

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

FORM 10-Q

(Mark One)



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

For the quarterly period ended August 31, 2004

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 001-15461

MATRIX SERVICE COMPANY

(Exact name of registrant as specified in its charter)

DELAWARE
(State of incorporation)

73-1352174
(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
Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
Yes No

As of October 6, 2004, there were 19,285,276 shares of the Company's common stock, \$0.01 par value per share, issued and 17,316,326 shares outstanding.

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PART I
FINANCIAL INFORMATION

ITEM 1. Financial Statements

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

	Three Months Ended	
	August 31, 2004	August 31, 2003
	(unaudited)	
Revenues	\$ 84,939	\$ 158,762
Cost of revenues	78,225	145,681
Net earnings of joint venture	—	857
Gross profit	6,714	13,938
Selling, general and administrative costs	7,133	6,841
Restructuring, impairment and abandonment	175	(2)
Operating income (loss)	(594)	7,099
Other income (expense):		
Interest expense	(901)	(672)
Interest income	—	11
Other	(8)	66
Income (loss) before income tax expense	(1,503)	6,504
Provision (benefit) for federal, state and foreign income tax	(611)	2,639
Net income (loss)	\$ (892)	\$ 3,865
Earnings per share of common stock:		
Basic	\$ (0.05)	\$ 0.24
Diluted	\$ (0.05)	\$ 0.22
Weighted average number of common shares:		
Basic	17,269,958	16,183,598
Diluted (includes dilutive effect of stock options)	17,269,958	17,329,840

See Notes to Consolidated Financial Statements

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Matrix Service Company
Consolidated Balance Sheets
(in thousands)

	August 31, 2004	May 31, 2004
	(unaudited)	
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 1,146	\$ 752
Accounts receivable, less allowances (August 31—\$1,034, May 31—\$1,037)	75,940	88,336
Costs and estimated earnings in excess of billings on uncompleted contracts	22,534	24,221
Inventories	5,500	4,584
Income tax receivable	2,234	3,220
Deferred income taxes	1,487	1,493
Prepaid expenses	3,532	2,368
	<hr/>	<hr/>
Total current assets	112,373	124,974
Property, plant and equipment at cost:		
Land and buildings	25,169	24,518
Construction equipment	31,498	31,294
Transportation equipment	12,636	12,445
Furniture, fixtures and office equipment	8,798	8,743
Construction in progress	536	1,593
	<hr/>	<hr/>
	78,637	78,593
Less accumulated depreciation	34,309	32,939
	<hr/>	<hr/>
Net property, plant and equipment	44,328	45,654
Goodwill	49,741	49,666
Other assets	1,248	1,253
	<hr/>	<hr/>
Total assets	\$ 207,690	\$ 221,547
	<hr/>	<hr/>

See Notes to Consolidated Financial Statements

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Matrix Service Company
Consolidated Balance Sheets
(in thousands, except share data)

	August 31, 2004	May 31, 2004
	(unaudited)	
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 35,389	\$ 27,528
Billings on uncompleted contracts in excess of costs and estimated earnings	12,812	13,388
Accrued insurance	2,187	2,152
Other accrued expenses	6,901	11,264
Current portion of long-term debt	24,802	4,893
Current portion of acquisition payable	1,858	1,835
	<hr/>	<hr/>
Total current liabilities	83,949	61,060
Long-term debt	27,781	64,209
Acquisition payable	5,686	5,614
Deferred income taxes	4,838	4,949
Stockholders' equity:		
Common stock—\$.01 par value; 30,000,000 shares authorized and 19,285,276 shares issued as of August 31, 2004 and May 31, 2004	193	193
Additional paid-in capital	56,262	56,101
Retained earnings	34,674	35,585
Accumulated other comprehensive loss	(229)	(395)
	<hr/>	<hr/>
	90,900	91,484
Less: Treasury stock, at cost—1,968,950 and 2,084,950 shares as of August 31, 2004 and May 31, 2004, respectively	(5,464)	(5,769)
	<hr/>	<hr/>
Total stockholders' equity	85,436	85,715
	<hr/>	<hr/>
Total liabilities and stockholders' equity	\$ 207,690	\$ 221,547
	<hr/>	<hr/>

See Notes to Consolidated Financial Statements

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Matrix Service Company
Consolidated Cash Flow Statements
(in thousands)

	Three Months Ended	
	August 31, 2004	August 31, 2003
	(unaudited)	
Cash flow from operating activities:		
Net income (loss)	\$ (892)	\$ 3,865
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	1,732	1,563
Deferred income tax	(105)	468
Loss on sale of equipment	(3)	(2)
Allowance for uncollectible accounts	—	253
Accretion of acquisition payable	95	109
Earnings of joint venture	—	(857)
Change in value of interest rate swap	(15)	(159)
Amortization of accumulated loss on interest rate swap	44	59
Amortization of debt issuance costs	97	58
Changes in current assets and liabilities increasing (decreasing) cash:		
Accounts receivable	12,396	8,860
Costs and estimated earnings in excess of billings on uncompleted contracts	1,687	(9,488)
Inventories	(916)	(200)
Prepaid expenses	(852)	325
Accounts payable	7,861	(4,991)
Billings on uncompleted contracts in excess of costs and estimated earnings	(576)	(3,362)
Accrued expenses	(4,328)	6,334
Income taxes receivable	1,101	2,668
Other	(24)	(1)
Net cash provided by operating activities	17,302	5,502
Cash flow from investing activities:		
Capital expenditures	(392)	(1,259)
Distribution from joint venture	—	701
Net effect of dissolution of joint venture	—	2,738
Proceeds from other investing activities	26	13
Net cash provided by (used in) investing activities	\$ (366)	\$ 2,193

See Notes to Consolidated Financial Statements

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Matrix Service Company
Consolidated Cash Flow Statements
(in thousands)

	Three Months Ended	
	August 31, 2004	August 31, 2003
	(unaudited)	
Cash flows from financing activities:		
Advances under bank credit agreement	\$ 54,505	\$ 67,570
Repayments on bank credit agreement	(71,008)	(75,820)
Issuance of common stock	332	439
Payment of debt issuance costs	(409)	—
	_____	_____
Net cash used in financing activities	(16,580)	(7,811)
Effect of exchange rate changes on cash	38	(12)
	_____	_____
Increase in cash and cash equivalents	394	(128)
Cash and cash equivalents at beginning of period	752	775
	_____	_____
Cash and cash equivalents at end of period	\$ 1,146	\$ 647
	_____	_____

See Notes to Consolidated Financial Statements

Matrix Service Company
 Consolidated Statements of Changes in Stockholders' Equity
 (in thousands)
 (unaudited)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)		Total
					Translation	Derivative	
Balances, May 31, 2004	\$ 193	\$ 56,101	\$ 35,585	\$ (5,769)	\$ (239)	\$ (156)	\$ 85,715
Net loss			(892)				(892)
Other comprehensive income							
Translation adjustment					139		139
Derivative activity						27	27
Comprehensive loss							(726)
Exercise of stock options (116,000)		46	(19)	305			332
Tax effect of exercised stock options		115					115
Balances, August 31, 2004	\$ 193	\$ 56,262	\$ 34,674	\$ (5,464)	\$ (100)	\$ (129)	\$ 85,436
Balances, May 31, 2003	\$ 193	\$ 52,430	\$ 26,304	\$ (8,179)	\$ (278)	\$ (289)	\$ 70,181
Net income			3,865				3,865
Other comprehensive income							
Translation adjustment					(34)		(34)
Derivative activity						59	59
Comprehensive income							3,890
Exercise of stock options (185,800)		79		360			439
Tax effect of exercised stock options		498					498
Balances, August 31, 2003	\$ 193	\$ 53,007	\$ 30,169	\$ (7,819)	\$ (312)	\$ (230)	\$ 75,008

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1—BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Matrix Service Company (“Matrix” or the “Company”) and its subsidiaries, all of which are wholly owned. All significant inter-company balances and transactions have been eliminated in consolidation. Effective July 28, 2003, a construction joint venture partnership obtained in the Hake acquisition was dissolved. From the effective date of the dissolution forward, the operations of the joint venture assumed by Matrix are included in Matrix’s results of operations.

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.

Certain amounts in prior period financial statements have been reclassified to conform to the current financial statement presentation.

The accompanying financial statements should be read in conjunction with the audited financial statements for the year ended May 31, 2004, included in Matrix’s Annual Report on Form 10-K for the year then ended. Matrix’s business is seasonal. In addition, Matrix often generates a significant portion of its revenues under a comparatively few major contracts which often do not commence or terminate in the same period from one year to the next. Accordingly, results for any interim period may not necessarily be indicative of future operating results.

NOTE 2 – STOCK OPTION PLANS

Employee stock options are accounted for under Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees” (APB 25) and related interpretations. Under APB 25, because the exercise price of the Company’s employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

Pro forma information regarding net income and earnings per share is required by Statement of Financial Accounting Standard (SFAS) No. 123, “Accounting for Stock Based Compensation”, and has been determined as if the Company had accounted for its employee stock options under the fair value method of that Statement. The fair value for employee stock options outstanding as of the end of the periods presented was estimated at the date of grant using a Black-Scholes option pricing model with the following assumptions:

	<u>August 31, 2004</u>	<u>August 31, 2003</u>
Risk-free interest rate	3.9%	4.1%
Expected volatility	52.6%	56.4%
Expected life in years	4.8	4.8
Expected dividend yield	—	—

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The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

The following table illustrates the pro forma effect on net income and earnings per share as if the Company had applied the fair value recognition provisions of SFAS No. 123 using the Black-Scholes option valuation model:

	Three Months Ended August 31	
	2004	2003
		(unaudited) (in thousands)
Net Income (Loss) as Reported	\$ (892)	\$ 3,865
Pro Forma Compensation Expense from Stock Options	85	93
Pro Forma Net Income (Loss)	\$ (977)	\$ 3,772
Earnings (Loss) per Common Share as Reported:		
Basic	\$ (0.05)	\$ 0.24
Diluted	\$ (0.05)	\$ 0.22
Pro Forma Earnings (Loss) per Common Share:		
Basic	\$ (0.06)	\$ 0.23
Diluted	\$ (0.06)	\$ 0.22

NOTE 3 – SEGMENT INFORMATION

The Company's operating segments have been aggregated into two reportable segments, Construction Services and Repair and Maintenance Services.

The Construction Services segment performs turnkey projects, plant expansion and relocations, terminal construction, new tank construction, heavy hauling, rigging and millwrighting.

The Repair and Maintenance Services segment provides routine and preventive maintenance and repair of facilities and infrastructure as well as plant turnaround/outages services, emergency response and industrial cleaning.

Other consists of items related to previously disposed of businesses.

The Company evaluates performance and allocates resources based on profit or loss from operations before income taxes. Intersegment sales and transfers are recorded at cost and there is no inter-company profit or loss on intersegment sales or transfers. Overhead costs are allocated to the segments based upon revenue.

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Segment assets consist of accounts receivable, costs and estimated earnings in excess of billings on uncompleted contracts, property, plant and equipment and goodwill. Goodwill related to the Hake acquisition was included in Other until it was allocated to reporting units in fiscal 2004.

Matrix Service Company
1st Quarter Results of Operations
(\$ Amounts in thousands)

	<u>Construction Services</u>	<u>Repair & Maintenance Services</u>	<u>Other</u>	<u>Combined Total</u>
Three Months Ended August 31, 2004				
Gross revenues	\$ 46,779	\$ 40,757	\$ —	\$ 87,536
Less: Inter-segment revenues	(2,453)	(144)	—	(2,597)
Consolidated revenues	44,326	40,613	—	84,939
Gross profit	2,792	3,922	—	6,714
Operating income (loss)	(968)	549	(175)	(594)
Income (loss) before income tax	(1,535)	207	(175)	(1,503)
Net income (loss)	(917)	129	(104)	(892)
Segment assets	121,767	57,660	28,263	207,690
Capital expenditures	88	88	216	392
Depreciation and amortization expense	881	851	—	1,732
Three Months Ended August 31, 2003				
Gross revenues	\$ 126,395	\$ 35,408	\$ —	\$ 161,803
Less: Inter-segment revenues	(2,988)	(53)	—	(3,041)
Consolidated revenues	123,407	35,355	—	158,762
Gross profit	10,714	3,224	—	13,938
Operating income	6,098	1,001	—	7,099
Income before income tax	5,713	791	—	6,504
Net income	3,398	467	—	3,865
Segment assets	83,704	36,007	82,250	201,961
Capital expenditures	288	652	319	1,259
Depreciation and amortization expense	910	653	—	1,563

NOTE 4 – INCOME TAXES

Deferred income taxes are computed using the liability method whereby deferred tax assets and liabilities are recognized based on temporary differences between financial statement and tax basis of assets and liabilities using presently enacted tax rates.

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Long-term debt consists of the following:

	<u>August 31, 2004</u>	<u>May 31, 2004</u>
	(In Thousands)	
Borrowings under bank credit facility:		
Revolving credit facility	\$ 6,208	\$ 40,390
Term note	26,119	28,441
Term B note	20,000	—
Interest rate swap liability	256	271
	<u>52,583</u>	<u>69,102</u>
Less current portion		
Term note	4,643	4,643
Term B note	20,000	—
Interest rate swap liability	159	250
	<u>\$ 27,781</u>	<u>\$ 64,209</u>

On August 5, 2004, the Company's credit facility was amended to convert \$20 million of the revolver balance to a term loan, which matures August 31, 2005 and to reduce the credit commitment on the revolver by an equal amount. Interest on the new term loan is calculated at a rate equal to the Eurodollar Base Rate plus 3.25% until November 30, 2004, when the interest rate increases to an 18% fixed rate. Beginning February 28, 2005, the interest rate further increases by 3.0% on the last day of each fiscal quarter during which such \$20 million term loan remains outstanding.

Availability on the revolver is limited to \$35 million. At August 31, 2004, \$6.2 million was outstanding under the revolver and \$8.8 million of the revolver was utilized by outstanding letters of credit, which mature in 2004 and 2005. Remaining availability under the revolver was \$20.0 million. The Company was paying a weighted average interest rate of 5.1% on the term loans and 5.3% on the revolver at August 31, 2004.

The Company was not in compliance with the Leverage Ratio under the credit agreement as of August 31, 2004. On October 6, 2004, the Company received a waiver for the non-compliance with respect to the period ending August 31, 2004. The waiver is specifically limited to such period and is not applicable to any subsequent periods. Also on October 6, 2004, the Company's credit facility was amended to modify financial covenants that the Company expects to be in compliance with throughout the remaining term of the credit facility.

NOTE 6 – CONTINGENCIES*Insurance Reserves*

The Company maintains workers' compensation insurance, with statutory limits, general liability insurance; auto liability insurance in the primary amount of \$2.0 million per occurrence; contractor's pollution liability insurance in the amount of \$10.0 million per occurrence; and pollution legal liability for owned and leased properties in the amount of \$2.0 million per occurrence. The Company has deductibles or self-insured retentions in the amount of \$10,000 for damage to owned or leased properties; \$250,000 for workers' compensation, \$100,000 for general liability, \$0 for auto liability, \$50,000 for contractor's pollution liability and \$25,000 for pollution legal liability. Matrix also maintains an umbrella policy with coverage limits of \$25.0 million per project, policies to cover our equipment and

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other property with coverage limits of \$16.0 million per occurrence, and policies for construction with coverage limits of \$16.0 million per project. Most policies provide for coverage on an occurrence basis rather than a “claims made” basis. Matrix maintains a performance and payment bonding line of \$150.0 million.

Management estimates the reserve for claims based on knowledge of the circumstances surrounding the claims, the nature of any injuries involved, historical experience and estimates of future costs provided by certain third parties. Changes in the assumptions underlying the accrual could cause actual results to differ from the amounts reported in the financial statements.

Matrix, as plaintiff, is involved in previously disclosed litigation in the Tulsa County District Court in the State of Oklahoma over matters arising out of a workers’ compensation program with a former insurance provider regarding contests over a letter of credit (“LOC”) for \$2.2 million, a bond for \$2.1 million and cash of \$0.6 million pledged to secure Matrix’s obligations under this prior program. Matrix has been engaged in further negotiations with the insurance provider. An agreement has been reached under which the parties have agreed that the restraints prohibiting payment on the referenced LOC or bond will remain in place and will be converted to a preliminary injunction and the Tulsa County case will remain active, but the Company will dismiss without prejudice to re-filing, its claims for damages against the Defendants, in order to enable the parties to proceed to finalize their settlement.

Environmental Dispute

In March 2003, the South Coast Air Quality Management District (“AQMD”) of the State of California filed a complaint in the Los Angeles County Superior Court for the Central District against a Matrix customer alleging multiple violations by the customer at its west coast refinery for failure to comply with District Rules 203, 463, 1173, 1176 and 2004 of the AQMD that established a self-inspection and compliance reporting program for above ground stationary tanks used to store crude oil, gasoline and other petroleum products.

Matrix is not named in the AQMD complaint; however, counsel for the customer have made a formal demand upon Matrix to assume defense of the case and to indemnify them for any damages it may incur. The customer’s demand was made pursuant to the terms of a Master Services Agreement entered into in May 1999 between Matrix and the customer. Matrix rejected the demands of the customer based upon its own belief as to the proper interpretation of the Master Services Agreement and the facts developed by Matrix since the AQMD filed its complaint in March 2003. Matrix and the customer mutually agreed to toll the dispute for at least four years and until there is resolution of the complaint filed by the AQMD against the customer. The customer continues to provide Matrix with opportunities for work and new projects.

Despite what appears to be a favorable outcome to Matrix to date, the significant claim made by the AQMD against the customer remains outstanding. And while the existing relationship between Matrix and its customer may be very positive, the possibility of incurring a significant civil penalty may still cause the customer to assert claims against Matrix that it believes may be valid under the Master Services Agreement. Matrix has conducted no discovery to date other than a review of its own records. There can be no assurance that Matrix will not become a party in litigation relating to this matter or what the outcome of any such litigation would be given the inherent uncertainty as to the outcome of any litigation.

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Joint Venture Dispute

In March 2000, the Company entered into a joint venture partnership agreement for the construction of a pulp and paper project. In May 2001, the joint venture became impaired and Matrix fully reserved the net investment amount. Trade receivables include a \$1.3 million balance from this affiliated joint venture, which is believed to be fully recoverable. The joint venture is currently in litigation with the owner of the pulp and paper project and has indicated recoveries sought are in excess of the amount payable to Matrix.

Bankrupt Customer

On September 30, 2003, a customer of Matrix filed for Chapter 11 bankruptcy protection. Matrix has accounts receivable and costs and estimated earnings in excess of billings on uncompleted contracts from the customer of approximately \$5.8 million at August 31, 2004. As a result of the customer's bankruptcy, the Company has provided a reserve for its estimated potential loss, which management believes is adequate. Matrix will continue to assess the adequacy of the reserve as additional information becomes available.

Contract Disputes

In November and December 2003, three Matrix subsidiaries filed lawsuits in U. S. District Court for the Eastern District of Pennsylvania against a significant customer for claims totaling in excess of \$20 million related to disputed and undisputed amounts owed to these subsidiaries under separate contracts for the construction of a combined cycle power plant. Matrix believes it is adequately reserved for any potential loss related to these disputes and will continue to assess the adequacy of the reserve as additional information becomes available.

In May 2004, Matrix initiated a lawsuit in the Superior Court of New Jersey, Mercer County, against the former general contractor of a project for claims totaling in excess of \$10 million. Matrix has also filed a lien against the owner and has a guaranty of the general contractor's parent corporation upon which the Company has also instituted litigation in U.S. District Court for the Southern District of New York. The lawsuits are in their early stages and no discovery has occurred to date. Matrix believes it is adequately reserved for any potential loss related to the dispute and will continue to assess the adequacy of the reserve as additional information becomes available.

Unapproved Change Orders and Claims

As of August 31, 2004 and May 31, 2004, accounts receivable and costs and estimated earnings in excess of billings on uncompleted contracts included revenues, to the extent of costs incurred, for unapproved change orders of approximately \$7.9 million and \$9.6 million, respectively, and claims of approximately \$4.8 million and \$5.0 million, respectively. Amounts disclosed for unapproved change orders and claims include amounts associated with contract disputes discussed above. Generally, amounts related to unapproved change orders and claims will not be paid by customers to Matrix until final resolution of related claims, and accordingly, collection of these amounts may extend beyond one year.

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Other

The Company and its subsidiaries are named defendants in various other legal actions and is vigorously defending against each of them. It is the opinion of management that none of such legal actions will have a material effect on the Company's financial position.

NOTE 7 – Stock Dividend

During the second quarter of fiscal 2004, the Company declared a two-for-one stock split payable on November 21, 2003 in the form of a one-for-one stock dividend to shareholders of record on October 31, 2003. All shares and earnings per share amounts have been restated for all periods presented to reflect the change in the capital structure.

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

Results of Operations

Overview

Matrix has two reportable segments – Construction Services and Repair and Maintenance Services. Significant fluctuations in revenues, gross profits and operating results will be discussed below for each segment. Matrix revenues fluctuate from quarter to quarter due to many factors, including the changing product mix and project schedules are dependent on the level and timing of customer releases of new business.

THREE MONTHS ENDED AUGUST 31, 2004 COMPARED TO AUGUST 31, 2003

Consolidated

Consolidated SG&A expenses were \$7.1 million for the first quarter of 2005 compared to \$6.8 million in the first quarter last year. This increase of \$0.3 million was due to \$0.5 million of additional legal costs related to collection issues previously disclosed combined with \$0.3 million of one-time charges for severance. These increases are offset by a reduction to incentives based on the results of operations. SG&A expense as a percentage of revenue increased to 8.4% compared to 4.3% last fiscal year as a result of a 46.5% decrease in revenues.

Interest expense increased to \$0.9 million for the quarter ended August 31, 2004 as compared to \$0.7 million for the comparable period for the prior fiscal year due to higher interest rates and the increased level of debt that resulted from collection issues and contract disputes experienced in fiscal 2004.

The effective tax rates for the three months ended August 31, 2004 and 2003 were 40.7% and 40.6%, respectively.

Construction Services

Construction Services' revenues for the quarter ended August 31, 2004 were \$44.3 million, compared to \$123.4 million in the comparable quarter of the prior year, a decrease of \$79.1 million or 64.1%. The decrease was primarily due to two large power projects performed by our Eastern operations in fiscal 2004 that were not replaced dollar for dollar in the first quarter of fiscal 2005. In addition, many other smaller projects are at or near completion with replacement revenue still in backlog.

Construction Services gross margins declined from 8.7% in the first quarter of fiscal 2004 to 6.3% in the first quarter of fiscal 2005 primarily as a result of the lower revenue base available for fixed cost absorption. Gross profit decreased from \$10.7 million in the first quarter of fiscal 2004 to \$2.8 million in the first quarter of fiscal 2005, a decrease of 73.9% due to the decrease in the volume of business combined with the advantage last year of absorbing more overheads due to the higher revenue, which resulted in a greater attainable margin.

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The operating loss and loss before income tax expense for the quarter ended August 31, 2004 of \$1.0 million and \$1.5 million, respectively, were significantly lower than the operating income and income before income tax expense of \$6.1 million and \$5.7 million, respectively, produced for the quarter ended August 31, 2003, due to a lower consolidated revenue base available for fixed cost absorption in the first quarter of fiscal 2005.

Repair & Maintenance Services

Revenues from Repair & Maintenance Services increased 14.9% from \$35.4 million in the first quarter of fiscal 2004 to \$40.6 million in the first quarter of fiscal 2005. The increase of \$5.2 million resulted from continued strong turnaround activity, which increased 63.2% during the current quarter.

Gross margins of 9.7% for the quarter ended August 31, 2004 were higher than the gross margins of 9.1% for the quarter ended August 31, 2003 as a result of a higher volume of refinery turnarounds. These improvements were tempered by softness in our Eastern operations' maintenance and repair revenues. Gross profit increased from \$3.2 million in the first quarter of fiscal 2004 to \$3.9 million in the first quarter of fiscal 2005, an increase of 21.7%.

Operating income and income before tax expense for the quarter ended August 31, 2004 of \$0.5 million and \$0.2 million, respectively, were lower than the \$1.0 million and \$0.8 million, respectively, produced for the quarter ended August 31, 2003 primarily due to a lower consolidated revenue base available for fixed cost absorption in the first quarter of fiscal 2005.

Non-GAAP Financial Measure

The Company uses EBITDA (earnings before net interest, income taxes, depreciation and amortization) as part of its overall assessment of financial performance by comparing EBITDA between accounting periods. Matrix believes that EBITDA is used by the financial community as a method of measuring the Company's performance and of evaluating the market value of companies considered to be in similar businesses. EBITDA should not be considered as an alternative to net income (loss) or cash provided by operating activities, as defined by accounting principles generally accepted in the United States ("GAAP").

A reconciliation of EBITDA to GAAP financial information follows:

	Three Months Ended August 31	
	2004	2003
		(unaudited) (in thousands)
Net Income (loss)	\$ (892)	\$3,865
Interest Expense, net	901	661
Provision (benefit) for income taxes	(611)	2,639
Depreciation and amortization	1,732	1,563
EBITDA	\$1,130	\$8,728

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The \$7.6 million (87.1%) decrease in EBITDA was primarily the result of lower earnings in the three months ended August 31, 2004 as compared to the three months ended August 31, 2003.

Financial Condition & Liquidity

Cash Flow

Historically, Matrix has financed its operations with cash from operations and from advances under a credit agreement. Matrix's cash and cash equivalents totaled approximately \$1.1 million at August 31, 2004 and approximately \$0.8 million at May 31, 2004. Operations of Matrix provided \$17.3 million of cash for the three months ended August 31, 2004 as compared with providing \$5.5 million of cash for the three months ended August 31, 2003, representing an increase of approximately \$11.8 million. The increase in cash provided by operations was primarily due to decreased working capital needs that resulted from the lower revenues earned in the three months ended August 31, 2004 as compared to the three month ended August 31, 2003.

Bank Credit Facility

On March 7, 2003, the Company replaced its existing credit agreement with a \$87.5 million senior credit facility entered into with a group of banks. The original credit agreement consisted of a five-year term loan up to \$32.5 million and a three-year \$55 million revolving credit facility. The Company pays LIBOR-based interest on funds borrowed under the term loan and funds borrowed on a revolving basis bear interest on a Prime or LIBOR-based option.

The credit agreement requires us to maintain certain financial ratios, limits the amount of additional borrowings and prohibits the payment of dividends. The credit facility is secured by substantially all of the properties and assets of Matrix and its domestic subsidiaries.

In August 2004, the Company's credit facility was amended to convert \$20 million of the revolver balance to a term loan (Term B loan), which matures August 31, 2005 and to reduce the credit commitment on the revolver by an equal amount. Interest on the new term loan is calculated at a rate equal to the Eurodollar Base Rate plus 3.25% until November 30, 2004, when the interest rate increases to an 18% fixed rate. The interest rate further increases by 3.0% on the last day of each fiscal quarter during which such \$20 million term loan remains outstanding, beginning with the quarter ended February 28, 2005.

At August 31, 2004, \$6.2 million was outstanding under the revolver, \$26.1 million was outstanding under the five-year term loan and \$20.0 million was outstanding under the Term B loan. In addition, \$8.8 million of the revolver was utilized by outstanding letters of credit, which mature in 2004 and 2005. At August 31, 2004, remaining availability under the revolver was \$20.0 million. The Company was paying a weighted average interest rate of 5.1% on the term loans and 5.3% on the revolver at August 31, 2004.

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The Company was not in compliance with the Leverage Ratio under the credit agreement as of August 31, 2004. On October 6, 2004, the Company received a waiver for the non-compliance with respect to the period ending August 31, 2004. The waiver is specifically limited to such period and is not applicable to any subsequent periods. Also on October 6, 2004, the Company's credit facility was amended to modify financial covenants that the Company expects to be in compliance with throughout the remaining term of the credit facility.

The Company intends to refinance the Term B loan and has retained a financial advisor to assist in the refinancing during the second quarter of fiscal 2005. Upon the full and complete payment of the Term B loan, availability under the revolver will increase to its original amount, subject to a permanent reduction equal to one-half of any alternative capital which may be obtained by Matrix to refinance the Term B loan.

Acquisition Payable

As part of the purchase of the Hake Group of Companies in Fiscal 2003, the Company entered into an acquisition payable for a portion of the purchase price. The acquisition payable is recorded at its fair value of \$7.5 million and accreted for the change in its present value each period. Payments related to the acquisition payable are due annually on March 7 with \$1.9 million due in each of 2005, 2006 and 2007, and \$2.8 million due in 2008.

Capital Expenditures

Capital expenditures during the three months ended in August 31, 2004 totaled approximately \$0.4 million. Although the Company's original fiscal 2005 budget included capital expenditures of \$6.3 million, the Company expects capital expenditures to be minimal for the first half of the year.

Conclusion

Matrix believes that its existing funds, amounts available from borrowing under its existing credit agreement, cash generated by operations, and our anticipated refinancing of the Term B note will be sufficient to meet the working capital needs through fiscal 2005 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.

Outlook

The softness experienced in the first quarter was more severe than anticipated, as our client base remained reluctant to take equipment out of service due to continued strong demand for product and storage capacity. The cost reduction strategies initiated at the end of fiscal 2004, which have reduced the fixed cost structure over \$3.0 million annually, resulted in a one-time charge to first quarter earnings of \$0.5 million, or \$0.02 per fully diluted share, consisting mostly of severance costs. We were pleased with the strengthening of our Repair and Maintenance segment at the end of the first quarter and see a trend of increasing revenues in the upcoming quarters. Our backlog continues to increase and stood at \$142.9 million, as of August 31, 2005 compared to \$106.1 million at May 31, 2004.

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Although we are only one quarter into the new fiscal year, a number of factors are making our ability to provide yearly guidance very difficult. While we expect continued growth in repair and maintenance as well as improved construction services' margins in our existing backlog, we remain uncertain about the timing of the large capital construction projects we are following. Delays in the start of these projects would result in a shortfall of construction service revenue in this fiscal year prolonging the current underabsorption of fixed costs. In addition, the more conservative approach we have taken to negotiating terms and conditions implemented in light of our prior year challenges is beginning to cost us some opportunities. We believe the strategy is sound though the short-term impact will make attaining our previous earnings guidance less likely. As a result, we believe a reduction to \$0.45 to \$0.55 per fully diluted share on revenue of \$425 to \$475 million from our prior guidance of \$0.60 to \$0.70 per fully diluted share is appropriate.

FORWARD-LOOKING STATEMENTS

This Form 10-Q includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, included in this Form 10-Q which address activities, events or developments which we expect, believe or anticipate will or may occur in the future are forward-looking statements. The words “believes,” “intends,” “expects,” “anticipates,” “projects,” “estimates,” “predicts” and similar expressions are also intended to identify forward-looking statements.

These forward-looking statements include, among others, such things as:

- amounts and nature of future revenues from our construction and repair & maintenance segments;
- the likely impact of new or existing regulations on the demand for our services; and
- expansion and other development trends of the industries we serve.

These statements are based on certain assumptions and analyses we made in light of our experience and our perception of historical trends, current conditions and expected future developments as well as other factors we believe are appropriate in the circumstances. However, whether actual results and developments will conform with our expectations and predictions is subject to a number of risks and uncertainties which could cause actual results to differ materially from our expectations, including:

- the risk factors discussed in our Form 10-K for the year ended May 31, 2004 and listed from time to time in our filings with the Securities and Exchange Commission;
- the impact of general economic, market or business conditions on our future revenues;
- the deferral of capital expenditures or planned maintenance by our significant customers;
- changes in laws or regulations; and
- other factors, most of which are beyond our control.

Consequently, all of the forward-looking statements made in this Form 10-Q are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences to or effects on us or our business or operations. We assume no obligation to update publicly any such forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes in market risk faced by us from those reported in our 2004 Annual Report on Form 10-K filed with the Securities Exchange Commission. For more information on market risk, see Part II, Item 7A in our 2004 Annual Report on Form 10-K.

ITEM 4. Controls and Procedures

We maintain controls and other procedures that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

As of August 31, 2004, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective in alerting them on a timely basis to material information required to be included in our periodic filings with the Securities and Exchange Commission.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls or our internal controls over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. We monitor our disclosure controls and internal controls and make modifications as necessary; our intent in this regard is that the disclosure controls and the internal controls will be modified as systems change and conditions warrant.

No change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) occurred during the fiscal quarter ended August 31, 2004 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II
OTHER INFORMATION

ITEM 1. Legal Proceedings

Not Applicable

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

In October 2000, the Board of Directors authorized a stock buyback program, which permitted the purchase of up to 20% (i.e., 3,447,506 shares) of the common stock outstanding at that time. To date, Matrix has purchased 2,116,800 shares under the program and has authorization to purchase an additional 1,330,706 shares.

It is Matrix's intent to utilize these purchased treasury shares solely for the satisfaction of stock issuance under the 1990, 1991 and 2004 Incentive Stock Option Plans and the 1995 Nonemployee Director Stock Option Plan.

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Shares That May Yet Be Purchased Under the Plans or Programs
June 1, 2004 to June 30, 2004	0	\$ —	2,116,800	1,330,706
July 1, 2004 to July 31, 2004	0	\$ —	2,116,800	1,330,706
August 1, 2004 to August 31, 2004	0	\$ —	2,116,800	1,330,706
Total	0	\$ —	2,116,800	1,330,706

ITEM 3. Defaults Upon Senior Securities

Not applicable

ITEM 4. Submission of Matters to a Vote of Security Holders

Not applicable

ITEM 5. Other Information

Not applicable

ITEM 6. Exhibits:

Exhibit 10.1: Chief Executive Officer ("CEO") Severance Agreement dated January 3, 2000.

Exhibit 10.2: Chief Financial Officer ("CFO") Severance Agreement dated June 1, 2004.

Exhibit 10.3: Form of Stock Option Award Agreement.

Exhibit 10.4: Amendment No. Seven to Credit Agreement.

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- Exhibit 31.1: Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002 – CEO.
- Exhibit 31.2: Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002 – CFO.
- Exhibit 32.1: Certification Pursuant to 18 U.S.C. 1350 (section 906 of Sarbanes-Oxley Act of 2002) – CEO.
- Exhibit 32.2: Certification Pursuant to 18 U.S.C. 1350 (section 906 of Sarbanes-Oxley Act of 2002) – CFO.

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: October 6, 2004

By: /s/ George L. Austin

George L. Austin
Vice President-Finance and Chief Financial Officer signing on behalf of the registrant and as the registrant's chief accounting officer.

MATRIX SERVICE COMPANY

Chief Executive Officer (“CEO”) Severance Agreement

This Agreement between Matrix Service Company (“Matrix” or the “Company”) and Bradley S. Vetal (“Vetal”) is entered into effective January 3, 2000.

CEO Severance/Change of Control

In the event of a “change of control” in the ownership of the Company and any “adverse personnel action” against Vetal, Vetal may terminate his employment with the Company and receive two years of severance pay. In addition, all outstanding stock options will vest immediately in the event of “change of control.” This severance arrangement will apply for a period of two years following any change of control.

- In calculating Vetal’s severance pay, Vetal’s annual salary at the time of the change of control and adverse personnel action will be multiplied by two, as will Vetal’s average bonus payment for the lesser of the previous three years or the number of full fiscal years in the CEO position. The sum of these two amounts will be added together and represent Vetal’s severance, which will be paid in a lump-sum amount. This lump-sum severance amount will be paid to Vetal within 30 days of the adverse personnel action.

For purposes of this severance agreement, “adverse personnel action” will mean an action taken against Vetal by the acquiring entity which has an adverse impact on Vetal’s economic status or opportunity with the Company. These actions will include:

- Involuntary termination
- Reduction in base salary
- Reduction in incentive compensation opportunity
- Material reduction in executive benefits or perquisites
- Reassignment to a position or role with a lower salary range or salary opportunity
- Material reduction in responsibilities.

For purposes of this severance agreement, a “change of control” will mean:

- The merger or consolidation of the Company with any person or entity (other than a merger or consolidation to change the place of domicile of the Company) where the Company is not the surviving entity (or survives only as the subsidiary of another person or entity), or
- The sale of all or substantially all of the Company’s assets to any person or entity, or

- If any person or entity together with its affiliates shall become, directly or indirectly, the beneficial owner of at least 51% of the voting stock of the Company, or
- If any person or entity together with its affiliates shall acquire, directly or indirectly, the voting power to elect a majority of the members of the Board of Directors of the Company (other than the acquisition and voting of proxies by management of the Company to elect members to the Board of Directors in the normal course at an annual meeting of shareholders that is not, directly or indirectly, in connection with, or for the purposes of effecting, a “change of control”).

CEO Severance/Involuntary Termination

In the event of termination for reasons other than “cause,” Vetal will receive one year of severance pay. This severance pay amount will be paid in a lump-sum and be calculated in the same manner as described above in CEO Severance/Change of Control. A non-interference and confidentiality agreement for one year will be executed prior to the payment of severance.

For purposes of this severance agreement, “cause” will mean:

- Conviction of a felony or pleading guilty or *nolo contendere* to a felony charge, or
- Participation as an employee, officer or principal shareholder in any business engaged in activities in direct competition with the Company without the consent of the Company, or
- Gross and willful neglect of responsibilities as CEO, or
- Other offenses against the Company, to include theft, embezzlement, violation of Company policy, or the release of proprietary or confidential information in a manner that would be materially detrimental to the Company’s best interest.

Matrix Service Company

By: /s/ Michael J. Hall
Michael J. Hall
Chief Financial Officer

By: /s/ Bradley S. Vetal
Bradley S. Vetal
President & Chief Executive Officer

MATRIX SERVICE COMPANY

Chief Financial Officer (“CFO”) Severance Agreement

This Agreement between Matrix Service Company (the “Company”) and George L. Austin (“Austin”) is entered into effective June 1, 2004.

CFO Severance/Change of Control

In the event of a “change of control” in the ownership of the Company and any “adverse personnel action” against Austin, Austin may terminate his employment with the Company and receive one year of severance pay. In addition, all outstanding stock options will vest immediately in the event of “change of control.” This severance arrangement will apply for a period of two years following any change of control.

- In calculating Austin’s severance pay, Austin’s annual salary at the time of the change of control and adverse personnel action will be multiplied by one, as will Austin’s average bonus payment for the lesser of the previous three years or the number of full fiscal years in the CFO position. The sum of these two amounts will be added together and represent Austin’s severance, which will be paid in a lump-sum amount. This lump-sum severance amount will be paid to Austin within 30 days of the adverse personnel action.

For purposes of this severance agreement, “adverse personnel action” will mean an action taken against Austin by the acquiring entity which has an adverse impact on Austin’s economic status or opportunity with the Company. These actions will include:

- Involuntary termination
- Reduction in base salary
- Reduction in incentive compensation opportunity
- Material reduction in executive benefits or perquisites
- Reassignment to a position or role with a lower salary range or salary opportunity
- Material reduction in responsibilities.

For purposes of this severance agreement, a “change of control” will mean:

- The merger or consolidation of the Company with any person or entity (other than a merger or consolidation to change the place of domicile of the Company) where the Company is not the surviving entity (or survives only as the subsidiary of another person or entity), or
- The sale of all or substantially all of the Company’s assets to any person or entity, or

- If any person or entity together with its affiliates shall become, directly or indirectly, the beneficial owner of at least 51% of the voting stock of the Company, or
- If any person or entity together with its affiliates shall acquire, directly or indirectly, the voting power to elect a majority of the members of the Board of Directors of the Company (other than the acquisition and voting of proxies by management of the Company to elect members to the Board of Directors in the normal course at an annual meeting of shareholders that is not, directly or indirectly, in connection with, or for the purposes of effecting, a “change of control”).

CFO Severance/Involuntary Termination

In the event of termination for reasons other than “cause,” Austin will receive one year of severance pay. This severance pay amount will be paid in a lump-sum and be calculated in the same manner as described above in CFO Severance/Change of Control. A non-interference and confidentiality agreement for one year will be executed prior to the payment of severance.

For purposes of this severance agreement, “cause” will mean:

- Conviction of a felony or pleading guilty or *nolo contendere* to a felony charge, or
- Participation as an employee, officer or principal shareholder in any business engaged in activities in direct competition with the Company without the consent of the Company, or
- Gross and willful neglect of responsibilities as CFO, or
- Other offenses against the Company, to include theft, embezzlement, violation of Company policy, or the release of proprietary or confidential information in a manner that would be materially detrimental to the Company’s best interest.

Matrix Service Company

By: /s/ Bradley S. Vetal

Bradley S. Vetal
President and Chief Executive Officer

By: /s/ George L. Austin

George L. Austin
Chief Financial Officer

**MATRIX SERVICE COMPANY
STOCK OPTION AGREEMENT**

This Agreement is effective as of «GrantDate», among Matrix Service Company, a Delaware corporation (the “Company”), «Optionee» (“Optionee”) and the spouse, if any, of «Optionee».

To carry out the purposes of the Matrix Service Company 1991 Stock Option Plan, as amended (the “Plan”), to which this Agreement is expressly subject, by affording Optionee the opportunity to purchase shares of Common Stock, par value \$0.01 per share, of the Company (“Stock”), and in consideration of the mutual agreements and other matters set forth herein and in the Plan, the Company and Optionee hereby agree as follows:

1. Grant of Option. The Company hereby grants to Optionee the right and option (the “Option”) to purchase all or any part of an aggregate of «NumberofShares» shares of Stock, on the terms and conditions set forth herein and in the Plan, a copy of which is attached hereto as Exhibit A and is incorporated herein by reference. It is intended that the Option qualify as an “incentive stock option” within the meaning of Section 422A of the Internal Revenue Code of 1986, as amended (the “Code”).

The Option, if not previously exercised, shall expire and not be exercisable after ten (10) years, unless earlier terminated as provided below.

2. Purchase Price. The purchase price of Stock purchased upon exercise of the Option shall be «PurchasePrice» per share, which has been determined to be not less than the fair market value of the Stock at the date of grant of the Option.

3. Exercise of Option. Subject to the earlier expiration of the Option as herein provided and subject to the terms and conditions contained herein, the Option may be exercised, by written notice (which complies in all respects with the provisions of this Agreement) to the Company as its principal executive office addressed to the attention of the Secretary of the Company, at any time and from time to time on and after «GrantDate», such exercise to be effective at the time of receipt of such written notice at the Company’s principal executive office during normal business hours, but any exercise of the Option must be for a minimum of 100 shares of Stock and the Option shall only be exercisable in accordance with the attached schedule.

Optionee (or the person permitted to exercise the Option in the event of Optionee’s death) shall be and have all of the rights and privileges of a shareholder of record of the Company with respect to shares acquired upon exercise of the Option, effective upon such exercise.

Further, and notwithstanding anything herein to the contrary, the Compensation Committee of the Board of Directors (“the Committee”) may, in its sole discretion, at any time or times (i) treat the exercise of all or part of the Option then being exercised as the exercise of a stock appreciation right or (ii) cancel all or part of the Option, whether or not then exercisable, by treating such cancellation as being the exercise of a stock appreciation right. In the event the Committee takes such action, the Company shall compute an amount (the “Appreciation Amount”) equal to the excess (if any) of the aggregate fair market value of the number of shares of Stock with respect to which this Option is deemed “exercised” as a stock appreciation right over the aggregate purchase price of such number of shares and the Company shall pay to the Optionee, in lieu of his purchasing such number of shares or retaining the option with respect to such shares (as the case may be), cash equal to the Appreciation Amount, less any applicable withholdings required for federal, state or local tax purposes.

4. Payment of Exercise Price. The purchase price of shares as to which the Option is exercised shall be paid in full at the time of exercise in cash.

5. Non-Transferability. The Option may not be transferred by Optionee otherwise than by will or the laws of descent and distribution.

6. Termination of Employment. If the Optionee's employment is terminated for "cause" (defined below), the Option shall automatically expire simultaneously with such termination. In the event of termination of an Optionee's employment or termination by the Company for any reason other than "cause", the Option may be exercised by the Optionee at any time within the three-month period commencing on the day next following such termination. For purposes of this clause, "cause" shall mean:

- (i) final conviction of the Optionee of a felony under the laws of the United States or any state thereof which results or was intended to result directly or indirectly in gain or personal enrichment by the Optionee at the expense of the Company;
- (ii) participation by the Optionee as an employee, officer or principal shareholder in any business engaged in activities in direct competition with the Company without the consent of the Company; or
- (iii) gross and willful inattention to Optionee's duties as an employee for a continuous period of three months other than due to Optionee's total physical disability, or another cause reasonably beyond the control of Shareholder, which inattention to duty has a material adverse effect on the Company.

In the event that an Optionee's employment with the Company shall terminate due to retirement or permanent disability, the Optionee shall have the right, subject to subsections (1) and (3) above, to exercise any Option at any time during the period of twelve months following such termination, to the extent the Option was exercisable on the termination date. The Committee shall determine whether, for purposes of the Plan, any termination of employment is due to retirement or permanent disability, and whether an authorized leave of absence on military or government service or for other reasons shall constitute a termination of employment.

If an Optionee shall die while entitled to exercise an Option, the Optionee's estate, personal representative or beneficiary, as the case may be, shall have the right, subject to subsections (1) and (3) above, to exercise the Option at any time during the period of 12 months following the date of the Optionee's death, to the extent that the Option was exercisable on the day of the Optionee's death.

Notwithstanding anything to the contrary, in the event that an employee dies or becomes permanently disabled, all unvested options will automatically become vested and may be exercisable in accordance with this paragraph 6.

The Committee may, in its discretion, (i) accelerate the exercisability of all or part of an Option that is not otherwise exercisable or (ii) provide that an Option shall remain outstanding and be exercisable following termination of employment (or other specified events in the case of non-employees) on such other terms and conditions as the Committee shall approve.

7. Withholding of Tax. To the extent that the exercise of the Option is a taxable event with respect to which the Company has a duty to withhold for federal or state income tax purposes, Optionee shall pay to the Company at the time of such exercise (or such other time as the law permits if Optionee is subject to Section 16(b) such amount of money as the Company may require to meet its obligation under applicable tax laws or regulations, and if Optionee fails to do so, the Company is authorized to withhold from any cash remuneration then or thereafter payable to Optionee any tax required to be withheld by reason of such resulting compensation income or otherwise refuse to issue or transfer any shares otherwise required to be issued pursuant to the terms hereof.

8. Status of Stock. Until the shares of Stock acquirable upon the exercise of the Option have been registered for issuance under the Securities Act of 1933, as amended (the "Act"), the Company will not issue such shares unless the Optionee provides the Company with a written opinion of legal counsel, who shall be satisfactory to the Company, addressed to the Company and satisfactory in form and substance to the Company's counsel, to the effect that the proposed issuance of such shares to the holder of the Option may be made without registration under the Act. If exemption from registration under the Act is available upon an exercise of the Option, Optionee (or the person permitted to exercise this option in the event of Optionee's death or incapacity), if requested by the Company to do so, will execute and deliver to the Company in writing an agreement containing such provisions as the Company may require to assure compliance with applicable securities laws.

Unless the offering, sale and delivery of shares of Stock acquirable upon exercise of the Option have been registered and continue to do so at the date of exercise hereof under the Act, Optionee agrees that the shares of Stock which Optionee acquires by exercising the Option shall be acquired for investment without a view to distribution, within the meaning of the Act, and shall not be sold, transferred, assigned, pledged or hypothecated in the absence of an effective registration statement for the shares under the Act and applicable state securities laws or an applicable exemption from the registration requirements of the act and any applicable state securities laws. Optionee also agrees that the shares of Stock which Optionee may acquire by exercising the Option will not be sold or disposed of in any manner which would constitute a violation of any other applicable securities laws, whether federal or state.

Optionee further agrees that the Option granted herein shall be subject to the requirement that, if at any time the Board shall determine, in its discretion, that the listing, registration or qualification of the shares subject to such Option upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the issue or purchase or issuance of shares hereunder, such Option may not be exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not reasonably accepted to the Board.

9. Employment Relationship. For purposes of this Agreement, Optionee, if an employee, shall be considered to be in the employment of the Company as long as Optionee remains an employee of either the Company, a parent or subsidiary corporation (as defined in section 425 of the Code) of the Company, or a corporation or a parent or subsidiary of such corporation assuming or substituting a new agreement for this Agreement. Any question as to whether and when there has been a termination of such employment, for purposes of this Agreement, and the cause of such termination, for purposes of this Agreement, shall be determined by the Committee, and its determination shall be final. Nothing herein shall give Optionee any right to continued employment or affect in any manner the right of the Company or any subsidiary or parent corporation to terminate the employment of Optionee.

10. Binding Effect. This Agreement shall be binding upon and inure to the benefit of any successors to the Company and all persons lawfully claiming under Optionee. This Agreement and all actions taken shall be governed by and constructed in accordance with the laws of the State of Delaware. In the event of conflict between this Agreement and the Plan, the terms of the Plan shall control. The Committee shall have authority to construe the terms of this Agreement, and the Committee's determinations shall be final and binding on Optionee and the Company.

«Optionee»—**Information included in the Notice of Grant of Stock Options and Option Agreement**

AMENDMENT SEVEN TO CREDIT AGREEMENT

This Amendment Seven to Credit Agreement (“Amendment”) is dated as of October 6, 2004 (“Effective Date”), among **MATRIX SERVICE COMPANY**, as Borrower, the Lenders and **BANK ONE, NA** (as successor by merger to Bank One, Oklahoma, NA), with its main office in Chicago, Illinois, as a Lender, LC Issuer and as Agent for the Lenders.

RECITALS

A. Reference is made to the Credit Agreement dated as of March 7, 2003, among Borrower, Lenders and Agent, as amended by Amendment One to Credit Agreement dated as of May 22, 2003, Amendment Two to Credit Agreement dated as of August 27, 2003, Amendment Three to Credit Agreement dated as of December 19, 2003, Amendment Four to Credit Agreement dated as of March 11, 2004, Amendment Five to Credit Agreement dated as of May 6, 2004, and Amendment Six to Credit Agreement dated as of August 5, 2004 (as amended, the “Credit Agreement”) pursuant to which each of the Lenders established their respective Commitments in favor of the Borrower.

B. Borrower has requested the Lenders to make certain modifications to the Credit Agreement; and the Lenders and Agent have agreed thereto, as specifically set forth below.

C. Terms used herein shall have the meanings ascribed to them in the Credit Agreement, unless otherwise defined herein.

AGREEMENT

1. Amendment to Credit Agreement.

1.1. The pricing grid set forth in the Pricing Schedule is hereby replaced with the following:

LEVERAGE RATIO	APPLICABLE MARGIN (BPS)			LETTERS OF CREDIT FEE (bps)	COMMITMENT FEE (bps)
	EURODOLLAR LOANS* (+)	ABR LOANS* (+)	SWING LINE LOANS (+)		
£ 4.50x	425.0	200.0	200.0	425.0	62.5
£ 4.25x	400.0	175.0	175.0	400.0	62.5
£ 4.00x	375.0	150.0	150.0	375.0	62.5
£ 3.75x	350.0	125.0	125.0	350.0	62.5
£ 3.50x	325.0	100.0	100.0	325.0	62.5
£ 3.25x	300.0	75.0	75.0	300.0	62.5
£ 3.00x	275.0	50.0	50.0	275.0	62.5
£ 2.75x	250.0	25.0	25.0	250.0	62.5
£ 2.50x	225.0	00.0	00.0	225.0	50.0
£ 2.00x	200.0	-25.0	-25.0	200.0	37.5
£ 1.50x	175.0	-50.0	-50.0	175.0	32.5

*Term Loan pricing shall be 25.0 bps higher

1.2. Capital Expenditures. Section 6.16 is hereby replaced with the following:

“6.16 Capital Expenditures. The Borrower will not, nor will it permit any Subsidiary to, expend, or be committed to expend, in excess of \$8,000,000 for Capital Expenditures during fiscal year 2005, and thereafter \$9,000,000 for Capital Expenditures during any one fiscal year on a non-cumulative basis in the aggregate for the Borrower and its Subsidiaries.”

1.3. Fixed Charge Coverage Ratio. Section 6.27.1 is hereby amended to evidence that the phrase “1.15 to 1.0 through August 31, 2004; thereafter 1.25 to 1.0 through May 31, 2005; and thereafter, 1.50 to 1.0” is hereby deleted and replaced with “1.15 to 1.0 through February 28, 2005; thereafter 1.0 to 1.0 through May 31, 2005; and thereafter, 1.25 to 1.0”.

1.4. Leverage Ratio (Total Debt). Section 6.27.2 is hereby amended to evidence that the phrase “3.25 to 1.0 through the first fiscal quarter ending August 31, 2004, and thereafter 3.50 to 1.0” is hereby deleted and replaced with “4.50 to 1.0 through February 28, 2005; and thereafter, 3.50 to 1.0”.

1.5. Leverage Ratio (Senior Debt). Section 6.27.4 is hereby amended to evidence that the phrase “(a) 3.25 to 1.0 through August 31, 2004; and (b) thereafter, 2.25 to 1.0” is hereby deleted and replaced with “(a) 3.00 to 1.0 through February 28, 2005; and (b) thereafter, 2.25 to 1.0”.

2. Deliveries. Upon the execution hereof, Borrower shall: (i) deliver payment of the costs and fees described in Section 7, below; and (ii) deliver such other documents reasonably required by Agent in connection herewith.

3. Waiver of Default. Lenders hereby waive the Default that occurred in Borrower’s Total Leverage Ratio as of August 31, 2004. Such waiver applies only to the stated Default for the stated period, and shall not preclude other or further exercise of any and all rights of Lenders as to future Defaults, whether matured or unmatured.

4. Representations. Borrower represents to Agent and Lenders that, after giving affect to the amendments to the Credit Agreement contemplated hereby: (i) no Default or Unmatured Default exists; (ii) the representations and warranties contained in Article V of the Loan Agreement are true and correct as of the date hereof, except to the extent such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty shall have been true and correct on and as of such earlier date; and (iii) it is in compliance with the financial covenants as set forth in Section 6.27 as amended by this Amendment.

5. Ratifications. Borrower shall deliver to Agent fully executed originals of the Ratification of Security Agreements and Ratification of Guaranty Agreement, in the forms set forth on Schedules “5-A” and “5-B”, respectively, attached hereto.

6. Release And Waiver Of Claims. In consideration of each Lender’s agreement to enter into this Amendment, Borrower hereby agrees as follows:

A. General Release and Waiver of Claims: Borrower hereby releases and forever discharges Agent and each Lender and their respective successors, assigns, partners, directors, officers, agents, attorneys, and employees from any and all claims, demands, cross-actions, controversies, causes of action, damages, rights, liabilities and obligations, at law or in equity whatsoever, known or unknown, whether past, present or future, now held, owned or possessed by Borrower, or which Borrower may, as a result of any actions or inactions occurring on or prior to the Effective Date, hereafter hold or claim to hold under common law or statutory right, arising, directly or indirectly out of the Loan or any of the Loan Documents or any of the documents, instruments or any other transactions relating thereto or the transactions contemplated thereby.

Borrower understands and agrees that this is a full, final and complete release and agrees that this release may be pleaded as an absolute and final bar to any or all suit or suits pending or which may hereafter be filed or prosecuted by Borrower, or anyone claiming by, through or under Borrower, in respect of any of the matters released hereby, and that no recovery on account of the matters described herein may hereafter be had from anyone whomsoever, and that the consideration given for this release is no admission of liability.

B. Releases Binding on Affiliates of Borrower. The provisions, waivers and releases set forth are binding upon Borrower and its agents, employees, representatives, officers, directors, general partners, limited partners, joint shareholders, beneficiaries, trustees, administrators, subsidiaries, affiliates, employees, servants and attorneys.

7. Costs and Fees. As inducement for the Lenders and Agent to execute this Amendment, Borrower shall pay a fee equal to 0.50% of the aggregate commitment under the Total Facility (\$405,597), in good funds, upon the execution hereof, to Agent for distribution to the Lenders in accordance with their Pro Rata Share and pay all other costs, expenses and fees incurred by Lenders in connection herewith including without limitation the fees of Riggs, Abney, Neal, Turpen, Orbison & Lewis.

8. Governing Law. This Amendment shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the State of Oklahoma.

9. Reimbursement. Borrower agrees to reimburse Agent for any costs, expenses, and fees (including reasonable attorney fees) incurred in connection with the preparation of this Amendment.

10. Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart. This Agreement shall be effective when it has been executed by the Borrower, the Agent, the LC Issuer and the Lenders and each party has notified the Agent by facsimile transmission or telephone that it has taken such action.

IN WITNESS WHEREOF, the Borrower, the Lenders, the LC Issuer and the Agent have executed this Amendment as of the date first above written.

MATRIX SERVICE COMPANY

By: /s/ George L. Austin

George L. Austin, Vice President
Notice Address: 10701 East Ute Street
Tulsa, OK 74116
Attention: George L. Austin,
Vice President
Telephone: (918) 838-8822
FAX: (918) 838-8810

**BANK ONE, NA (as successor by merger
to Bank One, Oklahoma, NA)**

Lender, LC Issuer and as Agent

By: /s/ David G. Page

David G. Page, First Vice President

Notice Address: 4th Floor OK2-6110
15 East Fifth Street
Tulsa, OK 74103

Attention: David G. Page,
First Vice President

Telephone: (918) 586-5430

FAX: (918) 586-5474

INTERNATIONAL BANK OF COMMERCE,
successor in interest to LOCAL OKLAHOMA
BANK, an Oklahoma Banking Corporation,
formerly known as LOCAL OKLAHOMA BANK, NA

By: /s/ Barry J. Woods

Barry J. Woods, Senior Vice President
Notice Address: 2250 East 73rd Street
Suite 200
Tulsa, OK 74136
Attention: Barry J. Woods,
Senior Vice President
Telephone: (918) 497-2436
FAX: (918) 497-2455

**WACHOVIA BANK,
NATIONAL ASSOCIATION**

By: /s/ Patrick A. McGovern

Patrick A. McGovern, Sr. Vice President
Notice Address: 123 South Broad Street
14th Floor – PA1202
Philadelphia, PA 19109
Attention: Patrick A. McGovern,
Sr. Vice President
Telephone: (215) 670-6577
FAX: (215) 670-6645

UMB BANK, N.A.

By: /s/ Richard J. Lehrter

Richard J. Lehrter, Community Bank President
Notice Address: 1437 South Boulder Avenue
Suite 150
Tulsa, OK 74119
Attention: Richard J. Lehrter, President
Telephone: (918) 295-2000
FAX: (918) 295-2020

WELLS FARGO BANK, NA
(formerly known as Wells Fargo Bank Texas, NA)

By: /s/ Brad S. Thompson

Brad S. Thompson, Vice President
Notice Address: 3rd Floor MACT5303-031
1445 Ross Avenue
Dallas, TX 75202
Attention: Brad S. Thompson,
Vice President
Telephone: (214) 740-1545
FAX: (214) 953-3982

RATIFICATION OF SECURITY AGREEMENTS

As inducement for and in consideration of the Lenders and Agent executing the Amendment Seven to Credit Agreement of even date herewith with respect to the Credit Agreement dated as of March 7, 2003, among Matrix Service Company, the Lenders, Bank One, NA, as Agent, Wells Fargo Bank Texas, N.A., as Co-Agent and Banc One Capital Markets, Inc. as Lead Arranger and Sole Book Runner, the undersigned Borrower and Subsidiaries hereby ratify and confirm their respective Pledge and Security Agreements and agree that each remains in full force and effect. This Ratification may be executed in multiple counterparts.

Dated effective this 6th day of October, 2004.

IN WITNESS WHEREOF, the Borrower and Subsidiaries hereby executed this Ratification of Security Agreements as of the date first written above.

MATRIX SERVICE COMPANY,
a Delaware corporation

By: /s/ George L. Austin

George L. Austin, Vice President

IN WITNESS WHEREOF, each of the Subsidiaries has caused this Agreement to be duly executed, under seal, by its authorized officer as of the day and year first above written.

MATRIX SERVICE INC., an Oklahoma corporation; **MATRIX SERVICE MID-CONTINENT, INC.**, an Oklahoma corporation; **MATRIX SERVICE, INC. CANADA**, an Ontario, Canada corporation; **HAKE ACQUISITION CORP.**, a Delaware corporation; **HAKE GROUP, INC.**, a Delaware corporation; **BOGAN, INC. (including Fiberspec, a division)**, a Pennsylvania corporation; **FRANK W. HAKE, INC.**, a Pennsylvania corporation; **HOVER SYSTEMS, INC.**, a Pennsylvania corporation; **I & S, INC.**, a Pennsylvania corporation; **MCBISH MANAGEMENT, INC.**, a Pennsylvania corporation; **MECHANICAL CONSTRUCTION, INC.**, a Delaware corporation; **MID-ATLANTIC CONSTRUCTORS, INC.**, a Pennsylvania corporation; **TALBOT REALTY, INC.**, a Pennsylvania corporation; **BISH INVESTMENTS, INC.**, a Delaware corporation; **I & S JOINT VENTURE, L.L.C.**, a Pennsylvania limited liability company

By: /s/ George L. Austin

George L. Austin, Vice President

RATIFICATION OF SUBSIDIARY GUARANTY

As inducement for and in consideration of the Lenders and Agent executing the Amendment Seven to Credit Agreement of even date herewith with respect to the Credit Agreement dated as of March 7, 2003, among Matrix Service Company, the Lenders, Bank One, NA, as Agent, Wells Fargo Bank Texas, N.A., as Co-Agent and Banc One Capital Markets, Inc. as Lead Arranger and Sole Book Runner, the undersigned Guarantors hereby ratify and confirm the Guaranty Agreement and agree that it remains in full force and effect.

Dated effective this 6th day of October, 2004.

IN WITNESS WHEREOF, each of the Subsidiary Guarantors has caused Ratification of Subsidiary Guaranty to be duly executed, under seal, by its authorized officer as of the day and year first above written.

MATRIX SERVICE INC., an Oklahoma corporation; **MATRIX SERVICE MID-CONTINENT, INC.**, an Oklahoma corporation; **MATRIX SERVICE, INC. CANADA**, an Ontario, Canada corporation; **HAKE ACQUISITION CORP.**, a Delaware corporation; **HAKE GROUP, INC.**, a Delaware corporation; **BOGAN, INC. (including Fiberspec, a division)**, a Pennsylvania corporation; **FRANK W. HAKE, INC.**, a Pennsylvania corporation; **HOVER SYSTEMS, INC.**, a Pennsylvania corporation; **I & S, INC.**, a Pennsylvania corporation; **MCBISH MANAGEMENT, INC.**, a Pennsylvania corporation; **MECHANICAL CONSTRUCTION, INC.**, a Delaware corporation; **MID-ATLANTIC CONSTRUCTORS, INC.**, a Pennsylvania corporation; **TALBOT REALTY, INC.**, a Pennsylvania corporation; **BISH INVESTMENTS, INC.**, a Delaware corporation; **I & S JOINT VENTURE, L.L.C.**, a Pennsylvania limited liability company

By: /s/ George L. Austin

George L. Austin, Vice President

CERTIFICATIONS

I, Bradley S. Vetal, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Matrix Service Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially effect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 6, 2004

/s/ Bradley S. Vetal

Bradley S. Vetal

President and Chief Executive Officer

CERTIFICATIONS

I, George L. Austin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Matrix Service Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially effect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 6, 2004

/s/ George L. Austin

George L. Austin
Vice President – Finance
and Chief Financial Officer

Certification Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant
Section 906 of Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Matrix Service Company (The "Company") on Form 10-Q for the period ending August 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bradley S. Vetal, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that based on our knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 6, 2004

/s/ Bradley S. Vetal

Bradley S. Vetal

President and Chief Executive Officer

Certification Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant
Section 906 of Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Matrix Service Company (The "Company") on Form 10-Q for the period ending August 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, George L. Austin, Vice President, Finance and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that based on our knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 6, 2004

/s/ George L. Austin
George L. Austin
Vice President – Finance
and Chief Financial Officer