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, 1997

Commission File number 0-l87l6

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

DELAWARE	73-1352l74
(State of incorporation)	(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 January 13, 1998, there were 9,491,153 shares of the Company's common stock, $.01 par value per share, issued and 9,428,139 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 November 30 (unaudited)		Six Months Ended November 30 (unaudited)	
	1997	1996	1997	1996
[MULTIPLIER]	1,000			
Revenues	$62,017	$48,212	$111,536	$87,842
Cost of revenues	56,875	43,574	101,652	79,239
Gross profit	5,142	4,638	9,884	8,603
Selling, general and administrative expenses	3,205	2,719	6,211	5,178
Goodwill and noncompete amortization	296	216	592	432

Operating income	1,641	1,703	3,081	2,993
Other income (expense):				
Interest income	30	28	74	57
Interest expense	(260)	(115)	(518)	(229)
Other	92	116	100	67
	-------	-------	-------	-------
Income before income tax expense	1,503	1,732	2,737	2,888
Provision for federal and state income tax expense	550	778	1,015	1,302
	-------	-------	-------	-------
Net income	$953	$954	$1,722	$1,586
	=======	=======	=======	=======
Net income per common and common equivalent shares:				
Primary	$0.10	$0.10	$0.17	$0.17
Fully diluted	$0.10	$0.10	$0.17	$0.17
Weighted average common and common equivalent shares outstanding:				
Primary	9,858,467	9,569,550	9,926,630	9,555,545
Fully diluted	9,927,143	9,569,550	9,948,677	9,562,788

See Notes to Condensed Consolidated Financial Statements

[MULTIPLIER] 1,000

Matrix Service Company
Condensed Consolidated Balance Sheets
(in thousands)

	November 30, 1997 (unaudited)	May 31, 1997
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 162	$ 1,877
Accounts receivable	41,615	37,745
Costs and estimated earnings in excess of billings on uncompleted contracts	12,737	11,349
Inventories	6,145	4,989
Prepaid expenses	521	456
Deferred taxes	1,074	1,021
Income tax receivable	976	317
	--------	-------
Total current assets	63,230	57,754
Investment in undistributed equity of a foreign joint venture	174	174
Property, plant and equipment at cost:		
Land and buildings	20,944	15,097
Construction equipment	24,630	24,444

Transportation equipment	5,783	5,504
Furniture and fixtures	3,439	3,164
Construction in progress	890	2,614
	-------	-------
	55,686	50,823
Less accumulated depreciation	25,444	20,861
	-------	-------
Net property, plant and equipment	30,242	29,962
Goodwill, net of accumulated amortization	30,700	28,721
Other assets	743	261
	--------	--------
Total assets	$125,089	$116,872
	========	========

See Notes to Condensed Consolidated Financial Statements

[MULTIPLIER] 1,000

Matrix Service Company
Condensed Consolidated Balance Sheets
(in thousands)

	November 30, 1997	May 31, 1997
	------------	---------
	(unaudited)	
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	$12,777	$12,307
Billings on uncompleted contracts in excess of costs and estimated earning	8,434	6,325
Accrued expenses	5,163	9,414
Current portion of long-term debt	2,234	1,495
	-------	-------
Total current liabilities	28,608	29,541
Long-term debt:		
Bank credit agreement	8,750	5,000
Acquisition notes payable	115	407
Term notes payable	5,045	955
	-------	-------
Total long-term debt	13,910	6,362
Deferred income taxes	4,757	4,757
Stockholders' equity:		
Common stock	95	95
Capital in excess of par value	50,903	50,903
Retained earnings	27,573	26,269
Cumulative translation adjustment	(220)	(145)
	-------	-------
Total capital and retained earnings	78,351	77,122
Less:Treasury stock, at cost	537	910

Total stockholders' equity	77,814	76,212
Total liabilities and stockholders' equity	$125,089	$116,872

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) 1997	1996
Cash flow from operating activities:		
Net income	$1,722	$1,586
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,037	2,795
Changes in current assets and liabilities increasing (decreasing) cash:		
Accounts receivable	717	8
Costs and estimated earnings in excess of billings on uncompleted contracts	(254)	(3,441)
Inventories	69	(852)
Prepaid expenses	(74)	(89)
Accounts payable	(2,948)	779
Billings on uncompleted contracts in excess of costs and estimated earnings	1,642	1,786
Taxes receivable and other accruals	(4,899)	(1,340)
Other	(5)	34
Net cash (used in) provided by operating activities	(993)	1,266
Cash flow from investing activities:		
Capital expenditures	(1,433)	(3,049)
Acquisition of subsidiary, net of cash acquired	(4,182)	47
Other, net	50	36
Net cash used in investing activities	(5,565)	(2,966)

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

	Six Months Ended November 30, (unaudited) 1997	1996
Cash flows from financing activities:		
Issuance of acquisition payable	286	-
Repayment of acquisition payables	(281)	(265)
Repayment of equipment notes	(14)	(11)
Issuance under long-term credit agreement	10,750	3,000
Repayments under long-term credit agreement	(2,000)	(2,000)
Repayment of long-term debt	(4,042)	(544)
Issuance of stock	-	-
Change in treasury stock	144	19
Net cash provided by financing activities	4,843	199
Increase in cash and cash equivalents	(1,715)	(1,501)
Cash and cash equivalents at beginning of period	1,877	1,899
Cash and cash equivalents at end of period	$ 162	$ 398

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. Under the provision of the contract the stockholders have the right to elect 70% of the earnout amount upon change of control of the Company. The stockholders of GSC have elected to receive 70% of the earnout to satisfy this provision, upon the closing of the transaction between the Company and ITEQ, Inc. (SEE NOTE C - RECENT EVENT) The transaction was accounted for as a purchase and created approximately $3.0 million of goodwill and non-competition covenants.

NOTE C - RECENT EVENT

On December 16, 1997, 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 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. 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.

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

Results of Operations

Three Months Ended November 30, 1997 Compared With The Three Months Ended November 30, 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 the quarter are included for the current period, but none of GSC's operations are included in the prior year period.

Revenues for the quarter ended November 30, 1997 were $62.0 million as compared to revenues of $48.2 million for the quarter ended November 30, 1996, representing an increase as compared with the same period in 1996 of $13.8 million or 28.6%. The increase is due to the inclusion of GSC revenues and increased revenues from capital projects in the Northwest from the refinery division.

Gross profit increased to $5.1 million for the quarterly period ended November 30, 1997 from gross profit of $4.6 million for the quarterly period ended November 30, l996, an increase of approximately $504 thousand or 10.9%. Gross profit as a percentage of revenues decreased to 8.3% for the 1997 period from 9.6% for the 1996 period. The decrease in gross profit percentage for the current period as compared with the prior period is due to pricing pressure on above ground tank maintenance work in the West and Gulf Coast areas and additional capital work in the refinery division, which historically provides lower margins.

Selling, general and administrative expenses increased to $3.2 million for the quarterly period ended November 30, 1997 as compared to $2.7 million for the quarterly period ended November 30, 1996, an increase of $486 thousand or 17.9%. Selling, general and administrative expenses as a percentage of revenues decreased to 5.2% for the current period as compared to 5.64% for the prior period. The increase in selling, general and administrative expenses for the period is due mainly to the inclusion of GSC. The decrease in expenses as a percentage of revenue results from the expenses being spread over greater revenues.

Operating income decreased to $1.6 million for the quarterly period ended November 30, 1997 from income of $1.7 million for the quarterly period ended November 30, 1996, a decrease of $62 thousand or approximately 3.6%. The decrease in operating profit was due to lower gross profit margins, increased selling, general and administrative expenses and increased amortization expense.

Interest expense increased to $260 thousand for the quarterly period ended November 30, 1997 from $115 thousand of interest expense for the quarterly period ended November 30, 1996. The increase resulted from an increased level of borrowing under the Company's credit facility principally as a result of borrowings for the acquisition of GSC.

The effective tax rate for the quarterly period ended November 30, 1997 decreased to 36.6% as compared to 44.9% for the 1996 period. The reduction is due principally to the utilization of a net operating loss carryforward available from GSC.

Net income decreased to $953 thousand for the quarterly period ended November 30, 1997 from net income of $954 thousand for the quarterly period ended November 30, 1996. The decrease was due to decreased operating profit and increased interest expense for the 1997 period as compared with the 1996 period.

Six Months Ended November 30, 1997 Compared With The Six Months Ended November 30, 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 five and one-half months are included for the current period, but none of GSC's operations are included in the prior year six month period.

Revenues for the six months ended November 30, 1997 were $ 111.5 million as compared to revenues of $87.8 million for the six months ended November 30, 1996, representing an increase of approximately $ 23.7 million or 27.0%. The increase was due to increased revenues from the Company's refinery maintenance and construction operations on the West Coast and the inclusion of GSC in the six month period ended November 30, 1997, as compared with the same period in 1996.

Gross profit increased to $9.9 million for the six months ended November 30, 1997 from gross profit of $8.6 million for the six months ended November 30, 1996. Gross profit as a percentage of revenues decreased to 8.9% for the 1997 period from 9.8% for the 1996 period. The decrease in gross profit percentage for the current period as compared with prior period is due to lower profit margins on maintenance and repair work on above ground storage tanks in the Gulf Coast and West Coast markets, elevated water tanks and capital work in the refinery divisions.

Selling, general and administrative expenses increased to $6.2 million for the six months ended November 30, 1997 compared to $5.2 million for the six months ended November 30, 1996, an increase of $1.0 million or approximately 19.9%. The increase in selling, general and administrative expenses is primarily due to the inclusion of GSC expenses. Selling, general and administrative expenses as a percentage of revenues decreased to 5.6% for the current period as compared with 5.9% for the 1996 period. The decrease in the selling, general and administrative expenses as a percentage of revenues for the current period as compared to the prior period is the result of the expenses being spread over greater revenues.

Operating income increased to $3.1 million for the six months ended November 30, 1997 from income of $3.0 million for the six months ended November 30,

1996. The increase was due to the inclusion of GSC and increased operations from the refinery division offset by lower margins for tank maintenance and repair in certain markets and elevated water tanks.

Net income increased to $1.7 million in the 1997 period from net income of $1.6 million in 1996. The increase was due principally to the inclusion of 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 of LIBOR plus one and one quarter percent (1 and 1/4%), and matures on October 31, 1999. At November 30, 1997, the interest rate was 7.22% and the outstanding advances under the revolver totaled $8.75 million. The credit facility also provides for two term loans of 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 November 30, 1997, the interest rate on the term loans was 7.72%, and the outstanding balance was $2.0 million and $5.0 million, respectively.

Operations of the Company used $933 thousand of cash for the six months ended November 30, 1997 as compared with providing cash from operations of $1.3 million for the six months ended November 30, 1996, representing a decrease of approximately $2.3 million. The decrease was primarily the result of a decrease of $3.7 million in accounts payable and a decrease in income taxes and other accruals of $3.6 million offset by a net increase of $3.0 million in billings on uncompleted contracts in excess of costs and estimated earnings in excess of billings and an increase of $1.6 million in inventory and receivables.

Capital expenditures during the six month period ended November 30, 1997 totaled approximately $1.4 million. Of this amount approximately $699 thousand was used to purchase welding and construction equipment and $239 thousand was used to purchase transportation equipment for field operations. The Company has invested approximately $505 thousand for office expansion for support of field operations. In addition, the Company has currently budgeted approximately $2.1 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 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 29, 1997. 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 9,402,139 shares of the Company's common stock outstanding and entitled to vote, 7,311,462 shares were present at the meeting in person or by proxy, representing approximately 77.76 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, Curry, Lee, West, Wood and Zink were elected to serve until the 1998 Annual Meeting. The vote tabulation with respect to each nominee was as follows:

Nominee	For	Authority Withheld
Doyl D. West	7,166,910	144,552
C. William Lee	7,167,110	144,352
Hugh E. Bradley	7,167,110	144,352
Robert L.Curry	7,167,010	144,452
William P. Wood	7,166,810	144,652
John S. Zink	7,167,010	144,452

b) The stockholders approved an amendment to the Company's 1991 Stock Option Plan increasing the number of shares issuable under the plan from 970,000 to 1,320,000.

Number of Votes Cast

For	Against	Abstain	Non-Votes
6,391,566	870,892	12,145	36,859

c) There were 7,297,860 shares voted for the ratification of the appointment of Ernst & Young LLP as the Company's independent public accountants, with 10,602 shares voted against, 3,000 abstentions, and zero broker non-votes.

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

A. Exhibit 10.1 - 1991 Stock Option Plan, as amended.

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: January 14, 1998

By: /s/C. William Lee

C. William Lee
Vice President-Finance
Chief Financial Officer
Signing on behalf of the registrant and
as the registrant's chief financial officer.

1.Purpose

The purpose of the Matrix Service Company 1991 Stock Option Plan, as amended, (the "Plan"), is to enhance the ability of Matrix Service Company (the "Company") and its Subsidiaries (as defined below) to attract and retain individuals possessing superior managerial talent to serve as employees and outside directors of the Company and its Subsidiaries, and to provide long-term incentives to such persons to contribute to the future success and prosperity of the Company and its Subsidiaries. Accordingly, under the Plan the Company may grant to key employees and to persons who are first elected as directors of the Company after January 1, 1991 ("outside directors") options ("Options") to purchase shares of the Company's common stock, par value $.01 per share ("Common Stock"). Options granted under the Plan may be either (i) incentive stock options ("ISOs") which are qualified under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), with respect to grants to key employees, or (ii) nonqualified stock options ("Nonqualified Options"), with respect to grants to either key employees or outside directors.

For purposes of the Plan, a "Subsidiary" shall be any corporation in which the Company has a direct or indirect ownership interest of 50% or more of the total combined voting power of all classes of stock in such corporation.

2.Administration and Interpretation

A. Administration. The Plan shall be administered by the Compensation Committee (the "Committee") of the Board of Directors of the Company (the "Board"). The Committee may prescribe, amend and rescind rules and regulations for administration of the Plan and shall have full power and authority to construe and interpret the Plan. The Committee may correct any defect or any omission or reconcile any inconsistency in the Plan or in any grant made under the Plan in the manner and to the extent it shall deem desirable.

Committee members shall be appointed by and shall serve at the pleasure of the Board. All members of the Committee shall be "disinterested persons" within the meaning of Rule 16b-3 of the General Rules and Regulations of the Securities Exchange Act of 1934 (the "1934 Act"). The Board may from time to time appoint members of the Committee in substitution for or in addition to members previously appointed and may fill vacancies, however caused, in the Committee. A majority of the members of the Committee shall constitute a quorum, and the acts of a majority of the members present at a meeting, or the acts of a majority of the members evidenced in writing, shall be the acts of the Committee. Members of the Committee may, in the discretion of the Board, receive compensation for their services as members, and all expenses and liabilities they incur in connection with the administration of the Plan shall be borne by the Company.

The day-to-day administration of the Plan may be carried out by such officers and employees of the Company or its Subsidiaries as shall be designated from time to time by the Committee. The Committee may employ attorneys, consultants, accountants, appraisers, brokers or other persons, and the Committee, the Company and the officers and employees of the Company shall be entitled to rely upon the advice, opinions or valuations of any such persons.

The Committee shall have the authority to make all decisions concerning Options granted under the Plan, including without limitation the selection of the persons to whom Options are granted, the number of shares of Common Stock subject to each Option and the terms and conditions of each Option, to construe the terms and provisions of the Plan and the option agreements ("Agreements") under which Options are granted, and to adopt, from time to time, such rules and regulations, not inconsistent with the terms of the Plan, as it may deem advisable to carry out the Plan. All decisions by the Committee shall be final. The effective date of an Option, as determined by the Committee, is referred to herein as the "Grant Date."

B. Interpretation. The interpretation and construction by the Committee of any provisions of the Plan or of any grant under the Plan and any determination by the Committee under any provision of the Plan or any such grant shall be final and conclusive for all purposes.

C. Limitation on Liability. Neither the Committee nor any member thereof shall be liable for any act, omission, interpretation, construction or determination made in connection with the Plan in good faith, and the members of the Committee shall be entitled to indemnification and reimbursement by the Company in respect of any claim, loss, damage or expense (including counsel fees) arising therefrom to the full extent permitted by law and the articles of incorporation of the Company. The members of the Committee, if appointed, shall be named as insureds under any directors and officers liability insurance coverage that may be in effect from time to time.

3. Shares Subject to Grants Under the Plan

The aggregate number of shares which may be issued under Options granted under the Plan shall not exceed 970,000 shares of Common Stock. Such shares may consist of authorized but unissued shares of Common Stock or previously issued shares of Common Stock reacquired by the Company. Any of such shares which remain unissued and which are not subject to outstanding Options at the termination of the Plan shall cease to be subject to the Plan, but until termination of the Plan, the Company shall at all times make available a sufficient number of shares to meet the requirements of the Plan and the outstanding Options. The number of shares of Common Stock which are available for Options under the Plan shall be decreased by each exercise of an Option, and to the extent that such Option lapses the shares theretofore subject to such Option may again be subject to other Options granted under the Plan. If any Option, in whole or in part, expires or terminates unexercised or is canceled or forfeited, the shares theretofore subject to such Option may be subject to another Option granted under the Plan. The aggregate number of shares which may be issued under Options granted under the Plan shall be subject to adjustment as provided in Section 6 hereof.

4. Eligibility

The individuals who shall be eligible to receive Options under the Plan shall be such key employees and outside directors as the Committee from time to time shall determine; provided, however, that outside directors shall only be eligible to receive Nonqualified Options under the Plan. In granting Options, the Committee shall take into consideration the contribution an individual has made or may make to the success of the Company or its Subsidiaries and such other factors as the Committee shall determine. The Committee shall also have the authority to consult with and receive recommendations from officers and other employees of the Company and its Subsidiaries with regard to these matters. In no event shall any individual or his legal representatives, heirs, legatees, distributees or successors have any right to participate in the Plan except to such extent, if any, as the Committee shall determine.

Options may be granted under the Plan from time to time in substitution for stock options, restricted stock or other stock-based compensation granted by other corporations where, as a result of a merger or consolidation of such other corporation with the Company or a Subsidiary, or the acquisition by the Company or a Subsidiary of the assets of such other corporation, or the acquisition by the Company or a subsidiary of stock of, or other beneficial ownership interest in, such other corporation, the individuals who held such other stock options, restricted stock or other stock-based compensation become eligible to receive Options under the Plan.

5. Grants and Terms of Options

A. Grants of Options. Grants of Options under the Plan shall be for such number of shares of Common Stock and shall be subject to such terms and conditions as the Committee shall designate.

B. Terms of Options. Each grant of an Option shall be evidenced by an Agreement executed by the recipient of the Option (the "Optionee") and an authorized officer of the Company. Each Agreement shall be in a form approved by the Committee, shall comply with and be subject to the terms and conditions of the Plan and may contain such other provisions, consistent with the terms and conditions of the Plan, as the Committee shall deem advisable. References herein to an Agreement shall include, to the extent applicable, any amendment to the Agreement and any interpretation or construction thereof by the Committee pursuant to this Plan.

(1) Exercise of Options. Options shall not be exercisable prior to the date six months following the Grant Date. In addition, the Committee may include in each Agreement a provision stating that the Option granted therein may not be exercised in whole or in part for an additional period of time specified in such Agreement, and may further limit the exercisability of the Option in such manner as the Committee deems appropriate. Except as provided herein or as so specified in the Agreement or in a resolution of the Committee, any Option may be exercised in whole at any time or in part from time to time during its term. The Committee may, in its discretion, at any time and from time to time accelerate the exercisability of all or part of any Option. An Optionee may exercise an Option by providing written notice to the Company at any time or from time to time during the period such Option is exercisable and by satisfying such other conditions as are set forth in the Agreement relating to the Option including, without limitation, satisfying the requirements for tax withholding with respect to such exercise.

(2) Payment of Option Exercise Price. Upon exercise of an Option, the full price per share (the "Exercise Price" for the shares with respect to which the Option is being exercised shall be payable to the Company (i) in cash or by check payable and acceptable to the Company or (ii) subject to the approval of the Committee, (a) by tendering to the Company shares of Common Stock owned by the Optionee having an aggregate market Value Per Share (as defined below) as of the date of exercise and tender that is not greater than the Exercise Price for the shares with respect to which the Option is being exercised and by paying any remaining amount of the Exercise Price as provided in (i) above; provided, however, that the Committee may, upon confirming that the Optionee owns the number of additional shares being tendered, authorize the issuance of a new certificate for the number of shares being acquired pursuant to the exercise of the Option less the number of shares being tendered upon the exercise, and return to the Optionee (or not require surrender of)the certificate for the shares being tendered upon the exercise; or (b) by the Optionee delivering to the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company to pay the option exercise price; provided that in the event the Optionee chooses to pay the Option exercise as provided in (ii)(b) above, the Optionee and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Committee shall prescribe as a condition of such payment procedure. Payment instruments will be received subject to collection.

(3) Number of Shares. Each Agreement shall state the total number of shares of Common Stock that is subject to the Option, which number shall be subject to adjustment pursuant to Section 6.

(4) Exercise Price. The Exercise Price for each option shall be fixed by the Committee on the Grant Date. The Exercise Price shall be the market Value per Share on the Grant Date, but in no event less than the par value of the Common Stock. The Exercise Price shall be subject to adjustment pursuant to Section 6.

(5) Term. The term of each Option shall be determined by the Committee at the Grant Date; provided, however, that each Option shall expire no later than ten years from the Grant Date (such date, as determined by the Committee or provided for herein, being referred to hereafter as the "Expiration Time").

(6) Market Value Per Share. "Market Value Per Share" shall be determined as of any particular date by any fair and reasonable means determined by the Committee.

(7) Termination of Employment; Death of an Outside Director. (a) If the employment of an employee Optionee is terminated for any reason other than a Qualified Termination (defined below), the Option granted to such Optionee shall automatically expire simultaneously with such termination. In the event of termination of an employee Optionee's employment due to death, retirement on or after reaching age 65 (or if prior to age 65, with the consent of the Committee), permanent disability (as determined under the standards of the Company's long-term disability program) or termination by the Company for any reason other than "cause" (each of such four events being a "Qualified Termination"), the Option may be exercised by the Optionee (or his estate, personal representative or beneficiary at any time within the three-month period commencing on the day next following such Qualified Termination (or within the next succeeding three months if the Optionee dies or becomes disabled within the three-month period following a Qualified Termination relating to other than the Optionee's death or disability) to the full extent that the Optionee was entitled to exercise the same on the day immediately prior to such Qualified Termination. For purposes of this clause, "cause" shall mean:

(i) final conviction of the Optionee of a felony under the laws of the United States or any state thereof which results or was intended to result directly or indirectly in gain or personal enrichment by the Optionee at the expense of the Company.

(ii) participation by the Optionee as an employee, officer or principal shareholder in any business engaged in activities in direct competition with the Company without the consent of the Company; or

(iii) gross and willful inattention to Optionee's duties as an employee for a continuous period of three months other than due to Optionee's total physical disability, or other cause reasonably beyond the control of Employee, which inattention to duty has a material adverse effect on the Company.

(b) In the event of the death of an Optionee that is an outside director, the Option may be exercised by the Optionee's estate, personal representative or beneficiary at any time within the three- month period commencing on the day next following such Optionee's death to the full extent that the Optionee was entitled to exercise the same on the day immediately prior to his death.

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

(8) Special Terms Applicable to Incentive Stock Options.

ISOs may be granted only to individuals who are key employees of the Company at the time the ISO is granted. ISOs may be granted to the same individual on more than one occasion, but in no event shall an ISO be granted after December 31, 2000.

No employee shall be eligible to receive an ISO if, on the Grant Date, such employee owns (including ownership through the attribution provisions of Section 424 of the code) in excess of 10% of the outstanding voting stock of the Company (or of its parent or subsidiary as defined in Section 424 of the code) unless the following two conditions are met:

(i) the option price for the shares of Common

Stock subject to the ISO is at least 110% of the fair market value of the shares of Common Stock on the Grant Date; and

(ii) the Agreement provides that the term of the ISO does not exceed five years.

No employee shall be eligible to receive ISOs (under this Plan and all other option Plans of the Company, its parent and subsidiary corporations) that are exercisable for the first time in any calendar year with respect to stock with an aggregate fair market value (determined at the Grant Date) in excess of $100,000. Notwithstanding any provision to the contrary in any Agreement pursuant to which Options are granted, options which are intended to be ISOs and would otherwise qualify as ISOs but for the requirement set forth in the preceding sentence, shall be treated as ISOs to the extent allowed under such requirement and the balance of such Options shall be traded as Nonqualified Options and their validity shall not be affected in any way whatsoever.

6. Recapitalization or Reorganization

A. The existence of the Plan and the Options granted hereunder shall not affect in any way the right or power of the Board or the shareholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of bonds, debentures, or shares of preferred stock ahead of or affecting Common Stock or the rights thereof, the dissolution or liquidation of the Company or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding.

B. The shares with respect to which Options may be granted are share of Common Stock as presently constituted. If, and whenever, prior to the termination of the Plan or the expiration of an outstanding Option, the Company shall effect a subdivision of shares of Common Stock or the payment of a stock dividend on Common Stock without receipt of consideration by the Company, the remaining shares of Common Stock available under the Plan and the number of shares of Common Stock with respect to which outstanding Options may thereafter be exercised shall be proportionately increased, and the Exercise price under outstanding Options shall be proportionately reduced. If, and whenever, prior to the termination of the Plan or the expiration of an outstanding Option, the Company shall effect a consolidation of shares of Common Stock, the remaining shares of Common Stock available under the Plan and the number of shares of Common Stock with respect to which any outstanding Option may thereafter be exercised shall be proportionately reduced, and the Exercise price under the outstanding Options shall be proportionately increased.

C. Except as may otherwise be expressly provided in the Plan, the issuance by the Company of shares of stock of any class or securities convertible into shares of stock of any class, for cash, property, labor or services, upon direct sale, upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, and in any case whether or not for fair value, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number of shares of Common Stock available under the Plan or subject to Options theretofore granted or the Exercise Price per share.

D. If the Company effects a recapitalization or otherwise materially changes its capital structure (both of the foregoing are herein referred to as a "Fundamental Change"), then thereafter upon any exercise of an Option theretofore granted, the holder shall be entitled to purchase under such Option, in lieu of the number of shares of Common Stock that would have been received the number and class of shares of stock and securities to which the holder would have been entitled pursuant to the terms of the Fundamental Change if, immediately prior to such Fundamental Change, the Optionee had been the holder of record of the number of shares of Common Stock.

E. Any adjustment provided for above shall be subject to any required shareholder action.

7. Recipient's Agreement

If, in the opinion of counsel for the Company, at the time of the exercise of any Option it is necessary or desirable, in order to comply with any then applicable laws or regulations relating to the sale of securities, for the individual exercising the option to agree to hold any shares issued to the individual for investment and without intention to resell or distribute the same and for the individual to agree to dispose of such shares only in compliance with such laws and regulations, the individual shall be required, upon the request of the Company, to execute and deliver to the Company a further agreement to such effect.

8. Miscellaneous

A. No Employment Contract. Nothing contained in the Plan shall be construed as conferring upon any employee the right to continue in the employ of the Company or any Subsidiary.

B. Employment with Subsidiaries. Employment by the Company for the purpose of this Plan shall be deemed to include employment by, and to continue during any period in which an employee is in the employment of, any Subsidiary.

C. No Rights as a Shareholder. A person granted an Option under the Plan shall have no rights as a shareholder with respect to shares covered by such person's Option until the date of the issuance of shares to the person upon the exercise of the Option. No adjustment will be made for dividends or other distributions or rights for which the record date is prior to the date of such issuance.

D. No Restriction on Corporate Action. Nothing contained in the Plan shall be construed to prevent the Company or any Subsidiary from taking any corporate action that is deemed by the Company or such Subsidiary to be appropriate or in its best interest, whether or not such action would have an adverse effect the Plan or any option granted under the Plan. No person that receives, or is eligible to receive, Options under the Plan shall have any claim against the Company or any Subsidiary as a result of any such action.

E. Non-assignability. Neither a person that receives Options under the Plan nor such person's beneficiary shall have the power or right to sell, exchange, pledge, transfer, assign or otherwise encumber or dispose of such person's or beneficiary's Options received under the Plan except by will or the laws of intestate succession; and to the extent any such option received under the Plan is awarded to a spouse pursuant to any divorce proceeding, such interest shall be deemed to be terminated and forfeited notwithstanding any vesting provisions or other terms herein or in the Agreement evidencing such option.

F. Governing Law; Construction. All rights and obligations under the Plan shall be governed by, and the Plan shall be construed in accordance with, the laws of the State of Delaware without regard to the principles of conflicts of laws. Titles and headings to Sections herein are for purposes of reference only, and shall in no way limit, define or otherwise affect the meaning or interpretation of any provision of the Plan.

G. Amendment and Termination. The Committee may from time to time and at any time alter, amend, suspend, discontinue or terminate this Plan and any grants of Options hereunder; provided, however, that no such action of the Committee may, without the approval of the shareholders of the Company, alter the provisions of the Plan so as to (A) materially increase the maximum number of shares of Common Stock that may be issued upon the exercise of Options granted under the Plan (except as provided in Section 6) or (B) materially modify the requirements relating to eligibility to receive Options under the Plan. The Plan shall terminate on December 31, 2000, and no options shall be awarded after such date.

H. Preemption by Applicable Laws and Regulations. Anything in the Plan or any Agreement to the Contrary notwithstanding, if, at any time specified herein or therein for the making of any determination or the taking of any action, any law, regulation or requirement of any governmental authority having jurisdiction in the premises shall require the Company to take any additional action not otherwise required by the Plan or an Agreement in connection with any such determination or action, the making of such determination or the taking of such action, as the case may be, shall be deferred until such additional action shall have been taken.

I. Effective Date. The Plan was initially adopted by the Board of Directors of the Company in May 1991, and approved by the Company's stockholders on October 24, 1991, effective as of May 14, 1991. On August 13, 1992 the Board of Directors approved an amendment to the Plan increasing the number of shares of Common Stock which may be issued under the Plan from 350,000 shares to 700,000 shares, and the stockholders of the Company approved this increase at the annual meeting on October 30, 1992. The Board authorized a further amendment to the Plan in April 1993, increasing the number of shares of Common Stock under the Plan to 770,000 shares. In July 1994 the Board authorized an amendment to the Plan to increase the number of shares of Common Stock issuable under the Plan to 970,000 shares, which was approved by the Company's stockholders at the November 3, 1994 Annual Meeting of Stockholders. In August 1997 the Board authorized an amendment to the Plan to increase the number of shares of Common Stock issuable under the Plan from 970,000 shares to 1,320,000 shares subject to approval by the Company's stockholders at the 1997 annual meeting of stockholders.

[ARTICLE]	5
[MULTIPLIER]	1,000
[PERIOD-TYPE]	3-MOS
[FISCAL-YEAR-END]	May-31-1998
[PERIOD-START]	Sep-01-1997
[PERIOD-END]	Nov-30-1997
[COMMON]	9,858
[NET-INCOME]	953
[EPS-PRIMARY]	0.10
[COMMON]	9,927
[NET-INCOME]	953
[EPS-DILUTED]	0.10
[FISCAL-YEAR-END]	May-31-1997
[PERIOD-START]	Sep-01-1996
[PERIOD-END]	Nov-30-1996
[COMMON]	9,570
[NET-INCOME]	954
[EPS-PRIMARY]	0.10
[COMMON]	9,570
[NET-INCOME]	954
[EPS-DILUTED]	0.10
[PERIOD-TYPE]	6-MOS
[FISCAL-YEAR-END]	May-31-1998
[PERIOD-START]	Jun-01-1997
[PERIOD-END]	Nov-30-1997
[COMMON]	9,927
[NET-INCOME]	1,722
[EPS-PRIMARY]	0.17
[COMMON]	9,949
[NET-INCOME]	1,722
[EPS-DILUTED]	0.17
[FISCAL-YEAR-END]	May-31-1997
[PERIOD-START]	Jun-01-1996
[PERIOD-END]	Nov-30-1996
[COMMON]	9,556
[NET-INCOME]	1,586
[EPS-PRIMARY]	0.17
[COMMON]	9,563
[NET-INCOME]	1,586
[EPS-DILUTED]	0.17

5
1,000

6-MOS
MAY-31-1998
NOV-30-1997
162
0
41,615
0
6,145
63,230
55,686
(25,444)
125,089
28,608
0
95
0
0
77,719
125,089
62,017
62,017
56,875
56,875
3,593
0
(258)
1,503
550
0
0
0
0
953
0.10
0.10