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

FORM 10-Q

(Mark One)

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

For the quarterly period ended November 30, 2001

or

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

For the transition period from _____________ to

Commission File number 0-18716

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

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

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

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

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

As of January 10, 2002 there were 9,642,638 shares of the Company's common stock, $.01 par value per share, issued and 7,736,916 shares outstanding.

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PART I

FINANCIAL INFORMATION

ITEM 1. Financial Statements

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

	Three Months Ended November 30, (unaudited)		Six Months Ended November 30, (unaudited)	
	2001	2000	2001	2000
Revenues	$ 54,404	$ 45,052	$ 102,143	$ 82,914
Cost of revenues	47,445	40,284	89,305	74,326
Gross profit	6,959	4,768	12,838	8,588
Selling, general and administrative expenses	3,619	3,189	7,300	6,845
Goodwill and non-compete amortization	86	86	168	176
Restructuring, impairment and abandonment	546	--	595	--
Operating income	2,708	1,493	4,775	1,567
Other income (expense):				
Interest expense	(226)	(65)	(349)	(129)
Interest income	1	27	31	81
Other	86	100	60	48
Income before income tax expense	2,569	1,555	4,517	1,567
Provision for federal, state and foreign income tax expense	972	566	1,727	570
Net income	$ 1,597	$ 989	$ 2,790	$ 997
Earnings per share of common stock:				
Basic	$ 0.21	$ 0.12	$ 0.36	$ 0.12
Diluted	$ 0.20	$ 0.11	$ 0.35	$ 0.11
Weighted average number of common shares:				
Basic	7,670,989	8,566,366	7,656,798	8,618,220
Diluted	7,966,175	8,691,460	7,987,852	8,734,145

See Notes to Consolidated Financial Statements

Matrix Service Company
Consolidated Balance Sheets
(in thousands)

	November 30, 2001	May 31, 2001
	(unaudited)	
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 844	$ 835
Accounts receivable, less allowances (November 30 - $269, May 31 - $375)	33,604	29,184
Costs and estimated earnings in excess of billings on uncompleted contracts	12,867	12,951
Inventories	2,233	2,772
Deferred income taxes	310	442
Prepaid expenses	2,430	2,573
Total current assets	52,288	48,757
Property, plant and equipment at cost:		
Land and buildings	10,202	10,108
Construction equipment	20,349	19,550
Transportation equipment	8,286	7,560
Furniture and fixtures	4,994	4,841
Construction in progress	8,863	2,306
	52,694	44,365
Less accumulated depreciation	24,436	22,507
Net property, plant and equipment	28,258	21,858
Goodwill, net of accumulated amortization November 30 - $2,590, May 31 - $2,427)	11,052	11,258
Other assets	1,801	1,848
Total assets	$ 93,399	$ 83,721

Matrix Service Company
Consolidated Balance Sheets
(in thousands)

	November 30, 2001 (unaudited)	May 31, 2001
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	$ 6,234	$ 10,229
Billings on uncompleted contracts in excess of costs and estimated earnings	8,564	7,148
Accrued insurance	2,184	2,362
Accrued environmental reserves	150	471
Income tax payable	530	400
Other liabilities	2,772	4,307
Current portion of long-term debt	400	--
Total current liabilities	20,834	24,917
Long-term debt	14,570	3,515
Deferred income taxes	1,890	1,983
Stockholders' equity:		
Common stock	96	96
Additional paid-in capital	51,596	51,596
Retained earnings	15,106	12,245
Accumulated other comprehensive income	(1,116)	(813)
	65,682	63,124
Less: Treasury stock, at cost - 1,953,880 and 2,021,972 at November 30 and May 31, respectively	(9,577)	(9,818)
Total stockholders' equity	56,105	53,306
Total liabilities and stockholders' equity	$ 93,399	$ 83,721

See Notes to Consolidated Financial Statements

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

	Six Months Ended November 30, (unaudited)	
	2001	2000
Cash flow from operating activities:		
Net income	$ 2,790	$ 997
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,478	2,278
Deferred income taxes	39	--
(Gain) loss on sale of equipment	(39)	(30)
Changes in current assets and liabilities increasing (decreasing) cash:		
Accounts receivable	(4,420)	726
Costs and estimated earnings in excess of billings on uncompleted contracts	84	(4,180)
Inventories	539	306
Prepaid expenses	143	(801)
Accounts payable	(3,995)	(4,114)
Billings on uncompleted contracts in excess of costs and estimated earnings	1,416	4,670
Other liabilities	(2,335)	(2,900)
Income taxes receivable/payable	130	277
Other	47	(10)
Net cash used in operating activities	(3,123)	(2,781)
Cash flow from investing activities:		
Capital expenditures	(8,747)	(2,420)
Investment in joint venture	--	(87)
Proceeds from other investing activities	66	53
Net cash used in investing activities	$ (8,681)	$ (2,454)

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

	Six Months Ended November 30, (unaudited)	
	2001	2000
Cash flows from financing activities:		
Repayment of acquisition payables	$ --	$ (17)
Repayment of equipment notes	--	(5)
Issuance of long-term debt	65,750	25,650
Repayments of long-term debt	(54,295)	(20,325)
Purchase of treasury stock	--	(1,660)
Issuance of stock	312	31
Net cash provided in financing activities	11,767	3,674
Effect of exchange rate changes on cash	46	(33)
Increase (decrease) in cash and cash equivalents	9	(1,594)
Cash and cash equivalents at beginning of period	835	1,806
Cash and cash equivalents at end of period	$ 844	$ 212

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE A - BASIS OF PRESENTATION

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

The accompanying unaudited consolidated financial statements have been prepared in accordance with Rule 10-0l of Regulation S-X for interim financial statements required to be filed with the Securities and Exchange Commission and do not include all information and footnotes required by generally accepted accounting principles for complete financial statements. However, the information furnished reflects all adjustments, consisting only of normal recurring adjustments that are, in the opinion of management, necessary for a fair statement of the results for the interim periods.

The accompanying financial statements should be read in conjunction with the audited financial statements for the year ended May 31, 2001, included in Matrix's Annual Report on Form 10-K for the year then ended. Matrix's business is seasonal; therefore, results for any interim period may not necessarily be indicative of future operating results.

NOTE B - SEGMENT INFORMATION

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

Matrix Service Company
2nd Quarter Results of Operations
($ Amounts in millions)

	AST Services	Construction Services	Plant Services	Other Services	Combined Total
Three Months Ended November 30, 2001					
Gross revenues	43.9	6.0	4.8	0.0	54.7
Less: Inter-segment revenues	(0.3)	0.0	0.0	0.0	(0.3)
Consolidated revenues	43.6	6.0	4.8	0.0	54.4
Gross profit	6.0	0.6	0.3	0.0	6.9
Operating income (loss)	3.3	0.2	(0.2)	(0.6)	2.7
Income (loss) before income tax expense	3.3	0.1	(0.2)	(0.6)	2.6
Net income (loss)	2.1	0.1	(0.2)	(0.4)	1.6
Identifiable assets	77.5	5.8	7.9	2.2	93.4
Capital expenditures	3.1	0.0	0.0	0.0	3.1
Depreciation expense	1.0	0.1	0.1	0.0	1.2
Three Months Ended November 30, 2000					
Gross revenues	33.5	5.1	6.6	0.0	45.2
Less: Inter-segment revenues	(0.1)	(0.1)	0.0	0.0	(0.2)
Consolidated revenues	33.4	5.0	6.6	0.0	45.0
Gross profit	4.6	0.0	0.5	(0.3)	4.8
Operating income (loss)	2.1	(0.3)	0.1	(0.4)	1.5
Income (loss) before income tax expense	2.1	(0.3)	0.1	(0.3)	1.6
Net income (loss)	1.4	(0.2)	0.0	(0.2)	1.0
Identifiable assets	62.7	4.4	10.0	3.7	80.8
Capital expenditures	1.3	0.1	0.2	0.0	1.6
Depreciation expense	1.0	0.0	0.1	0.0	1.1
Six Months Ended November 30, 2001					
Gross revenues	82.4	9.9	10.2	0.0	102.5
Less: Inter-segment revenues	(0.4)	0.0	0.0	0.0	(0.4)
Consolidated revenues	82.0	9.9	10.2	0.0	102.1
Gross profit	11.2	0.9	0.7	0.0	12.8
Operating income (loss)	5.7	0.2	(0.5)	(0.6)	4.8
Income (loss) before income tax expense	5.6	0.1	(0.6)	(0.6)	4.5
Net income (loss)	3.5	0.1	(0.4)	(0.4)	2.8
Identifiable assets	77.5	5.8	7.9	2.2	93.4
Capital expenditures	8.4	0.2	0.1	0.0	8.7
Depreciation expense	2.0	0.2	0.1	0.0	2.3
Six Months Ended November 30, 2000					
Gross revenues	64.9	8.8	10.1	0.0	83.8
Less: Inter-segment revenues	(0.8)	(0.1)	0.0	0.0	(0.9)
Consolidated revenues	64.1	8.7	10.1	0.0	82.9
Gross profit	8.5	0.1	0.5	(0.5)	8.6
Operating income (loss)	3.1	(0.6)	(0.4)	(0.5)	1.6
Income (loss) before income tax expense	3.1	(0.7)	(0.4)	(0.4)	1.6
Net income (loss)	2.1	(0.5)	(0.3)	(0.3)	1.0
Identifiable assets	62.7	4.4	10.0	3.7	80.8
Capital expenditures	2.0	0.1	0.3	0.0	2.4
Depreciation expense	1.9	0.0	0.2	0.0	2.1

NOTE C - REPORTING ACCUMULATED OTHER COMPREHENSIVE LOSS

For the quarter ended November 30, 2001, total other comprehensive loss was $140 thousand as compared to $152 thousand for the same three-month period ended November 30, 2000. For the six months ended November 30, 2001, total other comprehensive loss was $303 thousand as compared to $94 thousand for the same six-month period ended November 30, 2000. Other comprehensive income or loss and accumulated other comprehensive loss consisted of foreign currency translation adjustments and fair value adjustments of derivative instruments. There was no accumulated gain or loss on derivative instruments at May 31, 2001.

NOTE D - NEW ACCOUNTING STANDARDS

In June of 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, which was subsequently amended in June of 2000 by Financial Accounting Standards No. 138. The statement requires the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedged must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative are either offset against the change in fair value of assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedge item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. On June 1, 2001, the Company entered into an interest rate swap agreement to manage interest rate exposure and modify interest characteristics of its long-term debt. The agreement is designated with specific debt obligations, and involves the exchange of amounts based on the difference between variable and fixed interest rates calculated by reference to an agreed-upon notional amount. The interest rate swap currently in place effectively modifies the Company's exposure to interest rates by converting a portion of the Company's variable rate debt to a fixed rate. The derivative has been designated as a cash flow hedge and is effective. As a result, there is no current impact to earnings due to hedge ineffectiveness or due to the exclusion of a component of the derivative from the assessment of effectiveness. The fair value of the cash flow hedge at November 30, 2001 is a liability of $301 thousand.

NOTE E - SUBSEQUENT EVENTS

The Company has been in litigation over a contested contract since fiscal 1997. In January 2000, the Company won its case and was awarded $1.1 million. In July 2001, the appellate court upheld the original verdict plus accrued interest and attorney's fees. In October 2001, the Oklahoma Supreme Court upheld the ruling of the appellate court. On December 6, 2001, the Company received $1.6 million in settlement of the original judgment, accrued interest and attorney's fees, resulting in a $1.3 million gain which will be recognized in the third quarter ended February 28, 2002.

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

Forward Looking Statements

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

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

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

Results of Operations

Three Months Ended November 30, 2001 Compared to Three Months Ended November 30, 2000

AST Services Fiscal Year 2002 vs. 2001

Gross revenues for AST Services for the quarter ended November 30, 2001 were $43.9 million, compared to $33.5 million for the comparable quarter of the prior year, an increase of $10.4 million or 31.0% due to an increase in field manhours worked, an increase in power projects, a 38% increase in revenues in the new tank construction group, and a good business environment in tank repair and maintenance. Gross margin for the quarter ended November 30, 2001 of 13.7% was identical to the margin produced for the quarter ended November 30, 2000 as a portion of the increased revenue with new customers was at lower margins than the traditional AST Services work. The increased sales volume and similar margins year over year resulted in gross profit for the quarter ended November 30, 2001 of $6.0 million, exceeding the $4.6 million produced for the quarter ended November 30, 2000 by $1.4 million or 30.4%.

Selling, general and administrative costs as a percent of revenues decreased to 6.1% for the quarter ended November 30, 2001 vs. 7.0% for the quarter ended November 30, 2000 primarily as a result of the fixed costs being spread over a larger revenue base.

Operating income and income before income tax expense for the quarter ended November 30, 2001 of $3.3 million and $3.3 million respectively, were better than the $2.1 million and $2.1 million respectively produced for the quarter ended November 30, 2000, primarily the result of the increase in revenues and slower growth in selling, general and administrative costs.

Construction Services Fiscal Year 2002 vs. 2001

Gross revenues for Construction Services for the quarter ended November 30, 2001 were $6.0 million, compared to $5.1 million for the comparable quarter of the prior year, an increase of $0.9 million or 17.6% resulting from increased business development efforts in the prior year. Gross margin for the quarter ended November 30, 2001 of 10.0% was significantly better than the 0.0% produced for the quarter ended November 30, 2000 as a direct result of better job execution of a higher margin backlog. This margin improvement along with increased sales volume resulted in gross profit for the quarter ended November 30, 2001 of $0.6 million being $0.6 million better than the $0.0 million for the quarter ended November 30, 2000.

Operating income and income before income tax expense for the quarter ended November 30, 2001 of $0.2 million and $0.1 million respectively, were better than the $(0.3) million and $(0.3) million produced in the quarter ended November 30, 2000, primarily as the result of revenue and gross profit improvements discussed above.

Plant Services Fiscal Year 2002 vs. 2001

Gross revenues for Plant Services for the quarter ended November 30, 2001 were $4.8 million compared to $6.6 million for the comparable quarter of the prior year, a decrease of $1.8 million or 27.3%. The decrease was the result of higher turnaround activity in the second fiscal quarter of last year compared to the second fiscal quarter of this year. Gross margin for the quarter ended November 30, 2001 of 6.3% was worse than the 7.6% produced for the quarter ended November 30, 2000 as a result of a lower volume of work. These margin declines along with the decreased sales volume resulted in gross profit for the quarter ended November 30, 2001 of $0.3 million being $0.2 million less than the $0.5 million for the quarter ended November 30, 2000.

Operating loss and loss before income tax expense for the quarter ended November 30, 2001 of $(0.2) million and $(0.2) million respectively, were worse than the operating income and income before income tax expense of $0.1 million and $0.1 million respectively produced for the quarter ended November 30, 2000, primarily as the result of lower gross margins discussed above.

Six Months Ended November 30, 2001 Compared to Six Months Ended November 30, 2000

AST Services Fiscal Year 2002 vs. 2001

Gross revenues for AST Services for the six months ended November 30, 2001 were $82.4 million, compared to $64.9 million for the comparable six months of the prior year, an increase of $17.5 million or 27.0%. The increase was due primarily to a strong business environment in all tank repair and maintenance regions, particularly in new tank construction. Gross margin for the six months ended November 30, 2001 of 13.6% was better than the 13.1% produced for the six months ended November 30, 2000 as a result of margin improvements in the traditional tank repair and maintenance and new tank construction AST Services business. The gross margin improvement coupled with the increased sales volume resulted in gross profit for the six months ended November 30, 2001 of $11.2 million being $2.7 million or 31.8% better than the $8.5 million for the six months ended November 30, 2000.

Selling, general and administrative costs as a percent of revenues decreased to 6.5% in the six months ended November 30, 2001 versus 8.1% in the six months ended November 30, 2000 primarily as a result of the fixed costs being spread over a larger revenue base.

Operating income and income before income tax expense for the six months ended November 30, 2001 of $5.7 million and $5.6 million respectively, were significantly better than the $3.1 million and $3.1 million respectively produced for the six months ended November 30, 2000, primarily as the result of the gross margin improvement discussed above.

Construction Services Fiscal Year 2002 vs. 2001

Gross revenues for Construction Services for the six months ended November 30, 2001 were $9.9 million, compared to $8.8 million for the comparable six months of the prior year, an increase of $1.1 million or 12.5%. This increase was due to better business development practices with our core customer base. Gross margin for the six months ended November 30, 2001 of 9.1% was a significant improvement over the 1.1% gross margin produced for the six months ended November 30, 2000 as a direct result of better absorption of fixed costs associated with the higher revenue volume and a favorable mix of projects in the current fiscal year backlog. This gross margin improvement along with the increased sales volume resulted in gross profit for the six months ended November 30, 2001 of $0.9 million being $0.8 million better than the $0.1 produced in the six months ended November 30, 2000.

Operating income and income before taxes for the six months ended November 30, 2001 of $0.2 million and $0.1 million respectively, were significantly better than the operating loss and loss before income taxes of $(0.6) million and $(0.7) million respectively, produced for the six months ended November 30, 2000, primarily as the result of the increased revenues and improved gross margins discussed above.

Plant Services Fiscal Year 2002 vs. 2001

Gross revenues for Plant Services for the six months ended November 30, 2001 were $10.2 million compared to $10.1 million for the comparable six months of the prior year, a slight increase of $0.1 million or 1.0%. The revenue increase in Plant Services was due to a marginal increase in turnaround work in the first quarter of fiscal 2002. Gross margin for the six months ended November 30, 2001 of 6.9% was better than the 5.0% produced for the six months ended November 30, 2000 as a direct result of an improved cost structure. These margin improvements resulted in gross profit for the six months ended November 30, 2001 of $0.7 million being $0.2 million or 40.0% better than the $0.5 million for the six months ended November 30, 2000.

Operating loss and loss before income tax expense for the six months ended November 30, 2001 of $(0.5) million and $(0.6) million respectively, were worse than the operating loss and loss before income taxes of $(0.4) million and $(0.4) million respectively produced in the six months ended November 30, 2000, primarily as the result of the higher allocated selling, general and administrative expenses offset somewhat by the gross profit improvement discussed above.

Other Services

Other services consist of Brown Steel Contractors, Inc. ("Brown") (which was sold in August 1999) and San Luis Tank Piping Construction Company, Inc. ("SLT") (which was shut down in April 2000). Activity for the quarter and six months ended November 30, 2001 consists mainly of $0.4 million in increased environmental costs related to the remediation at Brown and $0.1 million of increased worker's compensation claims activity of these exited operations. The only activity for the quarter and six months ended November 30, 2000 consisted of increased worker's compensation claims activity of these exited operations.

Financial Condition & Liquidity

Matrix's cash and cash equivalents totaled approximately $0.8 million at November, 2001 and $0.8 million at May 31, 2001.

Matrix has financed its operations recently with cash from operations and from advances under a credit agreement. On September 26, 2001, Matrix amended its credit agreement with a commercial bank under which a total of $20.0 million may be borrowed on a revolving basis based on the level of Matrix's eligible receivables and cost in excess of billings. In addition, $5.9 million was borrowed as a term loan. Matrix can elect revolving loans which bear interest at a Prime Rate or a LIBOR-based option and mature on October 31, 2004. At November 30, 2001, $9.2 million was outstanding under the revolver with $8.0 million at LIBOR interest rates of 3.21% to 3.35% and $1.2 million at a prime interest rate of 3.875% with $10.8 million remaining in availability. Additionally, $5.8 million was outstanding under the term loan at a LIBOR interest rate of 3.45%. The agreement requires maintenance of certain financial ratios, limits the amount of additional borrowings and the payment of dividends. The credit facility is secured by all accounts receivable, inventory, intangibles, certain real property, and proceeds related thereto.

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

Operations of Matrix used $3.1 million of cash for the six months ended November 30, 2001 as compared with $2.8 million of cash for the six months ended November 30, 2000, representing an increase of approximately $0.3 million. The increase was due primarily to an increase in net working capital needs, offset by significantly greater net income.

Capital expenditures during the six months ended November 30, 2001 totaled approximately $8.7 million. Of this amount, approximately $4.5 million was used in the construction of the Anaheim facility, $1.5 million was used in the construction of the Port of Catoosa facility, $1.0 million was used to purchase transportation equipment for field operations, and approximately $1.4 million was used to purchase welding, construction, and fabrication equipment. Matrix invested approximately $0.3 million in office equipment, computer hardware and software, furniture and fixtures during the period. Matrix has budgeted approximately $19.8 million for capital expenditures for fiscal 2002. Of this amount, approximately $1.6 million would be used to purchase transportation equipment for field operations, and approximately $2.5 million would be used to purchase welding, construction, and fabrication equipment. Matrix signed a 40-year lease for a 50-acre facility planned in Tulsa, Oklahoma in order to consolidate Matrix's four facilities in the Tulsa market now containing fabrication, operations and administration. This consolidation should take 18 to 24 months at an estimated cost of approximately $11.0 million. The cost would be offset by the sale of the existing three owned facilities in Tulsa for approximately $5.4 million.

Matrix believes that its existing funds, amounts available from borrowings under its existing credit agreement and cash generated by operations will be sufficient to meet the working capital needs through fiscal 2002 and for the foreseeable time thereafter.

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

Outlook

The current turnaround schedule at Plant Services suggests that the third quarter will show stronger sales volume and higher profitability. The strengthening experienced in Matrix's AST Services Division in the first and second quarter should continue as our customers' maintenance budgets are spent during the last month of the calendar year. It is unclear, however, whether or not these maintenance budgets will be approved at levels comparable, greater or lower in the upcoming calendar year of 2002 in light of current oil and gas prices and the world recessionary economy. Management believes, however, that its strategic alliances put Matrix in a more favorable position than our competition if budgets are either reduced or increased.

Environmental

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

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

Appropriate State of Georgia agencies have been notified of the findings and corrective and remedial actions have been completed, are currently underway, or plans for such actions have been submitted to the State of Georgia for approval. The current estimated total cost for cleanup and remediation is $2.1 million, $0.2 million of which remains accrued at November 30, 2001. Additional testing, however, could result in greater costs for cleanup and remediation than is currently accrued.

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

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

Matrix builds aboveground storage tanks and performs maintenance and repairs on existing aboveground storage tanks. A defect in the manufacturing of new tanks or faulty repair and maintenance on an existing tank could result in an environmental liability if the product stored in the tank leaked and contaminated the environment. Matrix currently has liability insurance with pollution coverage of $1 million, but the amount could be insufficient to cover a major claim. Matrix is currently involved in one claim which occurred before pollution coverage was obtained. The Company does not believe that its repair work was defective and is not liable for any subsequent environmental damage.

PART II

OTHER INFORMATION

ITEM 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 Tuesday, October 23, 2001. 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 7,663,116 shares of the Company's common stock outstanding and entitled to vote, 7,360,592 shares were present at the meeting in person or by proxy, representing approximately 96.05 percent. Matters voted upon at the meeting were as follows:

a. Election of six directors to serve on the Company's board of directors. Messrs. Bradley, Hall, Hendrix, Lackey, Vetal and Zink were elected to serve until the 2002 Annual Meeting. The vote tabulation with respect to each nominee was as follows:

Nominee	For	Authority Withheld
Hugh E. Bradley	7,309,291	51,301
Michael J. Hall	7,346,491	14,101
I. Edgar Hendrix	7,308,391	52,201
Paul K. Lackey	7,303,291	57,301
Bradley S. Vetal	7,060,591	300,001
John S. Zink	7,026,416	334,176

b. The stockholders ratified the appointment of Ernst & Young LLP as the Company's independent public accountants.

Number of Votes Cast

For	Against	Abstain	Broker Non-Votes
7,350,491	1,600	8,501	-0-

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

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MATRIX SERVICE COMPANY

Date: January 11, 2002 By: /s/ Michael J. Hall

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