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 August 31, 1997

Commission File number 0-l87l6

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

DELAWARE (State of incorporation)

73-1352l74 (I.R.S. Employer Identification No.)

l070l E. Ute St., Tulsa, Oklahoma 74ll6-l5l7
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code:
(9l8) 838-8822

Indicate by check mark whether the registrant (l) has filed all reports required to be filed by Section l3 or l5(d) of the Securities Exchange Act of 1934 during the preceding l2 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 October 14, 1997, there were shares of the Company's common stock, $.0l par value per share, issued and 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]

| | Three Months Ended August 31 (unaudited) | | | |
|---|---|---|---|---|
| | 1997 | 1996 | | |
| Revenues | $49,519 | $39,630 | | |
| Cost of revenues | 44,777 | 35,665 | | |
| Gross profit | 4,742 | 3,965 | | |
| Selling, general and administrative expenses | 3,006 | 2,459 | | |
| Goodwill and noncompete amortization | 296 | 216 | | |
| Operating income | 1,440 | 1,290 | | |
| Other income (expense): | | | | |
| Interest income | 43 | 29 | | |
| Interest expense | (258) | (114) | | |
| Other | 9 | (49) | -------- | ---- |
| Inome before income tax expense | 1,234 | 1,156 | | |
| Provision for federal and state | | | | |

| | | |
|---|---|---|
| income tax expense | 465 | 524 |
| Net Income | $ 769 | $ 632 |

| | | |
|---|---|---|
| Net income per common and common equivalent shares: | | |
| Primary | $ 0.08 | $ 0.07 |
| Fully diluted | 0.08 | 0.07 |
| Weighted average common and common equivalent shares outstanding: | | |
| Primary | 9,965,765 | 9,523,982 |
| Fully diluted | 9,965,765 | 9,523,982 |

See Notes to Condensed Consolidated Financial Statements

Matrix Service Company
Condensed Consolidated Balance Sheets
(in thousands)

| | August 31, 1997 (unaudited) | May 31, 1997 |
|---|---|---|
| ASSETS: | | |
| Current assets: | | |
| Cash and cash equivalents | $ 1,184 | $ 1,877 |
| Accounts receivable | 38,211 | 37,745 |
| Costs and estimated earnings in excess of billings on uncompleted contracts | 14,224 | 11,349 |
| Inventories | 5,720 | 4,989 |
| Prepaid expenses | 463 | 456 |
| Deferred taxes | 1,075 | 1,021 |
| Income tax receivable | 1,033 | 317 |
| Total current assets | $ 61,910 | $ 57,754 |
| Investment in undistributed equity of a foreign joint venture | 174 | 174 |
| Property, plant and equipment at cost: | | |
| Land and buildings | 19,099 | 15,097 |
| Construction equipment | 24,308 | 24,444 |
| Transportation equipment | 5,761 | 5,504 |
| Furniture and fixtures | 3,298 | 3,164 |
| Construction in progress | 2,950 | 2,614 |
| Less accumulated depreciation | 24,398 | 20,861 |
| Net property, plant and equipment | 31,018 | 29,962 |
| Goodwill, net of accumulated amortization | 30,925 | 28,721 |
| Other assets | 811 | 261 |
| Total assets | $124,838 | $116,872 |

See Notes to Condensed Consolidated Financial Statements

Matrix Service Company
Condensed Consolidated Balance Sheets
(in thousands)

| | August 31, 1997 (unaudited) | May 31, 1997 |
|---|---|---|
| LIABILITIES AND STOCKHOLDERS' EQUITY: | | |
| Current liabilities: | | |
| Accounts payable | $ 12,620 | $ 12,307 |
| Billings on uncompleted contracts in excess of costs and estimated earnings | 6,943 | 6,325 |
| Accrued expenses | 7,057 | 6,583 |
| Earnout payable | 0 | 2,400 |
| Income taxes payable | 774 | 431 |
| Deferred income taxes | 177 | 0 |
| Current portion of long-term debt | 2,093 | 1,495 |
| Total current liabilities | 29,664 | 29,541 |
| Long-term debt: | | |
| Bank credit agreement | 7,750 | 5,000 |
| Equipment note payable | 20 | 0 |
| Acquisition notes payable | 131 | 407 |
| Term note payable | 5,441 | 955 |
| Total long-term debt | 13,342 | 6,362 |
| Deferred income taxes | 4,757 | 4,757 |
| Stockholders' equity: | | |
| Common stock | 95 | 95 |
| Additional paid-in capital | 50,903 | 50,903 |
| Retained earnings | 26,913 | 26,269 |
| Cumulative translation adjustment | (166) | (145) |
| | 77,745 | 77,122 |
| Less: Treasury stock, at cost | 670 | 910 |
| Total stockholders' equity | 77,075 | 76,212 |
| Total liabilities and stockholders' equity | $124,838 | $116,872 |

See Notes to Condensed Consolidated Financial Statements

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

| | Three Months Ended August 31 (unaudited) | |
|---|---|---|
| | 1997 | 1996 |
| Cash flow from operating activities: | | |
| Net income | $ 769 | $ 632 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 1,546 | 1,392 |
| Changes in current assets and liabilities increasing (decreasing) cash: | | |
| Accounts receivable | 4,129 | 3,120 |
| Costs and estimated earnings in excess of billings on uncompleted contract | (1,741) | 417 |
| Inventories | 494 | (634) |
| Prepaid expenses | (16) | (99) |
| Accounts payable | (2,900) | (1,881) |
| Billings on uncompleted contracts in excess of costs and estimated earnings | 151 | 755 |
| Taxes and other accruals | (2,141) | (1,432) |
| Other | (3) | (2) |
| Net cash provided by by operating activities | 288 | 2,268 |
| Cash flow from investing activities: | | |
| Capital expenditures | (932) | (1,459) |
| Proceeds from sale of equipment | 36 | 21 |
| Acquisition of subsidiary, net of cash acquired | (4,129) | 47 |
| Net cash used in investing activities | (5,025) | (1,391) |

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

| | Three Months Ended August (unaudited) | |
|---|---|---|
| | 1997 | 1996 |
| Cash flows from financing activities: | | |
| Issuance of acquisition notes | 197 | - |
| Repayment of acquisition payables | (132) | (133) |
| Issuance of equipment notes | 39 | - |
| Repayment of equipment notes | (3) | (10) |
| Issuance of long-term debt | 9,750 | 1,000 |
| Repayment of long-term debt | (5,910) | (2,272) |
| Issuance of stock | 116 | 14 |
| Net cash used in financing activities | 4,057 | (1,401) |
| Cumulative translation adjustment | (13) | 1 |
| Decrease in cash and cash equivalents | (693) | (523) |
| Cash and cash equivalents at beginning of period | 1,877 | 1,899 |
| Cash and cash equivalents at end of period | $1,184 | $1,376 |

See Notes to Condensed Consolidated Financial Statements

MATRIX SERVICE COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

NOTE A - BASIS OF PRESENTATION

The condensed 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 condensed 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 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 3l, 1997, 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 - BUSINESS ACQUISITIONS

On June 17, 1997, the Company acquired all of the outstanding common stock of General Service Corporation and its affiliated companies, Maintenance Services, Inc., Allentech, Inc., and Environmental Protection Services (collectively "GSC") for up to $7.8 million, subject to certain adjustments. The purchase price consisted of $4.75 million in cash and a $250 thousand, prime rate (currently 8.25%) promissory note payable in 12 equal quarterly installments. In addition, the stockholders of GSC are entitled to receive in the future up to an additional $2.75 million in cash if GSC satisfies certain earnings requirements. The transaction was accounted for as a purchase and created approximately $3.0 million of goodwill and non-competition covenants.

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

Results of Operations

Three Months Ended August 31, 1997 Compared to Three Months Ended August 31, 1996

General Service Corporation ("GSC") was acquired by Matrix Service Company (the "Company") on June 17, 1997. Accordingly, the results of operations of GSC, for two and one-half months are included for the current period, but none of GSC's operations are included in the prior year period.

Revenues for the quarter ending August 31, 1997 were $49.5 million as compared to revenues of $39.6 million for the quarter ended August 31, 1996, representing an increase of approximately $9.9 million or 25%. The increase is due primarily to the inclusion in first quarter data of revenues of $5.3 million from the operations of GSC (referred to above) and increased revenues from refinery capital projects as compared with the same period in 1996.

Gross profit for the quarterly period ending August 31, 1997 was $4.7 million, an increase of $777 thousand over the period ended August 31, 1996. Gross profit as a percentage of revenues decreased to 9.6% for the 1997 period compared to 10.0% for the 1996 period. The decrease results mainly from revenue being generated from capital work rather than repair and maintenance which generally produces higher profit margins.

Selling, general and administrative expenses increased to $3.0 million for the quarterly period ending August 31, 1997 from expenses of $2.5 million for the quarterly period ended August 31, 1996, an increase of $547 thousand or approximately 22% and representing as a percentage of revenues, a decrease to 6.1% for the 1997 period as compared to 6.2% for the 1996 period. The principal amount of increase is due to the inclusion of expenses of GSC.

Operating income increased to $1.4 million for the quarterly period ending August 31, 1997 from income of $1.3 million for the quarterly period ended August 31, 1996, an increase of $150 thousand. The increase was due to higher revenues combined with stable cost of revenues and selling, general and administrative expense offset by increased amortization of goodwill. The increased goodwill is attributed to the GSC acquisition.

Interest expense increased to $258 thousand for the quarterly period ending August 31, 1997 from $114 thousand of interest expense for the quarterly period ended August 31, 1996. The increase resulted primarily from increased borrowing under the Company's revolving credit facility and term loans established on August 24, 1994 as amended. During the period there was an average of $6.3 million outstanding under the revolver loan. The term loan increase was due primarily to the GSC acquisition.

Net income increased to $769 thousand for the quarterly period ending August 31, 1997 from net income of $632 thousand for the quarterly period ended August 31, 1996. The increase was due to increased revenues and decreased provision for income tax for the 1997 period as compared to the 1996 period. The lower income tax provision for the 1997 period resulted from a net operating loss carry forward acquired with GSC.

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 with a commercial bank under which the Company may borrow a total of $25.0 million. The Company may borrow up to $15.0 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 minus three quarters of one percent (3/4 of 1%), or a LIBOR based option, and matures on October 31, 1999. At August 31, 1997, the interest rate was 7.75% and the outstanding advances under the revolver totaled $7.75 million. The credit facility also provides for two term loans up to $5.0 million each. On October 5, 1994, and June 19, 1997 term loans of $4.9 million and $5.0 million, respectively, were made to the Company. The 1994 term loan is due on August 31, 1999 and is to be repaid in 54 equal payments beginning in March 1995 at an interest rate based upon the Prime Rate or a LIBOR option. The 1997 term loan is due January 23, 2002 and is to repaid in 54 equal payments beginning January 7, 1998 at an interest rate based upon the prime rate or a LIBOR option. At August 31, 1997, the interest rate on the term loans was 8.25%, and the outstanding balance was $2.2 million and $5.0 million, respectively. The rates reflected above are based on an agreement made after August 31, 1997.

Operations of the Company provided $288 thousand of cash for the three months ended August 31, 1997 as compared with providing cash from operations of $2.3 million for the three months ended August 31, 1996, representing a decrease of approximately $2.0 million. The decrease was primarily the result of a net decrease of $2.8 million in billings on uncompleted contracts in excess of costs and estimated earnings in excess of billings.

Capital expenditures during the three month period ended August 31, 1997 totaled approximately $932 thousand. Of this amount approximately $413 thousand was used to purchase welding and construction equipment for field operations. The Company has invested approximately $245 thousand for office expansion for support of field operations. In addition, the Company has currently budgeted approximately $2.6 million for additional capital expenditures primarily to be used to purchase construction equipment during the remainder of fiscal year 1998. The Company expects to be able to finance any such expenditures with available working capital.

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 1998 and possibly thereafter unless significant expansions of operations not now planned are undertaken, in which case the Company would arrange additional financing as a part of any such expansion.

PART II
OTHER INFORMATION

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

A. Exhibit 10.1 - Second Amendment to Credit Agreement
B. Exhibit 11 - Computation of earnings per share.
C. 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:  October 15, 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.

THIS SECOND AMENDMENT TO CREDIT AGREEMENT ("Amendment") is made and entered into this 15th day of September, 1997, 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"), GEORGIA STEEL ACQUISITION CORPORATION, an Oklahoma corporation (hereinafter referred to as "GSAC"), GEORGIA STEEL FABRICATORS, INC., a Georgia corporation (hereinafter referred to as "GSF"), BROWN STEEL CONTRACTORS, INC., a Georgia corporation (hereinafter referred to as "BSC"), WEST COAST INDUSTRIAL COATINGS, INC., a California corporation (hereinafter referred to as "WCI"), MIDWEST SERVICE COMPANY, a Delaware corporation (hereinafter referred to as "MSC"), HEATH ENGINEERING, LTD., an Ontario corporation (hereinafter referred to as "HEL"), HEATH (TANK MAINTENANCE) ENGINEERING, LTD., a United Kingdom corporation (hereinafter referred to as "HTM"), MAYFLOWER VAPOR SEAL CORPORATION, an Oklahoma corporation (hereinafter referred to as ("MVS"), GENERAL SERVICE CORPORATION, a Delaware corporation (hereinafter referred to as "GSC"), MAINSERVE-ALLENTECH, INC., a Delaware corporation (hereinafter referred to as "MA"), MAINTENANCE SERVICES, INC., a Delaware corporation (hereinafter referred to as "MSERV"), and LIBERTY BANK AND TRUST COMPANY OF TULSA, NATIONAL ASSOCIATION (hereinafter referred to as the "Bank"). Matrix, MSI, MIC, MSM, PEI, TSI, SLT, CCC, MII, GSAC, GSF, BSC, WCI, MSC, HEL, HTM, MVS, GSC, MA and MSERV are hereinafter collectively referred to as the "Borrowers" and individually as a "Borrower."

RECITALS

A. 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 same as further amended, supplemented or otherwise modified from time to time, being hereinafter referred to as the "Credit Agreement"), pursuant to which the Bank has established in favor of the Borrowers, on the terms and conditions set forth therein, (i) a revolving credit facility in the principal amount not to exceed $15,000,000.00, (ii) a term loan facility in the original principal amount not to exceed $5,000,000.00, and (iii) a term acquisition facility in the original principal amount not to exceed $5,000,000.00

B. The Borrowers have requested that the Bank: (i) reduce the rates of interest under the Revolving Note, the Term Note and the Acquisition Note, (ii) modify Rate Election, Continuation and Conversion Options, (iii) allow for optional prepayments under any Tranche, and (iv) expand the time period under which the Borrowers must provide certain monthly certificates and reports to the Bank.

C. 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 agree to amend the Credit Agreement, effective as of the date hereof, as follows:

1. TERMS DEFINED IN THE CREDIT AGREEMENT. Capitalized terms used herein and not otherwise defined have the respective meanings assigned to them in the Credit Agreement.

2. MODIFICATIONS TO APPLICABLE INTEREST RATES. The Bank hereby agrees to modify the applicable rates of interest chargeable under the Revolving Note, the Term Note and the Acquisition Note. In order to effectuate the foregoing, the Credit Agreement shall be modified in accordance with the following:

A. Modifications to Subsections 2.7.1(a) and 2.7.1(b). Subsections 2.7.1(a) and 2.7.1(b) of the Credit Agreement, governing interest rates under the Revolving Note, are hereby deleted and replaced in their entirety, respectively, by the following:

(a) Advances included within the Prime Tranche shall bear interest at a fluctuating rate per annum equal to the Prime Rate minus three-quarters of one percent (3/4 of 1%), adjusted as of the date of each change therein.

(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-quarter percent (1-1/4%).

B. Modifications to Subsections 2.7.2(d)(i) and 2.7.2(d)(ii). Subsections 2.7.2(d)(i) and 2.7.2(d)(ii) of the Credit Agreement, governing interest rates under the variable rate option of the Term Note, are hereby deleted and replaced in their entirety, respectively, by the following:

(i) Advances included within the Prime Tranche shall bear interest at a fluctuating rate per annum equal to the Prime Rate minus one quarter of one percent (1/4 of 1%), adjusted as of the date of each change therein.

(ii) Advances included within a 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 three quarters percent (1-3/4%).

C. Modifications to Subsections 2.7.6(c)(i) and 2.7.6(c)(ii). Subsections 2.7.6(c)(i) and 2.7.6(c)(ii) of the Credit Agreement (as established in the First Amendment to Credit Agreement dated June 19, 1997), governing interest rates under the variable rate option of the Acquisition Note, are hereby deleted and replaced in their entirety, respectively, by the following:

(i) Amounts outstanding under the Acquisition Note included within the Prime Tranche shall bear interest at a fluctuating rate per annum equal to the Prime Rate minus one quarter of one percent (1/4 of 1%), adjusted as of the date of each change therein.

(ii) Amounts outstanding under the Acquisition Note included within the 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 three quarters percent (1-3/4%).

3. MODIFICATION OF RATE ELECTIONS. The Bank hereby agrees to modify the requirements governing Rate Elections under each of the Credit Facilities. In order to effectuate the foregoing, the Credit Agreement shall be modified in accordance with the following:

A. Modifications to Subsection 2.7.3(f). Subsection 2.7.3(f) of the Credit Agreement is hereby deleted and replaced in its entirety by the following:

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

B. Modifications to Subsection 2.7.4. Subsections 2.7.4 of the Credit Agreement is hereby deleted and replaced in its entirety by the following:

2.7.4 Continuation and Conversion Options. Subject to the limitations set forth in Subsection 2.7.3 hereof, the Borrowers may 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 any of the Credit Facilities 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 of the Advances 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.

4. MODIFICATIONS PERMITTING OPTIONAL PREPAYMENTS. The Bank

hereby agrees to permit the Borrowers to make prepayments under any of the three Notes regardless of the applicable Tranche(s). In order to effectuate the foregoing, Subsection 2.10 of the Credit Agreement is hereby deleted and replaced in its entirety with the following:

2.10 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. Amounts prepaid on the Term Note or the Acquisition Note will be applied to the unpaid principal installments of such Note in the inverse order of maturity.

5. EXPANSION OF TIME PERIOD FOR CERTIFICATES AND REPORTS. The Bank hereby agrees to expand the time period after the end of each calendar month in which the Borrowers must furnish to the Bank completed Borrowing Base and Compliance Certificates and Accounts Aging Reports. In order to effectuate the foregoing, the first sentence of Subsection 6.2 of the Credit Agreement shall be modified by replacing the time reference of "fifteen (15) days" with the time reference of "thirty (30) days."

6. CONDITIONS. The amendments to the Credit Agreement set forth in this Amendment shall be effective from and after the date hereof, but subject to the Borrowers' satisfaction of each of the following conditions precedent:

6.1 Amendment. The Borrowers shall have duly and validly authorized, executed and delivered to the Bank this Amendment.

6.2 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 this Amendment.

6.3 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 Amendment and the Credit Agreement.

6.4 Legal Matters. All legal matters incident to this Amendment and the Credit Facilities shall be satisfactory to the Bank and its counsel.

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

7. REPRESENTATIONS AND WARRANTIES. All representations and warranties of the Borrowers contained in Section 5 of the Credit Agreement are hereby remade and restated as the date hereof and shall survive the execution and delivery of this Amendment. The Borrowers further represent and warrant to the Bank that:

7.1 Authority. The Borrowers have all corporate power and authority and have been duly authorized to execute, deliver and perform its obligations under this Amendment and the Credit Agreement.

7.2 Binding Obligations; Enforceability. This Amendment, the Credit Agreement (as amended by this Amendment), and each of the Notes are valid and legally binding obligations of the Borrowers, enforceable in accordance with their respective terms, except as limited by applicable bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally.

7.3 No Conflicts. The execution, delivery and performance of this Amendment and the Credit Agreement (as amended by this Amendment) by the Borrowers do not and will not (a) conflict with, result in a breach of the terms, conditions or provisions of, constitute a default under, or result in any violation of the Borrowers' Certificates of Incorporation, as amended, or Bylaws, or any agreement, instrument, undertaking, judgment, decree, order, writ, injunction, statute, law, rule or regulation to which either of the Borrowers is subject or by which the assets of either of the Borrowers are bound or affected, (b) result in the creation or imposition of any lien, charge or encumbrance on, or security interest in, any property now or hereafter owned by the Borrowers, pursuant to the provisions of any mortgage, indenture, security agreement, contract, undertaking or other agreement to which either of the Borrowers is a party, other than the obligations of the Borrowers in favor of the Bank created by the Loan Documents, or (c) require any authorization, consent, license, approval or authorization of, or other action by, notice or declaration to, registration with, any court or any administrative or governmental body (domestic or foreign), or, to the extent any such consent or other action may be required, it has been validly procured or duly taken.

8. MISCELLANEOUS.

8.1 Effect of Amendment. Except as expressly modified and amended by this Amendment, all other terms of the Credit Agreement shall continue in full force and effect in accordance with their original stated terms and are hereby reaffirmed in every respect as of the date hereof. To the extent that the terms of this Amendment are inconsistent with the terms of the Credit Agreement, this Amendment shall control and the Credit Agreement shall be amended, modified or supplemented so as to give full effect to the transactions contemplated by this Amendment.

8.2 Descriptive Headings. The descriptive headings of the several paragraphs of this Amendment are inserted for convenience only and shall not be used in the construction or the content of this Amendment.

8.3 Reimbursement of Expenses. The Borrowers agree to pay all reasonable out-of-pocket expenses, including, without limitation, filing fees, recording costs and reasonable attorney's fees and expenses, incurred by the Bank in connection with the preparation of this Amendment.

8.4 Reaffirmation 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 arising under or in connection with the Credit Agreement (as amended hereby). All references to the term "Indebtedness" contained in the Credit Agreement, 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 this Amendment.

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: /s/C. William Lee
- -------------------------
Name: C. William Lee
Title: Secretary

MATRIX SERVICE, INC.,
an Oklahoma corporation

By: /s/C. William Lee
- -------------------------
Name: C. William Lee
Title: Secretary

MIDWEST INDUSTRIAL CONTRACTORS, INC.,
a Delaware corporation

By: /s/C. William Lee
- -------------------------
Name: C. William Lee
Title: Secretary

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

By: /s/C. William Lee
- -------------------------
Name: C. William Lee
Title: Secretary

PETROTANK EQUIPMENT, INC.,
an Oklahoma corporation

By: /s/C. William Lee
- -------------------------
Name: C. William Lee

Title: Secretary

TANK SUPPLY, INC.,
an Oklahoma corporation

By: /s/C. William Lee
- -------------------------
Name: C. William Lee
Title: Secretary

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

By: /s/C. William Lee
- -------------------------
Name: C. William Lee
Title: Secretary

COLT CONSTRUCTION CO., INC.,
a Delaware corporation

By: /s/C. William Lee
- -------------------------
Name: C. William Lee
Title: Secretary

MIDWEST INTERNATIONAL, INC.,
a Delaware corporation

By: /s/C. William Lee
- -------------------------
Name: C. William Lee
Title: Secretary

GEORGIA STEEL ACQUISITION CORPORATION,
an Oklahoma corporation

By: /s/C. William Lee
- -------------------------
Name: C. William Lee
Title: Secretary

GEORGIA STEEL FABRICATORS, INC.,
a Georgia corporation

By: /s/C. William Lee
- -------------------------
Name: C. William Lee
Title: Secretary

BROWN STEEL CONTRACTORS, INC.,
a Georgia corporation

By: /s/C. William Lee
- -------------------------
Name: C. William Lee
Title: Secretary

WEST COAST INDUSTRIAL COATINGS, INC.,
a California corporation

By: /s/C. William Lee
- -------------------------
Name: C. William Lee
Title: Secretary

MIDWEST SERVICE COMPANY,
a Delaware corporation

By: /s/C. William Lee
- -------------------------
Name: C. William Lee
Title: Secretary

HEATH ENGINEERING, LTD.,
an Ontario corporation

By: /s/C. William Lee
- -------------------------
Name: C. William Lee
Title: Secretary

HEATH (TANK MAINTENANCE) ENGINEERING, LTD.,
an United Kingdom corporation

By: /s/C. William Lee
- -------------------------
Name: C. William Lee
Title: Secretary

MAYFLOWER VAPOR SEAL CORPORATION,
an Oklahoma corporation

By: /s/C. William Lee
- -------------------------
Name: C. William Lee
Title: Secretary

GENERAL SERVICE CORPORATION,
a Delaware corporation

By: /s/C. William Lee
- -------------------------
Name: C. William Lee
Title: Secretary

MAINSERVE-ALLENTECH, INC.,
a Delaware corporation

By: /s/C. William Lee
- -------------------------
Name: C. William Lee
Title: Secretary

MAINTENANCE SERVICES, INC.,
a Delaware corporation

By: /s/C. William Lee
- -------------------------
Name: C. William Lee
Title: Secretary

LIBERTY BANK AND TRUST COMPANY
OF TULSA, NATIONAL ASSOCIATION

By: /s/Mark A. Poole
- -------------------------
Name: Mark A. Poole
Title: Senior Vice President

```
 [ARTICLE]                  5
[MULTIPLIER]               1,000


[PERIOD-TYPE]              3-MOS
[FISCAL-YEAR-END]          May-31-1998
[PERIOD-START]             Jun-01-1997
[PERIOD-END]               Aug-31-1997
[COMMON]                      9,966
[NET-INCOME]                    769
[EPS-PRIMARY]                  0.08
[COMMON]                      9,966
[NET-INCOME]                    769
[EPS-DILUTED]                  0.08
[FISCAL-YEAR-END]          May-31-1997
[PERIOD-START]             Jun-01-1996
[PERIOD-END]               Aug-31-1996
[COMMON]                         9,524
[NET-INCOME]                       632
[EPS-PRIMARY]                     0.07
[COMMON]                         9,524
                          632
[EPS-DILUTED]                     0.07
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WARNING: THE EDGAR SYSTEM ENCOUNTERED ERROR(S) WHILE PROCESSING THIS SCHEDULE.

5
1,000

3-MOS
MAY-31-1998
AUG-31-1997
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38,211
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5,720
61,910
55,416
24,398
124,838
7,685
29,664
0
95
0
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76,980
124,838
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49,519
44,777
44,777
3,306
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465
0
0
0
0
769
0.08
0.08