

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

FORM 10-Q

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

For the quarterly period ended November 30, 1998

Commission File number 0-18716

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

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

As of January 8, 1999, there were 9,638,638 shares of the Company's common stock, \$.01 par value per share, issued and 9,507,388 shares outstanding.

PART I.- FINANCIAL INFORMATION

ITEM 1. Financial Statements

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

[CAPTION]

Ended	Three Months Ended November 30		Six Months November 30	
	(unaudited)		(unaudited)	
	1998	1997 *	1998	1997 *
[MULTIPLIER] 1,000				
Revenues	\$55,399	\$55,630	\$106,001	\$103,849
Cost of revenues	50,521	50,766	96,069	93,912
Gross profit	4,878	4,864	9,932	9,937
Selling, general and administrative expenses	3,212	2,894	6,470	5,623
Goodwill and noncompete amortization	163	184	326	368
Operating income	1,503	1,786	3,136	3,946

## Other income (expense):

Interest expense	(268)	(237)	(645)	(475)
Interest income	40	29	158	69
Other income	58	92	134	99
	-----	-----	-----	-----
Income from continuing operations before income tax expense	1,333	1,670	2,783	3,639
Provision for federal, state and foreign income tax expense	310	584	923	1,302
	-----	-----	-----	-----
Income from continuing operations	1,023	1,086	1,860	2,337
Loss from discontinued operations, net of tax benefit of \$34,000 and \$287,000 respectively	-	(133)	-	(615)
	-----	-----	-----	-----
Net income	\$ 1,023	\$ 953	\$ 1,860	\$1,722
	=====	=====	=====	=====
Earnings from continuing operations per share of common stock:				
Basic	\$0.11	\$0.12	\$0.20	\$0.25
Diluted	0.10	0.11	0.18	0.24
Earnings per share of common stock:				
Basic	\$0.11	\$0.10	\$0.20	\$0.18
Diluted	0.10	0.10	0.18	0.17
Weighted average number of common shares:				
Basic	9,547,837	9,407,526	9,528,804	9,391,552
Diluted	10,240,861	9,851,254	10,262,567	9,903,443

\* Certain amounts have been restated as described in Notes B & C.

See Notes to Condensed Consolidated Financial Statements

[MULTIPLIER] 1,000

Matrix Service Company  
Condensed Consolidated Balance Sheets  
(in thousands)

	November 30, 1998	May 31, 1998
	-----	-----
	(unaudited)	
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 5,213	\$ 2,606
Accounts receivable	40,039	37,165
Costs and estimated earnings in excess of billings on uncompleted contracts	13,013	15,340
Inventories	6,378	6,352
Income tax receivable	1,088	5,279

Deferred income taxes	3,010	3,252
Prepaid expenses	327	524
	-----	-----
Total current assets	69,068	70,518
Property, plant and equipment at cost:		
Land and buildings	16,788	16,481
Construction equipment	23,603	24,092
Transportation equipment	6,397	6,108
Furniture and fixtures	3,227	3,315
Construction in progress	1,458	973
	-----	-----
	51,473	50,969
Less accumulated depreciation	23,643	22,533
	-----	-----
Net property, plant and equipment	27,830	28,436
Goodwill, net of accumulated amortization of \$1,779 and \$1,595 in 1999 and 1998, respectively	12,934	13,217
Other assets	384	570
	-----	-----
Total assets	\$110,216	\$112,741
	=====	=====

See Notes to Condensed Consolidated Financial Statements

[MULTIPLIER] 1,000

Matrix Service Company  
Condensed Consolidated Balance Sheets  
(in thousands)

	November 30, 1998	May 31, 1998
	-----	-----
	(unaudited)	
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 6,069	\$ 12,250
Billings on uncompleted contracts in excess of costs and estimated earning	13,661	7,612
Accrued insurance	2,295	2,369
Other accrued expenses	3,629	5,098
Income taxes payable	375	-
Current portion of long-term debt	2,101	2,105
	-----	-----
Total current liabilities	28,130	29,434
Long-term debt	11,064	13,106
Deferred income taxes	4,948	4,949
	-----	-----
Stockholders' equity:		
Common stock	96	96

Additional paid-in capital	51,582	51,458
Retained earnings	16,026	14,221
Accumulated other comprehensive income	(719)	(523)
	-----	-----
	66,985	65,252
Less: Treasury stock, at cost	(911)	-
	-----	-----
Total stockholders' equity	66,074	65,252
	-----	-----
Total liabilities and stockholders' equity	\$110,216	\$112,741
	=====	=====

See Notes to Condensed Consolidated Financial Statements

[MULTIPLIER]

1,000

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

	Six Months Ended November 30 (unaudited)	
	1998	1997
	-----	-----
Cash flow from operating activities:		
Net income	\$1,860	\$1,722
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,488	3,037
(Gain) loss on sale of equipment	(55)	-
Changes in current assets and liabilities increasing (decreasing) cash:		
Accounts receivable	(2,874)	717
Costs and estimated earnings in excess of billings on uncompleted contracts	2,328	(254)
Inventories	(26)	69
Prepaid expenses	197	(74)
Accounts payable	(7,065)	(2,948)
Billings on uncompleted contracts in excess of costs and estimated earnings	6,048	1,642
Taxes and other accruals	4,150	(4,899)
Other	(37)	(5)
	-----	-----
Net cash provided (used) by operating activities	7,014	(993)
Cash flow from investing activities:		
Capital expenditures	(1,638)	(1,433)
Proceeds from sale of equipment	79	50
Acquisition of subsidiary, net of cash acquired	-	(4,182)
	-----	-----
Net cash used in investing activities	(1,559)	(5,565)

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

Six Months Ended  
November 30,  
(unaudited)  
1998            1997  
-----        -----

Cash flows from financing activities:

Issuance of acquisition notes	-	286
Repayment of acquisition payables	(38)	(281)
Repayment of equipment notes	(9)	(14)
Issuance of long-term debt	3,000	10,750
Repayment of long-term debt	(5,000)	(6,042)
Purchase of treasury stock	(985)	144
Issuance of stock	198	-
	-----	-----
Net cash provided (used) in financing activities	(2,834)	4,843
Effect of exchange rate changes on cash	(14)	-
	-----	-----
Increase (decrease) in cash and cash equivalents	2,607	(1,715)
Cash and cash equivalents at beginning of period	2,606	1,877
	-----	-----
Cash and cash equivalents at end of period	\$5,213	\$ 162
	=====	=====

See Notes to Condensed Consolidated Financial Statements

MATRIX SERVICE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

NOTE A - BASIS OF PRESENTATION

The consolidated financial statements include the accounts of the Company 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 which 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 31, 1998, included in the Company's Annual Report on Form 10-K for the year then ended. The Company's business is seasonal; therefore, results for any interim period may not necessarily be indicative of future operating results.

NOTE B - DISCONTINUED OPERATIONS

During the third quarter of fiscal year 1998, the board of directors approved a plan whereby the Company would discontinue the operations of Midwest Industrial Contractors, Inc. ("Midwest") and discontinue to operate in the markets that Midwest had historically participated. All assets of Midwest have been disposed of or absorbed by other operating units. The Company abandoned this business entirely. The cost to terminate Midwest's operations resulted in a charge of \$15.5 million, before income tax benefit of \$6.3 million, which includes the write-off of \$14.6 million of goodwill. The operating results of Midwest for the prior period is reported as discontinued operations.

Summarized operating results of the discontinued operations are as follows:

	Three months ended	Six months ended
	November 30, 1997	November 30, 1997
	(In Thousands)	(In Thousands)
Revenues	\$6,386	\$7,687
Loss from discontinued operations	133	615
Loss from discontinued operations per share of common stock:		
Basic	(\$.01)	(\$.06)
Diluted	(\$.01)	(\$.06)

NOTE C - EARNINGS PER SHARE OF COMMON STOCK

In 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, Earnings per Share. Statement 128 replaced the previously reported primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants, and convertible securities. Diluted earnings per share is very similar to the previously reported fully diluted earnings per share. All earnings per share amounts for all periods have been presented, and where necessary, restated to conform to the Statement 128 requirements.

## NOTE D - REPORTING COMPREHENSIVE INCOME

As of June 1, 1998, the Company adopted Statement 130, Reporting Comprehensive Income. Statement 130 establishes new rules for the reporting and display of comprehensive income and its components; however, the adoption of Statement 130 had no impact on the Company's net income or stockholders' equity. Statement 130 requires foreign currency translation adjustments, which prior to adoption were reported separately in stockholders' equity, to be included in other comprehensive income. Prior period financial statements have been reclassified to conform to the requirements of Statement 130.

For the quarter ended November 30, 1998, total comprehensive income was \$1.1 million as compared to \$899 thousand for the same period ended November 30, 1997. For the six months ended November 30, 1998 total comprehensive income was \$1.7 million as compared to \$1.6 million for the six months ended November 30, 1997. Other comprehensive income and accumulated other comprehensive income consisted of foreign currency translation adjustments.

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

#### Results of Operations

##### Three Months Ended November 30, 1998 Compared to Three Months Ended November 30, 1997

Revenues for the quarter ended November 30, 1998 were \$55.4 million as compared to revenues of \$55.6 million for the quarter ended November 30, 1997, representing a decrease of approximately \$231 thousand. The decrease is due primarily to a reduction in water tank business on the West Coast and a reduction in capital projects in the Northwest. Revenues, however, were up for the repair and maintenance business due to a strong demand for this type of work in the market combined with the strategic alliances the Company has formed with major petrochemical companies. The refinery turnaround backlog for the Northwest is expected to increase because of an increase in customer activity. Backlog Company wide at November 30, 1998 was \$71.3 million as compared to \$67.3 million at November 30, 1997.

Gross profit was \$4.9 million for the quarter ended November 30, 1998 as well as for the same quarterly period in 1997. Gross profit as a percentage of revenues also remained stable at 8.7% for the two periods. For the repair and maintenance division, gross margins strengthened considerably during the current quarter over the same period last year. The improved margins were a result of greater demand for this type of work and company wide strategic alliances and partnering agreements with customers as well as consolidation of East Coast operations. These improvements were offset somewhat by a decrease in margins in the water tank business. The elevated water tank market is becoming increasingly competitive and margins have deteriorated. Although revenues were up for the elevated water tank division for the quarter ended November 1998 as compared to the same period last year, margins deteriorated due to reduced margin potential in the bid process as well as less than optimum project management. General management has changed and new project management has been hired with improved results anticipated in the third and fourth quarters of 1999. In addition, the flat bottom water tank division intends to pursue the growing markets of petrochemical tanks and stainless steel wine tanks.

Selling, general and administrative expenses increased to \$3.2 million for the quarter ended November 30, 1998 from \$2.9 million for the comparable quarter in 1997, an increase of \$318 thousand or approximately 11.0% and representing as a percentage of revenues, an increase to 5.8% for the 1998 period from 5.2% for the 1997 period. The increase is primarily due to additional job supervisory and technical personnel, costs related to operational software implementation, Year 2000 compliance and the re-classification of certain components of selling, general and administrative expenses by a recently acquired division. These classifications were brought into alignment with the rest of the Company effective June 1, 1998.

Operating income decreased to \$1.5 million for the quarter ended

November 30, 1998 from income of \$1.8 million for the comparable quarter of the prior year, or a decrease of \$283 thousand. The decline was due to higher selling, general and administrative expense.

Provision for income taxes for the quarter ended November 30, 1998 decreased to \$310 thousand as compared to \$584 thousand for the quarter ended November 30, 1997, due to lower operating results and an adjustment to deferred tax assets.

Income from continuing operations decreased to \$1.0 million for the current quarter from \$1.1 million for the comparable quarter of the prior year. The decrease was due principally to increased selling, general and administrative expense offset partially by an adjustment to deferred tax assets.

During the quarter ended February 28, 1998 the directors of the Company approved a plan whereby the Company would discontinue the operations of "Midwest" - See Note B to the consolidated financial statements.

Net income for the quarter ended November 30, 1998 was \$1.0 million as compared to net income of \$953 thousand for the same period ended November 30, 1997, which included \$133 thousand loss from discontinued operations.

Six Months Ended November 30, 1998 Compared to Six Months Ended November 30, 1997

Revenues for the six months ended November 30, 1998 were \$106.0 million as compared to revenues of \$103.8 million for the six months ended November 30, 1997, an increase of approximately \$2.2 million. Increased revenues from repair and maintenance nationwide and refinery turnaround work in the Northwest were partially offset by a decline in capital project work in the Northwest and the water tank business on the West Coast.

Gross profit was \$9.9 million for the six months ended November 30, 1998 as well as for the same six months ended November 30, 1997. Gross profit as a percentage of revenues was 9.4% for the current six months as compared to 9.6% for the same six months ended November 30, 1997. Gross margins declined primarily due to a major weakness in elevated and flat bottom water tanks due to intensified competition and less than optimum project management, offset somewhat by significant strength in margins on tank repair and maintenance and refinery turnaround work.

Selling, general and administrative expenses increased to \$6.5 million for the six months ended November 30, 1998 from expenses of \$5.6 million for the six months ended November 30, 1997, an increase of \$847 thousand or approximately 15.1% over the prior period. As a percentage of revenues, selling, general and administrative expenses increased to 6.1% for the 1998 period from 5.4% for the 1997 period. The increase is primarily due to additional job supervisory and technical personnel, costs related to operational software implementation, Year 2000 compliance and the re-classification of certain components of selling, general and administrative expenses by a recently acquired division. These classifications were brought into alignment with the rest of the Company effective June 1, 1998.

Operating income decreased to \$3.1 million for the six months ended November 30, 1998 from income of \$3.9 million for the same period ended November 30, 1997, or a decrease of \$810 thousand. The decline was due to higher selling, general and administrative expense and slightly lower gross margins.

Provision for income taxes for the six months ended November 30, 1998 decreased to \$923 thousand as compared to \$1.3 million for the same period ended November 30, 1997. The decrease of \$379 thousand is due to lower income and an adjustment to deferred tax assets.

Income from continuing operations decreased to \$1.9 million for the six months ended November 30, 1998 from net income of \$2.3 million for the comparable period in 1997. The decrease of \$477 thousand was due principally to lower operating income as discussed above.

Net income for the six months ended November 30, 1998 increased to \$1.9 million from \$1.7 million for the same period ended November 30, 1997. The increase was due to the loss recorded for the six

months ended November 30, 1997 related to discontinued operations.

## Liquidity and Capital Resources

The Company has financed its operations recently with cash generated by operations and advances under the Company's credit facility. The Company has a credit facility, amended and restated October 22, 1998, with a commercial bank under which the Company may borrow a total of \$30.0 million. The Company may borrow up to \$20 million under a revolving credit agreement based on the level of the Company's eligible receivables. The agreement provides for interest at the Prime Rate or a LIBOR based option, and matures on October 31, 2000. At November 30, 1998, the interest rate was 6.3% and the outstanding advances under the revolver totaled \$4.5 million. The original credit facility also provided for a term loan up to \$10 million. On March 1, 1998, a term loan in the original amount of \$10.0 million was made to the Company and was due on February 28, 2003 and was to be repaid in 60 equal payments that began on March 1, 1998. The amended agreement term loan amount is restated at \$8.8 with the repayment schedule and due date remaining the same per the original agreement. The term loan is at a fixed rate of 7.5% established in an interest rate swap agreement entered into with the bank on February 1, 1998. The outstanding balance of the term loan at November 30, 1998 was \$8.5 million.

Operations of the Company provided \$7.0 million of cash for the three months ended November 30, 1998 as compared with cash used by operations of \$993 thousand for the three months ended November 30, 1997, representing an increase of approximately \$8.0 million. The increase was due to an increase in costs in excess of billings of \$2.6 million, an increase in billings in excess of costs of \$4.4 million, an increase in tax and other accruals of \$9.0 million offset by decrease in accounts receivable of \$3.6 million and a decrease in accounts payable of \$4.1 million. The decrease in accounts payable is in part due to a change in Company policy of paying suppliers somewhat earlier to help negotiate better pricing with the Company vendors.

Capital expenditures during the three-month period ended November 30, 1998 totaled approximately \$1.6 million. Of this amount, \$424 thousand was used to purchase trucks for field operations and \$691 thousand was used to purchase welding, construction and fabrication equipment. The Company also invested \$523 thousand in computer equipment for operations and automated drafting. The Company has budgeted approximately \$4.5 million for the remainder of fiscal 1999 for capital expenditures including a new enterprise-wide management information system.

The Company believes that its existing funds, amounts available for borrowing under its credit facility, and cash generated by operations will be sufficient to meet the Company's working capital needs at least through fiscal 1999 and possibly thereafter unless significant expansions of operations not now planned are undertaken, in which case the Company anticipates it would arrange additional financing as a part of any such expansion.

## Other

### Year 2000 Impact

The Year 2000 issue creates a significant problem with business automation for businesses, government agencies, and all computer users. A significant number of applications in use today use two digit years and can fail between now and January 1, 2000.

State of Readiness. The Company is sensitive to the growing concern associated with the inception of the new millennium and its impact on the business marketplace. In an effort to retain its ability to provide on-going quality products and services to its customers, the Company is actively pursuing Year 2000 compliance for all of its computer systems.

Assessment. The Company has completed its inventory and assessment efforts, which included a comprehensive review of its business systems. The assessment focused on the identification of automated business areas and electronic processes.

Based on assessment results, the Company has determined that it will be required to modify, upgrade or replace only a limited

number of its systems so that its business areas will function properly with respect to dates in the year 2000 and thereafter.

The Company estimates the impact of Year 2000 issues on non-IT Systems to have no material impact on the operations of the business. Non-IT Systems include systems with embedded technology containing programmed instructions running via processor chips.

**Project Timetable.** The Company believes that with the planned modifications to existing software and conversions to new software, the Year 2000 issue will not pose significant operation problems for its computer systems.

The Company has minimal third party interface systems; however, communications have been initiated with significant suppliers and large customers to determine the extent to which the Company's systems are vulnerable to those third parties' failure to remediate their own Year 2000 issues.

The Company has completed its inventory and assessment activities. Of the systems identified more than 50% have been remedied and implemented into the production environment. The Company expects that the remaining systems will be upgraded, tested and implemented by the fourth quarter of fiscal 1999, which is prior to any anticipated impact on its operating systems.

**Anticipated Cost.** The anticipated costs of the Year 2000 project has been estimated at \$200 thousand, of which approximately 40% will be capitalized. The remaining 60% is being expensed as incurred and is not expected to have a material effect on the results of operations. Any non-compliant hardware is dated and would ordinarily be scheduled for replacement.

**Contingency Plans.** Despite the best planning and execution efforts, the Company is working from the premise that some issues will not be uncovered, and that some issues that are uncovered will not be successfully resolved. In an effort to manage and mitigate this risk exposure, the Company has developed a risk management and contingency plan for its critical operations.

In addition to the Company's remediation strategy, a new enterprise-wide management information system has been purchased as a replacement for the core financial and operational systems. The project is scheduled to begin during the third quarter of fiscal 1999 and has an estimated duration of nine months. The scope of this project has been maintained separately and independent of the Year 2000 efforts. If the existing remediation strategy fails, this project could be escalated to mitigate any material business disruptions.

While the Company believes its efforts are adequate to address its Year 2000 issues, there can be no guarantee that all Year 2000 issues will be anticipated and corrected and that the systems of other companies on which the Company's systems and operations rely will be converted on a timely basis; failure of all significant Year 2000 issues to be corrected could have a material adverse effect on the Company.

#### Certain Factors Influencing Results and Accuracy of Forward-Looking Statements

This Quarterly Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933. Discussions containing such forward-looking statements may be found in the material set forth under "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as within the Quarterly Report generally. In addition, when used in this Quarterly Report, the words "believes", "anticipates", "expects" and similar expressions are intended to identify forward-looking statements.

In the normal course of its business, the Company, in an effort to help keep its stockholders and the public informed about the Company's operations, may from time to time issue certain statements, either in writing or orally, that contain or may contain forward-looking information. Generally, these statements relate to business plans or strategies, projected or anticipated benefits or other consequences of such plans or strategies, or projections involving anticipated revenues, earnings or other aspects of operating results. Such forward-looking statements are

subject to a number of risks and uncertainties. As noted elsewhere in this Quarterly Report and the Annual Report (10K) for the year ended May 31, 1998, all phases of the Company's operations are subject to a number of uncertainties, risks and other influences, many of which are beyond the control of the Company, and any one of which, or a combination of which, could materially affect the results of the Company's operations and whether forward-looking statements made by the Company ultimately prove to be accurate.

Fluctuations in Quarterly Results. The operating results of hydrocarbon process services may be subject to significant quarterly fluctuations, affected primarily by the timing of planned maintenance projects at customers' facilities. Generally, the Company's turnaround projects are undertaken in two primary periods-February through May and September through November-when refineries typically shut down certain operating units to make changes to adjust to seasonal shifts in product demand. As a result, the Company's quarterly operating results can fluctuate materially. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company."

## PART II

### OTHER INFORMATION

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

The Company's annual meeting of stockholders was held in Tulsa, Oklahoma at 10:00 a.m. local time, on Wednesday, October 28, 1998. Proxies for the meeting were solicited pursuant to Regulation 14 under the Securities Exchange Act of 1934, as amended. There was no solicitation in opposition to the nominees for election as directors as listed in the proxy statement, and all nominees were elected.

Out of a total of 9,571,638 shares of the Company's common stock outstanding and entitled to vote, 9,166,208 shares were present at the meeting in person or by proxy, representing approximately 95.4 percent. Matters voted upon at the meeting were as follows:

Election of six directors to serve on the Company's board of directors. Messrs. Rinehart, Lee, Bradley, Peterson, Wood and Zink were elected to serve until the 1999 Annual Meeting. The vote tabulation with respect to each nominee was as follows:

Nominee	For	Authority Withheld
Martin L. Rinehart	9,139,984	26,224
C. William Lee	9,140,084	26,124
Hugh E. Bradley	9,133,684	32,524
Robert A. Peterson	9,133,534	32,674
William P. Wood	9,140,084	26,124
John S. Zink	9,139,984	26,224

There were 9,151,359 shares voted for the ratification of the appointment of Ernst & Young LLP as the Company's independent public accountants, with 9,199 shares voted against, 5,650 abstentions, and zero broker non-votes.

#### ITEM 6. Exhibits and Reports on Form 8-K:

Exhibit 10 - Fourth Amendment to Credit Agreement, dated October 22, 1998, by and among the Company and its subsidiaries, and Bank One, Oklahoma, N. A.

Exhibit 11 - Computation of earnings per share.

Exhibit 27 - Financial Data Schedule.

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: January 11, 1999

By: /s/Michael J. Hall  
-----  
Michael J. Hall  
Vice President-Finance  
Chief Financial Officer

AMENDED AND RESTATED CREDIT AGREEMENT

THIS AMENDED AND RESTATED CREDIT AGREEMENT ("Amendment") is made and entered into effective as of the 22nd day of October, 1998 (the "Effective Date"), by and among MATRIX SERVICE COMPANY, a Delaware corporation (hereinafter referred to as "Matrix"), MATRIX SERVICE, INC., an Oklahoma corporation (hereinafter to as "MSI"), MIDWEST INDUSTRIAL CONTRACTORS, INC., a Delaware corporation (hereinafter referred to as "MIC"), MATRIX SERVICE MID-CONTINENT, INC., an Oklahoma corporation (hereinafter referred to as "MSM"), PETROTANK EQUIPMENT, INC., an Oklahoma corporation (hereinafter referred to as "PEI"), TANK SUPPLY INC., an Oklahoma corporation (hereinafter referred to as "TSI"), SAN LUIS TANK PIPING CONSTRUCTION CO., INC., a Delaware corporation (hereinafter referred to as "SLT"), COLT CONSTRUCTION CO., INC., a Delaware corporation (hereinafter referred to as "CCC"), MIDWEST INTERNATIONAL, INC., a Delaware corporation (hereinafter referred to as "MII"), BROWN STEEL CONTRACTORS, INC., a Georgia corporation (hereinafter referred to as "BSC"), BROWN TANKS, INC., a Georgia corporation (hereinafter referred to as "BTI"), AQUA TANKS, INC., a Georgia corporation (hereinafter referred to as "ATI"), WEST COAST INDUSTRIAL COATINGS, INC., a California corporation (hereinafter referred to as "WCI"), MIDWEST SERVICE COMPANY, a Delaware corporation (hereinafter referred to as "MSC"), MATRIX SERVICE, INC. (CANADA), an Ontario corporation (hereinafter referred to as "MSIC"), MAYFLOWER VAPOR SEAL CORPORATION, an Oklahoma corporation (hereinafter referred to as "MVS"), GENERAL SERVICE CORPORATION, a Delaware corporation (hereinafter referred to as "GSC"), MAINSERV-ALLENTECH, INC., a Delaware corporation (hereinafter referred to as "MA"), MAINTENANCE SERVICES, INC., a Delaware corporation (hereinafter referred to as "MSERV"), and BANK ONE, OKLAHOMA, N.A., successor in interest to LIBERTY BANK AND TRUST COMPANY OF TULSA, NATIONAL ASSOCIATION (hereinafter referred to as the "Bank"). Matrix, MSI, MIC, MSM, PEI, TSI, SLT, CCC, MII, BSC, BTI, ATI, WCI, MSC, MSIC, MVS, GSC, MA and MSERV are hereinafter collectively referred to as the "Borrowers" and individually as a "Borrower."

RECITALS

A. The Bank and certain of the Borrowers are parties to that certain Credit Agreement dated August 30, 1994, as amended by that certain First Amendment to Credit Agreement dated June 19, 1997 (the "First Amendment"), as amended by that certain Second Amendment to Credit Agreement dated September 15, 1997, and as further amended by that certain Third Amendment to Credit Agreement dated as of March 1, 1998 (hereinafter collectively referred to as the "Existing Credit Agreement"), pursuant to which the Bank has established certain credit facilities in favor of the Borrowers, as more particularly described therein.

B. Pursuant to the Existing Credit Agreement, the Bank has established the following credit facilities in favor of the Borrowers: (i) the Revolving Credit Facility in the original principal amount of \$20,000,000.00, and (ii) the Term Loan Facility in the original principal amount of \$10,000,000.00, pursuant to which the Borrowers executed and delivered: (a) that certain Revolving Note dated March 1, 1998, payable to the order of the Bank in the original principal amount of \$20,000,000.00 (the "Existing Revolving Note"), and (b) that certain Term Note dated March 1, 1998, payable to the order of the Bank in the original principal amount of \$10,000,000.00 (the "Existing Term Note").

C. The Borrowers have requested that the Bank: (i) renew, extend and replace the Existing Revolving Note with a replacement Revolving Note, (ii) modify the calculation of the Borrowing Base, (iii) modify certain financial covenants regarding minimum tangible net worth, minimum net working capital, debt service coverage ratios and limitations on capital expenditures, and (iv) remove Georgia Steel Acquisition Corporation, Georgia Steel Fabricators, Inc., Heath Engineering, LTD., and Heath (Tank Maintenance) Engineering, LTD., as Borrowers and add BTI, ATI and MSIC as Borrowers.

D. The Bank has agreed to the foregoing, subject to the terms and conditions hereinafter set forth.

NOW THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and adequacy of

which are hereby acknowledged, and subject to the terms and conditions set forth herein, the parties hereby amend and restate the Existing Credit Agreement in its entirety to read as of the Effective Date as follows:

## 1. TERMS DEFINED IN THE CREDIT AGREEMENT.

1.1 Terms Defined Above. The terms defined above shall have the respective meanings set forth in the preamble and recitals above.

1.2 Certain Definitions. As used herein, the following terms shall have the meanings indicated below (unless the context otherwise requires):

**Accounts.** "Accounts" shall mean and include all accounts (as such term is defined in Article 9 of the UCC) of the Borrowers, of every nature, whether now existing or hereafter arising, including, without limitation, all accounts receivable and other rights to payment for goods sold or leased or for services rendered.

**Accounts Aging Report.** "Accounts Aging Report" shall mean a written report to be delivered by the Borrowers pursuant to Subsection 6.2(b) hereof, substantially in the form of Exhibit "G" attached to the Existing Credit Agreement.

**Advance.** "Advance" shall mean a cash loan from the Bank to the Borrowers under the Revolving Credit Facility.

**Affiliate.** "Affiliate" shall mean any Person who has a relationship with any of the Borrowers whereby either such Person or such Borrower directly or indirectly controls or is controlled by or is under common control with the other, or holds or beneficially owns five percent (5%) or more of the equity interest in the other or five percent (5%) or more of any class of voting securities of the other and, in addition, shall include all officers and directors of each of the Borrowers. "Affiliate" shall not include any employees of any of the Borrowers who are not officers or directors of any of the Borrowers.

**Agreement.** "Agreement," and such terms as "herein," "hereof," "hereto," "hereby," "hereunder" and the like shall mean and refer to this Amended and Restated Credit Agreement, together with any and all exhibits and schedules attached hereto or incorporated by reference from the Existing Credit Agreement, and any and all supplements, modifications or amendments hereto.

**Board.** "Board" shall mean the Board of Governors of the Federal Reserve System.

**Bonded Account.** "Bonded Account" shall mean any Account that is subject to, arises under or earned pursuant to a bonded construction contract, and is thereby subject to a bonded lien.

**Borrowing Base.** "Borrowing Base" shall mean, as of any determination date, eighty percent (80%) of Eligible Accounts.

**Borrowing Base and Compliance Certificate.** "Borrowing Base and Compliance Certificate" shall mean a written certificate to be delivered by Matrix on behalf of the Borrowers pursuant to Subsection 6.2(a) hereof, substantially in the form of Exhibit "F-1" attached hereto.

**Business Day.** "Business Day" shall mean that portion of any day, other than a Saturday, Sunday or legal holiday for commercial banks under the laws of the State of Oklahoma, during which the Bank is open for substantially all of its normal banking functions.

**Closing.** "Closing" shall mean the date and time, as provided in Subsection 4.1 hereof, on which the Loan Documents are executed and delivered by the appropriate parties thereto, all in form and substance satisfactory to the Bank.

**Collateral.** "Collateral" shall mean and include (i) all Accounts, (ii) all Inventory, (iii) all General Intangibles, (iv) all books, records, ledger cards, electronic data processing materials and other general intangibles relating to the foregoing property, and (v) all Proceeds of the foregoing property.

**Credit Facilities.** "Credit Facilities" shall mean, collectively,

the Revolving Credit Facility and the Term Loan Facility, and "Credit Facility" shall mean either one of the Credit Facilities.

Debt. "Debt" shall mean without duplication (i) all obligations of the Borrowers which, in accordance with GAAP, would be shown on their respective balance sheets as a liability (including, without limitation, obligations for borrowed money and for the deferred purchase price of property or services, and obligations evidenced by bonds, debentures, notes or other similar instruments); (ii) all rental obligations under leases required to be capitalized under GAAP; (iii) all guaranties (direct or indirect) and other contingent obligations of the Borrowers in respect of, or obligations to purchase or otherwise acquire or to assure payment of, Debt of other Persons; and (iv) Debt of other Persons secured by a Lien upon property owned by the Borrowers, whether or not assumed.

Default. "Default" shall mean the occurrence of any event or the existence of any circumstances which, but for the giving of notice or the passage of time, or both, would constitute an Event of Default.

Disbursement Request. "Disbursement Request" shall mean a written request for an Advance, substantially in the form of Exhibit "E-1" attached hereto.

Eligible Accounts. "Eligible Accounts" shall mean, as of any determination date, the aggregate unpaid balance (net of interest, finance charges and contra accounts) of Accounts (a) which arose from bona fide, outright sales of items of Inventory or from the performance of services by the Borrowers, (b) if arising from sales of items of Inventory, as to which the items of Inventory have been shipped for delivery, (c) which are based upon valid, enforceable and legally binding orders or contracts and invoiced in accordance with the terms of such orders or contracts, (d) for which the account debtors are unconditionally obligated to make payment, and (e) in and to which the Bank has a valid and perfected first priority security interest. The term shall exclude the following:

(i) Any Account which is in dispute or as to which any of the Borrowers has received notice that the account debtor claims right of rejection, return, recoupment, setoff, counterclaim, deduction or defense to payment;

(ii) Any Account which is subject to any assignment, adverse claim or Lien (except in favor of the Bank);

(iii) Any Account which is evidenced by, or as to which any of the Borrowers has received, a note, chattel paper, draft, check, trade acceptance or other instrument in payment thereof or obtained a judgment with respect thereto;

(iv) Any Account as to which the account debtor is an Affiliate;

(v) Any Account as to which the account debtor is a Governmental Authority if the Bank is unable to obtain a valid and perfected first priority security interest in such Account;

(vi) Any Account as to which the account debtor has died or is the subject of dissolution, liquidation, termination of existence, insolvency, business failure, receivership, bankruptcy, readjustment of debt, assignment for the benefit of creditors or similar proceedings;

(vii) Any Account which is due and payable more than thirty (30) days from the original invoice date or which remains unpaid for a period in excess of sixty (60) days beyond the original stated due date;

(viii) All Accounts which are due from any account debtor who owes Accounts ten percent (10%) or more of which remain unpaid for a period in excess of sixty (60) days beyond the original stated due date or ninety (90) days beyond the original invoice date;

(ix) The amount by which the aggregate Accounts due from account debtors who are Persons located in Canada exceed the total amount of \$500,000.00;

(x) Except as permitted in the immediately preceding sub-

paragraph (ix), any Account which is due from an account debtor who is a Person not located in the United States or which is payable in a currency other than U.S. Dollars (unless the Bank determines, in its sole discretion, to include such Account and the Bank shall have first received, at its option, a written opinion in form and substance, and from counsel for the Borrowers, satisfactory to the Bank reflecting that all necessary steps have been taken to render the Bank's Lien on such Account properly perfected and of first priority);

(xi) Any Account which is due to a Borrower whose principal place of business (chief executive office) is located outside the United States or which is incorporated or organized under the laws of a jurisdiction other than a state of the United States (unless the Bank determines, in its sole discretion, to include such Account and the Bank shall have first received, at its option, a written opinion in form and substance, and from counsel for the Borrowers, satisfactory to the Bank reflecting that all necessary steps have been taken to render the Bank's Lien on such Account properly perfected and of first priority);

(xii) If the aggregate Accounts due from any account debtor exceed twenty percent (20%) of the total Eligible Accounts outstanding as of any determination date, the amount by which such Accounts exceed twenty percent (20%) of the total Eligible Accounts;

(xiii) Any other Account as to which the Bank has made a determination, in the reasonable exercise of its discretion, that the prospects for collection are doubtful; and

(xiv) The amount by which all Bonded Accounts exceed eighteen percent (18%) of the net Eligible Accounts.

Environmental Laws. "Environmental Laws" shall mean all laws, statutes, ordinances, and regulations of any Governmental Authority pertaining to health, industrial hygiene or environmental conditions on, under, about, or in any way relating to any properties or assets of any Person including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. Sections 9601 et seq., as amended and in effect from time to time, and the Resource Conservation and Recovery Act of 1976, 42 U.S.C. Sections 6901 et seq., as amended and in effect from time to time.

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

Event of Default. "Event of Default" shall mean the occurrence of any of the events or the existence of any of the circumstances specified in Section 8 hereof.

GAAP. "GAAP" shall mean generally accepted accounting principles in effect from time to time, applied on a consistent basis throughout the periods involved, as set forth in the opinions of the Accounting Principles Board of the American Institute of Certified Public Accountants and/or Statements of the Financial Accounting Standards Board which may be applicable as of any determination date.

General Intangibles. "General Intangibles" shall mean and include (i) all general intangibles (as such term is defined in Article 9 of the UCC) of the Borrowers, of every nature, whether now owned or existing or hereafter arising or acquired, including, without limitation, all books, correspondence, credit files, records, computer programs, source codes, computer tapes, computer cards, computer disks, Permits, know-how, technologies, trade secrets, claims (including, without limitation, claims for income tax and other refunds), causes of action, choses in action, judgments, goodwill, patents, copyrights, brand names, trademarks, tradenames, service names, service marks, logos, licensing agreements, franchises, royalty payments, settlements, partnership interests (whether general, limited or special), interests in joint ventures, contracts, contract rights and monies due under any contract or agreement, (ii) all chattel paper of the Borrowers, whether now owned or existing or hereafter arising or acquired, and (iii) all papers and documents evidencing or constituting any of the foregoing.

Governmental Authority. "Governmental Authority" shall mean any

court or any administrative or governmental department, commission, board, bureau, authority, agency or body of any governmental entity, whether foreign or domestic, and whether national, federal, state, county, city, municipal or otherwise.

Indebtedness. "Indebtedness" shall mean and include all liabilities, obligations and indebtedness of the Borrowers to the Bank or an affiliate of the Bank, of every kind and description, now existing or hereafter incurred, direct or indirect, absolute or contingent, due or to become due, matured or unmatured, and whether or not of the same or a similar class or character as the Credit Facilities and whether or not currently contemplated by the Bank or the Borrowers, including, without limitation, (i) all Advances, and Letters of Credit (including interest accruing thereon and fees payable in respect thereof), (ii) all Reimbursement Obligations, (iii) all liabilities, obligations and indebtedness of the Borrowers to the Bank arising out of or relating to this Agreement, the Credit Facilities, the Notes, the L/C Agreements or any other of the Loan Documents, (iv) any overdrafts by any of the Borrowers on any deposit account maintained with the Bank, (v) any Interest Rate Swap with the Bank or affiliate of the Bank, and (vi) any and all extensions and renewals of any of the foregoing.

Interest Payment Date. "Interest Payment Date" shall mean, as to any Tranche, the last day of the Interest Period applicable thereto, provided that in the case of an Interest Period of six (6) months, "Interest Payment Date" shall also include the three (3) month anniversary of the commencement of that Interest Period.

Interest Period. "Interest Period" shall mean any interest period applicable to a Tranche as determined in accordance with the provisions of Subsection 2.6.3 hereof.

Interest Rate Swap. "Interest Rate Swap" means that certain ISDA Master Agreement dated as of February 1, 1998 between the Borrowers and the Bank (as the same may be from time to time amended, modified or supplemented) under which a fixed effective rate of interest is applicable to the outstanding principal balance under the Term Loan Facility.

Inventory. "Inventory" shall mean and include all inventory (as such term is defined in Article 9 of the UCC) of the Borrowers, now existing or hereafter acquired and wherever located, including, without limitation, (i) raw goods and raw materials, (ii) goods in process, (iii) finished goods, (iv) materials, supplies, containers, boxes and packaging materials, (v) materials used or consumed in the course of business, and (vi) all other goods held or stored for sale or lease or furnished or to be furnished under contracts of service.

L/C Agreement. "L/C Agreement" shall mean the Bank's standard form of "Application for Standby Letter of Credit" or "Application for Commercial Letter of Credit," as applicable, to be executed and delivered by each of the Borrowers in connection with each request for the issuance of a Letter of Credit pursuant to Subsection 2.4.1 hereof.

Letters of Credit. "Letters of Credit" shall mean, collectively, all standby and commercial letters of credit issued or to be issued from time to time by the Bank under the Revolving Credit Facility for the account of any of the Borrowers, as the same may be amended, supplemented and extended from time to time.

LIBOR Rate. "LIBOR Rate" shall mean, as of any determination date, the "London Interbank Offered Rates (LIBOR)" for one (1), three (3) or six (6) months, as applicable, as established by the Bank based upon the rates published on a daily basis in the "Money Rates" section of The Wall Street Journal (Southwest Edition).

LIBOR Tranche. "LIBOR Tranche" shall mean each portion of the Advances under the Revolving Credit Facility which the Borrowers designate as such pursuant to a Rate Election.

Lien. "Lien" shall mean any mortgage, pledge, lien, security interest, assignment, charge, restriction, claim, or other encumbrance, whether statutory, consensual or otherwise, which is granted, created or suffered to exist by the Borrowers on any of their Properties and which secures any Debt of the Borrowers.

Loan Documents. "Loan Documents" shall mean this Agreement, the Notes, the Security Agreements, the Lockbox Agreement, the L/C Agreements, the Interest Rate Swap and all other instruments and documents executed or issued, or to be executed or issued, in favor of the Bank pursuant hereto or in connection with the Credit Facilities and/or the Collateral, and all amendments, modifications, extensions and renewals of any of the foregoing.

Lockbox Agreement. "Lockbox Agreement" shall mean the Bank's standard form of lockbox agreement to be executed by the Borrowers pursuant to Subsection 3.3 hereof, as the same may be amended, modified, supplemented, renewed or extended from time to time.

Material Adverse Effect. "Material Adverse Effect" shall mean any circumstance or set of events which (i) has or could reasonably be expected to have any adverse effect whatsoever on the validity, enforceability or performance of the Loan Documents, (ii) does or could reasonably be expected to reduce the Borrowers' consolidated tangible net worth (determined in accordance with GAAP) or the Borrowers' consolidated net income by more than \$500,000.00, (iii) does or could reasonably be expected to impair the ability of the Borrowers to fulfill their collective obligations under the terms and conditions of the Loan Documents, or (iv) causes or creates a Default.

Notes. "Notes" shall mean, collectively, the Revolving Note and the Term Note, and "Note" shall mean either one of the Notes.

PBGC. "PBGC" shall mean the Pension Benefit Guaranty Corporation, as established pursuant to Section 4002 of ERISA, and any successor thereto or substitute therefor under ERISA.

Permit. "Permit" shall mean any permit, certificate, consent, franchise, concession, license, authorization, approval, filing, registration or notification from or with any Governmental Authority or other Person.

Performance Bond. "Performance Bond" shall mean any bid bond or performance bond posted by any of the Borrowers as security for such Borrower's obligations arising in connection with the rendering of bids or the performance of services in the ordinary course of business, including bonds posted in support of workers' compensation obligations.

Permitted Liens. "Permitted Liens" shall mean the following Liens against the Properties of the Borrowers: (i) deposits to secure payment of worker's compensation, unemployment insurance and other similar benefits; (ii) Liens for property taxes not yet due; (iii) statutory Liens against which there are established reserves in conformity with GAAP and which (A) are being contested in good faith by appropriate legal proceedings or (B) arise in the ordinary course of business and secure obligations which are not yet due and not in default; (iv) Liens arising in connection with capitalized leases of equipment, (v) Liens in favor of the Bank; and (vi) Liens which are in existence on the date hereof and which are described on Schedule I attached hereto.

Person. "Person" shall mean any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, limited liability company, institution, entity, party or Governmental Authority.

Prime Rate. "Prime Rate" shall mean the "Prime Rate" as established by the Bank based upon the rates published on a daily basis in the "Money Rates" section of The Wall Street Journal (Southwest Edition).

Prime Tranche. "Prime Tranche" shall mean that portion of the outstanding Advances under the Revolving Credit Facility which is not made up of LIBOR Tranches.

Proceeds. "Proceeds" shall mean all proceeds of all or any portion of the Collateral within the meaning of Article 9 of the UCC, including, without limitation, (i) all proceeds of any insurance, judgment, indemnity, warranty or guaranty payable to or for the account of any of the Borrowers with respect to all or any portion of the Collateral, (ii) all proceeds in the form of accounts, collections, contract rights, documents, instruments,

chattel paper or general intangibles relating in whole or in part to the Collateral, and (iii) all payments, in any form whatsoever, made or due and payable to or for the account of any of the Borrowers in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any portion of the Collateral by any Governmental Authority.

Property. "Property" shall mean any asset or property, whether real, personal or mixed, tangible or intangible, which is now or at any time hereafter owned, operated or leased by any or all of the Borrowers.

Rate Election. "Rate Election" shall have the meaning set forth in Subsection 2.6.3 hereof.

Reimbursement Obligation. "Reimbursement Obligation" shall mean the joint and several obligation of the Borrowers arising under the UCC, the Uniform Customs and Practice for Documentary Credits (International Chamber of Commerce Publication No. 500, 1993 Revision), and the applicable L/C Agreement to reimburse the Bank upon its payment of drafts presented against any Letter of Credit.

Revolving Commitment. "Revolving Commitment" shall mean, as of any determination date, the lesser of (i) Twenty Million and No/100 Dollars (\$20,000,000.00), and (ii) the Borrowing Base in effect on such determination date.

Revolving Credit Facility. "Revolving Credit Facility" shall mean the revolving loan facility to be established by the Bank in favor of the Borrowers pursuant to Subsection 2.1.1 hereof.

Revolving Note. "Revolving Note" shall mean the replacement promissory note to be executed by the Borrowers in order to evidence all Advances made under the Revolving Credit Facility pursuant to Subsection 2.5.1 hereof, substantially in the form of Exhibit "A-1" attached hereto, as the same may be amended, modified, supplemented, renewed or extended from time to time.

Security Agreement. "Security Agreement" shall mean each security agreement executed by the Borrowers pursuant to Subsection 3.1 hereof, each substantially in the form of Exhibit "C" attached to the Existing Credit Agreement, as the same may be amended, modified, supplemented, renewed or extended from time to time.

Subsidiary. "Subsidiary" shall mean any Person in which any of the Borrowers jointly or individually own or control more than fifty percent (50%) of the outstanding equity interest.

Systems. "Systems" shall mean all devices, systems, machinery, information technology, computer software and hardware, and other date sensitive technology necessary for the Borrowers to carry on their business as presently conducted and as contemplated to be conducted in the future are Year 2000 Compliant or will be Year 2000 Compliant within a period of time calculated to result in no Material Adverse Effect on any of Borrowers" business operations taken as a whole.

Term Loan Facility. "Term Loan Facility" shall mean the term loan facility to be established by the Bank in favor of the Borrowers pursuant to Subsection 2.1.2 hereof.

Term Note. "Term Note" shall mean that promissory note executed by the Borrowers in order to evidence all the outstanding principal balance under the Term Loan Facility pursuant to Subsection 2.5.2 hereof, substantially in the form of Exhibit "B-1" attached hereto, as the same may be amended, modified, supplemented, renewed or extended from time to time.

Tranches. "Tranches" shall mean, collectively, the Prime Tranches and all LIBOR Tranches, and "Tranche" shall mean any of the Tranches.

UCC. "UCC" shall mean the Uniform Commercial Code of the State of Oklahoma, as amended and as in effect from time to time.

Year 2000 Compliant. "Year 2000 Compliant" shall mean that the Systems are designed to be used prior to, during and after the Gregorian calendar year 2000 A.D. and will operate during each such time period without error relating to date data,

specifically including any error relating to, or the product of, data data which represents or references different centuries or more than one century.

1.3 Accounting Terms. Accounting and financial terms used herein and not otherwise defined with respect to the Borrowers' financial statements and consolidated financial position shall have the meanings ascribed thereto pursuant to GAAP.

1.4 Terms Defined in UCC. Terms used herein that are defined in Article 9 of the UCC shall have the respective meanings set forth therein.

1.5 Interpretation. All terms defined herein in the singular shall include the plural, as the context requires, and vice-versa. Unless the context otherwise requires, all references herein to "the Borrowers" shall mean "the Borrowers, jointly and severally, and any one of the Borrowers, individually."

2. LENDING AGREEMENT. Subject to the terms and conditions of this Agreement and the Loan Documents, and in reliance upon the representations and warranties contained herein and therein:

#### 2.1 Credit Facilities.

2.1.1 Revolving Credit Facility. The Bank agrees to continue and extend a revolving credit facility, to be designated as the "Revolving Credit Facility," in an aggregate principal amount equal to the Revolving Commitment. The Revolving Credit Facility may be drawn upon by the Borrowers from time to time, in whole or in part, on or before October 31, 2000, by requesting an Advance in accordance with the provisions of Subsections 2.3.1 and 2.4.2 hereof, or the issuance of a Letter of Credit in accordance with the provisions of Subsection 2.4.1 hereof; provided, however, that the aggregate principal (or face) amount of all Advances and Letters of Credit at any one time outstanding under the Revolving Credit Facility shall not exceed the Revolving Commitment as of such date. The Revolving Credit Facility shall be a revolving facility, and the prepayment of Advances drawn and the expiration of Letters of Credit issued thereunder shall restore the amount available for reborrowing.

2.1.2 Term Loan Facility. The Borrowers acknowledge and agree that (i) the current outstanding principal balance of the Existing Term Note is \$8,833,333.31, (ii) none of the Borrowers has any defenses to payment, offsets, recoupments, deductions, or counterclaims with respect to the Existing Term Note or the Indebtedness evidenced thereby, and (iii) the Interest Rate Swap continues in effect and the Borrowers' obligations thereunder are reaffirmed. Bank agrees to continue the Term Loan and the Borrowers agree to execute and deliver a term note in the principal amount of \$8,833,333.31 in accordance with Subsection 2.5.2 hereof in replacement and continuation of, and in substitution for, the Existing Term Note. The making of principal payments, including prepayments, on the Term Loan Facility shall not restore the amount available for borrowing.

#### 2.2 Use of Proceeds.

2.2.1 Revolving Credit Facility. Advances under the Revolving Credit Facility shall be used by the Borrowers for the purposes of (i) providing working capital, and/or (ii) financing the Borrowers' corporate acquisition and capital expenditure activity.

2.2.2 Term Loan Facility. Proceeds of the Term Loan Facility shall be used by the Borrowers to fund general corporate purposes.

2.3 Borrowing Procedures. All Advances shall be made in accordance with the disbursement conditions and procedures set forth below.

2.3.1 Requests for Advances. The Borrowers shall make each request for an Advance either orally or in writing (by delivering to the Bank a properly completed and executed Disbursement Request) no later than 11:00 a.m., Tulsa time, on the requested date of disbursement; provided, however, that the Borrowers shall confirm all oral requests for Advances by delivering to the Bank a properly completed and executed Disbursement Request within

three (3) Business Days after the date of the oral request. Each request for an Advance shall specify (i) the requested date of disbursement (which shall be a Business Day), (ii) the amount of the requested Advance, (iii) whether the requested Advance will be included within the Prime Tranche or a LIBOR Tranche, and (iv) in the case of an Advance to be included within a LIBOR Tranche, the requested Interest Period. Each request for an Advance under the Prime Tranche shall be in a minimum amount of \$100,000.00 (unless the remaining availability under the Revolving Credit Facility is less than \$100,000.00) and in integral multiples of \$100,000.00 in excess of that amount, and each request for an Advance under a LIBOR Tranche shall be in a minimum amount of \$500,000.00 and in integral multiples of \$100,000.00 in excess of that amount.

2.3.2 Disbursements. Not later than 12:30 p.m., Tulsa time, on the date on which any Advance is requested to be made, the Bank shall credit the amount of the requested Advance to the account maintained by Matrix with the Bank. Notwithstanding any provision of this Agreement, the Bank shall not be required to make any Advance hereunder if any of the conditions precedent in Section 4 hereof has not been satisfied.

2.4 Letters of Credit. The Letters of Credit to be issued by the Bank under the Revolving Credit Facility shall be subject to the following terms and conditions:

2.4.1 Terms. Each Letter of Credit shall be either a standby or a commercial letter of credit for a proper business purpose, with a final expiration date not later than the termination of the Revolving Credit Facility. Each Letter of Credit shall be issued pursuant to and subject to the terms and conditions of a L/C Agreement, which shall be completed and executed by the Borrowers at least three (3) Business Days prior to the issuance of the applicable Letter of Credit.

2.4.2 Draws. In the event a draft drawn under (or purporting to be drawn under) any Letter of Credit is presented to the Bank for payment, the Bank shall promptly notify the Borrowers. At least one (1) Business Day prior to the date such draft is payable, the Borrowers shall advise the Bank either (i) that they intend to provide the Bank with funds sufficient to pay such draft on or before the date it is payable, or (ii) that the Bank is requested to make an Advance under the Revolving Credit Facility to pay the Bank for the amount of such draft. The latter option shall not be available to the Borrowers if there is not sufficient availability under the Revolving Commitment to make the requested Advance. Upon the Bank's payment of such draft through an Advance under the Revolving Credit Facility, the Borrowers shall be deemed to have borrowed from the Bank under the Revolving Credit Facility and the Bank shall record such amount as a Advance under the Revolving Note.

2.4.3 Release and Indemnification. The Bank shall be authorized to pay any draft drawn under any Letter of Credit upon its due presentation by the beneficiary thereof in accordance with its terms and conditions. The Borrowers jointly and severally agree to release the Bank and to indemnify and hold the Bank harmless from and against all liability, cost and expense resulting from or relating to its honor of any such draft. The Borrowers further agree that, in the event the Bank incurs any loss, cost or expense (including, without limitation, any loss of profit) as a result of any failure by the Borrowers to provide funds to the Bank sufficient to pay any draft drawn on any Letter of Credit prior to its due date (unless the Borrowers have properly requested an Advance under the Revolving Credit Facility prior to such date), the Borrowers will upon demand pay to the Bank such amount as will reimburse it for such loss, cost or expense.

2.4.4 Reimbursement. The Borrowers' Reimbursement Obligations shall be absolute and unconditional under any and all circumstances (except as provided below with respect to the gross negligence or willful misconduct of the Bank) and irrespective of any setoff, counterclaim or defense to payment which the Borrowers may have or have had against the Bank, including (i) any defense based upon the failure of any drawing under a Letter of Credit to conform to the terms of the Letter of Credit (other than a defense based upon the gross negligence or willful misconduct of the Bank in determining whether such drawing conforms to the terms of the Letter of Credit), or any non-application or misapplication by the beneficiary of the

proceeds of such drawing; (ii) any claim, setoff, defense or other right which the Borrowers may have at any time against a beneficiary named in a Letter of Credit, any transferee of any Letter of Credit, the Bank or any other person, whether in connection with this Agreement, any Letter of Credit, the transactions contemplated herein or any unrelated transactions (including any underlying transaction between the Borrowers and the beneficiary named in any such Letter of Credit); (iii) any claim, setoff, defense or other right which the Borrowers may have based upon any draft, certificate or any other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; or (iv) any other circumstance which might otherwise constitute a defense available to, or a discharge of, the Borrowers (other than the gross negligence or willful misconduct of the Bank). The Borrowers further agree that, in the absence of gross negligence or willful misconduct of the Bank, the Bank shall not be responsible for, and Borrowers' Reimbursement Obligations shall not be affected by, among other things, the validity or genuineness of documents or any endorsements thereon, even though such documents shall in fact prove to be invalid, fraudulent or forged or any dispute between or among the Borrowers and the beneficiary of any Letter of Credit or any other party to which such Letter of Credit may be transferred or any claims whatsoever of the Borrowers against any beneficiary of such Letter of Credit or any such transferee.

2.4.5 Advice of Credit. The Bank shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit, except for errors or omissions caused by the Bank's gross negligence or willful misconduct.

2.4.6 Obligation to Issue Letters of Credit. Notwithstanding any provision of this Agreement, the Bank shall not be required to issue any Letter of Credit hereunder if the conditions precedent set forth in Section 4 hereof have not been satisfied.

2.4.7 Maximum Amount of Outstanding Letters of Credit. Notwithstanding any provision of this Agreement, the maximum aggregate amount outstanding at any time under all Letters of Credit issued by the Bank hereunder shall not exceed Seven Million Five Hundred Thousand and No/100 Dollars (\$7,500,000.00).

## 2.5 Notes.

2.5.1 Revolving Note. The Advances from time to time outstanding under the Revolving Credit Facility shall be evidenced by the Revolving Note, which shall be jointly and severally made, executed and delivered by the Borrowers at the Closing. Notwithstanding the principal amount stated on the face of the Revolving Note, the actual principal due from the Borrowers on account of the Revolving Note shall be the sum of all Advances made by the Bank pursuant to the Revolving Credit Facility, less all principal payments actually received by the Bank in collected funds. All Advances and payments under the Revolving Credit Facility shall be recorded by the Bank in its books and records, and the unpaid principal balance so recorded shall be presumptive evidence of the principal amount owing under the Revolving Credit Facility.

2.5.2 Term Note. The outstanding unpaid balance under the Term Loan Facility shall be evidenced by the Term Note, which shall be jointly and severally made, executed and delivered by the Borrowers at the Closing in modification of and substitution for the Existing Term Note. All payments under the Term Loan Facility shall be recorded by the Bank in its books and records, and the unpaid principal balance so recorded shall be presumptive evidence of the principal amount owing under the Term Loan Facility.

2.6 Interest. The unpaid principal amounts from time to time outstanding under each of the Notes shall bear interest as follows:

2.6.1 Revolving Note. The unpaid principal amount of all Advances from time to time outstanding under the Revolving Note shall bear interest at a rate determined by reference to the Prime Rate or the LIBOR Rate, as selected by the Borrowers pursuant to a Rate Election made in accordance with the

provisions of Subsection 2.6.3 hereof, as follows:

(a) Advances included within the Prime Tranche shall bear interest at a fluctuating rate per annum equal to the Prime Rate minus one and one-quarter percent (1-1/4%).

(b) Advances included within each LIBOR Tranche shall bear interest at a rate per annum equal to the sum of the LIBOR Rate applicable to such LIBOR Tranche plus one and one-eighth percent (1-1/8%).

(c) In the event of any Event of Default and until cured to the satisfaction of the Bank, the unpaid principal amount of all Advances outstanding under the Revolving Note shall bear interest at a fluctuating rate per annum equal to the Prime Rate plus one and one-half percent (1-1/2%), adjusted as of the date of each change therein.

2.6.2 Term Note. The unpaid principal amount from time to time outstanding under the Term Note shall bear interest at the floating rate equal to the 30-day LIBOR Rate plus one and one-half percent (1-1/2%); provided, however, that in the event of any Event of Default and until cured to the satisfaction of the Bank, the unpaid principal amount outstanding under the Term Note shall bear interest at a fluctuating rate per annum equal to the Prime Rate plus two percent (2%), adjusted as of the date of each change therein.

2.6.3 Rate Elections; Interest Periods. In connection with each request for an Advance under the Revolving Credit Facility submitted pursuant to Subsection 2.3.1 hereof, or each request to continue or convert an existing Tranche (or portion thereof) under the Revolving Credit Facility pursuant to Subsection 2.6.4 hereof, the Borrowers shall notify the Bank whether such Advance or Tranche will be included within the Prime Tranche or within a LIBOR Tranche (a "Rate Election") and shall elect an interest period (each an "Interest Period") to be applicable to such Tranche, which Interest Period shall (i) in the case of Advances included within the Prime Tranche, be a one (1) month period, and (ii) in the case of Advances included within a LIBOR Tranche, be either a one (1), three (3) or six (6) month period; provided that:

(a) the Interest Period for any Advance shall commence on the date such Advance is disbursed pursuant to Subsection 2.3.2 hereof, and the Interest Period for any Tranche shall commence on the date such Tranche is converted or continued pursuant to Subsection 2.6.4 hereof;

(b) if any Interest Period would otherwise expire on a day which is not a Business Day, such Interest Period shall expire on the next succeeding Business Day;

(c) no Interest Period shall extend beyond October 31, 2000;

(d) the Borrowers shall make no Rate Election requesting inclusion of an Advance or Tranche within a LIBOR Tranche without specifying the applicable Interest Period;

(e) each Rate Election shall be irrevocable, and, if no Rate Election is made, the Advance or the Tranche, as the case may be, shall be included within the Prime Tranche;

(f) there shall be no limit to the maximum number of Tranches outstanding under the Revolving Credit Facility at any time; and

(g) notwithstanding any provisions herein to the contrary, the Borrowers may select an Interest Period of less than 30 days for Advances included within the Prime Tranche if such shorter period ends on October 31, 2000.

2.6.4 Continuation and Conversion Options. Subject to the limitations set forth in Subsection 2.6.3 hereof, the Borrowers may under the Revolving Credit Facility from time to time: (i) elect to continue, on the last day of the Interest Period therefor, any LIBOR Tranche (or any portion thereof) to a subsequent Interest Period, (ii) elect to convert, on the last day of the Interest Period therefor, any LIBOR Tranche in the Prime Tranche; or (iii) elect to convert, on any Business Day, the Prime Tranche (or any portion thereof) into a LIBOR Tranche. The Borrowers shall give the Bank irrevocable notice of each conversion or continuation either orally or in writing (by

delivering to the Bank a properly completed and executed Disbursement Request) no later than 5:00 p.m., Tulsa time, at least one (1) Business Day prior to the conversion or continuation date; provided, however, that the Borrowers shall confirm all oral conversion or continuation notices under the Revolving Credit Facility by delivering to the Bank a properly completed and executed Disbursement Request within three (3) Business Days after the date of the oral request. Each conversion or continuation notice shall specify (i) the proposed conversion or continuation date (which shall be a Business Day), (ii) the aggregate amount to be converted or continued, (iii) the nature of the proposed conversion or continuation, and (iv) in the case of conversion to or continuation as a LIBOR Tranche, the requested Interest Period. No LIBOR Tranche may be converted or continued (i) at any time other than on the last day of the Interest Period applicable thereto, or (ii) at any time that a Default or Event of Default has occurred and is continuing.

2.6.5 Computation of Interest. Interest on the outstanding amounts under each Note shall be computed on the basis of a year consisting of 360 days and for the actual number of days elapsed.

## 2.7 Fees.

2.7.1 Revolving Credit Facility Fee. On an annual basis until the date of termination of the Revolving Credit Facility, the Borrowers shall pay to the Bank a nonrefundable "Revolving Credit Facility Fee" in the amount of \$18,750.00. The "Revolving Credit Facility Fee" shall be payable on October 31, 1998 and on each October 31 thereafter.

2.7.2 Letter of Credit Fees. Upon the issuance of each Letter of Credit, the Borrowers shall pay to the Bank (i) a "Letter of Credit Fee" equal to the product of (A) in the case of a Letter of Credit in a face amount less than \$250,000.00, one and one-quarter percent (1-1/4%) of the face amount of the Letter of Credit, or (B) in the case of a Letter of Credit in a face amount equal to or greater than \$250,000.00, three-quarters of one percent (3/4 of 1%) of the face amount of the Letter of Credit, times a fraction, the numerator of which is the number of days which will elapse prior to the final maturity of the Letter of Credit and the denominator of which is the number 360, and (ii) all other usual and customary charges of the Bank for documentary credits, as provided in the applicable L/C Agreement.

## 2.8 Required Payments and Maturity.

### 2.8.1 Revolving Note.

(a) Required Payments. The Borrowers shall pay all unpaid accrued interest under the Revolving Note on each Interest Payment Date and on October 31, 2000. The entire outstanding principal balance under the Revolving Note, together with all unpaid interest accrued thereon, shall be due and payable in full on October 31, 2000.

(b) Maturity. The final maturity of the Revolving Note shall be October 31, 2000.

### 2.8.2 Term Note.

(a) Required Payments. Prior to maturity and on the first Business Day of each month beginning November 1, 1998, the principal amount of the Term Note shall be due and payable in fifty-three (53) consecutive monthly installments of One Hundred Sixty-Six Thousand Six Hundred Sixty-Six and 67/100 Dollars (\$166,666.67), together with all unpaid interest thereon calculated at the variable rate of interest applicable from time to time under the Term Note in accordance with the Interest Rate Swap.

(b) Maturity. The final maturity of the Term Note shall be February 28, 2003.

2.9 Optional Prepayments. The Borrowers may, at any time and from time to time, prepay the outstanding principal amount under any of the Notes, in whole or in part, without premium or penalty, provided, however, that any partial prepayment on any Note shall be accompanied by payment of all unpaid accrued interest. Notwithstanding the foregoing, amounts prepaid on the Term Note will be subject to the terms, conditions and

restrictions set forth in the Interest Rate Swap.

2.10 Mandatory Prepayments. If at any time the outstanding principal balance of the Revolving Note plus the total face amount of all outstanding Letters of Credit exceeds the Revolving Commitment, the Borrowers shall make an immediate mandatory prepayment of principal on the Revolving Note sufficient to reduce the principal balance of the Revolving Note to not more than the Revolving Commitment.

2.11 Making of Payments. All payments, including prepayments, of principal of, or interest on, the Notes shall be made to the Bank at its principal office in Tulsa, Oklahoma, on or before 2:00 p.m. (Tulsa time), on the date due, in immediately available funds. Whenever a payment is due on a day other than a Business Day, the due date shall be extended to the next succeeding Business Day and interest (if any) shall accrue during such extension.

2.12 Renewal and Extension. Between May 31 and September 30, 1999, and between May 31 and September 30 of each year thereafter, the Borrowers may submit a written request to the Bank to extend the termination date of the Revolving Credit Facility for an additional one (1) year period beyond the then stated maturity. The Bank shall give the Borrowers notice of its decision with respect to the Borrowers' request on or before October 31, 1999, and October 31 of each year thereafter, which decision shall be made by the Bank in the exercise of its sole, absolute and unconditional discretion. In the event that the Bank elects to renew and extend the Revolving Credit Facility pursuant to the Borrowers' request, the terms and provisions of this Agreement shall continue in full force and effect with respect to Revolving Credit Facility except as may otherwise be agreed in writing by the Borrowers and the Bank. Notwithstanding the foregoing, the Bank shall not be obligated, and nothing contained in this Agreement shall be construed as obligating the Bank, to agree or consent to any such renewal and extension.

2.13 Maximum Lawful Interest Rate. It is not the intention of the Bank or the Borrowers to violate the laws of any applicable jurisdiction relating to usury or other restrictions on the maximum lawful interest rate. The Loan Documents and all other agreements between the Borrowers and the Bank, whether now existing or hereafter arising and whether written or oral, are hereby limited so that in no event shall the interest paid or agreed to be paid to the Bank for the use, forbearance or detention of money loaned, or for the payment or performance of any covenant or obligation contained herein or in any other Loan Document, exceed the maximum amount permissible under applicable law. If from any circumstances whatsoever fulfillment of any provision hereof or of any other Loan Document, at the time the performance of such provision shall be due, shall involve transcending the limit of validity prescribed by law, then, ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity. If from any such circumstances the Bank shall ever receive anything of value deemed interest under applicable law which would exceed interest at the highest lawful rate, such excessive interest shall be applied to the reduction of the principal amount owing hereunder, and not to the payment of interest, or if such excessive interest exceeds any unpaid balance of principal, such excess shall be refunded to the Borrowers. All sums paid or agreed to be paid to the Bank for the use, forbearance or detention of monies shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such indebtedness until payment in full so that the rate of interest on account of such indebtedness is uniform throughout the term thereof. This Subsection 2.13 shall control every other provision of the Loan Documents and all other agreements between the Bank and the Borrowers contemplated thereby.

2.14 Appointment of Agent. Each of the Borrowers (other than Matrix) hereby designates and appoints Matrix as its sole and exclusive agent for the purposes of requesting and receiving Advances under the Credit Facilities hereunder, giving notices of Rate Elections or continuation or conversion notices hereunder, submitting reports and certificates hereunder and making payments or prepayments in accordance herewith.

3. COLLATERAL. To secure the Indebtedness, including, without limitation, all Advances outstanding under the Revolving Credit

Facility, all unpaid amounts outstanding under the Term Loan Facility, all Reimbursement Obligations under outstanding Letters of Credit and any obligation by any of the Borrowers owed to an affiliate of the Bank:

3.1 Collateral. The Borrowers have and shall continue to grant and maintain, or cause to be granted and maintained, in favor of the Bank at all times during the term of this Agreement and until the Indebtedness is paid and satisfied in full, a valid and perfected first priority security interest in and to the Collateral, free and clear of all other Liens. Toward that end, each of the Borrowers has executed and delivered, or upon the request of the Bank will execute and deliver, a Security Agreement, together with such UCC financing statements as the Bank has deemed or will deem necessary or advisable.

3.2 Reaffirmation and Execution of Security Agreements. By signing below, the Borrowers hereby ratify and reaffirm the Security Agreements and agree that the Security Agreements shall continue in full force and effect in accordance with their terms as security for payment and performance of all Indebtedness. Any of the Borrowers who were not party to the Existing Credit Agreement shall execute and deliver to the Bank a Security Agreement as security for payment and performance of the Indebtedness. Any of the Borrowers who were party to the Existing Credit Agreement that have changed their corporate name since their execution and delivery of a Security Agreement shall fully cooperate with the Bank in executing any amended financing statements to reflect the name change. All references to the term "Indebtedness" contained in the Security Agreements and other Loan Documents shall hereafter be deemed to include all liabilities, obligations and indebtedness of the Borrowers to the Bank arising out of or relating to the Credit Agreement as amended by this Agreement, the Notes and any other Loan Documents (including without limitation the Interest Rate Swap) and shall also secure any amounts now or hereafter due and payable by any of the Borrowers to the Bank or any Affiliate of the Bank.

3.3 Lockbox. Except as to the lockboxes or similar collection accounts currently in existence and utilized by BSC, ATI and BTI, the Borrowers have caused and shall continue to cause all payments from account debtors to be remitted directly to a "lockbox" maintained with the Bank or an affiliate of the Bank. Until further notice from the Bank, all payments remitted to such lockbox will be deposited by the Bank into an operating account maintained with the Bank by Matrix (subject to the Bank's established policies on availability of uncollected funds). The Borrowers have executed and delivered to the Bank the Lockbox Agreement.

3.4 Further Assurances. In order to provide the Bank with and to perfect the security interests required hereunder and to establish and maintain the priority of such security interests, free and clear of all other Liens whatsoever, each of the Borrowers has at its sole expense: (i) without any request from the Bank, delivered or cause to be delivered to the Bank, in due form for transfer, all Proceeds of Collateral consisting of promissory notes, Debt instruments, chattel paper, securities or the like, and all documents of title, if any, at any time representing all or any portion of the Collateral; and (ii) upon the request of the Bank, forthwith execute and deliver or cause to be executed and delivered to the Bank, in due form for filing or recording, such additional security agreements, instruments, agreements, assignments, financing statements and other documents, and do such other acts and things with respect to the Collateral, as the Bank may reasonably deem necessary or advisable.

#### 4. CONDITIONS OF LENDING

4.1 Closing. The Closing shall take place at the offices of the Bank in Tulsa on October 22, 1998, at 10:30 a.m., or at such other place, date and/or time as the parties shall agree.

4.2 Conditions to Initial Funding. The obligation of the Bank to enter into and perform under this Agreement and to make Advances is subject to the Borrowers' satisfaction of the following conditions precedent at or as of the date of the initial Advance under the Revolving Credit Facility:

(a) Loan Documents. This Agreement, the Notes, the Security

Agreements, the Lockbox Agreement and appropriate UCC-1 financing statements shall have been duly and validly authorized, executed, acknowledged (where appropriate) and delivered to the Bank, all in form and substance satisfactory to the Bank.

(b) Corporate Documents. With respect to each of the Borrowers, the Bank shall have received: (i) a true and correct copy of its Articles or Certificate of Incorporation, as amended; (ii) a true and correct copy of its Bylaws, as amended; (iii) a good standing certificate issued by the Secretary of State or equivalent public official of the state or jurisdiction of its incorporation, as to its due incorporation and good standing under the laws of such state or jurisdiction; and (iv) with respect to each Borrower not incorporated under the laws of the State of Oklahoma, a good standing certificate issued by the Oklahoma Secretary of State as to its due qualification and good standing as a foreign corporation under the laws of the State of Oklahoma.

(c) Resolutions. With respect to each of the Borrowers, the Bank shall have received a true and correct copy of the resolutions adopted by its Board of Directors duly authorizing the borrowings contemplated hereunder and the execution, delivery and performance of the Loan Documents to which it is a party.

(d) Incumbency Certificates. With respect to each of the Borrowers, the Bank shall have received a certificate executed by its duly elected and acting corporate secretary stating the names and titles and containing specimen signatures of the officers authorized to execute and deliver the Loan Documents to which it is a party.

(e) Lien Searches. The Bank shall have received certified responses to UCC lien search requests reflecting that there are no effective UCC financing statements on file in any filing office in the State of Oklahoma or any other states or jurisdictions in which any of the Borrowers maintains its principal place of business naming any of the Borrowers as debtor and covering the Collateral, other than (i) financing statements in favor of the Bank, and (ii) financing statements relating to Permitted Liens.

(f) Insurance Policies. The Bank shall have received copies of such insurance policies, or binders or certificates of insurance, in form and substance satisfactory to the Bank, evidencing that the Borrowers have obtained and are maintaining the minimum insurance coverages required by this Agreement.

(g) Other Matters. The Borrowers shall have provided the Bank with such reports, information, financial statements, and other documents as the Bank has reasonably requested to evidence the Borrowers' compliance with the terms and conditions of this Agreement and the Loan Documents.

(h) Legal Matters. All legal matters incident to the Loan Documents and the Credit Facilities shall be satisfactory to the Bank and its counsel.

4.3 Conditions to Advances Under Revolving Credit Facility. The obligation of the Bank to make any Advance under the Revolving Credit Facility is subject to the Borrowers' satisfaction of the following additional conditions precedent:

(a) Disbursement Request. The Bank shall have received a properly completed and executed Disbursement Request in accordance with the provisions of Subsection 2.3.1 hereof.

(b) Borrowing Base. The making of such Advance shall not cause the total outstanding principal balance of the Revolving Note, plus the total face amount of all outstanding Letters of Credit, to exceed the Revolving Commitment.

(c) Acquisition Information. With respect to any Advance to be used to finance a corporate acquisition by the Borrowers (or any one or more of them), (i) the Bank shall have been notified in writing of the proposed acquisition and provided with such information as the Bank deems necessary to enable the Bank to evaluate the terms of the acquisition, (ii) the Bank shall have consented to the terms of the acquisition, (iii) except as waived in writing by the Bank in connection with the acquisition of a corporation which is incorporated or organized under the laws of a jurisdiction other than the United States, the corporation to

be acquired shall have agreed to become a party to this Agreement and to become liable for the Indebtedness, and (iv) the corporation to be acquired shall have executed and delivered a Security Agreement and such other Loan Documents as the Bank deems necessary to grant in favor of the Bank a valid and perfected first priority security interest in and to its properties and assets to be included in the Collateral.

(d) Representations and Warranties. The representations and warranties set forth herein and in the other Loan Documents shall be true and accurate (except to the extent any representations or warranties as to the financial condition of the Borrowers relate solely to an earlier specified date).

(e) No Defaults. There shall not have occurred and be continuing any Default or Event of Default.

(f) No Violation. The making of such Advance shall not cause the Bank to be in violation of any statute or regulation or any order or decree of any Governmental Authority.

5. REPRESENTATIONS AND WARRANTIES. In addition to the other representations and warranties made herein, the Borrowers represent and warrant to the Bank that the following statements are and will be true and correct at all times until the Indebtedness is paid and satisfied in full:

5.1 Existence. Each of the Borrowers is a corporation, duly organized, validly existing and in good standing under the laws of the state or jurisdiction of its incorporation and is duly qualified to conduct business and in good standing under the laws of the State of Oklahoma and all other states or jurisdictions in which it does business. Each of the Borrowers is duly authorized, qualified and licensed under all applicable laws, regulations, ordinances and orders of public authorities to carry on its business as currently conducted and as contemplated to be conducted, or, if not, such noncompliance does not create or give rise to a Material Adverse Effect.

5.2 Validity and Binding Nature. The Loan Documents to which each of the Borrowers is a party constitute (or upon execution and delivery will constitute) its valid and legally binding obligations, enforceable in accordance with their respective terms (subject to any applicable bankruptcy, insolvency and similar laws affecting the enforcement of creditors' rights generally and subject to general principles of equity).

5.3 Conflicting Agreements and Restrictions. None of the Borrowers is a party to any contract or agreement or subject to any other restriction which has or is likely to have a Material Adverse Effect. Neither the execution and delivery by any of the Borrowers of the Loan Documents to which it is a party, nor fulfillment or compliance with the terms and provisions thereof, will (i) conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a default under, or result in any violation of any agreement, instrument, undertaking, judgment, decree, order, writ, injunction, statute, law, rule or regulation to which it is subject or by which its Properties are bound, (ii) result in the creation or imposition of any Lien on any Property now or hereafter owned by it pursuant to the provisions of any mortgage, indenture, security agreement, contract, undertaking or other agreement, except for security interests created in favor of the Bank, or (iii) require any authorization, consent, license, approval or authorization of or other action by, or notice or declaration to, or registration with, any Governmental Authority, or, to the extent that any such consent or other action may be required, it has been validly procured or duly taken.

5.4 Actions and Proceedings. There is no action or proceeding against or investigation of any of the Borrowers, pending or threatened, which questions the validity of any of the Loan Documents or which is likely to have a Material Adverse Effect.

5.5 Financial Condition. The audited consolidated financial statements of the Borrowers for the fiscal year ended May 31, 1998, and the unaudited consolidated financial statements of the Borrowers dated as of August 31, 1998, copies of which have been furnished to the Bank, are correct and complete and fairly present the consolidated financial position of the Borrowers as of the dates thereof. Such financial statements were prepared in

conformity with GAAP, and there has occurred no material adverse change in the financial condition of any of the Borrowers from the effective dates of such financial statements to the date hereof. None of the Borrowers has any contingent obligations, unusual or long-term commitments, unrealized or anticipated losses from any unfavorable commitment, or liabilities for taxes not reflected in such financial statements or in the notes thereto which are individually or in the aggregate substantial in relation to its financial position.

5.6 Ownership of Properties; Liens. Each of the Borrowers has good and marketable title to, or valid leasehold interests in, all of its Properties owned or used in connection with the operation of its business, including, without limitation, the Collateral, and none of such Properties is subject to any Lien of any kind other than Permitted Liens on Properties not included in the Collateral.

5.7 No Subsidiaries. Each of MSI, PEI, TSI, SLT, WCI, MSIC, BSC, MVS and MSC is a wholly-owned Subsidiary of Matrix, MSM is a Subsidiary of MSI, each of MIC, CCC, MII and National Piping Service, Inc., a Delaware corporation not presently active, is a Subsidiary of MSC, each of BTI and ATI is a Subsidiary of BSC, each of MA and MSERV is a Subsidiary of GSC, and Al Shafai-Midwest Constructors, Inc., a Saudi Arabian corporation, is a Subsidiary of MII. Except for the foregoing ownership interests of each of the Borrowers in the other Borrowers and other listed entities, none of the Borrowers shall take or cause to be taken any of the following actions which in the aggregate would cause or create a capital requirement, investment cost or other expense in excess of \$500,000.00: (i) create or acquire without the prior written consent of the Bank, any Subsidiaries, (ii) own any stock in any other corporation, or (iii) become without the prior written consent of the Bank, a partner or joint venturer in or equity owner of any partnership, joint venture or other business association.

5.8 Permits. Each of the Borrowers has all Permits and has made all governmental and regulatory filings, registrations and notifications (i) which are presently necessary for it to carry on its business as now being conducted or as contemplated to be conducted, (ii) which are presently necessary for it to own and operate its Properties as now owned and operated, or (iii) which if not obtained would have a Material Adverse Effect. All such Permits are or will be valid and subsisting, and none of the Borrowers is or will be in material violation of any such Permit.

5.9 No Defaults. None of the Borrowers is in default of or in breach under any material contract, agreement or instrument to which it is a party or by which it or any of its Properties may be bound.

5.10 ERISA. None of the Borrowers has incurred any "accumulated funding deficiency," as such term is defined in Section 302(a)(2) of ERISA, with respect to any employee pension or other benefit plan or trust maintained by or related to it, and none of the Borrowers has incurred any material liability to PBGC or otherwise under ERISA in connection with any such plan. No reportable event described in Sections 4042(a) or 4043(b) of ERISA has occurred.

5.11 No Violation of Applicable Law. Each of the Borrowers is in compliance in all material respects with all statutes, rules and regulations relating to its business and operations in all states and jurisdictions where it is currently doing business, including, without limitation, those relating to occupational health and safety standards, equal employment practices, labor relations and civil rights.

5.12 Environmental Laws. The Borrowers are in compliance in all material respects with all applicable Environmental Laws in all jurisdictions in which they are presently doing business, and none of the Borrowers is aware of any violation or claimed violation of any Environmental Law which has or is likely to have a Material Adverse Effect.

5.13 Taxes. Each of the Borrowers has filed all federal, state and provincial tax returns and all local, county and foreign tax returns required by law to be filed, and has paid all taxes, assessments and similar charges shown to be due and payable on said returns, to the extent that such taxes and assessments have

become due, except those being diligently contested by appropriate legal proceedings, in good faith, and against which adequate reserves have been established in conformity with GAAP. At the date of this Agreement, no extensions of time are in effect for assessments of deficiencies for federal income taxes of any of the Borrowers.

5.14 Compliance with Board Regulations. No part of the proceeds of any Advance will be used, and no part of any loan repaid or to be repaid with the proceeds of any Advance was or will be used, directly or indirectly, for the purpose of purchasing or carrying any margin security or margin stock within the meaning of Regulations G or U of the Board. The Properties of the Borrowers do not include any margin securities or margin stock, and none of the Borrowers has any present intention of acquiring any margin securities or margin stock.

5.15 Investment Company Act; Public Utility Holding Company Act. None of the Borrowers is (i) an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or (ii) a "holding company", a "subsidiary company" thereof or an "affiliate" of a "holding company" or of such a "subsidiary company", each within the meaning of the Public Utility Holding Company Act of 1935, as amended.

5.16 Common Enterprise. The Borrowers are engaged in the business of providing specialized on-site maintenance and construction services for petrochemical processing and petroleum refining and storage facilities. Such operations require financing on an integrated basis. Each of the Borrowers will derive benefits from the Advances, both in its individual capacity and as a member of the integrated group, since the successful operation and condition of each is dependent on the continued successful performance of the integrated group as a whole. Each of the Borrowers is solvent and after giving effect to each Advance will be solvent.

5.17 Survival of Representations. All representations and warranties made herein or in any other Loan Documents shall survive the delivery of the Notes and the making of any Advances, and any investigation at any time made by or on behalf of the Bank shall not diminish its right to rely thereon. All statements contained in any certificate or other instrument delivered by or on behalf of the Borrowers under or pursuant to this Agreement or any other Loan Documents or in connection with the transactions contemplated hereby or thereby shall constitute representations and warranties made hereunder.

5.18 Year 2000. The Borrowers represent and warrant as follows to the Bank that: (i) as of the date of any request for an Advance under the Revolving Credit Facility, (ii) as of the date of any renewal, extension or modification of the Revolving Credit Facility or the Term Loan Facility, and (iii) at all times the Bank's commitment to make Advances under the Revolving Credit Facility is outstanding:

(a) All Systems are Year 2000 Compliant or will be Year 2000 Compliant within a period of time calculated to result in no Material Adverse Effect on the Borrowers' collective business operations.

(b) The Borrowers have: (i) undertaken a detailed inventory, review and assessment of all areas within its business and operations that could be adversely affected by the failure of the Borrowers to be Year 2000 Compliant on a timely basis; (ii) developed a detailed plan and time line for becoming Year 2000 Compliant on a timely basis, and (iii) to date, implemented that plan in accordance with that timetable in all material respects.

(c) The Borrowers have made or will make on or before February 28, 1999, reasonable inquiry of each of its key suppliers, vendors, and customers, and has obtained reasonable confirmations from all such persons, as to whether such persons have initiated programs to become Year 2000 Compliant and on the basis of such confirmations, the Borrowers reasonably believe that all such persons will be or become so compliant. For purposes hereof, "key suppliers, vendors, and customers" refer to those suppliers, vendors and customers of the Borrowers whose business failure would, with reasonable probability, result in a material adverse change in the business, properties, condition (financial or otherwise), or prospects of the Borrowers. For purposes of this

paragraph, the Bank, as a lender of funds under the terms of the this Agreement, confirms to the Borrowers that the Bank has initiated its own corporate-wide Year 2000 program with respect to its lending activities.

(d) Based upon the Borrowers' review and to the best of their knowledge, the fair market value of all real and personal property, if any, pledged to the Bank as Collateral to secure the Indebtedness is not and shall not be less than currently anticipated or subject to substantial deterioration in value because of the failure of such Collateral to be Year 2000 Compliant.

6. AFFIRMATIVE COVENANTS. Until the Indebtedness has been paid in full and all of the Bank's obligations hereunder have been terminated, the Borrowers agree to perform or cause to be performed the following, unless the Bank shall otherwise consent in writing:

#### 6.1 Financial Statements and Other Reports.

(a) Annual Financial Statements and Reports. Within one hundred twenty (120) days after the end of each fiscal year, the Borrowers will furnish to the Bank a copy of the Borrowers' audited balance sheet as of the end of such year and audited statements of income, retained earnings, stockholders' equity and cash flows for such fiscal year, each prepared in conformity with GAAP on a consolidated basis and setting forth in each case, in comparative form, corresponding figures from the preceding fiscal year, all in reasonable detail and satisfactory in scope to the Bank. Such financial statements shall be duly certified by independent certified public accountants of recognized standing selected by the Borrowers and acceptable to the Bank.

(b) Quarterly Financial Reports and Reports. Within forty-five (45) days after the end of each fiscal quarter (including the last fiscal quarter), the Borrowers will furnish to the Bank a copy of the Borrowers' unaudited interim consolidated and consolidating financial statements, prepared in conformity with GAAP (except for normal accounting adjustments) and presented in a manner consistent with the audited financial statements required under Subsection 6.1(a) hereof and certified (subject to normal year-end adjustments) as to fairness of presentation, compliance with GAAP and consistency by the chief executive officer or chief financial officer of Matrix.

(c) Other Reports. The Borrowers will furnish to the Bank (i) as soon as practicable and in any event within one hundred twenty (120) days after the end of each fiscal year, copies of the Annual Report of each of the Borrowers filed with the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of its functions, on Form 10-K (including any financial statements incorporated by reference therein) for such fiscal year, (ii) as soon as practicable and in any event within forty-five (45) days after the end of each fiscal quarter (other than the last fiscal quarter), copies of the Quarterly Report of each of the Borrowers filed with the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of its functions, on Form 10-Q for such fiscal quarter, and (iii) promptly upon their becoming available, copies of all other regular and periodic reports including, without limitation, all periodic reports filed on Form 8-K, proxy statements and other materials filed by the Borrowers with the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of its functions.

6.2 Certificates and Reports. Within thirty (30) days after the end of each calendar month, the Borrowers will furnish to the Bank:

(a) Borrowing Base/Compliance Certificate. A completed Borrowing Base and Compliance Certificate, prepared as of the end of such month and certified by the chief executive officer or chief financial officer of Matrix.

(b) Accounts Aging Report. A completed Accounts Aging Report, prepared as of the end of such month and certified by the chief executive officer or chief financial officer of Matrix, setting forth (i) all Accounts of the Borrowers as of the end of such month, showing as to each account debtor (A) the total amount owing, (B) the current amount owing, and (C) the amounts past due

(including the aging, from the initial invoice date, thereof), and (ii) upon request from time to time by the Bank, all accounts payable of the Borrowers as of the end of such month, showing as to each account payable the name of the vendor or supplier, number of days outstanding, and current balance.

### 6.3 Other Reports and Notifications.

(a) Other Financial Information. Within ten (10) days after each request, the Borrowers will furnish the Bank with such other information concerning their respective businesses, operations and financial condition as may be reasonably requested from time to time by the Bank.

(b) Litigation. The Borrowers will promptly notify the Bank, but in any event within seven (7) days, after they know of any pending or threatened suit, action, investigation or administrative proceeding against or affecting any of the Borrowers or any of their Properties, including, without limitation, the Collateral, where the amount sued for or the value of the Property involved (notwithstanding any insurance coverage therefor) is \$500,000.00 or more.

(c) Notification of Liens. The Borrowers will promptly notify the Bank, but in any event within seven (7) days, after they know of the existence or asserted existence of any Lien on the Collateral or on any of its other assets and properties, excluding only Permitted Liens.

(d) Environmental Notices. The Borrowers will promptly notify the Bank, but in any event within seven (7) days, after they know of any violation or claimed violation of any Environmental Law which has or is likely to have a Material Adverse Effect.

(e) Events With Respect to ERISA. The Borrowers will promptly notify the Bank, but in any event within seven (7) days, after they know that any reportable event described in Sections 4042(a) or 4043(b) of ERISA has occurred with respect to any employee pension or other benefit plan or trust maintained by or related to the Borrowers or that PBGC has instituted or intends to institute proceedings under ERISA to terminate any such plan. Such notice shall contain (i) a certificate of the chief executive officer or chief financial officer of Matrix setting forth details as to such event and the action which the Borrowers propose to take with respect thereto, and (ii) a copy of any notice delivered by PBGC evidencing its intent to institute such proceedings. The Borrowers will also furnish to the Bank (or cause each plan administrator to furnish to the Bank) the annual report for each plan covered by ERISA maintained by or related to the Borrowers as filed with the U.S. Secretary of Labor not later than ten (10) days after the receipt of a request from the Bank in writing for such report.

(f) Other Notifications. The Borrowers will promptly notify the Bank, but in any event within seven (7) days, after they know that any of the following has occurred: (i) a Default or an Event of Default; (ii) any change in the assets, liabilities, financial condition, business, operations, affairs or circumstances of the Borrowers which might have a Material Adverse Effect; (iii) any material change in the accounting practices and procedures of the Borrowers, including a change in fiscal year; (iv) any change in the principal place of business of any of the Borrowers; or (v) any merger, consolidation or corporate reorganization permitted under Subsection 7.3 hereof.

6.4 Books and Records. Each of the Borrowers will maintain adequate and accurate books and records of account in conformity with GAAP. The Bank will have the right to examine and copy such books and records at its expense, and to discuss the affairs, operations, finances and accounts with the Borrowers' authorized officers, during business hours and upon reasonable notice.

6.5 Field Audits. The Borrowers will (i) permit and assist the Bank, through its authorized representatives, to conduct periodic field audits of the Borrowers and to review their operations, books and records, accounts receivable methods and controls, and other matters relating to the value and maintenance of the Collateral and the Borrowers' financial reporting, and (ii) afford any authorized representative of the Bank with access to any Property owned by them, during business hours and upon reasonable notice.

6.6 Taxes; Other Liens. Each of the Borrowers will pay when due all taxes, assessments, governmental charges or levies owing or payable by it, and will pay when due all claims for labor, materials, supplies, rent and other obligations which, if unpaid, might become a Lien against the Collateral or any of its other Properties, except to the extent any of the foregoing are being diligently contested in good faith by appropriate legal proceedings and against which there are established adequate reserves in conformity with GAAP.

6.7 Existence. Each of the Borrowers will maintain its corporate existence and will be duly qualified or licensed to conduct business and in good standing under the laws of each state or jurisdiction in which it does business.

6.8 Licenses and Permits. Each of the Borrowers will maintain all Permits (i) which are necessary for it to carry on its business as now being conducted or as contemplated to be conducted, (ii) which are necessary for it to own and operate its Properties, or (iii) which, if not obtained, would have a Material Adverse Effect.

6.9 Maintenance of Properties. Each of the Borrowers will maintain its Properties in good and workable condition, repair, and appearance, normal wear and tear excepted.

6.10 Compliance with Laws. Each of the Borrowers will comply, to the fullest extent required to prevent a Material Adverse Effect, with all statutes, laws, rules or regulations to which it is subject or by which its Properties are bound or affected, including, without limitation, (i) Environmental Laws (ii) those pertaining to occupational health and safety standards, (iii) those pertaining to equal employment practices, labor relations and civil rights, and (iv) those pertaining to its business or operations, except to the extent that any of the foregoing are being diligently contested in good faith by appropriate legal proceedings and against which there are established adequate reserves in conformity with GAAP.

6.11 Further Assurances. Each of the Borrowers will upon request cure or cause to be cured any defects or omissions in the execution and delivery of, or the compliance with, the Loan Documents or the conditions described in Section 4 hereof.

6.12 Reimbursement of Expenses. The Borrowers will pay or reimburse the Bank, either at the Closing or within ten (10) days after the Bank presents a statement therefor, for (i) all reasonable and customary out-of-pocket expenses incurred by the Bank in connection with the negotiation and preparation of this Agreement and the Loan Documents and the consummation of the transactions herein contemplated, including, without limitation, travel expenses, filing fees, recording costs, examinations of and certifications as to public records, and attorneys' fees (not to exceed \$7,500.00) and expenses, (ii) all reasonable out-of-pocket expenses of the Bank incurred in the performance of each periodic field audit conducted pursuant to Subsection 6.5 hereof, (iii) all reasonable and customary out-of-pocket expenses incurred by the Bank in connection with the administration of this Agreement and the Loan Documents, including, without limitation, attorneys' fees and expenses incurred in connection with (A) any amendment, modification, interpretation, termination, waiver or consent with respect to this Agreement or the other Loan Documents, or (B) any action taken by the Bank to protect or defend the Collateral, and (iv) upon the occurrence of any Event of Default, all amounts reasonably expended, advanced or incurred by the Bank (A) after notice to the Borrowers, to satisfy any obligation of the Borrowers under the Loan Documents, or (B) to collect upon the Notes or any other obligations included in the Indebtedness, or (C) to enforce the rights of the Bank under the Loan Documents or to collect, foreclose, or otherwise realize upon the Collateral, which amounts will include all court costs, attorneys' fees, fees of auditors and accountants, and investigation expenses reasonably incurred by the Bank in connection with any such matters. All of the foregoing charges and expenses shall be considered Indebtedness for purposes of this Agreement and if not paid when due shall thereafter bear interest at the Prime Rate, plus two percent (2%), until paid.

6.13 Access. Upon reasonable request and at any reasonable time,

each of the Borrowers will permit any officer, employee or authorized representative of the Bank to enter upon its premises and inspect the Collateral or any of its other Properties, and to project test the Borrowers' Systems to determine if they are Year 2000 Compliant in an integrated environment.

6.14 Insurance. The Borrowers will at all times maintain in full force and effect, with insurance companies satisfactory to the Bank, insurance policies in amounts and against risks consistent with insurance coverage customarily or typically maintained by similar businesses which are similarly situated. Without limiting the foregoing, such insurance coverage: (i) will provide the Borrowers with comprehensive general liability insurance against loss or damage from hazards and risks to the person, rights and property of others in amounts not less than \$10,000,000.00 per occurrence, (ii) will name the Bank as an additional named insured or loss-payee, as may be appropriate, and (iii) will provide that no adverse alteration or cancellation thereof shall be effective as against the Bank until thirty (30) days after written notice of such alteration or cancellation is given to the Bank. If requested, the Borrowers will furnish the Bank with copies of all insurance policies in effect and evidence of premium payment thereon. The Borrowers will not commit or suffer to be committed any act whereby any insurance required hereunder will or may be suspended, impaired or defeated, nor suffer or permit its Properties to be used in a manner not permitted under any applicable insurance policy then in effect. The Borrowers shall notify the Bank at least fifteen (15) days prior to making any change in the insurance company or companies providing the insurance coverage required hereunder.

6.15 Environmental Compliance. Each of the Borrowers will operate and maintain its Properties and conduct its business and operations in compliance with all applicable Environmental Laws to the fullest extent required to avoid a Material Adverse Effect. Each of the Borrowers agrees to protect, indemnify and hold harmless the Bank and its directors, officers, employees, and agents from and against all loss, damage, cost, expense or liability (including attorney's fees and costs) directly or indirectly arising out of or attributable to any breach by any of the Borrowers of any Environmental Laws. The obligation of the Borrowers to indemnify the Bank under this Subsection 6.15 shall survive the repayment of the Indebtedness, the release of the Loan Documents or the release of any Lien.

6.16 Year 2000 Compliance. The Borrowers agree to:

(a) Furnish such additional information, statements and other reports with respect to the Borrowers activities, course of action and progress towards becoming Year 2000 Compliant as the Bank may request from time to time.

(b) In the event of any change in circumstances that causes or will likely cause any of the Borrowers' representations and warranties with respect to its being or becoming Year 2000 Compliant to no longer be true (hereinafter, referred to as a "Change in Circumstances") then the Borrowers shall promptly, and in any event within ten (10) days of receipt of information regarding a Change in Circumstances, provide the Bank with written notice (the "Notice") that describes in reasonable detail the Change in Circumstances and how such Change in Circumstances caused or will likely cause Borrowers' representations and warranties with respect to being or becoming Year 2000 Compliant to no longer be true. The Borrowers shall, within ten (10) days of a request, also provide the Bank with any additional information the Bank requests of the Borrowers in connection with the Notice and/or a Change in Circumstances.

7. NEGATIVE COVENANTS. Until the Indebtedness has been paid in full and all of the Bank's obligations hereunder have been terminated, the Borrowers will not perform or permit to be performed any of the following acts, unless the Bank shall otherwise consent in writing:

7.1 Creation or Existence of Liens. None of the Borrowers will create, assume or suffer to exist any Lien on any of the Collateral or, except for Permitted Liens, any of its other Properties.

7.2 Sale of Assets. None of the Borrowers will sell, transfer, convey or otherwise dispose of, whether pursuant to a single

transaction or a series of transactions: (i) the Collateral, or any portion thereof; or (ii) more than five percent (5%) in value of its other Properties. Notwithstanding the foregoing: (i) the Borrowers may sell their Inventory and collect their Accounts in the ordinary course of business; and (ii) the Borrowers may sell Properties not included in the Collateral if (A) such Properties are no longer used or useful in their respective businesses, (B) any such sale, transfer or other disposition is for a price not less than the fair market value of any such Properties and is made pursuant to commercially reasonable terms and conditions, and (C) such sales, transfers and dispositions do not create a Default or Event of Default under any other provision of this Agreement.

7.3 Mergers, Consolidations and Reorganization. None of the Borrowers will (i) merge or consolidate with any Person (or enter into any merger or consolidation agreement or plan), or permit any such merger or consolidation with it, or (ii) adopt or effect any plan of reorganization, recapitalization, liquidation or dissolution; provided, however, that this Subsection 7.3 shall not prohibit one or more of the Borrowers from merging or consolidating with each other or otherwise effecting an internal corporate reorganization so long as the surviving or resulting corporation(s) continues the respective businesses and operations of the Borrowers and remains liable for the Indebtedness and compliance with the provisions of this Agreement.

7.4 Loans to and Transactions with Affiliates.

(a) Loans. Except in the ordinary course of and pursuant to the reasonable requirements of its business and upon fair and reasonable terms no less favorable to it than would exist in a comparable transaction with a Person other than an Affiliate, none of the Borrowers will make or suffer to exist any loan, advance or other extension of credit, directly or indirectly, to or for the benefit of any Affiliate.

(b) Other Transactions. None of the Borrowers will enter into any other transaction with any Affiliate including, without limitation, any purchase, sale or exchange of property or the rendering of any services, except in the ordinary course of and pursuant to the reasonable requirements of its business and upon fair and reasonable terms no less favorable to it than would exist in a comparable transaction with a Person other than an Affiliate.

7.5 Limitation on Debt. None of the Borrowers will create, incur or suffer to exist any Debt, except for (i) Advances and Letters of Credit under the Credit Facilities, (ii) current accounts payable arising in the ordinary course of business which are not in default and which are not evidenced by any promissory note or other instrument, and (iii) other Debt not in excess of \$1,000,000.00 in the aggregate at any time outstanding and not secured by a Lien, except for Permitted Liens. Notwithstanding the foregoing, a Borrower may post Performance Bonds pursuant to the reasonable requirement of its business.

7.6 Limitation on Contingent Debt. Except for the Borrowers' existing commitment with respect to Al Shafai-Midwest Constructors, Inc., a Saudi Arabian corporation, none of the Borrowers will, directly or indirectly, guarantee, co-sign, agree to purchase or repurchase or provide funds in respect, or otherwise become or remain liable with respect to indebtedness of any character of any Person, including any Affiliate, provided, however, that Matrix may directly guarantee the indebtedness of a Subsidiary, unless the total amount of outstanding indebtedness guaranteed by Matrix shall exceed \$1,000,000.00 in the aggregate, at which time any additional guaranty by Matrix shall require the prior written consent of the Bank.

7.7 Acquisitions/Investments. Except as otherwise permitted under Subsection 5.7 hereof, none of the Borrowers will (i) form or acquire any additional Subsidiaries, (ii) acquire any stock in any other corporation, (iii) become a partner or joint venturer in or equity owner of any partnership, joint venture or other business entity, (iv) acquire all or substantially all of the assets or properties of any other Person; or (v) make or suffer to exist any investment in any other Person, other than short-term direct obligations of the United States of America, readily marketable commercial paper rated A2 or better by Standard & Poor's Corporation (or an equivalent rating by another

rating agency which rates commercial paper), and federally insured certificates of deposit issued by one or more financial institutions.

7.8 Changes in Nature of Business. Except as permitted under Subsection 7.3 hereof, none of the Borrowers will discontinue its business or enter into any business or line of business which is not related to any business or line of business currently conducted by the Borrowers.

7.9 Dividends and Distributions. None of the Borrowers will: (i) declare, make or pay any dividends on shares of any class of its capital stock, or set apart any sum of money or any assets for the payment of dividends, or make any other distribution, by reduction of capital or otherwise, in respect of any class of its capital stock; (ii) purchase, redeem, retire, or otherwise acquire, either directly or indirectly, any shares of any class of its capital stock, or set apart any sum of money or any of its assets therefor, or (iii) make any other type of payment or distribution of cash, property or assets to or among any of its shareholders (in their capacities as shareholders). Notwithstanding the foregoing, any of the Borrowers may purchase or redeem shares of its capital stock in each fiscal year, provided that (A) no Default or Event of Default has occurred and is continuing as of the date any such purchase or redemption is to be made, and (B) the making of such purchase or redemption would not create or give rise to a Default or Event of Default under any other provision of this Agreement (including, without limitation, the financial covenants set forth in Subsection 7.11 hereof).

7.10 Sale-Leaseback Transactions. None of the Borrowers will make or permit the occurrence of any sale, transfer or disposition of any of its Properties followed by such Borrower's leasing or rental of such Property, or any portion thereof, as lessee.

7.11 Financial Covenants.

7.11.1 Tangible Net Worth. The Borrowers will not permit their consolidated tangible net worth (determined in accordance with GAAP) to be less than an amount equal to the sum of \$47,500,000.00 plus fifty percent (50%) of the Borrowers' cumulative net income after tax (beginning with the fiscal year ending May 31, 1999), exclusive of the Borrowers' losses and/or one hundred percent (100%) of the proceeds of any public offering of the stock of any of the Borrowers.

7.11.2 Working Capital. The Borrowers will not permit their consolidated net working capital (total current assets minus total current liabilities), as of any determination date, to be less than \$24,000,000.00. For purposes of this Subsection 7.11.2, principal and interest payable under the Revolving Credit Facility shall be included in the computation of the Borrowers' current liabilities.

7.11.3 Debt Service Coverage Ratio. The Borrowers will not permit their "Debt Service Coverage Ratio," as of any determination date, to be less than 1.35 to 1.00. For purposes of this Subsection 7.11.3, the Borrowers' "Debt Service Coverage Ratio" as of any determination date shall mean the fraction whose numerator (the "Debt Service Numerator") is equal to the following:

(i) the consolidated after tax net income of the Borrowers for the four preceding fiscal quarters; PLUS

(ii) the Borrowers' consolidated depreciation and amortization expense, extraordinary noncash losses and other noncash expenses for the four preceding fiscal quarters; PLUS

(iii) the Borrowers' interest expense for the four preceding fiscal quarters; MINUS

(iv) the Borrowers' extraordinary gains (or losses) for the four preceding fiscal quarters; PLUS

(v) such amount of the Borrowers' nonrecurring expenses incurred during the four preceding fiscal quarters as the Bank in its sole discretion shall allow to be included in this calculation;

and whose denominator is equal to the following:

(i) the current maturities of the Borrowers' long-term Debt during the four fiscal quarters immediately following such determination date; PLUS

(ii) the Borrowers' interest expense for the four preceding fiscal quarters; PLUS

(iii) the total amount of all stock redemptions and stock repurchases made by the Borrowers in accordance with the provisions of Subsection 7.9 hereof during the four preceding fiscal quarters.

7.11.4 Limitation on Capital Expenditures. Without the prior written consent of the Bank, the Borrowers shall not incur capital expenditures in any twelve month period which exceed in the aggregate the lesser of: (i) \$9,000,000.00, or (ii) that amount which if subtracted from the Debt Service Numerator would cause the Debt Service Ratio (calculated in Subsection 7.11.3 above) to fall below 1.00:1.

8. EVENTS OF DEFAULT. The occurrence of any of the following events or existence of any of the following circumstances, unless waived in writing by the Bank, shall constitute an "Event of Default":

8.1 Nonpayment of Notes. If the Borrowers shall fail to pay any principal of or interest on either of the Notes as and when such payment shall become due and payable (whether at the stated maturity, upon a mandatory prepayment, or otherwise); or

8.2 Nonpayment of Letter of Credit. If the Borrowers shall fail to provide funds to the Bank sufficient to pay any draft presented on a Letter of Credit within three (3) days after such draft has been paid, unless an Advance shall have been made under the Revolving Credit Facility upon the request of the Borrowers in accordance with the terms of this Agreement; or

8.3 Other Nonpayment. If the Borrowers shall fail to pay any other amount due and payable to the Bank or any Affiliate of the Bank, under the terms of the Loan Documents or otherwise, within five (5) days after the date such payment shall become due and payable; or

8.4 Representations and Warranties. If any representation, statement, certificate, schedule or report made or furnished to the Bank by or on behalf of any of the Borrowers shall prove to have been false or erroneous in any material respect as of the date on which such warranty or representation was made, or if any warranty shall cease to be complied with in any material respect; or

8.5 Breach of Covenants. If any of the Borrowers shall fail to perform or observe any of the covenants or agreements contained in Section 6 of this Agreement (other than Subsections 6.3, 6.4, 6.5, 6.7, 6.11, 6.12, 6.13 and 6.15) and continuance thereof for thirty (30) days after written notice thereof from the Bank, or (ii) if the Borrowers shall fail to perform or observe any of the covenants or agreements contained in Subsections 6.3, 6.4, 6.5, 6.7, 6.11, 6.12, 6.13 or 6.15 or in Section 7 of this Agreement; or

8.6 Other Breach of Covenants. If any of the Borrowers shall fail to perform or observe any covenants or agreements contained in any other Loan Documents and continuance thereof beyond the expiration of any applicable grace period expressly stated therein; or

8.7 Insolvency. If any of the Borrowers shall (i) apply for or consent to the appointment of a custodian, receiver, trustee or liquidator for itself or any of its Properties, (ii) admit in writing the inability to pay, or generally fail to pay, its debts as they become due, (iii) make a general assignment for the benefit of creditors, (iv) commence any proceeding relating to the bankruptcy, reorganization, liquidation, receivership, conservatorship, insolvency, readjustment of debt, dissolution or liquidation, or if corporate action is taken for the purpose of effecting any of the foregoing, (v) suffer any such appointment or commencement of a proceeding as described in clause (i) or (iv) of this Subsection 8.7, which appointment or proceeding is

not terminated or discharged within sixty (60) days, or (vi) become insolvent; or

8.8 Judgments. If any of the Borrowers shall enter into any binding settlement or settlements or have entered against them by any court a final judgment or judgments for amounts not covered by insurance for an aggregate amount in excess of \$500,000.00; or

8.9 Default on Other Debt. If any of the Borrowers shall fail to pay any principal or interest on any Debt owing to any Person other than the Bank or an Affiliate of the Bank as and when the same shall become due and payable and such default shall continue beyond the expiration of any applicable grace period expressly provided, or if any default or event of default shall occur under the terms of any agreement or other document which would entitle the holder or holders thereof to accelerate the maturity thereof; or

8.10 Breach of Other Agreements. If any of the Borrowers shall be in breach of or default under any material agreement with any Person and such breach or default shall remain unremedied for a period of ten (10) days; or

8.11 ERISA Non-Compliance. If any employee pension or other benefit plan or trust maintained by or related to the Borrowers shall incur any "accumulated funding deficiency," as such term is defined in Section 302(a)(2) of ERISA (whether or not waived by the Internal Revenue Service), or a reportable event, as such term is defined in Section 4043(b) of ERISA, shall occur with respect to any such plan or trust as a result of which the Borrowers could be obligated to make payments to PBGC aggregating in excess of five percent (5%) of their Tangible Net Worth, or in connection with the termination of any such plan or trust the Borrowers shall incur a liability to PBGC under Section 4062, 4063 or 4064 of ERISA; or

8.12 Change in Nature of Business. If any of the Borrowers shall discontinue its business or make any material change in the nature of or manner in which it conducts its business, except as permitted under Subsection 7.3 hereof; or

8.13 Permits. If any of the Borrowers shall fail to maintain, or if any action, suit, proceeding or investigation shall be commenced seeking to cancel, terminate or alter, any Permit (i) which is necessary for it to carry on its business as now being conducted or as contemplated to be conducted, (ii) which is necessary for it to own and operate its Properties, or (iii) which if not obtained would have a Material Adverse Effect; or

8.14 Unenforceability of Loan Documents. If any Loan Document or any provision thereof shall for any reason cease to be a valid, binding and enforceable obligation of any of the Borrowers, or if any of the Borrowers shall so state in writing, or if the Security Agreements shall cease to create a perfected, first priority security interest in the Collateral, or if any of the Borrowers shall so state in writing; or

8.15 Material Adverse Change. If in the opinion of the Bank there shall occur any change in the condition (financial or otherwise) of the Borrowers which is likely to have a Material Adverse Effect and such change shall not be remedied or corrected within thirty (30) days after the Bank gives written notice thereof to the Borrowers.

## 9. REMEDIES

9.1 Acceleration of Indebtedness. If any Event of Default specified in Subsection 8.7 hereof shall occur, the obligations of the Bank hereunder (including the Revolving Commitment) shall automatically be terminated and the Notes and all other Indebtedness (including contingent Reimbursement Obligations under outstanding Letters of Credit) shall become immediately due and payable, all without notice or demand. If any other Event of Default shall occur, the Bank may, at its option, without notice or demand, terminate its obligations hereunder (including the Revolving Commitment) and declare the Notes and all other Indebtedness (including contingent Reimbursement Obligations under outstanding Letters of Credit) to be immediately due and payable, whereupon the same shall become forthwith due and payable.

9.2 Remedies. Upon the occurrence and during the continuation of any Event of Default, the Bank shall be entitled to exercise all remedies available to it under the Loan Documents or otherwise under applicable law.

9.3 Cumulative Remedies. No failure on the part of the Bank to exercise, and no delay in exercising, any right or remedy under the Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise by the Bank of any right thereunder preclude any other or further right or exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not alternative.

9.4 Waiver of Default. The Bank may, by an instrument in writing, waive any Default or Event of Default and any of the consequences of such Default or Event of Default, but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any consequence of such subsequent or other Default or Event of Default.

9.5 Deposits; Setoff. Regardless of the adequacy of any collateral security held by the Bank, any deposits or other sums credited by or due from the Bank to any of the Borrowers shall at all times constitute collateral security for the Indebtedness, and may be set off against the Indebtedness and any and all liabilities, direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, of the Borrowers to the Bank. The rights granted by this Subsection 9.5 shall be in addition to the rights of the Bank under any statutory banker's lien or the common law right of set off. This Subsection 9.5 shall not apply to any monies of which the Borrowers are not the beneficial owners, regardless of the name in which the money is deposited, nor shall this Subsection 9.5 apply to any monies which the Borrowers are contractually obligated to spend in whole or in part for the account of others, provided that the Borrowers shall have established special accounts or given the Bank written notice that particular funds are beneficially owned by others, are dedicated for particular expenditures, or are subject to the Borrowers' contractual obligation to spend for others. If the Borrowers fail to establish such special accounts and fail to give such notice, the Bank may assume that funds on deposit to the account of any of the Borrowers belong solely to the named depositor and are subject to this Subsection 9.5.

9.6 Application of Payments. During the continuation of any Event of Default, all payments received by the Bank in respect of the Indebtedness, whether from the Borrowers, recoveries upon any portion of the Collateral or otherwise, may be applied by the Bank to any liabilities, obligations or indebtedness included in the Indebtedness selected by the Bank in its sole and exclusive discretion.

9.7 Springing Lien. If any Event of Default shall occur and remain unremedied within the applicable cure period, the Bank in its sole discretion may require the Borrowers or any of them to pledge, mortgage or otherwise grant the Bank a valid and enforceable first position Lien against all Property or so much thereof as the Bank in its sole discretion shall determine necessary, and by execution of this Credit Agreement, the Borrowers agree to cooperate fully and promptly with the Bank and its counsel in the execution and delivery of all documents necessary to convey and perfect such Liens. Upon a waiver of a Default or Event of Default by the Bank in accordance with Subsection 9.4 hereof, the Bank shall correspondingly waive its election to cause a springing lien to arise hereunder as a result of such waiver of Default, but in no event shall such waiver extend to any subsequent or other Default or Event of Default or impair any consequence of such subsequent or other Default or Event of Default.

10. GENERAL PROVISIONS. It is further agreed as follows:

10.1 Participating Lender. The Borrowers understand that although the Notes and the other Loan Documents name the Bank as the holder thereof, the Bank may from time to time sell one or more participation interests in the Loans to one or more other financial institutions. The Borrowers agree that, subject to the terms of the agreements of participation, each participating lender will be entitled to rely on the terms of this Agreement and the other Loan Documents as fully as if such participating

lender had been named as the holder of the applicable Note and the other Loan Documents.

10.2 Participant Consent to Amendment. Notwithstanding the sale of any participation interest in the Loans as disclosed in Subsection 10.1 hereof, the Bank anticipates the retention of not less than sixty-six and two-thirds percent (66-2/3%) ownership interest in the Loans. Any subsequent amendment to any provision of Sections 1, 4, 5, 6, 7, 8, 9 or 10 of this Credit Agreement shall be accomplished by such participating financial institution or institutions as hold not less than sixty-six and two-thirds percent (66-2/3%).

10.3 Hold Harmless. Except for a successful claim against the Bank by the Borrowers, the Borrowers will indemnify and hold the Bank and each participant in the Notes harmless from all liability, loss, damages or expense, including reasonable attorney's fees, that the Bank or any such participant may incur in good faith as a result of entering into the Loan Documents or establishing the Credit Facilities, or in compliance with or in the enforcement of the terms of the Loan Documents.

10.4 Notices. All notices, requests and demands required or authorized hereunder (other than Disbursement Requests) shall be served in person, delivered by certified mail, return receipt requested, or transmitted by telefacsimile, addressed as follows:

Any Borrower: - c/o Matrix Service Company  
10701 East Ute Street  
Tulsa, Oklahoma 74116-1517  
Attn: C. William Lee, Chief Financial Officer  
and Vice President/Finance  
Fax: (918) 838-8810

The Bank: - Bank One, Oklahoma, N.A.  
15 E. Fifth Street  
Tulsa, Oklahoma 74103  
Attn: Mark A. Poole, Senior Vice President  
Fax: (918) 586-5474

or at such other address as any party hereto shall designate for such purpose in a written notice to the other party hereto. Each of the Borrowers (other than Matrix) expressly agrees that any notice given hereunder to Matrix shall also constitute effective notice to each of them. Notices served in person shall be effective and deemed given when delivered, notices sent by certified mail shall be effective and deemed given three (3) Business Days after being deposited in the U.S. mail, postage prepaid, and notices transmitted by telefacsimile will be deemed given when sent, as indicated by the sender's written confirmation of transmission.

10.5 Construction; Applicable Law. This Agreement and all other Loan Documents have been delivered to and accepted by the Bank in the State of Oklahoma, are to be performed in the State of Oklahoma and shall be deemed contracts made under the laws of the State of Oklahoma, and all rights and Indebtedness hereunder, including matters of construction, validity and performance, shall be governed by the laws of the State of Oklahoma. Nothing in this Agreement shall be construed to constitute the Bank as a joint venturer with the Borrowers or to constitute a partnership. The descriptive headings of the Sections and Subsections of this Agreement are for convenience only and shall not be used in the construction of the content of this Agreement.

10.6 Binding Effect. This Agreement and the other Loan Documents shall be binding on, and shall inure to the benefit of, the parties hereto and their respective successors and assigns, provided that without the prior, written consent of the Bank, the Borrowers will not assign or transfer any of their interest, rights or obligations arising out of or relating to the Loan Documents.

10.7 Exhibits and Schedules. Exhibits and Schedules attached to this Agreement and the Existing Credit Agreement, as applicable, are incorporated herein for all purposes and shall be considered a part of this Agreement.

10.8 Entire Agreement; Conflicting Provisions. This Agreement constitutes the entire agreement of the parties hereto with respect to the Credit Facilities, and all matters arising out of

or related thereto. In the event of any direct conflict between or among the provisions of this Agreement and the provisions of any other Loan Documents, the provisions of this Agreement shall control.

10.9 Waivers. No act, delay, omission or course of dealing between or among the parties hereto will constitute a waiver of their respective rights or remedies under this Agreement or the other Loan Documents. No waiver, change, modification or discharge of any of the rights and duties of the parties hereto will be effective unless contained in a written instrument signed by the party sought to be bound.

10.10 Arbitration. The Bank and the Borrowers agree that upon the written demand of either party, whether made before or after the institution of any legal proceedings, but prior to the rendering of any judgment in that proceeding, all disputes, claims and controversies between them, whether individual, joint, or class in nature, arising from the Credit Agreement, as amended hereby, the Notes, or any of the other Loan Documents or otherwise, including without limitation contract disputes and tort claims, shall be resolved by binding arbitration pursuant to the Commercial Rules of the American Arbitration Association ("AAA"). Any arbitration proceeding held pursuant to this arbitration provision shall be conducted in the city nearest the Borrower's address having an AAA regional office, or at any other place selected by mutual agreement of the parties. No act to take or dispose of any Collateral shall constitute a waiver of this arbitration agreement or be prohibited by this arbitration agreement. This arbitration provision shall not limit the right of either party during any dispute, claim or controversy to seek, use, and employ ancillary, or preliminary rights and/or remedies, judicial or otherwise, for the purposes of realizing upon, preserving, protecting, foreclosing upon or proceeding under forcible entry and detainer for possession of, any real or personal property, and any such action shall not be deemed an election of remedies. Such remedies include, without limitation, obtaining injunctive relief or a temporary restraining order, invoking a power of sale under any deed of trust or mortgage, obtaining a writ of attachment or imposition of a receivership, or exercising any rights relating to personal property, including exercising the right of set-off, or taking or disposing of such property with or without judicial process pursuant to the Uniform Commercial Code. Any disputes, claims or controversies concerning the lawfulness or reasonableness of an act, or exercise of any right or remedy concerning any Collateral, including any claim to rescind, reform, or otherwise modify any agreement relating to the Collateral, shall also be arbitrated; provided, however that no arbitrator shall have the right or the power to enjoin or restrain any act of either party. Judgment upon any award rendered by any arbitrator may be entered in any court having jurisdiction. The statute of limitations, estoppel, waiver, laches and similar doctrines which would otherwise be applicable in an action brought by a party shall be applicable in any arbitration proceeding, and the commencement of an arbitration proceeding shall be deemed the commencement of any action for these purposes. The Federal Arbitration Act (Title 9 of the United States Code) shall apply to the construction, interpretation and enforcement of this arbitration provision.

10.11 WAIVER OF JURY. THE BORROWERS AND THE BANK (BY ITS ACCEPTANCE HEREOF) FULLY, VOLUNTARILY, KNOWINGLY, IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY RIGHT TO A TRIAL BY JURY OR TO HAVE A JURY PARTICIPATE IN ANY DISPUTE, ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) UNDER THIS AGREEMENT OR UNDER ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED (OR WHICH MAY IN THE FUTURE BE DELIVERED) IN CONNECTION HERewith OR ARISING FROM ANY BANKING RELATIONSHIP EXISTING IN CONNECTION WITH THIS AGREEMENT, THE NOTES AND/OR THE SECURITY INSTRUMENTS. THE BORROWERS AGREE THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY. THIS PROVISION IS A MATERIAL INDUCEMENT TO THE BANK TO PROVIDE THE FINANCING AND COMMITMENT DESCRIBED HEREIN OR IN THE OTHER LOAN DOCUMENTS.

10.12 Jurisdiction and Venue. All actions or proceedings with respect to this Agreement or any of the other Loan Documents, to which neither party demands Arbitration in accordance with Subsection 10.10 hereof, may be instituted in any state or federal court sitting in Tulsa, Oklahoma, as the Bank may elect, and by execution and delivery of this Agreement, the Borrowers

irrevocably and unconditionally (i) submit to the non-exclusive jurisdiction (both subject matter and person) of each such court, and (ii) waive (A) any objection that the Borrowers may now or hereafter have to the laying of venue in any of such courts, and (B) any claim that any action or proceeding brought in any such court has been brought in an inconvenient forum.

10.13 Counterpart Execution. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument. This Agreement shall be binding only when a counterpart hereof has been executed by an authorized officer or representative of the Bank at its principal office in Tulsa, Oklahoma.

IN WITNESS WHEREOF, the Borrowers and the Bank have caused this Agreement to be duly executed in multiple counterparts, each of which shall be considered an original, effective the date and year first above written.

MATRIX SERVICE COMPANY,  
a Delaware corporation

By: \_\_\_\_\_  
Name: C. William Lee  
Title: Secretary

MATRIX SERVICE, INC.,  
an Oklahoma corporation

By: \_\_\_\_\_  
Name: C. William Lee  
Title: Secretary

MIDWEST INDUSTRIAL CONTRACTORS, INC.,  
a Delaware corporation

By: \_\_\_\_\_  
Name: C. William Lee  
Title: Secretary

MATRIX SERVICE MID-CONTINENT, INC.,  
an Oklahoma corporation

By: \_\_\_\_\_  
Name: C. William Lee  
Title: Secretary

PETROTANK EQUIPMENT, INC.,  
an Oklahoma corporation

By: \_\_\_\_\_  
Name: C. William Lee  
Title: Secretary

TANK SUPPLY, INC.,  
an Oklahoma corporation

By: \_\_\_\_\_  
Name: C. William Lee  
Title: Secretary

SAN LUIS TANK PIPING CONSTRUCTION CO., INC.,  
a Delaware corporation

By: \_\_\_\_\_

Name: C. William Lee  
Title: Secretary

COLT CONSTRUCTION CO., INC.,  
a Delaware corporation

By: \_\_\_\_\_  
Name: C. William Lee  
Title: Secretary

MIDWEST INTERNATIONAL, INC.,  
a Delaware corporation

By: \_\_\_\_\_  
Name: C. William Lee  
Title: Secretary

BROWN STEEL CONTRACTORS, INC.,  
a Georgia corporation

By: \_\_\_\_\_  
Name: C. William Lee  
Title: Secretary

BROWN TANKS, INC.,  
a Georgia corporation

By: \_\_\_\_\_  
Name: C. William Lee  
Title: Secretary

AQUA TANKS, INC.,  
a Georgia corporation

By: \_\_\_\_\_  
Name: C. William Lee  
Title: Secretary

WEST COAST INDUSTRIAL COATINGS, INC.,  
a California corporation

By: \_\_\_\_\_  
Name: C. William Lee  
Title: Secretary

MIDWEST SERVICE COMPANY,  
a Delaware corporation

By: \_\_\_\_\_  
Name: C. William Lee  
Title: Secretary

MATRIX SERVICE, INC. (CANADA),  
an Ontario corporation

By: \_\_\_\_\_  
Name: C. William Lee  
Title: Secretary

MAYFLOWER VAPOR SEAL CORPORATION,  
an Oklahoma corporation

By: \_\_\_\_\_  
Name: C. William Lee  
Title: Secretary

GENERAL SERVICE CORPORATION,  
a Delaware corporation

By: \_\_\_\_\_  
Name: C. William Lee  
Title: Secretary

MAINSERV-ALLENTech, INC.,  
a Delaware corporation

By: \_\_\_\_\_  
Name: C. William Lee  
Title: Secretary

MAINTENANCE SERVICES, INC.,  
a Delaware corporation

By: \_\_\_\_\_  
Name: C. William Lee  
Title: Secretary

BANK ONE, OKLAHOMA, N.A.

By: \_\_\_\_\_  
Name: Mark A. Poole  
Title: Senior Vice President

#### EXHIBITS

Exhibit "A-1" - Form of Revolving Note

Exhibit "B-1" - Form of Term Note

Exhibit "E-1" - Form of Disbursement Request

Exhibit "F-1" - Form of Borrowing Base and Compliance Certificate

#### SCHEDULE

Schedule I - Schedule of Permitted Liens

[ARTICLE] 5  
[MULTIPLIER] 1,000

[PERIOD-TYPE] 3-MOS  
[FISCAL-YEAR-END] May-31-1999  
[PERIOD-START] Sep-01-1998  
[PERIOD-END] Nov-30-1998  
[COMMON] 9,547  
[NET-INCOME] 1,023

0.11  
[COMMON] 10,241

[NET-INCOME] 1,023  
[EPS-DILUTED] 0.10  
[FISCAL-YEAR-END] May-31-1998  
[PERIOD-START] Sep-01-1997  
[PERIOD-END] Nov-30-1997  
[COMMON] 9,408  
[NET-INCOME] 953  
[EPS-PRIMARY] 0.10  
[COMMON] 9,851  
[NET-INCOME] 953  
[EPS-DILUTED] 0.10

[PERIOD-TYPE] 6-MOS  
[FISCAL-YEAR-END] May-31-1999  
[PERIOD-START] Jun-01-1998  
[PERIOD-END] Nov-30-1998  
[COMMON] 9,529  
[NET-INCOME] 1,860  
[EPS-PRIMARY] 0.20

[COMMON] 10,263  
[NET-INCOME] 1,860  
[EPS-DILUTED] 0.18  
[FISCAL-YEAR-END] May-31-1998  
[PERIOD-START] Jun-01-1997  
[PERIOD-END] Nov-30-1997  
[COMMON] 9,392  
[NET-INCOME] 1,722  
[EPS-PRIMARY] 0.18  
[COMMON] 9,903  
[NET-INCOME] 1,722  
[EPS-DILUTED] 0.17

1,000

6-MOS

MAY-31-1999

NOV-30-1998

5,213

0

40,039

0

6,378

69,068

51,473

23,643

110,216

28,130

0

96

0

0

65,978

110,216

106,001

106,001

96,069

96,069

6,796

0

645

2,783

923

0

0

0

0

1,860

0.20

0.18