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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 February 29, 2000

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
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As of April 11, 2000 there were 9,642,638 shares of the Company's common stock, $.01 par value per share, issued and 8,722,266 shares outstanding.

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PART I

FINANCIAL INFORMATION

ITEM 1. Financial Statements

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

	Three Months Ended (unaudited)		Nine Months Ended (unaudited)	
	February 29, 2000	February 28, 1999	February 29, 2000	February 28, 1999
Revenues	$ 48,033	$ 47,074	$ 146,277	$ 153,631
Cost of revenues	43,552	43,938	130,798	140,628
Gross profit	4,481	3,136	15,479	13,003
Selling, general and administrative expenses	3,064	3,389	9,425	9,931
Goodwill and non-compete amortization	132	164	351	490
Operating income (loss)	1,285	(417)	5,703	2,582
Other income (expense):				
Interest expense	(28)	(169)	(271)	(814)
Interest income	9	54	63	212
Other	98	4	521	275
Income before income tax expense	1,364	(528)	6,016	2,255
Provision (benefit) for federal, state and Foreign income tax expense	180	(195)	350	728
Net income (loss)	$ 1,184	$ (333)	$ 5,666	$ 1,527
Earnings per share of common stock:				
Basic	0.13	(0.03)	0.64	0.16
Diluted	0.13	(0.03)	0.63	0.15
Weighted average number of common shares:				
Basic	8,884,456	9,649,388	8,920,222	9,606,676
Diluted	9,079,420	9,649,388	9,026,844	10,181,752

See Notes to Consolidated Financial Statements

Matrix Service Company
Consolidated Balance Sheets
(in thousands)

	February 29, 2000	May 31, 1999
ASSETS:	(unaudited)	
Current assets:		
Cash and cash equivalents	$ 1,296	$ 2,972
Accounts receivable, less allowances (February 29 - $397 May 31 - $2,464)	20,848	34,390
Costs and estimated earnings in excess of billings on uncompleted contracts	15,948	8,541
Inventories	3,054	3,042
Assets held for disposal	--	8,556
Income tax receivable	56	104
Prepaid expenses	2,853	1,051
Total current assets	44,055	58,656
Property, plant and equipment at cost:		
Land and buildings	9,555	9,645
Construction equipment	17,620	15,562
Transportation equipment	6,349	6,144
Furniture and fixtures	2,691	2,449
Construction in progress	4,150	2,385
	40,365	36,185
Less accumulated depreciation	19,746	17,971
Net property, plant and equipment	20,619	18,214
Goodwill, net of accumulated amortization of $2,017 and $1,753 at February 29 and May 31, respectively	11,045	11,122
Other assets	2,505	228
Total assets	$ 78,224	$ 88,220

See Notes to Consolidated Financial Statements

Matrix Service Company
Consolidated Balance Sheets
(in thousands)

	February 29, 2000 (unaudited)	May 31, 1999
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	$ 6,526	$ 9,805
Billings on uncompleted contracts in excess of costs and estimated earnings	5,703	7,356
Accrued insurance	4,106	4,541
Accrued environmental reserves	400	1,778
Earnout payable	85	727
Income taxes payable	194	307
Other accrued expenses	4,958	6,378
Current portion of long-term debt	44	2,092
Total current liabilities	22,016	32,984
Long-term debt	1,175	5,521
Stockholders' equity:		
Common stock	96	96
Additional paid-in capital	51,596	51,596
Retained earnings	7,051	1,567
Accumulated other comprehensive income	(564)	(555)
	58,179	52,704
Less: Treasury stock, at cost	(3,146)	(2,989)
Total stockholders' equity	55,033	49,715
Total liabilities and stockholders' equity	$ 78,224	$ 88,220

See Notes to Consolidated Financial Statements

Matrix Service Company
Consolidated Cash Flow Statements
(in thousands)

	Nine Months Ended (unaudited) February 29, 2000	Nine Months Ended (unaudited) February 28, 1999
Cash flow from operating activities:		
Net income	$ 5,666	$ 1,527
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,984	3,620
Gain on sale of equipment	(20)	(13)
Changes in current assets and liabilities increasing (decreasing) cash:		
Accounts receivable	12,620	4,229
Costs and estimated earnings in excess Of billings on uncompleted contracts	(8,459)	5,142
Inventories	911	1,016
Prepaid expenses	(1,802)	(140)
Accounts payable	(3,279)	(10,258)
Billings on uncompleted contracts in excess of costs and estimated earnings	(1,653)	4,584
Accrued expenses	(3,509)	(31)
Income taxes receivable/payable	(65)	4,443
Other	6	(41)
Net cash provided by operating activities	3,400	14,078
Cash flow from investing activities:		
Capital expenditures	(4,758)	(3,300)
Proceeds from sale of exited operations	6,408	--
Proceeds from sale of equipment	46	95
Net cash provided by (used in) investing activities	$ 1,696	$ (3,205)

See Notes to Consolidated Financial Statements

Matrix Service Company
Consolidated Cash Flow Statements
(in thousands)

	Nine Months Ended (unaudited)	
	February 29, 2000	February 28, 1999
Cash flows from financing activities:		
Repayment of acquisition payables	$ (63)	$ (58)
Repayment of equipment notes	(7)	(10)
Issuance of long-term debt	30,710	--
Repayments of long-term debt	(37,035)	(7,000)
Purchase of treasury stock	(366)	(911)
Issuance of stock	27	124
Net cash used in financing activities	(6,734)	(7,855)
Effect of exchange rate changes on cash	(38)	9
Increase (Decrease) in cash and cash equivalents	(1,676)	3,207
Cash and cash equivalents at beginning of period	2,972	2,606
Cash and cash equivalents at end of period	$ 1,296	$ 5,633

See Notes to Consolidated Financial Statements

NOTES TO CONDENSED 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 10-01 of Regulation S-X for interim financial statements required to be filed with the Securities and Exchange Commission and do not include all information and footnotes required by generally accepted accounting principles for complete financial statements. However, the information furnished reflects all adjustments, consisting only of normal recurring adjustments 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 3l, 1999, 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 and Venezuela. Matrix's industry segments are Aboveground Storage Tank (AST) Services, Construction Services, Plant Services, Municipal Water Services, and Fluid Catalytic Cracking Unit (FCCU) Services. The quarterly combined totals may not agree to the Item 1 Financial Statements due to rounding.

Matrix Service Company
3rd Quarter Results of Operations
($ Amounts in millions)

	AST Services	Construction Services	Plant Services	Municipal Water Services	FCCU Services	Combined Total
Three Months Ended February 29, 2000						
Gross revenues	33.8	1.3	11.7	1.5	0.0	48.3
Less: Inter-segment revenues	0.0	0.0	0.0	(0.2)	0.0	(0.2)
Consolidated revenues	33.8	1.3	11.7	1.3	0.0	48.1
Gross profit	3.3	(0.5)	1.6	0.1	0.0	4.5
Operating income (loss)	1.0	(0.8)	1.1	0.0	0.0	1.3
Income (loss) before income tax expense	1.0	(0.8)	1.1	0.0	0.0	1.3
Net income (loss)	0.9	(0.8)	1.1	0.0	0.0	1.2
Identifiable assets	56.1	1.4	13.8	6.9	0.0	78.2
Capital expenditures	1.5	0.1	0.2	0.0	0.0	1.8
Depreciation expense	0.7	0.0	0.1	0.0	0.0	0.8
Three Months Ended February 28, 1999						
Gross revenues	27.5	6.6	5.5	10.6	0.0	50.2
Less: Inter-segment revenues	(2.8)	(0.4)	0.0	0.0	0.0	(3.2)
Consolidated revenues	24.7	6.2	5.5	10.6	0.0	47.0
Gross profit	2.8	0.4	0.4	(0.5)	0.0	3.1
Operating income (loss)	1.0	0.2	(0.1)	(1.5)	0.0	(0.4)
Income (loss) before income tax expense	0.9	0.2	(0.2)	(1.5)	0.0	(0.6)
Net income (loss)	0.4	0.1	(0.1)	(0.8)	0.0	(0.4)
Identifiable assets	56.8	5.9	8.1	29.7	0.0	100.5
Capital expenditures	1.3	0.0	0.0	0.4	0.0	1.7
Depreciation expense	0.7	0.0	0.0	0.2	0.0	0.9
Nine Months Ended February 29, 2000						
Gross revenues	93.2	5.8	29.0	19.1	0.0	147.1
Less: Inter-segment revenues	(0.1)	0.0	0.0	(0.7)	0.0	(0.8)
Consolidated revenues	93.1	5.8	29.0	18.4	0.0	146.3
Gross profit	12.4	(0.5)	3.2	0.5	(0.1)	15.5
Operating income (loss)	5.6	(1.5)	1.7	0.0	(0.1)	5.7
Income (loss) before income tax expense	5.6	(1.1)	1.6	0.0	(0.1)	6.0
Net income (loss)	5.3	(1.1)	1.6	0.0	(0.1)	5.7
Identifiable assets	56.1	1.4	13.8	6.9	0.0	78.2
Capital expenditures	4.0	0.3	0.5	0.0	0.0	4.8
Depreciation expense	1.9	0.2	0.2	0.3	0.0	2.6
Nine Months Ended February 28, 1999						
Gross revenues	84.5	15.0	22.4	35.3	0.5	157.7
Less: Inter-segment revenues	(2.8)	(0.4)	0.0	(0.9)	0.0	(4.1)
Consolidated revenues	81.7	14.6	22.4	34.4	0.5	153.6
Gross profit	10.2	1.4	2.2	(0.7)	(0.1)	13.0
Operating income (loss)	4.5	0.5	0.8	(3.1)	(0.1)	2.6
Income (loss) before income tax expense	4.3	0.5	0.7	(3.2)	0.0	2.3
Net income (loss)	2.7	0.3	0.4	(1.9)	0.0	1.5
Identifiable assets	56.8	5.9	8.1	29.7	0.0	100.5
Capital expenditures	2.5	0.2	0.1	0.5	0.0	3.3
Depreciation expense	1.9	0.2	0.2	0.8	0.0	3.1

NOTE C - REPORTING ACCUMULATED OTHER COMPREHENSIVE LOSS

For the quarter ended February 29, 2000, total other comprehensive loss was $19 thousand as compared to an other comprehensive income of $65 thousand for the same three-month period ended February 28, 1999. For the nine months ended February 29, 2000, total other comprehensive loss was $9 thousand as compared to $131 thousand for the same nine-month period ended February 28, 1999. Other comprehensive income or loss and accumulated other comprehensive income or loss consisted of foreign currency translation adjustments.

NOTE D - INCOME TAXES

For the quarter ended February 29, 2000, a provision for state income taxes of $180 thousand was recorded. The federal income tax provision was offset $0.3 million and $1.9 million for the quarter and nine months ended February 29, 2000, respectively, by the benefit of operating loss carryforwards for which a valuation allowance was provided at May 31, 1999 as required under Statement of Financial Accounting Standards No 109.

NOTE E -SUBSEQUENT EVENTS

On March 6, 2000, Matrix purchased an additional 200,000 shares of treasury stock for $1.0 million. Additionally, on March 13, 2000, Matrix entered into a joint venture agreement with a Washington corporation to perform $2.0 million of construction services on a pulp and paper project.

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:

- 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.
- Changes in foreign economies, currencies, laws, and regulations, especially in Canada and Venezuela where Matrix has made direct investments.
- Political developments in foreign countries, especially in Canada and Venezuela 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.
- The timing and planning of maintenance projects at customer facilities in the refinery industry which could cause adjustments for seasonal shifts in product demands.
- 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 February 29, 2000 Compared to Three Months Ended February 28, 1999

AST Services 2000 vs. 1999
- --------------------------

Revenues for AST Services in the quarter ended February 29, 2000 were $33.8 million, compared to $27.5 million in the comparable quarter of the prior year, an increase of $6.3 million or 22.9%. Gross margin for the quarter ended February 29, 2000 of 9.8% was slightly less than the 10.2% produced for the quarter ended February 28, 1999 partially as a result of a change in the mix of work. Gross margins were also negatively impacted by the International Division as a result of a $0.3 million gross profit loss on a project in Venezuela.

The increased sales volumes more than offset the effects of the gross margin decline and resulted in gross profit for the quarter ended February 29, 2000 of $3.3 million exceeding the $2.8 million for the quarter ended February 28, 1999 by $0.5 million, or 17.9%.

Selling, general and administrative costs as a percent of revenues increased to 6.7% in the quarter ended February 29, 2000 vs. 6.2% in the quarter ended February 28, 1999 primarily as a result of increased salary and wages, increased professional services costs and increased information technology costs associated with the new enterprise-wide management information system discussed in the "Year 2000 Compliance" section. Current year selling, general and administrative costs was also negatively impacted by $0.2 million in one time charges related to the shut down of the International Division.

Operating income and income before income tax expense for the quarter ended February 29, 2000 of $1.0 million and $1.0 million respectively, were slightly better than the $1.0 million and $0.9 million respectively produced in the quarter ended February 28, 1999, primarily as the result of the improvements in gross profit offset by the increase in selling, general and administrative expenses discussed above.

Construction Services 2000 vs. 1999
- ----------------------------------

Revenues for Construction Services in the quarter ended February 29, 2000 were $1.3 million, compared to $6.6 million in the comparable quarter of the prior year, a decrease of $5.3 million or 80.3%. Gross margin for the quarter ended February 29, 2000 of (38.5)% was also significantly less than the 6.1% produced for the quarter ended February 28, 1999 as a direct result of the lack of significant work to cover the fixed cost structure in place for Construction Services and one time charges to lower margin jobs in 2000 versus 1999. These margin declines along with the decreased sales volumes resulted in gross profit for the quarter ended February 29, 2000 of $(0.5) million being $0.9 million less than the $0.4 million for the quarter ended February 28, 1999.

Operating loss and loss before income tax expense for the quarter ended February 29, 2000 of $0.8 million and $0.8 million respectively, were worse than the operating income and income before income taxes of $0.2 million and $0.2 million respectively produced in the quarter ended February 28, 1999, primarily as the result of the lack of significant work and the charges to lower margin projects discussed above.

Plant Services 2000 vs. 1999
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Revenues for Plant Services in the quarter ended February 29, 2000 were $11.7 million compared to $5.5 million in the comparable quarter of the prior year, an increase of $6.2 million or 112.7%. The increase was the result of a significant amount of turnaround work. The increase was primarily a result of a shift in customer turnaround work performed in the fourth quarter of last year versus being performed in the third quarter of the current year.

Gross margin for the quarter ended February 29, 2000 of 13.7% was significantly better than the 7.3% produced for the quarter ended February 28, 1999 as a result of this higher margin turnaround work.

These margin improvements along with the increased sales volume resulted in gross profit for the quarter ended February 29, 2000 of $1.6 million being $1.2 million, or 300.0% more than the $0.4 million in the quarter ended February 28, 1999.

Operating income and income before income tax expense for the quarter ended February 29, 2000 of $1.1 million and $1.1 million respectively, were better than the operating loss and loss before income tax of $(0.1) million and $(0.2) million respectively produced in the quarter ended February 28, 1999, primarily as the result of higher gross margins discussed above.

Nine Months Ended February 29, 2000 Compared to Nine Months Ended February 28, 1999

AST Services 2000 vs. 1999

Revenues for AST Services in the nine months ended February 29, 2000 were $93.2 million, compared to $84.5 million in the comparable nine months of the prior year, an increase of $8.7 million or 10.3%. Gross margin for the nine months ended February 29, 2000 of 13.3% was better than the 12.1% produced for the nine months ended February 28, 1999 as a direct result of higher margin lump sum work combined with better execution of job plans. These margin improvements were offset somewhat by the International Division as a result of a $0.6 million gross profit loss on a project in Venezuela.

These margin improvements along with the increased sales volumes resulted in gross profit for the nine months ended February 29, 2000 of $12.4 million exceeding the $10.2 million for the nine months ended February 28, 1999 by $2.2 million, or 21.6%.

Selling, general and administrative costs as a percent of revenues increased to 7.0% in the nine months ended February 29, 2000 versus 6.4% in the nine months ended February 28, 1999 primarily as a result of increased salary and wages, increased professional services costs and increased information technology costs associated with the new enterprise-wide management information system discussed in the "Year 2000 Compliance" section. Current year selling, general and administrative costs was also negatively impacted by $0.2 million in one time charges related to the shut down of the International Division.

Operating income and income before income tax expense for the nine months ended February 29, 2000 of $5.6 million and $5.6 million respectively, were significantly better than the $4.5 million and $4.3 million respectively produced in the quarter ended February 28, 1999, primarily as the result of the improvements in gross profit offset by the increase in selling, general and administrative expenses discussed above.

Construction Services 2000 vs. 1999

Revenues for Construction Services for the nine months ended February 29, 2000 were $5.8 million, compared to $15.0 million for the comparable nine months of the prior year, a decrease of $9.2 million or 61.3%. This decrease was due to a very low backlog at the beginning of the Company's fiscal year 2000 compared to last year when Construction Services was in the process of completing two major projects. Gross margin for the nine months ended February 29, 2000 of (8.6)% was also significantly less than the 9.3% produced for the nine months ended February 28, 1999 as a direct result of the lack of significant work to cover the fixed cost structure in place for Construction Services and one time charges to lower margin jobs in 2000 versus 1999. These margin declines along with the decreased sales volumes resulted in gross profit for the nine months ended February 29, 2000 of $(0.5) million being $1.9 million less than the $1.4 million in the nine months ended February 28, 1999.

Operating loss and loss before income tax expense for the nine months ended February 29, 2000 of $1.5 million and $1.1 million respectively, were significantly worse than the operating income and income before tax expense of $0.5 million and $0.5 million respectively, produced in the nine months ended February 28, 1999, primarily as the result of the lack of significant work and the charges to lower margin projects discussed above. Other income includes a one-time benefit of $0.4 million for the nine months ended February 29, 2000 as a result of a customer invoice previously reserved as a bad debt being fully collected.

Plant Services 2000 vs. 1999

Revenues for Plant Services in the nine months ended February 29, 2000 were $29.0 million compared to $22.4 million in the comparable nine months of the prior year, an increase of $6.6 million or 29.5%. Gross margin for the nine months ended February 29, 2000 of 11.0% was better than the 9.8% produced for the nine months ended February 28, 1999 as a direct result of higher margin turnaround work, slightly offset by a one-time $0.3 million charge related to one time training expenses. These margin improvements along with increased sales volume resulted in gross profit for the nine months ended February 29, 2000 of $3.2 million exceeding the $2.2 million for the nine months ended February 28, 1999 by $1.0 million, or 45.5%.

Operating income and income before income tax expense for the nine months ended February 29, 2000 of $1.6 million and $1.6 million respectively, were better than the $0.8 million and $0.7 million respectively produced in the nine months ended February 28, 1999, primarily as the result of the gross margin improvements discussed above.

Exited Operations

On March 24, 1999, Matrix entered into a Letter of Intent with Caldwell Tanks, Inc. ("Caldwell") for the sale of Brown Steel Contractors, Inc., ("Brown") a subsidiary acquired in 1994. In April 1999, the Board of Directors approved the transaction and a Stock Purchase Agreement was executed on June 9, 1999. Based upon certain environmental concerns the structure of this transaction was renegotiated as an asset sale with Matrix retaining temporary ownership of the land and buildings until environmental remediation is completed.

On August 31, 1999, Matrix sold the assets and the business of Brown to Caldwell for cash in the amount of $4.3 million and the assumption by the buyer of ongoing construction contracts ("Work-in-Process Contracts") and certain environmental liabilities of $0.4 million. Excluded from the assets sold were cash, accounts receivable, real estate and buildings and other miscellaneous assets. Included in the assets sold was all inventory of the subsidiaries, net of $0.7 million used as work-in-process. The cash amount paid at closing was subject to adjustment after the closing based upon the relationship of future billings and the cost to complete the Work-in-Process Contracts which was $1.9 million paid to Matrix on October 7, 1999. The buyer has a three-year right to lease and an option to acquire the real estate and buildings at a specified price of $2.2 million, and is obligated to acquire, at the same specified price, if Matrix is able to satisfy specified environmental clean-up measures within the three-year period. The estimated cost of the clean up has been accrued, and management believes these clean-up measures will be satisfied within the specified period.

Matrix has agreed with the buyer not to compete in that business for five years. For the fiscal years ended May 31, 1997, 1998 and 1999, Brown accounted for 19.8%, 14.4% and 15.9%, respectively, of Matrix's total revenues, and 19.0%, 20.2% and 17.7%, respectively, of Matrix's total assets.

For the nine months ended February 29, 2000, worker's compensation and general liability reserves for the Brown operations were determined to be $0.4 million short of anticipated future expenditures, resulting in a charge to income in this fiscal year.

Also, in May 1999 senior management approved and committed Matrix to an exit plan related to the San Luis Tank & Piping Construction, Inc. ("SLT") operations which were acquired in 1991. The exit plan specifically identified all significant actions to be taken to complete the exit plan, listed the activities that would not be continued, and outlined the methods to be employed for the disposition, with an expected completion date of March 2000. Management obtained Board approval and immediately began development of a communication plan to the impacted employees under Workers Adjustment and Retraining Notification Act ("WARN Act").

In June 1999, notices were given as required under the WARN Act and Matrix announced that it would also pursue potential opportunities to sell SLT. In January 2000, Matrix sold at fair market value resulting in no gain or loss the assets of the coating operation, an affiliated company of SLT, to existing management for $0.3 million. For the nine months ended February 29, 2000, the exit plan reserves have been re-evaluated and reduced by $0.4 million. This reduction is a result of a favorable ruling in existing litigation and better than anticipated environmental findings.

Municipal Water Services 1999 vs. 1998

Municipal Water Services consists of Brown (which was sold on August 31, 1999) and SLT which is being shut down as discussed above. The only activity for the quarter and nine months ended February 29, 2000 consisted of completing open contracts which had been appropriately recorded as loss jobs in prior periods. As a result, revenues for Municipal Water Services for the quarter ended February 29, 2000 were $1.5 million versus the $10.6 million for the quarter ended February 28, 1999. Additionally, revenues for the nine months ended February 29, 2000 were $19.1 million versus $35.3 million for the nine months ended February 28, 1999. There was no operating income or pre-tax income for the quarter or nine months ended February 29, 2000 versus an operating loss and pre-tax loss of ($1.5) million and ($1.5) million respectively for the quarter ended February 28, 1999 and an operating loss and pre-tax loss of ($3.1) million and ($3.2) million respectfully for the nine months ended February 28, 1999.

FCCU Services 2000 vs. 1999

Midwest was exited in February 1998 and there was no significant FCCU activity for the quarters or nine months ended February 29, 2000 or February 28, 1999.

Financial Condition & Liquidity

Matrix's cash and cash equivalents totaled approximately $1.3 million at February 29, 2000 and $3.0 million at May 31, 1999.

Matrix has financed its operations recently with cash generated by operations and advances under a credit agreement. On November 30, 1999, Matrix amended and restated 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 which would have provided approximately $12.0 million of availability at February 29, 2000. Revolving loans bear interest at a Prime Rate or a LIBOR based option, and mature on October 31, 2002. At February 29, 2000, $1.2 million was outstanding under the revolver at an interest rate of 7.6%. Prior to the November 30, 1999 amendment, the credit agreement also provided for a term loan up to $10.0 million. On March 2, 1998, a term loan of $10.0 million was made to Matrix. The term loan was due on February 28, 2003 and was to be repaid in 60 equal payments beginning in March 1998 at an interest rate based upon the Prime Rate or a LIBOR Option. As discussed under "Exited Operations", the sale of Brown provided $6.2 million in cash during the second quarter of Fiscal 2000. These proceeds were used to pre-pay the term loan amount which was fully extinguished on October 7, 1999. In conjunction with the term loan, Matrix entered into an Interest Rate Swap Agreement with a commercial bank, effectively providing a fixed interest rate of 7.5% for the five-year period of the term loan. On September 3, 1999, the commercial bank paid Matrix to unwind the Swap Agreement and Matrix began pre-paying on the term loan with the proceeds from the Brown sale.

Operations of Matrix provided $3.4 million of cash for the nine months ended February 29, 2000 as compared with providing $14.1 million of cash for the nine months ended February 28, 1999, representing a decrease of approximately $10.7 million. The decrease was due primarily to changes in net working capital to fund the increased AST Services and Plant Services activities previously discussed, offset by significantly improved profitability.

Capital expenditures during the nine months ended February 29, 2000 totaled approximately $4.8 million. Of this amount, approximately $1.5 million was used to purchase transportation equipment for field operations, and approximately $2.1 million was used to purchase welding, construction, and fabrication equipment. Matrix has invested approximately $1.2 million in office equipment furniture and fixtures during the quarter, which includes approximately $0.2 million invested for a new enterprise wide management information system. Matrix has budgeted approximately $6.3 million for capital expenditures for Fiscal 2000. Of this amount, approximately $1.4 million would be used to purchase transportation equipment for field operations, and approximately $2.7 million would be used to purchase welding, construction, and fabrication equipment. A 6,000 square foot expansion is planned for the Port of Catoosa fabrication facility at a cost of approximately $0.7 million and an additional $0.8 million is anticipated to be spent on the enterprise wide management information system. Matrix expects to be able to finance these expenditures with operating cash flow and borrowings under the credit agreement.

On January 5, 2000, Matrix entered into a Purchase Agreement for $4.3 million to acquire a facility for the relocation of its Anaheim operation. Pending final resolution of findings of the interim environmental assessment, a closing is scheduled for April 23, 2000. Matrix expects to be able to finance this facility with operating cash flow and borrowings under the Credit Agreement.

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 2000 and for the foreseeable time thereafter unless significant expansions of operations are undertaken, in which case Matrix would need to arrange additional financing as a part of any such expansion.

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

For the balance of the year, management will continue to evaluate those businesses that are negatively impacting Matrix's operating performance. The current backlog in the Construction Services Division has improved but it is still lower than needed to profitably sustain this Division. Bidding remains strong and the Division was recently a successful bidder on several $1 to $3 million projects; work will begin on these projects in the fourth fiscal quarter. The International Division has experienced difficulty with its Venezuelan operations due to cost overruns. The project in Venezuela was physically completed in the third quarter of fiscal year 2000 and the Division is currently being shut down. Matrix will continue to pursue international projects through its existing segment operations when the individual projects being considered are deemed to be within Matrix's core business lines.

The strengthening experienced in Matrix's AST Services Division from August 1999 through February 2000 was a result of our customer's maintenance budgets being spent during the remainder of their budget cycles. Preliminary indications are that these maintenance budgets were approved at comparable levels in the calendar year of 2000. Management believes that its strategic alliances put Matrix in a more favorable position than our competition if budgets are subsequently reduced.

Environmental

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

An environmental assessment was conducted at the Newnan, Georgia facilities of Brown upon execution of a Letter of Intent on March 24, 1999 to sell Brown to Caldwell. 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 VOC's, SVOC's 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. One of the properties has been listed by the State of Georgia as a hazardous waste site.

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 cost for cleanup and remediation is $1.2 million, $0.4 million of which remains accrued at February 29, 2000. Additional testing, however, could result in greater costs for cleanup and remediation than is currently accrued. Matrix still retains ownership of $2.2 million in land and buildings following the sale of Brown on August 31, 1999, which is expected to be sold to Caldwell after successful remediation of the property.

Matrix is also in the process of closing down SLT. As previously stated, Matrix sold the assets of West Coast Industrial Coatings, Inc. in January 2000. 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. Matrix continues to operate in the facility by virtue of its sublease with the previous management of the Coating operation. At the present time, the environmental liability that could result from testing of this property is unknown although an environmental liability insurance policy has been purchased and the third party subleasing the property from Matrix has assumed liability for the facility from the time of the asset sale forward.

Year 2000 Compliance

Preparations for Y2K began in the fall of 1998. Potential "at risk" systems were identified and slated for testing and/or Y2K certification from their manufacturers. Letters were sent to our top 50 vendors requesting Y2K compliance information. All responses indicated that they would be Y2K ready by the end of 1999. We sent out Y2K compliance letters to our customers indicating that we would be Y2K compliant by the end of 1999.

Y2K compliance information for hardware platforms, operating systems and software applications was gathered from a variety of sources, including manufacturer's Internet web pages, written communications, email and testing.

All responses were analyzed and prioritized. Confirmed Y2K `non-compliant' systems were evaluated to determine whether they could be upgraded, replaced or were no longer needed.

Proprietary systems that had no formal documentation to confirm Y2K compliance were tested. Testing consisted of backing up the system, rolling the date forward into the year 2000, and then operating the software to test for errors. These systems tested Y2K-compliant. Non-compliant proprietary systems were upgraded.

All available Y2K patches for existing workstations and file servers were applied. Y2K testing software was run on all corporate owned computer workstations and laptops. Bios upgrade, Y2K-compliant clock-cards and software patches were applied where indicated and when available. All new systems were evaluated for Y2K compliance prior to purchase. All virus prevention systems were updated with the most recent virus detection files.

Prior to the end of year rollover, we reviewed our efforts and their results. We placed all Information Technology personnel on call for the weekend. We instructed all business units to shut down and power off all workstations at the close of business for the 1999 calendar year. All servers throughout the Company were shutdown after their December 31, 1999 data backups were completed. We disconnected the Internet connection to our internal network on December 31, 1999. On the morning of January 1, 2000 we restarted all servers at our corporate offices and proceeded to do preliminary testing. We restarted the corporate office workstations, logged in, and verified that the dates had successfully rolled over. The mail server and other critical Internet servers were tested for full functionality after reconnecting our internal network to the Internet. Further testing was conducted by the Accounting department on January 2, 2000. All testing was successful.

On Monday January 3, 2000, the regional file servers and workstations were powered on. We monitored the servers coming up on the network at all the regional offices. We verified that the servers were functioning normally and that the date had properly rolled. Time synchronization on the network was reestablished. We contacted all regional offices to determine if they had experienced any Y2K related problems. All offices reported no errors, except Anaheim which had its voice mail system fail Y2K. This was a known problem prior to the rollover. The replacement system had already been ordered, and was due to be installed by mid-January. The problem was temporarily remedied by setting the date back to a prior year.

The cost of the Y2K effort was approximately $0.2 million and was funded through operating cash flows. Of the total project cost, 40% was attributable to the purchase of new systems, which were capitalized. The remaining 60% was expensed as incurred and did not have a material effect on the results of operations.

PART II

OTHER INFORMATION

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

(A) Exhibits:

Exhibit 11 - Computation of Earnings Per Share

Exhibit 27 - Financial Data Schedule

(B) 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: April 13, 2000

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.

EXHIBIT 11

Statements Re Computation of Earnings Per Share

[ARTICLE]		5
[MULTIPLIER]		1,000
[PERIOD-TYPE]		3-MOS
[FISCAL-YEAR-END]		MAY-31-2000
	DEC-01-1999	
[PERIOD-END]		FEB-29-2000
[COMMON]		8,884
[NET-INCOME]		1,184
[EPS-BASIC]		0.13
[COMMON]		9,079
[NET-INCOME]		1,184
[EPS-DILUTED]		0.13
[FISCAL-YEAR-END]		MAY-31-1999
[PERIOD-START]		DEC-01-1998
[PERIOD-END]		FEB-28-1999
[COMMON]		9,649
[NET-INCOME]		(333)
[EPS-BASIC]		(0.03)
[COMMON]		9,649
[NET-INCOME]		(333)
[EPS-DILUTED]		(0.03)
[PERIOD-TYPE]		9-MOS
[FISCAL-YEAR-END]		MAY-31-2000
[PERIOD-START]		JUN-01-1999
[PERIOD-END]		FEB-29-2000
[COMMON]		8,920
[NET-INCOME]		5,666
[EPS-BASIC]		0.64
[COMMON]		9,027
[NET-INCOME]		5,666
[EPS-DILUTED]		0.63
[FISCAL-YEAR-END]		MAY-31-1999
[PERIOD-START]		JUN-01-1998
[PERIOD-END]		FEB-28-1999
[COMMON]		9,607
[NET-INCOME]		1,527
[EPS-BASIC]		0.16
[COMMON]		10,182
[NET-INCOME]		1,527
[EPS-DILUTED]		0.15

5
1,000

9-MOS
MAY-31-2000
FEB-29-2000
1,296
0
21,245
(397)
3,054
44,055
40,365
19,746
78,224
22,016
0
0
0
96
54,937
78,224
146,277
146,277
130,798
130,798
9,776
0
(271)
6,016
350
5,666
0
0
0
5,666
0.64
0.63