

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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): December 16, 1997

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)

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

Item 5. Other Events

On December 16, 1997, Matrix Service Company (the "Company") and ITEQ, Inc. ("ITEQ") entered into a Plan and Agreement of Merger whereby ITEQ will acquire the Company. The shareholders of the Company will be able to tender a share of Company common stock for either \$10 in cash or .8333 of one share of ITEQ common stock, subject to the cash portion of the purchase price not exceeding 50% nor being less than 30% of the total consideration. In conjunction with the merger, ITEQ's board of directors will be expanded from nine to ten persons with the addition of one member designated by the Company. The acquisition is subject to shareholder and regulatory approval and the absence of any dissenters. The transaction is expected to close by March 1998, and will be accounted for using the purchase method of accounting.

The Company is a leading domestic supplier of above-ground storage tanks (AST's), after-market tank products and specialized maintenance services. The Company's customer base includes refineries, chemical plants, terminal facilities, power generation, waste water plants, municipal water storage, refrigerated liquefied gas storage, thermal energy storage, industrial users of pressurized spheres, fertilizer storage, grain storage and food processing. The Company has grown rapidly since 1991 through a combination of internal growth and acquisitions with a present revenue run rate of in excess of \$200 million annually.

ITEQ is a rapidly growing provider of manufactured equipment, engineered systems and services used in the processing, treatment, storage and movement of gases and liquids. ITEQ operates worldwide providing products and services to a broad base of industrial customers.

Item 7. Financial Statements and Exhibits

Exhibits

Exhibits 99.1 - Plan and Agreement of Merger, dated as of December 16, 1997, by and among the Company, ITEQ Sub Corp. and ITEQ, Inc. (excluding exhibits and schedules)(Incorporated by reference from Exhibit 10.1 of ITEQ, Inc.'s Current Report on Form 8-K filed with the Commission on December 17, 1997, File no. 1-10668)

Exhibit 99.2 - Press Release dated December 16, 1997

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: December 19, 1997

By: /s/C. William Lee

C. William Lee

Vice President-Finance

Chief Financial Officer Signing on behalf of the registrants the registrant's chief financial officer.

EXHIBIT INDEX

Exhibit No.

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Exhibit 99.2 - Press Release dated December 16, 1997

NEWS RELEASE
DECEMBER 16, 1997
MATRIX SERVICE COMPANY
(NASDAQ: MTRX)
10701 E. UTE STREET
TULSA, OK 74116

CONTACT:
MATRIX SERVICE COMPANY
C. WILLIAM LEE
VICE PRESIDENT - FINANCE
(918) 838-8822

ITEQ TO ACQUIRE MATRIX

- - Combined Companies Annual Revenue will Exceed \$550 Million

TULSA, OKLAHOMA December 16, 1997 - - ITEQ, Inc. (NASDAQ:ITEQ) and Matrix (NASDAQ:MTRX) announced today that the companies have entered into an agreement whereby ITEQ will acquire Matrix.

In separate meetings today, the boards of directors of both ITEQ and Matrix approved entering into the purchase agreement. The shareholders of Matrix will be able to tender a Matrix share for either \$10 in cash or .83 of one ITEQ share, subject to the cash portion of the purchase not exceeding 50% nor being less than 30% of the total consideration. In conjunction with the merger, ITEQ's board of directors will be expanded from nine to ten persons with the addition of one member designated by Matrix. The acquisition is subject to shareholder and regulatory approval and the absence of any dissenters. The transaction is expected to close by March, 1998.

Matrix Service Company is a leading domestic supplier of above ground storage tanks (AST's), after-market tank products and specialized maintenance services. Matrix's customer base includes refineries, chemical plants, terminal facilities, power generation, waste water plants, municipal water storage, refrigerated liquefied gas storage, thermal energy storage, industrial users of pressurized spheres, fertilizer storage, grain storage and food processing. Matrix has grown rapidly since 1991 through a combination of internal growth and acquisitions with a present revenue run rate of in excess of \$200 million annually.

Mark Johnson, Chairman and Chief Executive Officer of ITEQ, stated "The addition of Matrix will make ITEQ the market leader in the tank maintenance and repair market. By way of the acquisition, ITEQ will enter the elevated water tank maintenance and repair market. By way of the acquisition, ITEQ will enter the elevated water tank market where future growth prospects are excellent through funding available under the recently enacted Safe Drinking Water Act. Not only are there cross-selling opportunities with ITEQ's Storage Systems Group but Matrix will complement our Process Equipment Group as well. In particular, Matrix's Colt subsidiary will provide ITEQ's Ohmstede and Exell operations with significantly expanded heat exchanger field service capabilities. The acquisition should be immediately accretive to earnings. Finally, the combined companies will be significantly more efficient operation with annual pre-tax cost savings expected to exceed \$3 million."

Doyle West, Matrix's President and Chief Executive Officer, said "ITEQ and Matrix are clearly the leaders in our industry in forming strategic alliances with both customers and suppliers. The combination of ITEQ and Matrix will create the preeminent company in our industry with the broadest array of products and services. Major domestic and multinational customers can look to our one company to provide the professional strength, products and field capabilities to meet their requirements."

ITEQ, Inc. is a rapidly growing provider of manufactured equipment, engineered systems and services used in the processing, treatment, storage and movement of gases and liquids. The company operates worldwide providing products and services to a broad base of industrial customers.

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This press release contains forward-looking statements within the meaning of the Private Securities Reform Act of 1995. All forward-looking statements are subject to certain risks, uncertainties and assumptions. These risks and uncertainties, which are more fully described in ITEQ's Annual Quarterly Reports filed with the Securities and Exchange Commission, include changes in market conditions in the industries in which the company operates. Should one or more of these risks of uncertainties materialize, or should the assumptions prove incorrect, actual results may vary in material aspects from those currently anticipated.