1	0.4	0.0	3.4
Depreciation expense	2.7	0.1	0.3	0.0	3.1

NOTE C - REPORTING ACCUMULATED OTHER COMPREHENSIVE LOSS

For the quarter ended February 28, 2002, total other comprehensive loss was $42 thousand as compared to $2 thousand for the same three-month period ended February 28, 2001. For the nine months ended February 28, 2002, total other comprehensive loss was $345 thousand as compared to $96 thousand for the same nine-month period ended February 28, 2001. Other comprehensive loss and accumulated other comprehensive loss consisted of foreign currency translation adjustments and fair value adjustments of derivative instruments. There was no accumulated gain or loss on derivative instruments at May 31, 2001.

NOTE D - NEW ACCOUNTING STANDARDS

In June of 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, which was subsequently amended in June of 2000 by Financial Accounting Standards No. 138. The statement requires the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedged must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative are either offset against the change in fair value of assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedge item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. On June 1, 2001, the Company entered into an interest rate swap agreement to manage interest rate exposure and modify interest characteristics of its long-term debt. The agreement is designated with specific debt obligations, and involves the exchange of amounts based on the difference between variable and fixed interest rates calculated by reference to an agreed-upon notional amount. The interest rate swap currently in place effectively modifies the Company's exposure to interest rates by converting a portion of the Company's variable rate debt to a fixed rate. The derivative has been designated as a cash flow hedge and is effective. As a result, there is no current impact to earnings due to hedge ineffectiveness or due to the exclusion of a component of the derivative from the assessment of effectiveness. The fair value of the cash flow hedge at February 28, 2002 is a liability of $288 thousand.

NOTE E -CONTINGENCIES

The Company has been in litigation over a contested contract since fiscal 1997. In January 2000, the Company won its case and was awarded $1.1 million. In July 2001, the appellate court upheld the original verdict plus accrued interest and attorney's fees. In October 2001, the Oklahoma Supreme Court upheld the ruling of the appellate court. On December 6, 2001, the Company received $1.6 million in settlement of the original judgment, accrued interest and attorney's fees, resulting in a $1.3 million gain.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Forward Looking Statements

Certain matters discussed in this report include forward-looking statements. Matrix is making these forward-looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995.

Such statements are subject to a number of uncertainties that could cause actual results to differ materially from any results projected, forecasted, estimated, or budgeted, including the following:

- The timing and planning of maintenance projects at customer facilities in the refinery industry which could cause adjustments for seasonal shifts in product and service demands.
- Changes in general economic conditions in the United States.
- Changes in laws and regulations to which Matrix is subject, including tax, environmental, and employment laws and regulations.
- The cost and effects of legal and administrative claims and proceedings against Matrix or its subsidiaries.
- Conditions of the capital markets Matrix utilizes to access capital to finance operations.
- The ability to raise capital in a cost-effective way.
- The effect of changes in accounting policies.
- The ability to manage growth and to assimilate personnel and operations of acquired businesses.
- The ability to control costs.
- Severe weather which could cause project delays and/or a decline in labor productivity.
- Changes in foreign economies, currencies, laws, and regulations, especially in Canada where Matrix has made direct investments.
- Political developments in foreign countries, especially in Canada where Matrix has made direct investments.
- The ability of Matrix to develop expanded markets and product or service offerings as well as its ability to maintain existing markets.
- The need to develop a learning curve in bidding and managing projects in a new industry.
- Technological developments, high levels of competition, lack of customer diversification, and general uncertainties of governmental regulation in the energy industry.
- The ability to recruit, train, and retain project supervisors with substantial experience.
- A downturn in the petroleum storage operations or hydrocarbon processing operations of the petroleum and refining industries.
- Changes in the labor market conditions that could restrict the availability of workers or increase the cost of such labor.
- The negative effects of a strike or work stoppage.
- Exposure to construction hazards related to the use of heavy equipment with attendant significant risks of liability for personal injury and property damage.
- The use of significant production estimates for determining percent complete on construction contracts could produce different results upon final determination of project scope.
- The inherent inaccuracy of estimates used to project the timing and cost of exiting operations of non-core businesses.
- Fluctuations in quarterly results.

Results of Operations

Three Months Ended February 28, 2002 Compared to Three Months Ended February 28, 2001

AST Services 2002 vs. 2001

Gross revenues for AST Services in the quarter ended February 28, 2002 were $37.4 million, compared to $36.2 million in the comparable quarter of the prior year, an increase of $1.2 million or 3.3%. The increase is primarily the result of the continuing positive overall business environment for tank repair and maintenance and new tank construction. Gross margin for the quarter ended February 28, 2002 of 5.1% was significantly less than the 13.8% produced for the quarter ended February 28, 2001 as a result of two large projects that had negative gross margins. One project experienced cost overruns due to under estimating field manhours, and the second project experienced cost overruns due to lower than expected labor productivity. Management has strengthened policy and procedures to incorporate a more stringent methodology into the estimating process and has taken actions to improve labor productivity on the second job. The losses taken in the third quarter reflect all losses anticipated for the duration of these jobs, which will be completed in the fourth quarter of fiscal 2002. The increased sales volumes offset by the gross margin decreases resulted in gross profit for the quarter ended February 28, 2002 of $1.9 million falling short of the $5.0 million for the quarter ended February 28, 2001 by $3.1 million, or 62.0%.

Selling, general and administrative costs as a percent of revenues was 7.6% in the quarter ended February 28, 2002, similar to the 7.7% in the quarter ended February 28, 2001.

Operating loss and loss before income tax expense for the quarter ended February 28, 2002 of $1.0 million and $0.4 million respectively, were significantly worse than the operating income and income before income tax expense of $2.2 million and $2.4 million respectively produced in the quarter ended February 28, 2001, primarily as the result of lower gross profits discussed above. Other income for the quarter ended February 28, 2002 includes $0.3 million for accrued interest related to litigation over a contested contract.

Construction Services 2002 vs. 2001

Gross revenues for Construction Services in the quarter ended February 28, 2002 were $6.1 million, compared to $4.7 million in the comparable quarter of the prior year, an increase of $1.4 million or 29.8%. The revenue increase is a result of continuing development efforts towards Matrix's core customer base. Gross margin for the quarter ended February 28, 2002 of 13.1% was significantly better than the 0.0% produced for the quarter ended February 28, 2001, again as a direct result of the increased business development efforts towards Matrix's core customer base which began last year. These margin increases along with the higher sales volumes resulted in gross profit for the quarter ended February 28, 2002 of $0.8 million being $0.8 million better than the $0.0 million for the quarter ended February 28, 2001.

Operating income and income before income tax expense for the quarter ended February 28, 2002 of $0.4 million and $0.6 million respectively, were better than the operating loss and loss before income taxes of $0.3 million and $0.4 million respectively produced in the quarter ended February 28, 2001, primarily as the result of higher gross profits discussed above.

Plant Services 2002 vs. 2001

Gross revenues for Plant Services in the quarter ended February 28, 2002 were $11.3 million compared to $8.5 million in the comparable quarter of the prior year, an increase of $2.8 million or 32.9%. The revenue increase is a result of stronger turnaround activity. Gross margin for the quarter ended February 28, 2002 of 16.8% was significantly better than the 8.2% produced for the quarter ended February 28, 2001 as a result of the higher level of turnaround activity this year versus last year and better fixed cost absorption associated with the higher volume of manhours. These margin increases along with the increased sales volume resulted in gross profit for the quarter ended February 28, 2002 of $1.9 million being $1.2 million, or 171.4% better than the $0.7 million in the quarter ended February 28, 2001.

Operating income and income before income tax expense for the quarter ended February 28, 2002 of $1.1 million and $1.1 million respectively, were better than the $0.2 million and $0.2 million respectively produced in the quarter ended February 28, 2001, primarily as the result of higher gross revenues and margins discussed above.

Other Services

Other services consist of Midwest Industrial Contractors, Inc. ("Midwest") (which was shut down in February 1998), Brown Steel Contractors, Inc. ("Brown") (which was sold in August 1999) and San Luis Tank Piping Construction Company, Inc. ("SLT") (which was shut down in April 2000). Activity for the three months ended February 28, 2002 consists mainly of $0.2 million of increased worker's compensation claims activity of these exited operations and $0.1 million in warranty work at SLT. These costs were offset by a $1.0 million gain on the settlement of litigation over a contested Midwest contract. The only activity for the three months ended February 28, 2001 consisted of increased worker's compensation claims activity of these exited operations.

Nine Months Ended February 28, 2002 Compared to Nine Months Ended February 28, 2001

AST Services 2002 vs. 2001

Gross revenues for AST Services for the nine months ended February 28, 2002 were $119.8 million, compared to $101.1 million in the comparable nine months of the prior year, an increase of $18.7 million or 18.5%. The revenue increase is a result of overall business environment continuing to be very positive. Gross margin for the nine months ended February 28, 2002 of 10.9% was worse than the 13.4% produced for the nine months ended February 28, 2001 primarily due to the two large projects that had negative gross margins in the third quarter of fiscal 2002. These increased sales volumes offset by the decreased margins resulted in gross profit for the nine months ended February 28, 2002 of $13.1 million falling short of the $13.5 million for the nine months ended February 28, 2001 by $0.4 million, or 3.0%.

Selling, general and administrative costs as a percent of revenues decreased to 6.9% in the nine months ended February 28, 2002 versus 7.9% in the nine months ended February 28, 2001. The resulting decrease was primarily due to better fixed cost absorption from a larger revenue base.

Operating income and income before income tax expense for the nine months ended February 28, 2002 of $4.7 million and $5.2 million respectively, were slightly worse than the $5.3 million and $5.5 million respectively produced for the nine months ended February 28, 2001, primarily as the result of lower gross profits discussed above. Other income for the nine months ended February 28, 2002 includes $0.3 million accrued interest related to litigation over a contested contract.

Construction Services 2002 vs. 2001

Gross revenues for Construction Services for the nine months ended February 28, 2002 were $16.0 million, compared to $13.5 million for the comparable nine months of the prior year, an increase of $2.5 million or 18.5%. This increase was due to increased business development efforts towards Matrix's core customer base which began last year. Gross margin for the nine months ended February 28, 2002 of 10.6% was significantly better than the 0.7% produced for the nine months ended February 28, 2001 as a direct result of higher margin construction projects and cost controls put in place last year. These margin increases along with the higher sales volumes resulted in gross profit for the nine months ended February 28, 2002 of $1.7 million being $1.6 million more than the $0.1 million in the nine months ended February 28, 2001.

Operating income and income before income tax expense for the nine months ended February 28, 2002 of $0.6 million and $0.7 million respectively, were significantly better than the operating loss and loss before income tax expense of $0.9 million and $1.1 million respectively, produced in the nine months ended February 28, 2001, primarily as the result of higher gross profits discussed above.

Plant Services 2002 vs. 2001
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Gross revenues for Plant Services in the nine months ended February 28, 2002 were $21.5 million compared to $18.6 million in the comparable nine months of the prior year, an increase of $2.9 million or 15.6%. The revenue increase is a result of stronger turnaround activity this year versus last year. Gross margin for the nine months ended February 28, 2002 of 12.1% was significantly better than the 6.5% produced for the nine months ended February 28, 2001. This increase was due to a higher level of turnaround activity and a higher fixed cost absorption from a higher level of manhours worked. These margin improvements along with increased sales volume resulted in gross profit for the nine months ended February 28, 2002 of $2.6 million exceeding the $1.2 million for the nine months ended February 28, 2001 by $1.4 million, or 116.7%.

Operating income and income before income tax expense for the nine months ended February 28, 2002 of $0.6 million and $0.5 million respectively, were significantly better than the operating loss and loss before income tax expense of $0.2 million and $0.2 million respectively produced in the nine months ended February 28, 2001, primarily as the result of the gross revenues and margin improvements discussed above.

Other Services
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Other services consist of Midwest, Brown and SLT. Activity for the nine months ended February 28, 2002 consists mainly of $0.4 million in increased environmental costs related to the remediation at Brown, $0.4 million of increased worker's compensation claims activity of these exited operations and $0.1 million in warranty work at SLT. These costs were offset by a $1.0 million gain on the settlement of litigation over a contested Midwest contract. Activity for the nine months ended February 28, 2001 consists mainly of $0.2 million in increased worker's compensation claims activity of these exited operations, and $0.3 million in warranty work at SLT.

Financial Condition & Liquidity

Matrix's cash and cash equivalent totaled approximately $2.2 million at February 28, 2002 and $0.8 million at May 31, 2001.

Matrix has financed its operations recently with cash from operations and from advances under a credit agreement. On September 26, 2001, Matrix amended its credit agreement with a commercial bank under which a total of $20.0 million may be borrowed on a revolving basis based on the level of Matrix's eligible receivables and cost in excess of billings. In addition, $5.9 million was borrowed as a term loan. Matrix can elect revolving loans which bear interest at a Prime Rate or a LIBOR-based option and mature on October 31, 2004. At February 28, 2002, $4.7 million was outstanding under the revolver at a prime interest rate of 3.625% with $15.3 million remaining in availability. Additionally, $5.7 million was outstanding under the term loan at a LIBOR interest rate of 3.86%. The agreement requires maintenance of certain financial ratios and limits the amount of additional borrowings and the payment of dividends. The credit facility is secured by all accounts receivable, inventory, intangibles, certain real property, and proceeds related thereto.

On June 1, 2001, Matrix entered into an interest rate swap agreement with a commercial bank, effectively providing a fixed interest rate of 7.23% for a five-year period on $6.0 million of debt with a 15-year amortization. This debt was initially drawn under the credit agreement revolving loan and was rolled into the term loan on September 26, 2001 in the amount of $5.9 million. The term loan is subject to certain mortgage restrictions on the Port of Catoosa and California facilities currently under construction.

Operations of Matrix provided $5.6 million of cash for the nine months ended February 28, 2002 as compared with providing $1.8 million of cash for the nine months ended February 28, 2001, representing an increase of approximately $3.8 million. The increase was due primarily to an increase in net income coupled with decreased seasonal working capital needs in the current year as compared to the prior year.

Capital expenditures during the nine months ended February 28, 2002 totaled approximately $12.1 million. Of this amount, approximately $6.0 million was used in the construction of the Anaheim facility, $2.0

million was used in the construction of the Port of Catoosa facility, $1.2 million was used to purchase transportation equipment for field operations, and approximately $2.2 million was used to purchase welding, construction, and fabrication equipment. Matrix invested approximately $0.7 million in office equipment, computer hardware and software, furniture and fixtures during the period. Matrix has forecasted approximately $15.5 million for capital expenditures for fiscal 2002. Approximately $2.0 million of the forcasted amount would be used for construction of the Port of Catoosa facility, $0.9 million to purchase welding, construction, and fabrication equipment, and approximately $0.5 million would be used to purchase transportation equipment for field operations. Matrix signed a 40-year lease for a 50-acre facility planned in Tulsa, Oklahoma in order to consolidate Matrix's four facilities in the Tulsa market now containing fabrication, operations and administration. This consolidation should take 18 to 24 months at an estimated cost of approximately $11.0 million. The cost would be offset by the sale of the existing three owned facilities in Tulsa for approximately $5.4 million.

Matrix believes that its existing funds, amounts available from borrowing under its existing credit agreement and cash generated by operations will be sufficient to meet the working capital needs through fiscal 2002 and for the foreseeable time thereafter unless significant expansions of operations not now planned are undertaken, in which case Matrix would need to arrange additional financing as a part of any such expansion.

The preceding discussion contains forward-looking statements including, without limitation, statements relating to Matrix's plans, strategies, objectives, expectations, intentions, and adequate resources, that are made pursuant to the "safe harbor" provision of the Private Securities Litigation Reform Act of 1995. Readers are cautioned that such forward-looking statements contained in the financial condition and liquidity section are based on certain assumptions which may vary from actual results. Specifically, the capital expenditure projections are based on management's best estimates, which were derived utilizing numerous assumptions of future events, including the successful remediation of environmental issues relating to the Brown sale and other factors. However, there can be no guarantee that these estimates will be achieved, or that there will not be a delay in, or increased costs associated with, the successful remediation of the remaining Brown property.

Outlook

Our business climate continues to be positive although we anticipate that the balance of the year's performance will be slightly below last year's fourth quarter results which included significant turnaround activity in the Plant Services segment.

Environmental

Matrix is a participant in certain environmental activities in various stages involving assessment studies, cleanup operations and/or remedial processes.

In connection with the Company's sale of Brown and affiliated entities in 1999, an environmental assessment was conducted at Brown's Newnan, Georgia facilities. The assessment turned up a number of deficiencies relating to storm water permitting, air permitting and waste handling and disposal. An inspection of the facilities also showed friable asbestos that needed to be removed. In addition, Phase II soil testing indicated a number of volatile organic compounds, semi-volatile organic compounds and metals above the State of Georgia notification limits. Ground water testing also indicated a number of contaminants above the State of Georgia notification limits.

Appropriate State of Georgia agencies have been notified of the findings and corrective and remedial actions have been completed, are currently underway, or plans for such actions have been submitted to the State of Georgia for approval on the remaining property. The current estimated total cost for cleanup and remediation is $2.1 million, $0.1 million of which remains accrued at February 28, 2002. Additional testing, however, could result in greater costs for cleanup and remediation than is currently accrued.

Matrix closed or sold the business operations of its San Luis Tank Piping Construction Company, Inc. and West Coast Industrial Coatings, Inc. subsidiaries, which are located in California. Although Matrix does not own the land or building, it would be liable for any environmental exposure while operating at the facility, a period from June 1, 1991 to the present. At the present time, the environmental liability that could result from the testing is unknown, however, Matrix has purchased a pollution liability insurance policy with $5.0 million of coverage.

Matrix has other fabrication operations in Tulsa, Oklahoma; Bristol, Pennsylvania; and Anaheim, California which could subject the Company to environmental liability. It is unknown at this time if any such liability exists but based on the types of fabrication and other manufacturing activities performed at these facilities and the environmental monitoring that the Company undertakes, Matrix does not believe it has any material environmental liabilities at these locations.

Matrix builds aboveground storage tanks and performs maintenance and repairs on existing aboveground storage tanks. A defect in the manufacturing of new tanks or faulty repair and maintenance on an existing tank could result in an environmental liability if the product stored in the tank leaked and contaminated the environment. Matrix currently has liability insurance with pollution coverage of $1.0 million, but the amount could be insufficient to cover a major claim. Matrix is currently involved in one claim which occurred before pollution coverage was obtained. The Company does not believe that its repair work was defective and is not liable for any subsequent environmental damage.

PART II

OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K: None.

Signature

Pursuant to the requirements 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.

MATRIX SERVICE COMPANY

Date: April 11, 2002

By: /s/ Michael J. Hall

Michael J. Hall, Vice President-Finance signing on behalf of the registrant and as the registrant's chief accounting officer.