

MATRIX SERVICE CO  
Form 10-K  
September 11, 2015  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-K  
(Mark One)

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the fiscal year ended June 30, 2015

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 No. 1-15461  
MATRIX SERVICE COMPANY  
(Exact name of registrant as specified in its charter)

Delaware 73-1352174  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

5100 E. Skelly Drive, Suite 500 74135  
Tulsa, Oklahoma (Zip Code)  
(Address of Principal Executive Offices)

Registrant's telephone number, including area code: (918) 838-8822  
Securities Registered Pursuant to Section 12(b) of the Act:

(Title of class)  
Common Stock, par value \$0.01 per share  
Securities Registered Pursuant to Section 12(g) of the Act: None

Name of each exchange on which registered: NASDAQ Global Select Market (common stock)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of the registrant's common stock held by non-affiliates computed by reference to the price at which the common stock was last sold as of the last business day of the registrant's most recently completed second quarter was approximately \$589 million.

The number of shares of the registrant's common stock outstanding as of August 31, 2015 was 26,381,791 shares.

Documents Incorporated by Reference

Certain sections of the registrant's definitive proxy statement relating to the registrant's 2015 annual meeting of stockholders, which definitive proxy statement will be filed within 120 days of the end of the registrant's fiscal year, are incorporated by reference into Part III of this Form 10-K.

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PART I

Item 1. Business

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, included in this Annual Report which address activities, events or developments, which we expect, believe or anticipate will or may occur in the future are forward-looking statements. The words “believes,” “intends,” “expects,” “anticipates,” “projects,” “estimates,” “predicts” and similar expressions are also intended to identify forward-looking statements.

These forward-looking statements include, among others, such things as:

- amounts and nature of future revenues and margins from each of our segments;
- the likely impact of new or existing regulations or market forces on the demand for our services;
- trends in the industries we serve;
- our ability to generate sufficient cash from operations or to raise cash in order to meet our short and long-term capital requirements; and
- our ability to comply with the covenants in our credit agreement.

These statements are based on certain assumptions and analyses we made in light of our experience and our historical trends, current conditions and expected future developments as well as other factors we believe are appropriate.

However, whether actual results and developments will conform to our expectations and predictions is subject to a number of risks and uncertainties which could cause actual results to differ materially from our expectations, including:

- the risk factors discussed in Item 1A of this Annual Report and listed from time to time in our filings with the Securities and Exchange Commission;
- the inherently uncertain outcome of current and future litigation;
- the adequacy of our reserves for contingencies;
- economic, market or business conditions in general and in the oil, gas, power and steel industries in particular;
- changes in laws or regulations; and
- other factors, many of which are beyond our control.

Consequently, all of the forward-looking statements made in this Annual Report are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences or effects on our business operations. We assume no obligation to update publicly, except as required by law, any such forward-looking statements, whether as a result of new information, future events or otherwise.

BACKGROUND

The Company began operations in 1984 as an Oklahoma corporation under the name of Matrix Service. In 1989, we incorporated in the State of Delaware under the name of Matrix Service Company. We provide engineering, fabrication, infrastructure, construction, and maintenance services primarily to the oil, gas, power, petrochemical, industrial, mining and minerals markets. We maintain regional offices throughout the United States and Canada, and operate through separate union and merit subsidiaries.

The Company is licensed to operate in all 50 states and in four Canadian provinces. Our principal executive offices are located at 5100 E. Skelly Drive, Suite 500, Tulsa, Oklahoma 74135. Our telephone number is (918) 838-8822. Unless the context otherwise requires, all references herein to “Matrix Service Company”, “Matrix”, the “Company” or to “we”, “our”, and “us” are to Matrix Service Company and its subsidiaries.

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**WEBSITE ACCESS TO REPORTS**

Our public website is [matrixservicecompany.com](http://matrixservicecompany.com). We make available free of charge through the "Investor Relations" section of our website our annual reports to stockholders, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission ("SEC"). Any materials we file with or furnish to the SEC is also maintained on the SEC website ([sec.gov](http://sec.gov)).

The information contained on our website, or available by hyperlink from our website, is not incorporated into this Form 10-K or other documents we file with, or furnish to, the SEC. We intend to use our website as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. Such disclosures will be included on our website in the "Investor Relations" section. We also intend to use social media channels as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. We encourage investors, the media, and others interested in Matrix to review the information posted on the company Facebook site ([facebook.com/matrixservicecompany](http://facebook.com/matrixservicecompany)), the company linkedin account ([linkedin.com/company/matrix-service-company](http://linkedin.com/company/matrix-service-company)) and the company twitter account ([twitter.com/matrixserviceco](http://twitter.com/matrixserviceco)). Investors, the media or other interested parties can subscribe to the twitter feed at the address listed above. Any updates to the list of social media channels Matrix will use to announce material information will be posted on the "Investor Relations" page of the company's website at [matrixservicecompany.com](http://matrixservicecompany.com). Accordingly, investors should monitor such portions of our website and social media channels, in addition to following our press releases, SEC filings and public conference calls and webcasts.

**OPERATING SEGMENTS**

We operate our business through four reportable segments: Electrical Infrastructure, Oil Gas & Chemical, Storage Solutions, and Industrial.

The Electrical Infrastructure segment primarily encompasses construction and maintenance services to a variety of power generation facilities, such as combined cycle plants, natural gas fired power stations, and renewable energy installations. We also provide high voltage services to investor owned utilities, including construction of new substations, upgrades of existing substations, short-run transmission line installations, distribution upgrades and maintenance, and storm restoration services.

The Oil Gas & Chemical segment includes our traditional turnaround activities, plant maintenance services and construction in the downstream petroleum industry. Another key offering is industrial cleaning services, which include hydroblasting, hydroexcavating, chemical cleaning and vacuum services. We also perform work in the petrochemical, natural gas, gas processing and compression, and upstream petroleum markets.

The Storage Solutions segment includes new construction of crude and refined products aboveground storage tanks ("ASTs"), as well as planned and emergency maintenance services. The Storage Solutions segment also includes balance of plant work in storage terminals and tank farms. Also included in the Storage Solutions segment is work related to specialty storage tanks, including liquefied natural gas ("LNG"), liquid nitrogen/liquid oxygen ("LIN/LOX"), liquid petroleum ("LPG") tanks and other specialty vessels, including spheres. Finally, we offer AST products including floating roof seals.

The Industrial segment includes construction and maintenance work in the iron and steel and mining and minerals industries, bulk material handling and fertilizer production facilities, as well as work for clients in other industrial markets.

**MATRIX NAC**

Effective as of December 21, 2013, the Company acquired 100% of the stock of Kvaerner North American Construction Ltd. and substantially all of the assets of Kvaerner North American Construction Inc., together referenced as "KNAC". The businesses are now known as Matrix North American Construction Ltd. and Matrix North American Construction, Inc., together referenced as "Matrix NAC". Matrix NAC is a provider of maintenance and capital construction services to power generation, integrated iron and steel, and industrial process facilities. The acquisition significantly expanded the Company's presence in the Electrical Infrastructure and Industrial segments,

and to a lesser extent, the Oil Gas and Chemical segment. The KNAC acquisition has brought opportunities in additional geographical markets, the ability to execute additional and larger projects and has allowed us to expand our relationship with some existing clients.

The Company purchased KNAC for \$51.6 million, net of cash acquired. The acquisition was funded through a combination of cash-on-hand and borrowings under our senior revolving credit facility.

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## OTHER BUSINESS MATTERS

## Customers and Marketing

The Company provided services to approximately 575 customers in fiscal 2015. One customer, Enbridge, accounted for \$165.6 million or 12.3% of our consolidated revenue, all of which was in the Storage Solutions segment. The loss of this major customer or other significant customers could have a material adverse effect on the Company; however, we are not dependent on any single contract or customer on an on-going basis.

Matrix markets its services and products primarily through its marketing and business development personnel, senior professional staff and its operating management. We competitively bid most of our projects; however, we have a number of preferred provider relationships with customers who award us work through long-term agreements. Our projects have durations ranging from a few days to multiple years.

## Segment Financial Information

Financial information for our operating segments is provided in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, and in Note 13-Segment Information of the Notes to Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

## Competition

Our industry is highly fragmented and intensely competitive. We compete with local, regional, national and international contractors and service providers. Competitors vary with the markets we serve with few competitors competing in all of the markets we serve or in all of the services we provide. Contracts are generally awarded based on quality, safety performance, price, schedule, and customer satisfaction.

## Backlog

We define backlog as the total dollar amount of revenues that we expect to recognize as a result of performing work that has been awarded to us through a signed contract, notice to proceed or other type of assurance that we consider firm. The following arrangements are considered firm:

fixed-price awards;

minimum customer commitments on cost plus arrangements; and

certain time and material arrangements in which the estimated value is firm or can be estimated with a reasonable amount of certainty in both timing and amount.

For long-term maintenance contracts, we include only the amounts that we expect to recognize as revenue over the next 12 months. For all other arrangements, we calculate backlog as the estimated contract amount less revenues recognized as of the reporting date.

The following table provides a summary of changes in our backlog in fiscal 2015:

	Electrical Infrastructure	Oil Gas & Chemical	Storage Solutions	Industrial	Total
	(In thousands)				
Backlog as of June 30, 2014	\$162,136	\$110,217	\$482,631	\$160,842	\$915,826
Project awards	589,767	328,128	690,985	239,027	1,847,907
Revenue recognized	(257,930 )	(305,360 )	(503,123 )	(276,722 )	(1,343,135 )
Backlog as of June 30, 2015	\$493,973	\$132,985	\$670,493	\$123,147	\$1,420,598

## Seasonality

Quarterly operating results can exhibit seasonal fluctuations, especially in our Oil Gas & Chemical segment, for a variety of reasons. Turnarounds and planned outages at customer facilities are typically scheduled in the spring and the fall when the demand for energy is lower. Within the Electrical Infrastructure segment, transmission and distribution work is generally scheduled by the public utilities when the demand for electricity is at its lowest. Therefore, revenue volume in the summer months is typically lower than in other periods throughout the year. Also, we typically see a lower level of operating activity relating to construction projects during the winter months and early in the calendar year because many of our customers' capital





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budgets have not been finalized. Our business can also be affected, both positively and negatively, by seasonal factors such as energy demand or weather conditions including hurricanes, snowstorms, and abnormally low or high temperatures. Some of these seasonal factors may cause some of our offices and projects to close or reduce activities temporarily. In addition to the above noted factors, the general timing of project starts and completions could exhibit significant fluctuations. Accordingly, results for any interim period may not necessarily be indicative of future operating results.

### Material Sources and Availability

Steel plate and steel pipe are key materials used by the Company. Supplies of these materials are available throughout the United States and globally from numerous sources. We anticipate that adequate amounts of these materials will be available in the foreseeable future. However, the price, quantity, and the delivery schedules of these materials could change rapidly due to various factors, including producer capacity, the level of imports, worldwide demand, tariffs on imported steel and other market conditions.

### Insurance

The Company maintains insurance coverage for various aspects of its operations. However, exposure to potential losses is retained through the use of deductibles, self-insured retentions and coverage limits.

Typically our contracts require us to indemnify our customers for injury, damage or loss arising from the performance of our services and provide warranties for materials. The Company may also be required to name the customer as an additional insured up to the limits of insurance available, or we may be required to purchase special insurance policies or surety bonds for specific customers or provide letters of credit in lieu of bonds to satisfy performance and financial guarantees on some projects.

Matrix maintains a performance and payment bonding line sufficient to support the business. The Company generally requires its subcontractors to indemnify the Company and the Company's customer and name the Company as an additional insured for activities arising out of the subcontractors' work. We also require certain subcontractors to provide additional insurance policies, including surety bonds in favor of the Company, to secure the subcontractors' work. There can be no assurance that our insurance and the additional insurance coverage provided by our subcontractors will fully protect us against a valid claim or loss under the contracts with our customers.

### Employees

As of June 30, 2015, the Company had 4,826 employees of which 922 were employed in non-field positions and 3,904 were employed in field or shop positions. The number of employees varies significantly throughout the year because of the number, type and size of projects we have in progress at any particular time.

The Company's subsidiaries include both merit and union companies. The union businesses operate under collective bargaining agreements with various unions representing different groups of our employees. Union agreements provide union employees with benefits including health and welfare, pension, training programs and competitive compensation plans. We have not experienced any strikes or work stoppages in recent years. We maintain health and welfare, retirement and training programs for our merit employees and administrative personnel.

### Patents and Proprietary Technology

Matrix Service Company's subsidiaries have several patents and patents pending, and continues to pursue new ideas and innovations to better serve our customers in all areas of our business. The Flex-A-Span® and Flex-A-Seal® trademarks are utilized to market the Company's unique seals for floating roof tanks. The FastFroth® trademark is utilized to market the Company's unique industrial cleaning process. Our patented RS 1000 Tank Mixer controls sludge build-up in crude oil tanks through resuspension. The Flexible Fluid Containment System patent covers a system that captures and contains flue leaking from pipe and valve connections. The Flex-A-Swivel patent refers to our unique pipe swivel joint assembly. Our patent for Spacerless or Geocomposite Double Bottom for Storage Tanks relates to a replacement bottom with leak detection and containment that allows for the retrofitting of an existing tank while minimizing the loss of capacity. The patent for the Training Tank for Personnel Entry, Exit and Rescue relates to a training device that can be used to train personnel on equipment that is made to simulate confined space scenarios. The Company also holds a perpetual license to use various patents and technologies related to LNG storage tanks, LIN/LOX storage tanks, LPG storage tanks and thermal vacuum chambers.



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While the Company's intellectual property is not its main business, we believe that the ability to use these patents and technology enables us to expand our presence in the markets and minimizes the development costs typically associated with organic growth.

### Regulation

#### Health and Safety Regulations

Our operations are subject to regulation by the United States Occupational Safety and Health Administration ("OSHA") and Mine Safety and Health Administration ("MSHA"), and to regulation under state laws and by the Canadian Workers' Compensation Board and its Workplace Health, Safety and Compensation Commission. Regulations promulgated by these agencies require employers and independent contractors to implement work practices, medical surveillance systems and personnel protection programs to protect employees from workplace hazards and exposure to hazardous chemicals and materials. In recognition of the potential for accidents within various scopes of work, these agencies have enacted strict and comprehensive safety regulations. The Company has established and consistently reinforces and monitors compliance with comprehensive programs intended to insure that it complies with all applicable health and safety regulations to protect the safety of its workers, subcontractors and customers. While the Company believes that it operates safely and prudently, there can be no assurance that accidents will not occur or that the Company will not incur substantial liability in connection with the operation of its businesses. In order to minimize the financial exposure resulting from potential accidents associated with the Company's work, the Company maintains liability insurance to limit losses that could result from our work.

### Environmental

The Company's operations are subject to extensive and changing environmental laws and regulations. These laws and regulations relate primarily to air and water pollutants and the management and disposal of hazardous materials. The Company is exposed to potential liability for personal injury or property damage caused by any release, spill, exposure or other accident involving such pollutants, substances or hazardous materials.

In order to limit costs incurred as a result of environmental exposure, the Company maintains contractor's pollution liability insurance that covers liability that may be incurred as a result of accidental releases of hazardous materials. The Company believes that it is currently in compliance, in all material aspects, with all applicable environmental laws and regulations. The Company does not expect any material charges in subsequent periods relating to environmental conditions that currently exist and does not currently foresee any significant future capital spending relating to environmental matters.

### Item 1A. Risk Factors

The following risk factors should be considered with the other information included in this Annual Report on Form 10-K. As we operate in a continuously changing environment, other risk factors may emerge which could have a material adverse effect on our results of operations, financial condition and cash flow.

#### Risk Factors Related to Our Business

Unsatisfactory safety performance may subject us to penalties, affect customer relationships, result in higher operating costs, negatively impact employee morale and result in higher employee turnover.

Our projects are conducted at a variety of sites including construction sites and industrial facilities. With each location, hazards are part of the day to day exposures that we must manage on a continuous basis to ensure our employees return home from work the same way they arrived. We understand that everyone plays a role with safety and everyone can make a difference with their active participation. With our proactive approach, our strategy is to identify the exposures and correct them before they manifest into an incident whether that involves an injury, damage or destruction of property, plant and equipment or environmental impact. We are intensely focused on maintaining a strong safety culture and continue our journey to zero incidents.

Although we have taken what we believe are appropriate precautions to adequately train and equip our employees, we have experienced serious accidents, including fatalities, in the past and may experience additional accidents in the future. Serious accidents may subject us to penalties, civil litigation or criminal prosecution. Claims for damages to persons, including claims for bodily injury or loss of life, could result in costs and liabilities, which could materially and adversely affect our financial condition, results of operations or cash flows. Poor safety performance could also

jeopardize our relationships with our customers.

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Demand for our products and services is cyclical and is vulnerable to the level of capital and maintenance spending of our customers and to downturns in the industries and markets we serve, as well as conditions in the general economy. The demand for our products and services depends upon the existence of construction and maintenance projects in the downstream petroleum, power and other heavy industries in the United States and Canada. Therefore, it is likely that our business will continue to be cyclical in nature and vulnerable to general downturns in the United States, Canadian and world economies and changes in commodity prices, which could adversely affect the demand for our products and services.

The availability of engineering and construction projects is dependent upon economic conditions in the oil, gas, and power industries, specifically, the level of capital expenditures on energy infrastructure. A prolonged period of sluggish economic conditions in North America has had and may continue to have an adverse impact on the level of capital expenditures of our customers and/or their ability to finance these expenditures. Our failure to obtain projects, the delay of project awards, the cancellation of projects or delays in the execution of contracts may result in under-utilization of our resources, which could adversely impact our revenue, operating results and cash flow. There are numerous factors beyond our control that influence the level of maintenance and capital expenditures of our customers, including:

- current or projected commodity prices, including oil, gas, power and mineral prices;
- refining margins;
- the demand for oil, gas and electricity;
- the ability of oil, gas and power companies to generate, access and deploy capital;
  - exploration, production and transportation costs;
- tax incentives, including those for alternative energy projects;
- regulatory restraints on the rates that power companies may charge their customers; and
- local, national and international political and economic conditions.

Our revenue and profitability may be adversely affected by a reduced level of activity in the hydrocarbon industry. In recent years, demand from the worldwide hydrocarbon industry has been a significant generator of our revenue. Numerous factors influence capital expenditure decisions in the hydrocarbon industry, including, but not limited to, the following:

- current and projected oil and gas prices;
- exploration, extraction, production and transportation costs;
- the discovery rate, size and location of new oil and gas reserves;
- technological challenges and advances;
- demand for hydrocarbon production; and
- changing taxes, price controls, and laws and regulations.

The aforementioned factors are beyond our control and could have a material adverse effect on our results of operations, particularly in the Storage Solutions and Oil Gas & Chemical segments, and on our financial position or cash flow.

The operations of our Storage Solutions segment are influenced by the overall forward market for crude oil, and certain market conditions may adversely affect that segment's financial and operating results.

The results of our Storage Solutions segment may be influenced by the overall forward market for crude oil. A "contango" market (meaning that the price of crude oil for future delivery is higher than the current price) is associated with greater demand for crude oil storage capacity, because a party can simultaneously purchase crude oil at current prices for storage and sell at higher prices for future delivery. A "backwardated" market (meaning that the price of crude oil for future delivery is lower than the current price) is associated with lower demand for crude oil storage capacity, because a party can capture a premium for prompt delivery of crude oil rather than storing it for future sale. A prolonged backwardated market or other adverse market conditions could have an adverse impact on demand for new construction in our Storage Solutions



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segment. Finally, higher absolute levels of crude oil prices increase the costs of financing and insuring crude oil in storage, which negatively affects storage economics. As a result, the overall forward market for crude oil may have an adverse effect on our Storage Solution segment's business, results of operations and financial condition.

The steel industry is cyclical and sensitive to general economic conditions, which could have a material adverse effect on our operating results and financial condition.

A significant percentage of our Industrial segment's revenues are derived from the steel industry. Demand for steel products is cyclical in nature and sensitive to general economic conditions. The timing and magnitude of the cycles in the markets in which our customers' products are used, including automobiles and residential construction, are difficult to predict. The cyclical nature of our customers' operations tends to reflect and be amplified by changes in economic conditions, both domestically and internationally, supply/demand imbalances and foreign currency exchange fluctuations. Economic downturns or a prolonged period of slow growth in the U.S. and foreign markets or any of the industries in which our steel industry customers operate could have a material adverse effect on our results of operations, financial condition and cash flows.

Increases in imports of foreign steel into the U.S. may reduce our customers' profitability and capital spending plans. An economic slowdown in China and other countries has affected the supply and price of steel products. Expansions and contractions in these economies can significantly affect the price of steel and of finished steel products.

Additionally, in a number of foreign countries, such as China, steel producers are generally government-owned and may therefore make production decisions based on political or other factors that do not reflect market conditions.

Disruptions in foreign markets from excess steel production may encourage importers to target the U.S. with excess capacity at aggressive prices, and existing trade laws and regulations may be inadequate to prevent unfair trade practices, which could have a material adverse effect on our steel industry customers. In recent months, foreign steel production has significantly exceeded consumption in those countries, and imports of steel products into the U.S. have increased, resulting in lower volumes and selling prices for our customers' steel products, which could result in a decline in the maintenance and construction work we provide to these customers.

We are exposed to credit risk from customers. If we experience delays and/or defaults in customer payments, we could suffer liquidity problems or we could be unable to recover amounts owed to us.

Under the terms of our contracts, at times we commit resources to customer projects prior to receiving payments from customers in amounts sufficient to cover expenditures on these projects as they are incurred. Many of our fixed-price or cost-plus contracts require us to satisfy specified progress milestones or performance standards in order to receive a payment. Under these types of arrangements, we may incur significant costs for labor, equipment and supplies prior to receipt of payment. If the customer fails or refuses to pay us for any reason, there is no assurance we will be able to collect amounts due to us for costs previously incurred. In some cases, we may find it necessary to terminate subcontracts with suppliers engaged by us to assist in performing a contract, and we may incur costs or penalties for canceling our commitments to them. Delays in customer payments require an investment in working capital. If we are unable to collect amounts owed to us under our contracts, we may be required to record a charge against previously recognized earnings related to the project, and our liquidity, financial condition and results of operations could be adversely affected.

Our results of operations depend upon the award of new contracts and the timing of those awards.

Our revenues are derived primarily from contracts awarded on a project-by-project basis. Generally, it is difficult to predict whether and when we will be awarded a new contract due to lengthy and complex bidding and selection processes, changes in existing or forecasted market conditions, access to financing, governmental regulations, permitting and environmental matters. Because our revenues are derived from contract awards, our results of operations and cash flows can fluctuate materially from period to period.

The uncertainty associated with the timing of contract awards may reduce our short-term profitability as we balance our current capacity with expectations of future contract awards. If an expected contract award is delayed or not received, we could incur costs to maintain an idle workforce that may have a material adverse effect on our results of operations. Alternatively, we may decide that our long-term interests are best served by reducing our workforce and incurring increased costs associated with severance and termination benefits, which also could have a material adverse



effect on our results of operations in the period incurred. Reducing our workforce could also impact our results of operations if we are unable to adequately staff projects that are awarded subsequent to a workforce reduction.

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Acquisitions may result in significant transaction expenses, and unidentified liabilities and risks associated with entering new markets. We may also be unable to profitably integrate and operate these businesses.

We may lack sufficient management, financial and other resources to successfully integrate future acquisitions, including acquisitions in markets where we have not previously operated. Any future acquisitions may result in significant transaction expenses, unexpected liabilities and other risks in addition to the integration and consolidation risks.

If we make any future acquisitions, we will likely assume liabilities of the acquired business or have exposure to contingent liabilities that may not be adequately covered by insurance or indemnification, if any, from the former owners of the acquired business. These potential liabilities could have a material adverse effect on our business.

We may not be able to successfully integrate our acquisitions, which could cause our business to suffer.

We may not be able to successfully complete our ongoing integration of the operations, personnel and technology from our recent acquisitions. Because of their size and complexity, if we fail to complete our integration efforts successfully, we may experience interruptions in our business activities, a decrease in the quality of our services, a deterioration in our employee and customer relationships, and harm to our reputation, all of which could have a material adverse effect on our business, financial condition and results of operations. Our recent integration activities have required significant attention from management, which potentially decreases the time that management may devote to serve existing customers, attract new customers and develop new services and strategies. We may also experience difficulties in combining corporate cultures, maintaining employee morale and retaining key employees. The continuing integration efforts may also impose substantial demands on our operations or other projects. We will have to actively strive to demonstrate to our existing customers that these integrations have not resulted in adverse changes in our standards or business focus. Our recent acquisitions have involved a significant capital commitment, and the return that we achieve on any capital invested may be less than the return achieved on our other projects or investments. There will be challenges in consolidating and rationalizing information technology platforms and administrative infrastructures. In addition, any delays or increased costs of integrating the acquired companies could adversely affect our operations, financial results and liquidity.

We may not realize the growth opportunities, operating margins and synergies that are anticipated from acquisitions. The benefits we expect to achieve as a result of an acquisition will depend, in part, on our ability to realize the anticipated growth opportunities, operating margins and synergies. Our success in realizing these growth opportunities, operating margins and synergies, and the timing of this realization, depends on the successful integration of the acquired business and operations with our existing business and operations. Even if we are able to integrate existing and acquired businesses successfully, this integration may not result in the realization of the full benefits of the growth opportunities, operating margins and synergies we currently expect within the anticipated time frame or at all. Accordingly, the benefits from an acquisition may be offset by costs incurred or delays in integrating the companies, which could cause our revenue assumptions and operating margin to be inaccurate.

We may need to raise additional capital in the future for working capital, capital expenditures and/or acquisitions, and we may not be able to do so on favorable terms or at all, which would impair our ability to operate our business or achieve our strategic plan.

To the extent that cash flow from operations, together with available borrowings under our credit facility, are insufficient to make future investments, acquisitions or provide needed working capital, we may require additional financing from other sources. Our ability to obtain such additional financing in the future will depend in part upon prevailing capital market conditions, as well as conditions in our business and our operating results; and those factors may affect our efforts to arrange additional financing on terms that are satisfactory to us. If adequate funds are not available, or are not available on acceptable terms, we may not be able to make future investments, take advantage of acquisitions or other opportunities, or respond to competitive challenges.

We face substantial competition in each of our business segments, which may have a material adverse effect on our business.

We face competition in all areas of our business from regional, national and international competitors. Our competitors range from small, family-owned businesses to well-established, well-financed entities, both privately and

publicly held, including many large engineering and construction companies and specialty contractors. We compete primarily on the basis of price, customer satisfaction, safety performance and programs, quality of our products and services, and schedule. As a result, an increase in the level of competition in one or more markets may result in lower operating margins than we have recently experienced.

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Our backlog is subject to unexpected fluctuations, adjustments and cancellations and does not include the full value of our long-term maintenance contracts, and therefore, may not be a reliable indicator of our future earnings.

Backlog may not be a reliable indicator of our future performance. We cannot guarantee that the revenue projected in our backlog will be realized or profitable. Projects may remain in our backlog for an extended period of time. In addition, project cancellations or scope adjustments may occur from time to time with respect to contracts included in our backlog that could reduce the dollar amount of our backlog and the revenue and profits that we actually earn. Many of our contracts have termination rights. Therefore, project adjustments may occur from time to time to contracts in our backlog.

The loss of one or more of our significant customers could adversely affect us.

One or more customers have in the past and may in the future contribute a material portion of our revenues in any one year. Because these significant customers generally contract with us for specific projects or for specific periods of time, we may lose these customers from year to year as the projects or maintenance contracts are completed. The loss of business from any one of these customers could have a material adverse effect on our business or results of operations.

The terms of our contracts could expose us to unforeseen costs and costs not within our control, which may not be recoverable and could adversely affect our results of operations and financial condition.

A significant amount of our work is performed under fixed price contracts. Under fixed-price contracts, we agree to perform the contract for a fixed-price and, as a result, can improve our expected profit by superior execution, productivity, workplace safety and other factors resulting in cost savings. However, we could incur cost overruns above the approved contract price, which may not be recoverable. Under certain incentive fixed-price contracts, we may agree to share with a customer a portion of any savings we generate while the customer agrees to bear a portion of any increased costs we may incur up to a negotiated ceiling. To the extent costs exceed the negotiated ceiling price, we may be required to absorb some or all of the cost overruns.

Fixed-price contract prices are established based largely upon estimates and assumptions relating to project scope and specifications, personnel and productivity, material needs, and site conditions. These estimates and assumptions may prove inaccurate or conditions may change due to factors out of our control, resulting in cost overruns, which we may be required to absorb and which could have a material adverse effect on our business, financial condition and results of operations. In addition, our profits from these contracts could decrease or we could experience losses if we incur difficulties in performing the contracts or are unable to secure fixed-pricing commitments from our manufacturers, suppliers and subcontractors at the time we enter into fixed-price contracts with our customers.

Under cost-plus and time-and-material contracts, we perform our services in return for payment of our agreed upon reimbursable costs plus a profit. The profit component is typically expressed in the contract either as a percentage of the reimbursable costs we actually incur or is factored into the rates we charge for labor or for the cost of equipment and materials, if any, we are required to provide. Our profit could be negatively impacted if our actual costs exceed the estimated costs utilized to establish the billing rates included in the contracts.

We may incur significant costs in providing services in excess of original project scope without having an approved change order.

After commencement of a contract, we may perform, without the benefit of an approved change order from the customer, additional services requested by the customer that were not contemplated in our contract price for various reasons, including customer changes or incomplete or inaccurate engineering, changes in project specifications and other similar information provided to us by the customer. Our construction contracts generally require the customer to compensate us for additional work or expenses incurred under these circumstances.

A failure to obtain adequate compensation for these matters could require us to record in the current period an adjustment to revenue and profit recognized in prior periods under the percentage-of-completion accounting method. Any such adjustments, if substantial, could have a material adverse effect on our results of operations and financial condition, particularly for the period in which such adjustments are made. We can provide no assurance that we will be successful in obtaining, through negotiation, arbitration, litigation or otherwise, approved change orders in an amount adequate to compensate us for our additional work or expenses.



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Our use of percentage-of-completion accounting for fixed-price contracts and our reporting of profits for cost-plus contracts prior to contract completion could result in a reduction or elimination of previously reported profits. Our revenues are recognized using the percentage-of-completion method of accounting. Under percentage-of-completion accounting, contract revenues and earnings are recognized ratably over the contract term based on the proportion of actual costs incurred to total estimated costs. In addition, some contracts contain penalty provisions for failure to achieve certain milestones, schedules or performance standards. We review our estimates of contract revenues, costs and profitability on a monthly basis. As a result, we may adjust our estimates on one or more occasions as a result of changes in cost estimates, change orders to the original contract, or claims against the customer for increased costs incurred by us due to customer-induced delays and other factors.

If estimates of costs to complete fixed price contracts indicate a loss, a provision is made through a contract write-down for the total loss anticipated in the period the loss is determined. Contract profit estimates are also adjusted, on a percentage of completion basis, in the fiscal period in which it is determined that an adjustment is required. No restatements are made to prior periods. Further, a number of our contracts contain various cost and performance incentives and penalties that impact the earnings we realize from our contracts, and adjustments related to these incentives and penalties are recorded on a percentage of completion basis in the period when estimable and probable.

As a result of the requirements of the percentage-of-completion method of accounting, the possibility exists that we could have estimated and reported a profit on a contract over several prior periods and later determine that all or a portion of such previously estimated and reported profits were overstated. If this occurs, the full aggregate amount of the overstatement will be reported for the period in which such determination is made.

Actual results could differ from the estimates and assumptions that we use to prepare our financial statements. To prepare financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions, as of the date of the financial statements, which affect the reported values of assets, liabilities, revenues and expenses and disclosures of contingent assets and liabilities. Areas requiring significant estimation by our management include:

- contract costs and application of percentage-of-completion accounting;
- provisions for uncollectible receivables from customers for invoiced amounts;
- the amount and collectability of unapproved change orders and claims against customers;
- provisions for income taxes and related valuation allowances;
- recoverability of goodwill and intangible assets;
- valuation of assets acquired and liabilities assumed in connection with business combinations; and
- accruals for estimated liabilities, including litigation and insurance reserves.

Our actual results could materially differ from these estimates.

Future events, including those associated with our strategic plan, could negatively affect our liquidity position. We can provide no assurance that we will have sufficient cash from operations or the credit capacity to meet all of our future cash needs should we encounter significant working capital requirements or incur significant acquisition costs. Insufficient cash from operations, significant working capital requirements, and contract disputes have in the past, and could in the future, reduce availability under our credit facility.

Our business may be affected by difficult work sites and environments, which may adversely affect our overall business.

We perform our work under a variety of conditions, including, but not limited to, difficult terrain, difficult site conditions and busy urban centers where delivery of materials and availability of labor may be impacted. Performing work under these conditions can slow our progress, potentially causing us to incur contractual liability to our customers. These difficult conditions may also cause us to incur additional, unanticipated costs that we might not be able to pass on to our customers.



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We are susceptible to adverse weather conditions, which may harm our business and financial results. Our business may be adversely affected by severe weather in areas where we have significant operations. Repercussions of severe weather conditions may include:

- curtailment of services;
- suspension of operations;
- inability to meet performance schedules in accordance with contracts and potential liability for liquidated damages;
- injuries or fatalities;
- weather related damage to our facilities;
- disruption of information systems;
- inability to receive machinery, equipment and materials at jobsites; and
- loss of productivity.

Our credit facility imposes restrictions that may limit business alternatives.

Our credit facility contains covenants that restrict or limit our ability to incur additional debt, acquire or dispose of assets, repurchase equity, or make certain distributions, including dividends. In addition, our credit facility requires that we comply with a number of financial covenants. These covenants and restrictions may impact our ability to effectively execute operating and strategic plans and our operating performance may not be sufficient to comply with the required covenants.

Our failure to comply with one or more of the covenants in our credit facility could result in an event of default. We can provide no assurance that a default could be remedied, or that our creditors would grant a waiver or amend the terms of the credit facility. If an event of default occurs, our lenders could elect to declare all amounts outstanding under the facility to be immediately due and payable, terminate all commitments, refuse to extend further credit, and require us to provide cash to collateralize any outstanding letters of credit. If an event of default occurs and the lenders under the credit facility accelerate the maturity of any loans or other debt outstanding, we may not have sufficient liquidity to repay amounts outstanding under the existing agreement.

Our profitability could be negatively impacted if we are not able to maintain appropriate utilization of our workforce.

The extent to which we utilize our workforce affects our profitability. If we under utilize our workforce, our project gross margins and overall profitability suffer in the short-term. If we over utilize our workforce, we may negatively impact safety, employee satisfaction and project execution, which could result in a decline of future project awards.

The utilization of our workforce is impacted by numerous factors including:

- our estimate of the headcount requirements for various operating units based upon our forecast of the demand for our products and services;
- our ability to maintain our talent base and manage attrition;
- productivity;
- our ability to schedule our portfolio of projects to efficiently utilize our employees and minimize downtime between project assignments; and
- our need to invest time and resources into functions such as training, business development, employee recruiting, and sales that are not chargeable to customer projects.

An inability to attract and retain qualified personnel, and in particular, engineers, project managers, and skilled craft workers, could impact our ability to perform on our contracts, which could harm our business and impair our future revenues and profitability.

Our ability to attract and retain qualified engineers, project managers, skilled craftsmen and other experienced professionals in accordance with our needs is an important factor in our ability to maintain profitability and grow our business. The market for these professionals is competitive, particularly during periods of economic growth when the supply is limited.



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We cannot provide any assurance that we will be successful in our efforts to retain or attract qualified personnel when needed. Therefore, when we anticipate or experience growing demand for our services, we may incur additional cost to maintain a professional staff in excess of our current contract needs in an effort to have sufficient qualified personnel available to address this anticipated demand. If we do incur additional compensation and benefit costs, our customer contracts may not allow us to pass through these costs.

Competent and experienced engineers, project managers, and craft workers are especially critical to the profitable performance of our contracts, particularly on our fixed-price contracts where superior design and execution of the project can result in profits greater than originally estimated or where inferior design and project execution can reduce or eliminate estimated profits or even result in a loss.

Our project managers are involved in most aspects of contracting and contract execution including:

- supervising the bidding process, including providing estimates of significant cost components, such as material and equipment needs, and the size, productivity and composition of the workforce;
- negotiating contracts;
- supervising project performance, including performance by our employees, subcontractors and other third-party suppliers and vendors;
- estimating costs for completion of contracts that is used to estimate amounts that can be reported as revenues and earnings on the contract under the percentage-of-completion method of accounting;
- negotiating requests for change orders and the final terms of approved change orders; and
- determining and documenting claims by us for increased costs incurred due to the failure of customers, subcontractors and other third-party suppliers of equipment and materials to perform on a timely basis and in accordance with contract terms.

Work stoppages and other labor problems could adversely affect us.

Some of our employees are represented by labor unions. The Company has in excess of 50 collective bargaining agreements with various labor unions. The most significant agreements include the following:

Trade	Local #	Location	Expires
Boilermaker	28	Bayonne, NJ	12/31/2015
Boilermaker	13	Philadelphia, PA	12/31/2015
Carpenters	249	Kingston, Ontario, Canada	04/30/2016
Electrician	351	Hammonton, NJ	09/27/2016
Electrician	102	Parsippany, NJ	06/01/2018
Electrician	164	Paramus, NJ	05/31/2017
Electrician	456	North Brunswick, NJ	05/31/2017
Electrician	98	Philadelphia, PA	05/01/2016
Electrician	115	Kingston, Ontario, Canada	04/30/2016
Laborers	81	Gary, IN	05/31/2017
Laborers	247	Kingston, Ontario, Canada	04/30/2016
Iron Workers	395	Gary, IN	05/31/2019
Operating Engineers	793	Oakville, Ontario, Canada	04/30/2016
Pipefitters	597	Chicago, IL	05/31/2017
Pipefitters	420	Philadelphia, PA	04/30/2017
Pipefitters	401	Bowmanville, Ontario, Canada	04/30/2016
Pipefitters	74	Newark, DE	06/15/2017

The Company is also working under a number of other collective bargaining agreements that cover a smaller number of employees. These agreements expire within the next five years. For those agreements with upcoming expiration dates, the Company is currently negotiating renewals and expects that the renewals will be successfully completed. To date, the Company has not experienced any work stoppages or other significant labor problems in connection with its collective



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bargaining agreements. A lengthy strike or other work stoppage on any of our projects could have a material adverse effect on our business and results of operations due to an inability to complete contracted projects in a timely manner. We contribute to multiemployer plans that could result in liabilities to us if those plans are terminated or if we withdraw from those plans.

We contribute to several multiemployer pension plans for employees covered by collective bargaining agreements. These plans are not administered by us and contributions are determined in accordance with provisions of negotiated labor contracts. The Employee Retirement Income Security Act of 1974, as amended by the Multiemployer Pension Plan Amendments Act of 1980, imposes certain liabilities upon employers who are contributors to a multiemployer plan in the event of the employer's withdrawal from, or upon termination of, such plan. If we terminate or withdraw from a multiemployer pension plan, we could be required to make significant cash contributions to fund that plan's unfunded vested benefit, which could materially and adversely affect our financial condition and results of operations; however, we are not currently able to determine the net assets and actuarial present value of the multiemployer pension plans' unfunded vested benefits allocable to us, if any, and we are not presently aware of the amounts, if any, for which we may be contingently liable if we were to withdraw from any of these plans. In addition, if the funding level of any of these multiemployer plans becomes classified as "critical status" under the Pension Protection Act of 2006, we could be required to make significant additional contributions to those plans.

We are involved, and are likely to continue to be involved in legal proceedings, which will increase our costs and, if adversely determined, could have a material effect on our financial condition, results of operations, cash flows and liquidity.

We are currently a defendant in legal proceedings arising from the operation of our business, and it is reasonable to expect that we would be named in future actions. Many of the actions against us arise out of the normal course of performing services on project sites, and include workers' compensation claims, personal injury claims and contract disputes with our customers. From time to time, we are also named as a defendant for actions involving the violation of federal and state labor laws related to employment practices, wages and benefits. We may also be a plaintiff in legal proceedings against customers seeking to recover payment of contractual amounts due to us as well as claims for increased costs incurred by us resulting from, among other things, services performed by us at the request of a customer that are in excess of original project scope that are later disputed by the customer and customer-caused delays in our contract performance.

We maintain insurance against operating hazards in amounts that we believe are customary in our industry. However, our insurance policies include deductibles and certain coverage exclusions, so we cannot provide assurance that we are adequately insured against all of the risks associated with the conduct of our business. A successful claim brought against us in excess of, or outside of, our insurance coverage could have a material adverse effect on our financial condition, results of operations, cash flows and liquidity.

Litigation, regardless of its outcome, is expensive, typically diverts the efforts of our management away from operations for varying periods of time, and can disrupt or otherwise adversely impact our relationships with current or potential customers, subcontractors and suppliers. Payment and claim disputes with customers may also cause us to incur increased interest costs resulting from incurring indebtedness under our revolving line of credit or receiving less interest income resulting from fewer funds invested due to the failure to receive payment for disputed claims and accounts.

Our projects expose us to potential professional liability, product liability, pollution liability, warranty and other claims, which could be expensive, damage our reputation and harm our business. We may not be able to obtain or maintain adequate insurance to cover these claims.

We perform construction and maintenance services at large industrial facilities where accidents or system failures can be disastrous and costly. Any catastrophic occurrence in excess of our insurance limits at locations engineered or constructed by us or where our products are installed or services performed could result in significant professional liability, product liability, warranty and other claims against us by our customers, including claims for cost overruns and the failure of the project to meet contractually specified milestones or performance standards. Further, the rendering of our services on these projects could expose us to risks and claims by third parties and governmental

agencies for personal injuries, property damage and environmental matters, among others. Any claim, regardless of its merit or eventual outcome, could result in substantial costs, divert management's attention and create negative publicity, particularly for claims relating to environmental matters where the amount of the claim could be extremely large. We may not be able to or may choose not to obtain or maintain insurance coverage for the types of claims described above. If we are unable to obtain insurance at an acceptable cost or otherwise protect against the claims described above, we will be exposed to significant liabilities, which may materially and adversely affect our financial condition and results of operations.

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Employee, subcontractor or partner misconduct or our overall failure to comply with laws or regulations could harm our reputation, damage our relationships with customers, reduce our revenues and profits, and subject us to criminal and civil enforcement actions.

Misconduct, fraud, non-compliance with applicable laws and regulations, or other improper activities by one of our employees, subcontractors or partners could have a significant negative impact on our business and reputation. Such misconduct could include the failure to comply with safety standards, laws and regulations, customer requirements, regulations pertaining to the internal controls over financial reporting, environmental laws and any other applicable laws or regulations. The precautions we take to prevent and detect these activities may not be effective, since our internal controls are subject to inherent limitations, including human error, the possibility that controls could be circumvented or become inadequate because of changed conditions, and fraud.

Our failure to comply with applicable laws or regulations or acts of misconduct could subject us to fines and penalties, harm our reputation, damage our relationships with customers, reduce our revenues and profits and subject us to criminal and civil enforcement actions.

Environmental factors and changes in laws and regulations could increase our costs and liabilities.

Our operations are subject to environmental laws and regulations, including those concerning emissions into the air; discharges into waterways; generation, storage, handling, treatment and disposal of hazardous material and wastes; and health and safety.

Our projects often involve highly regulated materials, including hazardous wastes. Environmental laws and regulations generally impose limitations and standards for regulated materials and require us to obtain permits and comply with various other requirements. The improper characterization, handling, or disposal of regulated materials or any other failure by us to comply with federal, state and local environmental laws and regulations or associated environmental permits could subject us to the assessment of administrative, civil and criminal penalties, the imposition of investigatory or remedial obligations, or the issuance of injunctions that could restrict or prevent our ability to operate our business and complete contracted projects.

In addition, under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), and comparable state and foreign laws, we may be required to investigate and remediate regulated materials.

CERCLA and the comparable state laws typically impose liability without regard to whether a company knew of or caused the release, and liability for the entire cost of clean-up can be imposed upon any responsible party.

We are subject to numerous other laws and regulations including those related to business registrations and licenses, environment, workplace, employment, health and safety. These laws and regulations are complex, change frequently and could become more stringent in the future. It is impossible to predict the effect on us of any future changes to these laws and regulations. We can provide no absolute assurance that our operations will continue to comply with future laws and regulations or that the costs to comply with these laws and regulations and/or a failure to comply with these laws will not significantly adversely affect our business, financial condition and results of operations.

We face a potential loss of business under a recently enacted California statute.

In 2013, the California Legislature enacted, and the governor signed, Senate Bill 54 ("SB 54"). SB 54 imposes requirements as to prevailing wages on certain private projects and requires employers to maintain a workforce in which sixty percent of the workers that have graduated from an approved apprenticeship program, regardless of whether public funds are used. SB 54 was enacted in an attempt to ensure that parties constructing or performing work on projects in refineries or otherwise involving "chemical manufacturing and processing facilities that generate, store, treat, handle, refine, process, and transport hazardous materials" do not create safety hazards by employing unskilled or untrained workers to perform the work. To accomplish this purpose, the statute requires that owners who are "contracting for the performance of construction, alteration, demolition, installation, repair, or maintenance work" on such facilities must ensure that the outside contractors use a "skilled and trained workforce." A skilled and trained workforce is defined in the statute as a workforce in which all of the workers are registered apprentices or skilled journey persons paid at least prevailing wages. SB 54 primarily has implications to our merit operations work in refineries in the State of California. SB 54 is not applicable to contracts entered into prior to January 1, 2014. Our Oil Gas & Chemical segment derived a portion of its revenues in fiscal 2015 and previous years utilizing non-union

employees on refinery construction and maintenance projects located in the State of California under contracts entered into prior to January 1, 2014. We intend to comply with SB 54. However, we may experience a decline in revenue from our refinery customers located in the State of California as our backlog from older contracts begins to expire and we revise our business practices to conform to SB 54.

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A failure in our operational systems or cyber security attacks on any of our facilities, or those of third parties, may adversely affect our financial results.

Our business is dependent upon our operational systems to process a large amount of data and complex transactions. If any of our financial, operational, or other data processing systems fail or have other significant shortcomings, our financial results could be adversely affected. Our financial results could also be adversely affected if an employee causes our operational systems to fail, either as a result of inadvertent error or by deliberately tampering with or manipulating our operational systems. In addition, dependence upon automated systems may further increase the risk that operational system flaws, employee tampering or manipulation of those systems could result in losses that are difficult to detect.

We have become more reliant on technology to help increase efficiency in our business. We use numerous technologies to help run our operations, and this may subject our business to increased risks. Any cyber security attack that affects our facilities, our customers and any financial data could have a material adverse effect on our business. In addition, a cyber attack on our customer and employee data may result in a financial loss, including potential fines for failure to safeguard data, and may negatively impact our reputation. Third-party systems on which we rely could also suffer system failure. Any of these occurrences could disrupt our business, result in potential liability or reputational damage or otherwise have an adverse effect on our financial results.

We rely on internally and externally developed software applications and systems to support critical functions including project management, estimating, scheduling, human resources, accounting, and financial reporting. Any sudden loss, disruption or unexpected costs to maintain these systems could significantly increase our operational expense as well as disrupt the management of our business operations.

We rely on various software systems to conduct our critical operating and administrative functions. We depend on our software vendors to provide long-term software maintenance support for our information systems. Software vendors may decide to discontinue further development, integration or long-term software maintenance support for our information systems, in which case we may need to abandon one or more of our current information systems and migrate some or all of our project management, human resources, estimating, scheduling, accounting and financial information to other systems, thus increasing our operational expense as well as disrupting the management of our business operations.

Earnings for future periods may be affected by impairment charges.

Because we have grown in part through acquisitions, goodwill and other acquired intangible assets represent a substantial portion of our assets. We perform annual goodwill and intangible asset impairment reviews in the fourth quarter of every fiscal year. In addition, we perform an impairment review whenever events or changes in circumstances indicate the carrying value of goodwill or an intangible or fixed asset may not be recoverable. At some future date, we may determine that a significant impairment has occurred, which could require us to write off an additional portion of our assets and could adversely affect our financial condition or results of operations. As of June 30, 2015 the Company had \$24.0 million of amortizing intangible assets and \$71.5 million of non-amortizing goodwill representing 4.2% and 12.6% of the Company's total assets, respectively.

**Risk Factors Related to Our Common Stock**

Our common stock, which is listed on the NASDAQ Global Select Market, has experienced significant price and volume fluctuations. These fluctuations could continue in the future, and our stockholders may not be able to resell their shares of common stock at or above the purchase price paid.

The market price of our common stock may change significantly in response to various factors and events beyond our control, including the following:

- the risk factors described in this Item 1A;
- general conditions in our customers' industries;
- general conditions in the security markets;
- the significant concentration of ownership of our common stock in the hands of a small number of institutional investors;
- a shortfall in operating revenue or net income from that expected by securities analysts and investors; and





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changes in securities analysts' estimates of our financial performance or the financial performance of our competitors or companies in our industry.

Some companies that have volatile market prices for their securities have been subject to security class action suits filed against them. If a suit were to be filed against us, regardless of the outcome, it could result in substantial costs and a diversion of our management's attention and resources. This could have a material adverse effect on our business, results of operations and financial condition.

Future sales of our common stock may depress our stock price.

Sales of a substantial number of shares of our common stock in the public market or otherwise, either by us, a member of management or a major stockholder, or the perception that these sales could occur, could depress the market price of our common stock and impair our ability to raise capital through the sale of additional equity securities.

We may issue additional equity securities, which could lead to dilution of our issued and outstanding stock.

The issuance of additional common stock, restricted stock units or securities convertible into our common stock could result in dilution of the ownership interest held by existing stockholders. We are authorized to issue, without stockholder approval 5,000,000 shares of preferred stock, par value \$0.01 per share, in one or more series, which may give other stockholders dividend, conversion, voting, and liquidation rights, among other rights, which may be superior to the rights of holders of our common stock. In addition, we are authorized to issue, without stockholder approval, a significant number of additional shares of our common stock and securities convertible into either common stock or preferred stock.

Item 1B. Unresolved Staff Comments

None

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## Item 2. Properties

The principal properties of Matrix Service Company are as follows:

Location	Description of Facility	Segment	Interest
Tulsa, Oklahoma	Corporate headquarters and regional office	All segments	Leased
Alton, Illinois	Regional office	Oil Gas & Chemical	Leased
Bakersfield, California	Regional office	Oil Gas & Chemical	Leased
Bellingham, Washington	Regional office, fabrication facility and warehouse	Oil Gas & Chemical, Storage Solutions, Industrial	Owned
Canonsburg, Pennsylvania	Regional office	Electrical Infrastructure, Oil Gas & Chemical, Industrial	Leased
Catoosa, Oklahoma	Facilities, regional offices and warehouse	Oil Gas & Chemical, Storage Solutions, Industrial	Leased & Owned <sup>(1)</sup>
Chicago, Illinois	Regional office	Electrical Infrastructure, Oil Gas & Chemical, Storage Solutions, Industrial	Leased
Eddystone, Pennsylvania	Regional office, fabrication facility and warehouse	Electrical Infrastructure, Oil Gas & Chemical, Storage Solutions, Industrial	Leased
Hammond, Indiana	Regional office, fabrication facility, and warehouse	Electrical Infrastructure, Oil Gas & Chemical, Industrial	Leased
Houston, Texas	Regional offices and warehouse	Oil Gas & Chemical, Storage Solutions	Leased & Owned
Orange, California	Fabrication facility, regional office and warehouse	Oil Gas & Chemical, Storage Solutions, Industrial	Leased & Owned
Parsippany, New Jersey	Regional office	Industrial	Leased
Rahway, New Jersey	Regional office and warehouse	Electrical Infrastructure, Oil Gas & Chemical, Industrial	Leased
Reserve, Louisiana	Regional office and warehouse	Oil Gas & Chemical	Leased
Sewickley, Pennsylvania	Regional office	Oil Gas & Chemical, Storage Solutions, Industrial	Leased
Temperance, Michigan	Regional office and warehouse	Storage Solutions	Owned
Tucson, Arizona	Regional office and warehouse	Industrial & Storage Solutions	Leased
Burlington, Ontario, Canada	Regional office	Electrical Infrastructure, Industrial	Owned
Calgary, Alberta, Canada	Regional office	Storage Solutions	Leased
Edmonton, Alberta, Canada	Regional office	Storage Solutions	Leased

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Leduc, Alberta, Canada	Regional office and warehouse	Storage Solutions	Leased
Saint John, New Brunswick, Canada	Regional office	Storage Solutions	Leased
Sarnia, Ontario, Canada	Regional office and warehouse	Storage Solutions	Owned

(1) Certain facilities were constructed by the Company on land acquired through a ground leases with renewal options.

In addition to the locations listed above, Matrix has smaller regional locations and temporary office facilities at numerous customer locations throughout the United States and Canada.

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Item 3. Legal Proceedings

We are a party to a number of legal proceedings. We believe that the nature and number of these proceedings are typical for a company of our size engaged in our type of business and that none of these proceedings will result in a material effect on our business, results of operations, financial condition, cash flows or liquidity.

Item 4. Mine Safety Disclosures

Section 1503 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") requires domestic mine operators to disclose violations and orders issued under the Federal Mine Safety and Health Act of 1977 (the "Mine Act") by the federal Mine Safety and Health Administration. We do not act as owner of any mines, but as a result of our performing services or construction at mine sites as an independent contractor, we may be considered an "operator" within the meaning of the Mine Act.

Information concerning mine safety violations or other regulatory matters required to be disclosed in this annual report under Section 1503(a) of the Dodd-Frank Act and Item 104 of Regulation S-K is included in Exhibit 95.

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## PART II

## Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

## Price Range of Common Stock

Our common stock trades on the NASDAQ Global Select Market ("NASDAQ") under the trading symbol "MTRX". The following table sets forth the high and low sale prices for our common stock as reported by NASDAQ for the periods indicated:

	Fiscal Year 2015		Fiscal Year 2014	
	High	Low	High	Low
First quarter	\$32.76	\$22.86	\$19.62	\$15.50
Second quarter	25.06	19.19	24.43	18.76
Third quarter	22.24	17.41	34.41	24.10
Fourth quarter	22.72	16.87	37.21	28.35

As of August 31, 2015, there were 25 holders of record of our common stock. The number of beneficial owners of our common stock is substantially greater than the number of holders of record.

## Dividend Policy

We have never paid cash dividends on our common stock, and the terms of our Credit Agreement limit the amount of cash dividends we can pay. Under our Credit Agreement, we may declare and pay dividends on our capital stock during any fiscal year up to an amount which, when added to all other dividends paid during such fiscal year, does not exceed 50% of our cumulative net income for such fiscal year to date. While we currently do not intend to pay cash dividends, any future dividend payments will depend on our financial condition, capital requirements and earnings as well as other relevant factors.

## Issuer Purchases of Equity Securities

Our Credit Agreement limits the Company's purchases of its equity securities to \$25 million in any calendar year. The table below sets forth the information with respect to purchases made by the Company of its common stock during the fourth quarter of the fiscal year ended June 30, 2015.

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
April 1 to April 30, 2015				
Share Repurchase Program <sup>(A)</sup>	—	—	—	2,653,399
Employee Transactions <sup>(B)</sup>	—	—	—	
May 1 to May 31, 2015				
Share Repurchase Program <sup>(A)</sup>	—	—	—	2,653,399
Employee Transactions <sup>(B)</sup>	2,608	\$21.70	—	
June 1 to June 30, 2015				
Share Repurchase Program <sup>(A)</sup>	283,772	\$17.62	283,772	2,369,627
Employee Transactions <sup>(B)</sup>	—	—	—	

<sup>(A)</sup> Represents shares purchased under our stock buyback program approved by the Company's Board of Directors on November 4, 2014. The plan expires on December 31, 2016.

<sup>(B)</sup> Represents shares withheld to satisfy the employee's tax withholding obligation that is incurred upon the vesting of deferred shares granted under the Company's stock incentive plans.



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## Item 6. Selected Financial Data

## Selected Financial Data

(In thousands, except percentages and per share data)

	Twelve Months Ended					
	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	
Revenues	\$1,343,135	\$1,263,089	\$892,574	\$739,046	\$627,052	
Cost of revenues	1,255,765	1,126,616	797,872	659,428	552,138	
Gross profit	87,370	136,473	94,702	79,618	74,914	
Gross margin %	6.5	% 10.8	% 10.6	% 10.8	% 11.9	%
Selling, general and administrative expenses	78,568	77,866	57,988	47,983	44,014	
Selling, general and administrative %	5.8	% 6.2	% 6.5	% 6.5	% 7.0	%
Operating income	8,802	58,607	36,714	31,635	30,900	
Operating income %	0.7	% 4.6	% 4.1	% 4.3	% 4.9	%
Net income	(1,898	) 36,877	24,008	17,188	18,982	
Net income (loss) attributable to noncontrolling interest	(19,055	) 1,067	—	—	—	
Net income attributable to Matrix Service Company	17,157	35,810	24,008	17,188	18,982	
Earnings per share - basic	0.64	1.36	0.92	0.66	0.72	
Earnings per share-diluted	0.63	1.33	0.91	0.65	0.71	
Working capital	114,209	105,687	131,908	124,553	115,374	
Total assets	568,331	568,932	409,978	323,135	306,436	
Long-term debt	8,804	11,621	—	—	—	
Capital expenditures	15,773	23,589	23,231	13,534	10,416	
Cash flows provided by operations	24,438	76,988	57,084	2,941	22,749	
Backlog	1,420,598	915,826	626,737	497,452	405,118	

Refer to the Results of Operations section included in Part II, Item 7 of this Annual Report on Form 10-K for a discussion of the impacts of business combinations and contract charges that materially impacted the comparability of information in the Selected Financial Data table above, particularly for the fiscal year ended 2015 in comparison to the fiscal year ended 2014, and the fiscal year ended 2014 in comparison to the fiscal year ended 2013.

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## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). GAAP represents a comprehensive set of accounting and disclosure rules and requirements, the application of which requires management judgments and estimates including, in certain circumstances, choices between acceptable GAAP alternatives. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. We base our estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from these estimates under different assumptions or conditions. Note 1- Summary of Significant Accounting Policies of the Notes to Consolidated Financial Statements included in Part II, Item 8 - Financial Statements and Supplementary Data in this Annual Report on Form 10-K, contains a comprehensive summary of our significant accounting policies. The following is a discussion of our most critical accounting policies, estimates, judgments and uncertainties that are inherent in our application of GAAP.

**CRITICAL ACCOUNTING ESTIMATES****Revenue Recognition**

Matrix records profits on fixed-price contracts on a percentage-of-completion basis, primarily based on costs incurred to date compared to the total estimated cost. The Company records revenue on cost-plus and time-and-material contracts on a proportional performance basis as costs are incurred. Contracts in process are valued at cost plus accrued profits less billings on uncompleted contracts. Contracts are generally considered substantially complete when field construction is completed. The elapsed time from award of a contract to completion of performance may be in excess of one year. Matrix includes pass-through revenue and costs on cost-plus contracts, which are customer-reimbursable materials, equipment and subcontractor costs, when Matrix determines that it is responsible for the procurement and management of such cost components.

Matrix has numerous contracts that are in various stages of completion, which require estimates to determine the appropriate cost and revenue recognition. The Company has a history of making reasonably dependable estimates of the extent of progress towards completion, contract revenues and contract costs, and accordingly, does not believe significant fluctuations are likely to materialize. However, current estimates may be revised as additional information becomes available. If estimates of costs to complete fixed-price contracts indicate a loss, a provision is made through a contract write-down for the total loss anticipated. In fiscal 2015, we recognized a \$53.4 million write-down related to an acquired EPC joint venture project, as discussed under the "Results of Operations" below. A number of our contracts contain various cost and performance incentives and penalties that impact the earnings we realize from our contracts. Adjustments related to these incentives and penalties are recorded in the period on a percentage of completion basis when estimable and probable.

Indirect costs, such as salaries and benefits, supplies and tools, equipment costs and insurance costs, are charged to projects based upon direct labor hours and overhead allocation rates per direct labor hour or a percentage of cost incurred. Warranty costs are normally incurred prior to project completion and are charged to project costs as they are incurred. Warranty costs incurred subsequent to project completion were not material for the periods presented. Overhead allocation rates are established annually during the budgeting process and evaluated for accuracy throughout the year based upon actual direct labor hours and actual costs incurred.

**Change Orders and Claims**

Change orders are modifications of an original contract that effectively change the existing provisions of the contract. Change orders may include changes in specifications or designs, manner of performance, facilities, equipment, materials, sites and period of completion of the work. Matrix or our clients may initiate change orders. The client's agreement to the terms of change orders is, in many cases, reached prior to work commencing; however, sometimes circumstances require that work progress prior to obtaining client agreement. Costs related to change orders are



recognized as incurred. Revenues attributable to change orders that are unapproved as to price or scope are recognized to the extent that costs have been incurred if the amounts can be reliably estimated and their realization is probable. Revenues in excess of the costs attributable to change orders that are unapproved as to price or scope are recognized only when realization is assured beyond a reasonable doubt. Change orders that are unapproved as to both price and scope are evaluated as claims.

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Claims are amounts in excess of the agreed contract price that we seek to collect from customers or others for delays, errors in specifications and designs, contract terminations, change orders in dispute or unapproved as to both scope and price or other causes of anticipated additional costs incurred by us. Recognition of amounts as additional contract revenue related to claims is appropriate only if it is probable that the claims will result in additional contract revenue and if the amount can be reliably estimated. We must determine if:

- there is a legal basis for the claim;
- the additional costs were caused by circumstances that were unforeseen by the Company and are not the result of deficiencies in our performance;
- the costs are identifiable or determinable and are reasonable in view of the work performed; and
- the evidence supporting the claim is objective and verifiable.

If all of the these requirements are met, revenue from a claim is recorded only to the extent that we have incurred costs relating to the claim.

As of June 30, 2015 and June 30, 2014, costs and estimated earnings in excess of billings on uncompleted contracts included revenues for unapproved change orders and claims of \$12.7 million and \$13.1 million, respectively.

Historically, our collections for unapproved change orders and claims have approximated the amount of revenue recognized.

### Loss Contingencies

Various legal actions, claims, and other contingencies arise in the normal course of our business. Contingencies are recorded in the consolidated financial statements, or are otherwise disclosed, in accordance with Accounting Standard Codification ("ASC") Topic 450-20, "Loss Contingencies". Specific reserves are provided for loss contingencies to the extent we conclude that a loss is both probable and estimable. We use a case-by-case evaluation of the underlying data and update our evaluation as further information becomes known. We believe that any amounts exceeding our recorded accruals should not materially affect our financial position, results of operations or liquidity. However, the results of litigation are inherently unpredictable and the possibility exists that the ultimate resolution of one or more of these matters could result in a material effect on our financial position, results of operations or liquidity.

Legal costs are expensed as incurred.

### Insurance Reserves

We maintain insurance coverage for various aspects of our operations. However, we retain exposure to potential losses through the use of deductibles, coverage limits and self-insured retentions. We establish reserves for claims using a combination of actuarially determined estimates and management judgment on a case-by-case basis and update our evaluations as further information becomes known. Judgments and assumptions, including the assumed losses for claims incurred but not reported, are inherent in our reserve accruals; as a result, changes in assumptions or claims experience could result in changes to these estimates in the future. If actual results of claim settlements are different than the amounts estimated we may be exposed to gains or losses that could be significant. A hypothetical ten percent unfavorable change in our claim reserves at June 30, 2015 would have reduced fiscal 2015 pretax income by \$0.6 million.

### Goodwill

Goodwill represents the excess of the purchase price of acquisitions over the acquisition date fair value of the net identifiable tangible and intangible assets acquired. In accordance with current accounting guidance, goodwill is not amortized and is tested at least annually for impairment at the reporting unit level.

We perform our annual analysis during the fourth quarter of each fiscal year and in any other period in which indicators of impairment warrant additional analysis. Goodwill impairment reviews involve a two step process. Goodwill is first evaluated for impairment by comparing management's estimate of the fair value of a reporting unit with its carrying value, including goodwill.

Management utilizes a discounted cash flow analysis, referred to as an income approach, to determine the estimated fair value of our reporting units. Significant judgments and assumptions including the discount rate, anticipated revenue growth rate and gross margins, estimated operating and interest expense, and capital expenditures are inherent in these fair value estimates, which are based on our operating and capital budgets and on our strategic plan. As a

result, actual results may differ from the estimates utilized in our income approach. The use of alternate judgments and/or assumptions could result in a fair value that

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differs from our estimate and could result in the recognition of an impairment charge in the financial statements. As a result of these uncertainties, we utilize multiple scenarios and assign probabilities to each of the scenarios in the income approach.

We also consider market-based approaches to assess the fair value of our reporting units. We compare market multiples from our public peer companies in the engineering and construction industry, as well as the combined carrying values of our reporting units with market capitalization.

If the carrying value of our reporting unit is higher than its fair value, there is an indication that impairment may exist and the second step must be performed to measure the amount of impairment. The amount of impairment is determined by comparing the implied fair value of the reporting unit's goodwill to the carrying value of the goodwill calculated in the same manner as if the reporting unit were being acquired in a business combination. If the implied fair value of goodwill is less than its carrying value, we would record an impairment charge for the difference.

Although we do not currently anticipate a future impairment charge, certain events could occur that would adversely affect the reported value of goodwill. The Company has considered the likelihood of adverse changes including but not limited to changes in economic or competitive conditions, a significant change in the project plans of our customers, a deterioration in the economic condition of the customers and industries we serve, and a material negative change in the relationships with one or more of our significant customers. If our judgments and assumptions change as a result of the occurrence of any of these events or other events that we do not currently anticipate, our expectations as to future results and our estimate of the implied value of one or more of our reporting units also may change.

We performed our annual impairment test in the fourth quarter to determine whether an impairment existed and to determine the amount of headroom. We define "headroom" as the percentage difference between the fair value of a reporting unit and its carrying value. The amount of headroom varies by reporting unit. Approximately 59% of our goodwill balance is attributable to one reporting unit. This unit had headroom of 347%. We have four additional reporting units with goodwill representing 12%, 9%, 8% and 6% of the total goodwill balance with headroom of 142%, 134%, 586% and 144%, respectively.

Our significant assumptions, including revenue growth rates, gross margins, unanticipated operating and interest expense and other factors may change in light of changes in the economic and competitive environment in which we operate. Assuming that all other components of our fair value estimate remain unchanged, a change in the following assumptions would have the following effect on headroom:

if the growth rate of estimated revenue decreases by one percentage point, the headroom of the reporting units referenced above would be reduced from 347%, 142%, 134%, 586% and 144% to 330%, 131%, 125%, 560% and 136%, respectively;

if our estimate of gross margins decreases one percentage point, the headroom of the reporting units referenced above would be reduced from 347%, 142%, 134%, 586% and 144% to 300%, 103%, 108%, 502% and 117%, respectively; and

if the applicable discount rate increases one percentage point, the headroom of the reporting units referenced above would be reduced from 347%, 142%, 134%, 586% and 144% to 312%, 128%, 116%, 526% and 126%, respectively.

#### Other Intangible Assets

Intangible assets that have finite useful lives are amortized by the straight-line method over their useful lives ranging from 1.5 to 15 years. Intangible assets that have indefinite useful lives are not amortized but are tested at least annually for impairment. Each reporting period, we evaluate the remaining useful lives of intangible assets not being amortized to determine whether facts and circumstances continue to support an indefinite useful life and review both amortizing and non-amortizing intangible assets for impairment indicators. In fiscal 2013, we reclassified an intangible asset from an indefinite-lived intangible to a finite-lived intangible resulting in an impairment charge of \$0.3 million.

In the second quarter of fiscal 2015, the Company redesignated a trade name with a value of \$1.5 million from an indefinite lived to a definite lived intangible asset and assigned a useful life of three years. The change in designation was an impairment indicator. The Company conducted an impairment analysis and concluded that no impairment existed.

Deferred Income Taxes

We use the asset and liability approach for financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances based on our judgments and

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estimates are established when necessary to reduce deferred tax assets to the amount expected to be realized in future operating results. Company management believes that realization of deferred tax assets in excess of the valuation allowance is more likely than not. Our estimates are based on facts and circumstances in existence as well as interpretations of existing tax regulations and laws applied to the facts and circumstances, with the help of professional tax advisors. Therefore, we estimate and provide for amounts of additional income taxes that may be assessed by the various taxing authorities.

#### Recently Issued Accounting Standards

##### Accounting Standards Update 2014-09 (Topic 606), Revenue from Contracts with Customers

On May 28, 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that "an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." The ASU also requires entities to disclose both quantitative and qualitative information that enables users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The ASU's disclosure requirements are significantly more comprehensive than those in existing revenue standards. The ASU applies to all contracts with customers except those that are within the scope of other topics in the FASB Accounting Standards Codification ("ASC").

In July 2015, the FASB deferred the effective date by one year. With the deferral, this ASU is now effective for annual reporting periods beginning after December 15, 2017, with early adoption now permitted. We expect to adopt this standard on July 1, 2018 and are currently evaluating its expected impact on our financial statements.

##### Accounting Standards Update 2014-08 (Topics 205 and 360), Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity

On April 10, 2014, the FASB issued ASU 2014-08, which amends the definition of a discontinued operation in ASC 205-20 and requires entities to provide additional disclosures about discontinued operations as well as disposal transactions that do not meet the discontinued-operations criteria. The ASU is effective prospectively for all disposals (except disposals classified as held for sale before the adoption date) or components initially classified as held for sale in periods beginning on or after December 15, 2014. The Company adopted this standard as of January 1, 2015. The adoption of this standard did not impact on our consolidated financial statements.

##### Accounting Standards Update 2014-15 (Subtopic 205-40)—Presentation of Financial Statements—Going Concern : Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern

On August 27, 2014, the FASB issued ASU 2014-15, which provides guidance on determining when and how reporting entities must disclose going-concern uncertainties in their financial statements. The new standard requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date of issuance of the entity's financial statements. Further, an entity must provide certain disclosures if there is "substantial doubt about the entity's ability to continue as a going concern." The FASB believes that requiring management to perform the assessment will enhance the timeliness, clarity, and consistency of related disclosures and improve convergence with international financial reporting standards ("IFRSs") (which emphasize management's responsibility for performing the going-concern assessment). However, the time horizon for the assessment (look-forward period) and the disclosure thresholds under U.S. GAAP and IFRSs will continue to differ. The ASU is effective for annual periods ending after December 15, 2016, and interim periods thereafter; early adoption is permitted. We expect to adopt this standard in fiscal 2017.

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Results of Operations

Overview

We operate our business through four reportable segments: Electrical Infrastructure, Oil Gas & Chemical, Storage Solutions, and Industrial.

The Electrical Infrastructure segment primarily encompasses construction and maintenance services to a variety of power generation facilities, such as combined cycle plants, natural gas fired power stations, and renewable energy installations. We also provide high voltage services to investor owned utilities, including construction of new substations, upgrades of existing substations, short-run transmission line installations, distribution upgrades and maintenance, and storm restoration services.

The Oil Gas & Chemical segment includes our traditional turnaround activities, plant maintenance services and construction in the downstream petroleum industry. Another key offering is industrial cleaning services, which include hydroblasting, hydroexcavating, chemical cleaning and vacuum services. We also perform work in the petrochemical, natural gas, gas processing and compression, and upstream petroleum markets.

The Storage Solutions segment includes new construction of crude and refined products aboveground storage tanks (“ASTs”), as well as planned and emergency maintenance services. The Storage Solutions segment also includes balance of plant work in storage terminals and tank farms. Also included in the Storage Solutions segment is work related to specialty storage tanks, including liquefied natural gas (“LNG”), liquid nitrogen/liquid oxygen (“LIN/LOX”), liquid petroleum (“LPG”) tanks and other specialty vessels, including spheres. Finally, we offer AST products including floating roof seals.

The Industrial segment includes construction and maintenance work in the iron and steel and mining and minerals industries, bulk material handling and fertilizer production facilities, as well as work for clients in other industrial markets.

The majority of the work for all segments is performed in the United States, with 10.2% of revenues generated in Canada during fiscal 2015, 9.0% in fiscal 2014 and 8.7% in fiscal 2013. Revenues generated in Canada are expected to increase in fiscal 2016 compared to fiscal 2015. Significant period to period changes in revenues, gross profits and operating results are discussed below on a consolidated basis and for each segment.

Table of ContentsMatrix Service Company  
Results of Operations  
(In thousands)

	Electrical Infrastructure	Oil Gas & Chemical	Storage Solutions	Industrial	Total	
Fiscal Year 2015						
Consolidated revenues	\$257,930	\$305,360	\$503,123	\$276,722	\$1,343,135	
Gross profit (loss)	(31,444 )	25,394	58,085	35,335	87,370	
Gross profit %	(12.2 )%	8.3 %	11.5 %	12.8 %	6.5 %	%
Selling, general and administrative expenses	12,849	18,330	29,016	18,373	78,568	
Operating income (loss)	(44,293 )	7,064	29,069	16,962	8,802	
Operating income %	(17.2 )%	2.3 %	5.8 %	6.1 %	0.7 %	%
Fiscal Year 2014						
Consolidated revenues	\$205,570	\$239,690	\$610,896	\$206,933	\$1,263,089	
Gross profit	20,629	26,912	68,448	20,484	136,473	
Gross profit %	10.0 %	11.2 %	11.2 %	9.9 %	10.8 %	%
Selling, general and administrative expenses	12,926	16,973	34,138	13,829	77,866	
Operating income	7,703	9,939	34,310	6,655	58,607	
Operating income %	3.7 %	4.1 %	5.6 %	3.2 %	4.6 %	%
Fiscal Year 2013						
Consolidated revenues	\$171,204	\$273,848	\$393,201	\$54,321	\$892,574	
Gross profit	21,754	32,879	37,455	2,614	94,702	
Gross profit %	12.7 %	12.0 %	9.5 %	4.8 %	10.6 %	%
Selling, general and administrative expenses	10,569	17,464	25,551	4,404	57,988	
Operating income	11,185	15,415	11,904	(1,790 )	36,714	
Operating income %	6.5 %	5.6 %	3.0 %	(3.3 )%	4.1 %	%
Variances Fiscal Year 2015 to Fiscal Year 2014 Increase/(Decrease)						
Consolidated revenues	\$52,360	\$65,670	\$(107,773 )	\$69,789	\$80,046	
Gross profit	(52,073 )	(1,518 )	(10,363 )	14,851	(49,103 )	
Selling, general and administrative expenses	(77 )	1,357	(5,122 )	4,544	702	
Operating income	(51,996 )	(2,875 )	(5,241 )	10,307	(49,805 )	
Variances Fiscal Year 2014 to Fiscal Year 2013 Increase/(Decrease)						
Consolidated revenues	\$34,366	\$(34,158 )	\$217,695	\$152,612	\$370,515	
Gross profit	(1,125 )	(5,967 )	30,993	17,870	41,771	
Selling, general and administrative expenses	2,357	(491 )	8,587	9,425	19,878	
Operating income	(3,482 )	(5,476 )	22,406	8,445	21,893	



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## Fiscal 2015 Verses Fiscal 2014

## Consolidated

Consolidated revenue was \$1.343 billion in fiscal 2015, an increase of \$80.0 million, or 6.3%, from consolidated revenue of \$1.263 billion in fiscal 2014. As discussed in Note 2 - Acquisitions, the Company acquired Kvaerner North American Construction, which we refer to as Matrix NAC, late in the second quarter of fiscal 2014. The revenue increase is primarily attributable to the inclusion of a full year of Matrix NAC revenue in fiscal 2015 compared to less than seven months in fiscal 2014. On a segment basis, consolidated revenue increased in the Industrial, Oil Gas & Chemical and Electrical Infrastructure segments by \$69.8 million, \$65.7 million and \$52.3 million respectively, partially offset by a decrease in the Storage Solutions segment of \$107.8 million.

Consolidated gross profit was \$87.4 million in fiscal 2015 compared to \$136.5 million in fiscal 2014. Fiscal 2015 gross margins were reduced 4.3% to 6.5% due to an acquired EPC joint venture project charge of \$53.4 million, as described in Note 3 - Uncompleted Contracts. Fiscal 2014 gross margins were 10.8%.

Consolidated SG&A expense was \$78.6 million in fiscal 2015 compared to \$77.9 million in the same period a year earlier. Fiscal 2014 SG&A expense included \$2.0 million of Matrix NAC acquisition related costs. The remaining increase is primarily attributable to a full period of Matrix NAC costs in the current year compared to less than seven months in the prior year largely offset by lower incentive compensation costs in the current year due to reduced profitability. SG&A expense as a percentage of revenue was 5.8% in fiscal 2015 compared to 6.2% in the same period a year earlier.

Net interest expense was \$0.8 million in fiscal 2015, and \$1.4 million in the prior year. Fiscal 2015 results include \$0.3 million of interest income attributable to an award received due to the settlement of a customer dispute.

The Company consolidates the joint venture described in Note 2 - Acquisitions, and reports a noncontrolling interest. Accordingly, the Company's operating income includes the noncontrolling interest holder's share of the acquired EPC project loss for which the Company does not receive a tax benefit. Our effective tax rate increased to 123.2% in fiscal 2015 compared to 35.1% in fiscal 2014. The inclusion of the acquired EPC joint venture project loss for fiscal year 2015 increased our effective tax rate by 86.2%. The inclusion of the acquired EPC joint venture project profit for fiscal year 2014 decreased our effective tax rate by 0.7%.

The fiscal 2015 effective tax rate includes an additional tax benefit of \$0.6 million from the reinstatement of the R&D tax credit through calendar year 2014. For the twelve months ended June 30, 2015, the Company received a tax benefit of \$1.2 million as the result of an increase in the estimated R&D tax credit. For the fiscal year ended June 30, 2014, the Company received a tax benefit of \$1.7 million as the result of an increase in the estimated R&D tax credit. Fiscal 2015 net income attributable to Matrix Service Company and the related fully diluted earnings per share were \$17.2 million and \$0.63, compared to \$35.8 million and \$1.33 in the same period a year earlier.

## Electrical Infrastructure

Revenue for the Electrical Infrastructure segment increased \$52.3 million to \$257.9 million in fiscal 2015 compared to \$205.6 million in the same period a year earlier. The increased revenue volume in fiscal 2015 was primarily due to the inclusion of a full year of Matrix NAC activity and the mobilization and ramp up of work on the recently announced combined cycle gas-fueled power generation station in Canada. The acquired EPC joint venture project charge reduced gross margins 22.2% to (12.2%) in fiscal 2015. In the fourth quarter of fiscal 2015, the Company achieved mechanical completion on the acquired EPC joint venture project, therefore, any future impact to earnings is not expected to be significant. Gross margins were 10.0% in the same period a year earlier.

## Oil Gas &amp; Chemical

Revenue for the Oil Gas & Chemical segment increased \$65.7 million to \$305.4 million in fiscal 2015 compared to \$239.7 million in the same period a year earlier. The increased revenue was primarily due to higher levels of capital work as well as increases in turnaround and industrial cleaning work over the prior year. Gross margins were 8.3% in fiscal 2015 compared to 11.2% a year earlier. Fiscal 2015 margins were negatively affected by lower than expected profitability on a significant turnaround completed in the third quarter and under recovered construction overhead costs.



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## Storage Solutions

Revenue for the Storage Solutions segment decreased to \$503.1 million in fiscal 2015 compared to \$610.9 million in the same period a year earlier. Prior year results were positively affected by significant balance of plant work. In the current year, revenue in the domestic aboveground storage tank business increased but was more than offset by lower revenue in our Canadian business due to a project delay with a large customer. Fiscal 2015 gross margins were 11.5% compared to 11.2% in the same period in the prior year. The fiscal 2015 gross margin was negatively affected by the under recovery of construction overhead costs due to lower revenue. The fiscal 2014 gross margin of 11.2% was reduced by a project charge of \$8.4 million.

## Industrial

Revenue for the Industrial segment increased to \$276.7 million in fiscal 2015 compared to \$206.9 million in the same period a year earlier. The increase of \$69.8 million was primarily due to the inclusion of Matrix NAC activity for the full twelve month period. Gross margins were 12.8% in fiscal 2015 compared to 9.9% in the same period a year earlier. The gross margins were higher than expected and primarily due to profit recognized on favorable project completions and a favorable settlement with a customer, partially offset by lower construction overhead cost recovery. The Company expects revenues in this segment to decline in fiscal 2016 due to the completion of a fertilizer project in fiscal 2015 and gross margins to be lower due to challenging conditions in the steel industry.

## Fiscal 2014 Versus Fiscal 2013

## Consolidated

Consolidated revenues were \$1.263 billion in fiscal 2014, an increase of \$370.6 million, or 41.5%, from consolidated revenues of \$892.6 million in fiscal 2013. As discussed in Note 2 - Acquisitions, the Company acquired Kvaerner North American Construction, which we refer to as Matrix NAC, near the end of second quarter of fiscal 2014. Matrix NAC revenues totaled \$154.8 million in fiscal 2014. The remaining revenue increase of \$215.8 million was attributable to our existing business. Consolidated revenues on a segment basis increased in the Storage Solutions, Industrial and Electrical Infrastructure segments by \$217.7 million, \$152.6 million and \$34.4 million respectively, partially offset by a decrease in the Oil Gas & Chemical segment of \$34.1 million.

Consolidated gross profit increased to \$136.5 million in fiscal 2014 from \$94.7 million in fiscal 2013. The increase of \$41.8 million, or 44.1%, was due to higher revenues and higher gross margins which increased to 10.8% in fiscal 2014 compared to 10.6% a year earlier.

Consolidated SG&A expenses were \$77.9 million in fiscal 2014 compared to \$58.0 million in the same period a year earlier. As discussed in Note 2 - Acquisitions, the Company acquired Matrix NAC near the end of the second quarter of fiscal 2014. Therefore, SG&A includes two full quarters of Matrix NAC operational expenses and \$2.0 million of acquisition related fees. These expenses, along with higher incentive compensation costs and increased support costs related to higher business volumes caused SG&A expense to increase by \$19.9 million, or 34.3%. SG&A expense as a percentage of revenue was 6.2% in fiscal 2014 compared to 6.5% in the prior year.

Net interest expense was \$1.4 million in fiscal 2014 and \$0.8 million in fiscal 2013.

Other expense was \$0.5 million in fiscal 2014 compared to less than \$0.1 million in fiscal 2013.

The effective tax rates for fiscal 2014 and fiscal 2013 were 35.1% and 33.2%, respectively. We completed a fiscal 2013 R&D study in the second quarter of fiscal 2014 resulting in a significantly higher credit than previously estimated, therefore, we recorded a discrete positive adjustment of approximately \$1.0 million in the second quarter of fiscal 2014. In addition, we increased our estimate of the fiscal 2014 R&D credit resulting in an additional benefit of approximately \$0.7 million. The prior year effective tax rate was positively impacted by the effect of retroactive tax legislation enacted in the third quarter of fiscal 2013 and a change in estimate related to an available tax credit.

## Electrical Infrastructure

Revenues for the Electrical Infrastructure segment increased \$34.4 million, or 20.1%, to \$205.6 million in fiscal 2014 compared to \$171.2 million in the same period a year earlier. The increased revenue volume in fiscal 2014 was primarily due to the inclusion of six months of Matrix NAC activity partially offset by lower business volume in our existing business. The lower business volumes were due to lack of storm restoration services and lower high voltage work due to delays in customer spending. Gross margins were 10.0% in fiscal 2014 compared to 12.7% in the same

period a year earlier. Fiscal 2014 margins

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were negatively affected by the mix of work leading to lower direct margins and higher unrecovered overhead costs. Fiscal 2013 margins were positively affected by storm restoration work.

Oil Gas & Chemical

Revenues for the Oil Gas & Chemical segment decreased to \$239.7 million in fiscal 2014 compared to \$273.8 million in the same period a year earlier. The decrease of \$34.1 million, or 12.5%, was primarily due to a lower level of capital construction projects and turnaround work, partially offset by higher industrial cleaning work. Gross margins were 11.2% in fiscal 2014 compared to 12.0% in fiscal 2013.

Storage Solutions

Revenues for the Storage Solutions segment increased to \$610.9 million in fiscal 2014 compared to \$393.2 million in the same period a year earlier. The increase of \$217.7 million, or 55.4%, was primarily due to higher levels of work in our domestic and Canada aboveground storage tank business and significant terminal balance of plant work. Fiscal 2014 gross margins were reduced by 1.6% to 11.2% due to a loss of \$8.4 million on one project. The fiscal 2013 margins of 9.5% included a project charge of \$3.7 million. The overall improvement in gross margins was due to strong project execution in fiscal 2014, particularly on certain key strategic projects.

Industrial

Revenues for the Industrial segment totaled \$206.9 million in fiscal 2014 compared to \$54.3 million in the same period a year earlier. The increase of \$152.6 million was primarily due to the inclusion of six months of Matrix NAC activity, a higher level of mining and material handling work and ongoing work on a previously announced project for the engineering, procurement and construction of specialty tanks in a nitrogen fertilizer complex. Gross margins were 9.9% in fiscal 2014 compared to 4.8% in the same period a year earlier. The improvement in gross margins is due to improved execution and a higher recovery of construction overhead costs in the legacy business, partially offset by lower margins on low risk time and materials iron and steel work.

Non-GAAP Financial Measure

EBITDA is a supplemental, non-GAAP financial measure. EBITDA is defined as earnings before interest expense, income taxes, depreciation and amortization. We have presented EBITDA because it is used by the financial community as a method of measuring our performance and of evaluating the market value of companies considered to be in similar businesses. We believe that the line item on our Consolidated Statements of Income entitled "Net Income" is the most directly comparable GAAP measure to EBITDA. Since EBITDA is not a measure of performance calculated in accordance with GAAP, it should not be considered in isolation of, or as a substitute for, net earnings as an indicator of operating performance. EBITDA, as we calculate it, may not be comparable to similarly titled measures employed by other companies. In addition, this measure is not a measure of our ability to fund our cash needs. As EBITDA excludes certain financial information compared with net income, the most directly comparable GAAP financial measure, users of this financial information should consider the type of events and transactions that are excluded. Our non-GAAP performance measure, EBITDA, has certain material limitations as follows:

It does not include interest expense. Because we have borrowed money to finance our operations, pay commitment fees to maintain our credit facility, and incur fees to issue letters of credit under the credit facility, interest expense is a necessary and ongoing part of our costs and has assisted us in generating revenue. Therefore, any measure that excludes interest expense has material limitations.

It does not include income taxes. Because the payment of income taxes is a necessary and ongoing part of our operations, any measure that excludes income taxes has material limitations.

It does not include depreciation or amortization expense. Because we use capital and intangible assets to generate revenue, depreciation and amortization expense is a necessary element of our cost structure. Therefore, any measure that excludes depreciation or amortization expense has material limitations.



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A reconciliation of EBITDA to net income follows:

	Twelve Months Ended		
	June 30, 2015	June 30, 2014	June 30, 2013
	(in thousands)		
Net income attributable to Matrix Service Company	\$ 17,157	\$ 35,810	\$ 24,008
Interest expense	1,236	1,436	800
Provision for income taxes	10,090	19,934	11,908
Depreciation and amortization	23,480	18,518	12,782
EBITDA	\$ 51,963	\$ 75,698	\$ 49,498

## FINANCIAL CONDITION AND LIQUIDITY

## Overview

We define liquidity as the ability to pay our liabilities as they become due, fund business operations and meet all contractual or financial obligations. Our primary sources of liquidity in fiscal 2015 were cash on hand at the beginning of the year, capacity under our credit facility, and cash generated from operations. Cash on hand at June 30, 2015 totaled \$79.2 million and availability under the credit facility totaled \$95.6 million, resulting in total liquidity of \$174.8 million. The United States dollar equivalent of Canadian deposits totaled \$39.9 million and is included in our consolidated cash balance. We expect to fund our operations for the next twelve months through the use of cash generated from operations, existing cash balances and borrowings under our credit facility, as necessary.

Factors that routinely impact our short-term liquidity and that may impact our long-term liquidity include, but are not limited to:

- Changes in costs and estimated earnings in excess of billings on uncompleted contracts and billings on uncompleted contracts in excess of costs due to contract terms that determine the timing of billings to customers and the collection of those billings

- Some cost plus and fixed price customer contracts are billed based on milestones which may require us to incur significant expenditures prior to collections from our customers.

- Time and material contracts are normally billed in arrears. Therefore, we are routinely required to carry these costs until they can be billed and collected.

- Some of our large construction projects may require significant retentions or security in the form of letters of credit.

- Other changes in working capital

- Capital expenditures

Other factors that may impact both short and long-term liquidity include:

- Acquisitions of new businesses

- Strategic investments in new operations

- Purchases of shares under our stock buyback program

- Contract disputes or collection issues

- Capacity constraints under our credit facility and remaining in compliance with all covenants contained in the credit agreement.

The acquisition of HDB Ltd. Limited Partnership discussed in Note 2 of the Notes to Consolidated Financial Statements included in Part 2, Item 8 of this Annual Report on Form 10-K was funded with cash on hand. The Company believes that the remaining availability under the credit facility, as discussed under the caption "Senior Revolving Credit Facility" included in

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this Financial Condition and Liquidity section of the Form 10-K, along with cash on hand and cash generated from operations will provide sufficient liquidity to achieve both our short and long-term business objectives.

The impact of the acquired EPC joint venture project charges on our net income and EBITDA also discussed in Note 2 of the Notes to Consolidated Financial Statements has resulted in a significant short term capacity constraint on the Company's senior revolving credit facility. Although the constraint does reduce our liquidity, the Company believes that the remaining availability under our credit facility, as discussed under the caption "Senior Revolving Credit Facility" included in this Financial Condition and Liquidity section of the Form 10-Q, along with cash on hand and cash generated from operations will provide sufficient liquidity to achieve both our short and long-term business objectives.

**Cash Flows Provided by Operating Activities**

Cash flows provided by operating activities for the twelve months ended June 30, 2015 totaled \$24.4 million. Major components of cash flows from operating activities for the year ending June 30, 2015 are as follows:

**Net Cash Provided by Operating Activities**

(In thousands)

Net income (loss)	\$(1,898	)
Non-cash expenses	28,085	
Deferred income tax	(1,052	)
Cash effect of changes in operating assets and liabilities	(935	)
Other	238	
Net cash provided by operating activities	\$24,438	

The cash effect of significant changes in operating assets and liabilities from June 30, 2015 in comparison to June 30, 2014 include the following, net of the effects from acquisitions:

Accounts receivable decreased \$6.8 million due primarily to the timing of project billings and collections. The Company's receivable aging categories have not deteriorated and we do not anticipate any unusual collection difficulties.

Costs and estimated earnings in excess of billings on uncompleted contracts ("CIE") increased \$13.1 million while billings on uncompleted contracts in excess of costs and estimated earnings ("BIE") decreased \$11.7 million. The changes were driven by increased business activity for the fiscal 2015 fourth quarter in comparison to the fiscal 2014 fourth quarter, driving a higher CIE balance, along with the timing of invoice billings and collections, driving a lower BIE balance. CIE and BIE balances can experience significant day-to-day fluctuations based on the timing of when job costs are incurred, the invoicing of those job costs to the customer and subsequent cash collection, and other working capital management factors. The net change in CIE and BIE decreased \$24.8 million for the twelve months ended June 30, 2015. This change was primarily attributable to overall increased business activity for the fiscal 2015 fourth quarter in comparison to the fiscal 2014 fourth quarter. See the Consolidated Statement of Cash Flows at Part 2, Item 8 of this Annual Report on Form 10-K for adjustments to net income and the impact of operating activities.

Accounts payable increased by \$13.0 million primarily due to overall increased business activity for the fiscal 2015 fourth quarter in comparison to the fiscal 2014 fourth quarter and the timing of payments.

Accrued wages and benefits decreased \$9.5 million due primarily to lower short term incentive accrual.

**Cash Flows Used for Investing Activities**

Investing activities used \$20.6 million of cash in the twelve months ended June 30, 2015 due to capital expenditures of \$15.8 million and the net purchase price of \$5.6 million for the acquisition of HDB as discussed in Note 2 -

Acquisitions, partially offset by proceeds from asset dispositions of \$0.8 million. Capital expenditures included \$5.5 million for the purchase of construction and fabrication equipment and small tools, \$3.6 million for transportation equipment, \$5.5 million for office equipment and software, and \$1.2 million for land and buildings. The Company's known and expected future purchase obligations relating to capital expenditures is approximately \$20.0 million.

**Cash Flows Used for Financing Activities**





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Financing activities provided \$0.8 million of cash in the twelve months ended June 30, 2015. Borrowings under our Credit Agreement of \$11.2 million were more than offset by borrowing payments of \$14.0 million. The exercise of stock options provided \$0.5 million of cash. The excess tax benefit of exercised stock options and vesting of deferred shares provided \$1.8 million of cash. The repurchase of common stock for payment of statutory taxes due on equity-based compensation used \$2.5 million of cash. The Company used \$5.0 million of cash for the purchase of Company stock as permitted under the Company's stock buyback program. Capital contributions from the non-controlling interest holder's share of the acquired EPC joint venture provided \$8.5 million of cash. Cash received from employees for the purchase of shares in connection with the Company's Employee Stock Purchase Plan provided \$0.3 million of cash.

Borrowings during fiscal 2015 under our Credit Agreement were used for Canadian dollar advances required for short-term working capital, including cross-border purchases of materials and services.

Senior Revolving Credit Facility

The Company has a five-year, \$200.0 million senior secured revolving credit facility under a credit agreement (the "Credit Agreement") that expires March 13, 2019. Advances under the credit facility may be used for working capital, acquisitions, capital expenditures, issuance of letters of credit and other lawful purposes.

The credit agreement includes the following covenants and borrowing limitations:

- Our Senior Leverage Ratio, as defined in the agreement, may not exceed 2.50 to 1.00 determined as of the end of each fiscal quarter.

- We are required to maintain a Fixed Charge Coverage Ratio, as defined in the agreement, greater than or equal to 1.25 to 1.00 determined as of the end of each fiscal quarter.

- Asset dispositions (other than inventory and obsolete or unneeded equipment disposed of in the ordinary course of business) are limited to \$20.0 million per 12-month period.

Amounts borrowed under the credit facility bear interest at LIBOR or an Alternate Base Rate, plus in each case, an additional margin based on the Senior Leverage Ratio. The Credit Agreement includes additional margin ranges on Alternate Base Rate loans between 0.25% and 1.0% and between 1.25% and 2.0% on LIBOR-based loans.

The Credit Agreement also permits us to borrow in Canadian dollars with a sublimit of U.S. \$40.0 million. Amounts borrowed in Canadian dollars will bear interest either at the CDOR Rate, plus an additional margin based on the Senior Leverage Ratio ranging from 1.25% to 2.0%, or at the Canadian Prime Rate, plus an additional margin based on the Senior Leverage Ratio ranging from 1.75% to 2.5%. The CDOR Rate is equal to the sum of the annual rate of interest, which is the rate determined as being the arithmetic average of the quotations of all institutions listed in respect of the relevant CDOR interest period for Canadian Dollar denominated bankers' acceptances, plus 0.1%. The Canadian Prime Rate is equal to the greater of (i) the rate of interest per annum most recently announced or established by JPMorgan Chase Bank, N.A., Toronto Branch as its reference rate in effect on such day for determining interest rates for Canadian Dollar denominated commercial loans in Canada and (ii) the CDOR Rate plus 1.0%.

The Unused Revolving Credit Facility Fee is between 0.20% and 0.35% based on the Senior Leverage Ratio.

The Credit Agreement includes a Senior Leverage Ratio covenant, which provides that Consolidated Funded Indebtedness may not exceed 2.5 times Consolidated EBITDA, as defined in the Credit Agreement, over the previous four quarters. For the four quarters ended June 30, 2015, Consolidated EBITDA, as defined in the Credit Agreement, was \$58.0 million. Accordingly, at June 30, 2015, there was a restriction on our ability to access the full amount of the credit facility. Consolidated Funded Indebtedness at June 30, 2014 was \$42.4 million.

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Availability under the credit facility is as follows:

	June 30, 2015 (In thousands)	June 30, 2014
Senior credit facility	\$200,000	\$200,000
Capacity constraint due to the Senior Leverage Ratio	54,968	—
Capacity under the credit facility	145,032	200,000
Borrowings outstanding	8,804	11,621
Letters of credit	40,587	23,017
Availability under the credit facility	\$95,641	\$165,362

The Company is in compliance with all other affirmative, negative, and financial covenants under the Credit Agreement.

At June 30, 2015, the Company was at the lowest margin tier for the LIBOR, Alternate Base Rate, CDOR and Canadian Prime Rate loans and the lowest tier for the Unused Revolving Credit Facility Fee.

**Dividend Policy**

We have never paid cash dividends on our common stock, and the terms of our Credit Agreement limit the amount of cash dividends we can pay. Under our Credit Agreement, we may declare and pay cash dividends on our capital stock during any fiscal year up to an amount which, when added to all other cash dividends paid during such fiscal year, does not exceed 50% of our cumulative net income for such fiscal year to date. While we currently do not intend to pay cash dividends, any future dividend payments will depend on our financial condition, capital requirements and earnings as well as other relevant factors.

**Treasury Shares**

On November 4, 2014 the Board of Directors approved a stock buyback program that replaced the program that had been in place since November 2012. The new program, which expires on December 31, 2016, allows the Company to purchase up to \$25.0 million of common stock annually if sufficient liquidity exists and management believes the purchase would be accretive to the Company's stockholders. The annual \$25.0 million limitation is applied on a calendar year basis. The cumulative number of shares repurchased cannot exceed 2,653,399, which represents 10% of the shares outstanding on the date the new repurchase program was approved. The Company used \$5.0 million to purchase 283,772 shares under the stock buyback program in fiscal 2015.

In addition to the stock buyback program, the Company may withhold shares of common stock to satisfy the tax withholding obligations upon vesting of an employee's deferred shares. Matrix withheld 105,058 shares during fiscal 2015 to satisfy these obligations. These shares were returned to the Company's pool of treasury shares.

The Company has 1,447,394 treasury shares as of June 30, 2015 and intends to utilize these treasury shares solely in connection with equity awards under the Company's stock incentive plans.

**Commitments and Off-Balance Sheet Arrangements**

As of June 30, 2015, the following commitments and off-balance sheet arrangements were in place to support our ordinary course obligations:

	Commitments by Expiration Period				Total
	Less than 1 Year	1–3 Years	3–5 Years	More than 5 Years	
	(In thousands)				
Letters of credit <sup>(1)</sup>	\$40,587	\$—	\$—	\$—	\$40,587
Surety bonds	152,601	5,728	11	—	158,340
Total	\$193,188	\$5,728	\$11	\$—	\$198,927

(1) All letters of credit issued under our credit facility are in support of our workers' compensation insurance programs or certain construction contracts. The letters of credit that support our workers' compensation programs are

expected to renew annually through the term of our Credit Facility. The

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letters of credit that support construction contracts will expire when the related work is completed and the warranty period has passed; therefore, these letters of credit are reported in the period that we expect the warranty period to end. Contractual obligations at June 30, 2015 are summarized below:

	Contractual Obligations by Expiration Period				Total
	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years	
	(In thousands)				
Total debt, excluding interest <sup>(1)</sup>	\$—	\$8,804	\$—	\$—	\$8,804
Interest payments on debt <sup>(1)</sup>	224	615	—	—	839
Operating leases	4,955	10,098	1,954	7,676	24,683
Purchase obligations	3,042	5,558	—	—	8,600
Total contractual obligations	\$8,221	\$25,075	\$1,954	\$7,676	\$42,926

(1) Assumes total debt principle at 6/30/2015 is carried to maturity with no future borrowings or repayments. Interest payments on debt assumes the lowest margin tier that the Company was at for the fiscal year ended 2015.

## Item 7A. Quantitative and Qualitative Disclosures About Market Risk

## Interest Rate Risk

Our interest rate risk results primarily from our variable rate indebtedness under our credit facility, which is influenced by movements in short-term rates. Borrowings under our \$200.0 million revolving credit facility are based on an Alternate Base Rate, LIBOR, CDOR or Canadian Prime Rate as elected by the Company plus an additional margin based on our Senior Leverage Ratio.

Financial instruments with interest rate risk at June 30, 2015 were as follows:

	Maturity by Fiscal Year						Fair Value as of June 30, 2015
	2016	2017	2018	2019	2020	Total	
	(In thousands)						
Long-term debt:							
Variable rate debt <sup>(1)</sup>	\$—	\$—	\$—	\$8,804	\$—	\$8,804	\$8,804

Amounts borrowed under the Credit Agreement bear interest at LIBOR or an Alternate Base Rate, plus in each case, an additional margin based on the Senior Leverage Ratio. The additional margin on Alternate Base Rate and LIBOR-based loans ranges between 0.25% and 1.0% and between 1.25% and 2.0% on LIBOR-based loans. The Credit Agreement also permits us to borrow in Canadian dollars with a sublimit of U.S. \$40.0 million. Amounts borrowed in Canadian dollars will bear interest either at the CDOR Rate, plus an additional margin based on the Senior Leverage Ratio ranging from 1.25% to 2.0%, or at the Canadian Prime Rate, plus an additional margin based on the Senior Leverage Ratio ranging from 1.75% to 2.5%. The CDOR Rate is equal to the sum of the annual rate of interest, which is the rate determined as being the arithmetic average of the quotations of all institutions listed in respect of the relevant CDOR interest period for Canadian Dollar denominated bankers' acceptances, plus 0.1%. The Canadian Prime Rate is equal to the greater of (i) the rate of interest per annum most recently announced or established by JPMorgan Chase Bank, N.A., Toronto Branch as its reference rate in effect on such day for determining interest rates for Canadian Dollar denominated commercial loans in Canada and (ii) the CDOR Rate plus 1.0%. The Unused Credit Facility Fee is between 0.20% and 0.35% based on the Senior Leverage Ratio.

Financial instruments with interest rate risk at June 30, 2014 were as follows:

	Maturity by Fiscal Year						Fair Value as of June 30, 2014
	2015	2016	2017	2018	2019	Total	
	(In thousands)						

(In thousands)

Long-term debt:							
Variable rate debt <sup>(1)</sup>	\$—	\$—	\$—	\$—	\$11,621	\$11,621	\$11,621

Amounts borrowed under the Credit Agreement bear interest at LIBOR or an Alternate Base Rate, plus in each case, an additional margin based on the Senior Leverage Ratio. The additional margin on Alternate Base Rate and LIBOR-based loans ranges between 0.25% and 1.0% and between 1.25% and 2.0% on LIBOR-based loans. The Credit Agreement also permits us to borrow in Canadian dollars with a sublimit of U.S. \$40.0 million. Amounts borrowed in Canadian dollars will bear interest either at the CDOR Rate, plus an additional margin based on the Senior Leverage Ratio ranging from 1.25% to 2.0%, or at the Canadian Prime Rate, plus an additional margin based on the Senior Leverage Ratio ranging from 1.75% to 2.5%. The CDOR Rate is equal to the sum of the annual rate of interest, which is the rate determined as being the arithmetic average of the quotations of all institutions listed in respect of the relevant CDOR interest period for Canadian Dollar denominated bankers' acceptances, plus 0.1%. The Canadian Prime Rate is equal to the greater of (i) the rate of interest per annum most recently announced or established by JPMorgan Chase Bank, N.A., Toronto Branch as its reference rate in effect on such day for determining interest rates for Canadian Dollar denominated commercial loans in Canada and (ii) the CDOR Rate plus 1.0%. The Unused Credit Facility Fee is between 0.20% and 0.35% based on the Senior Leverage Ratio.

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Foreign Currency Risk

Matrix Service Company has subsidiaries with operations in Canada with the Canadian dollar as their functional currency. Historically, movements in the foreign currency exchange rate have not significantly impacted results. However, further growth in our Canadian operations and significant fluctuations in the Canadian Dollar/U.S. Dollar exchange rate could impact the Company's financial results in the future. Management has not entered into derivative instruments to hedge foreign currency risk, but periodically evaluates the materiality of our foreign currency exposure. To mitigate our risk, on occasion we borrow Canadian dollars under our credit facility to settle U.S. dollar account balances. A 10% unfavorable change in the Canadian dollar against the U. S. dollar would not have had a material impact on the financial results of the Company for the fiscal year ended June 30, 2015.

Commodity Price Risk

The Company has no direct commodity exposure, but we do have exposure to materials derived from certain commodities including steel plate, steel pipe, and copper which are key materials used by the Company. Supplies of these materials are available throughout the United States and worldwide. We anticipate that adequate amounts of these materials will be available in the foreseeable future. However, the price, quantity, and delivery schedules of these materials could change rapidly due to various factors, including producer capacity, the level of foreign imports, worldwide demand, the imposition or removal of tariffs on imported steel and other market conditions. We mitigate these risks primarily by procuring materials upon contract execution to ensure that our purchase price approximates the costs included in the project estimate, and also by negotiating contract escalation clauses to cover unexpected costs due to fluctuations in materials derived from certain commodities.

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Item 8. Financial Statements and Supplementary Data

Financial Statements of the Company

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Financial Statement Schedules

The financial statement schedule is filed as a part of this report under Schedule II – Valuation and Qualifying Accounts for the three fiscal years ended June 30, 2015, June 30, 2014 and June 30, 2013 immediately following Quarterly Financial Data (Unaudited). All other schedules are omitted because they are not applicable or the required information is shown in the financial statements, or notes thereto, included herein.



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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Matrix Service Company (the "Company") and its wholly-owned subsidiaries are responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Internal control over financial reporting includes policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements. All internal control systems, no matter how well designed, have inherent limitations and cannot provide absolute assurance that all objectives will be met. Internal control over financial reporting is a process that involves diligence and is subject to lapses in judgment and human error. Internal control over financial reporting can also be circumvented by collusion or management override of controls. Because of these limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of June 30, 2015. In making this assessment, the Company's management used the criteria established in Internal Control—Integrated Framework (2013) set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework.

Management's assessment included an evaluation of such elements as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, overall control environment and information systems control environment. Based on this assessment, the Company's management has concluded that the Company's internal control over financial reporting as of June 30, 2015 was effective.

Deloitte & Touche LLP, an independent registered public accounting firm, has issued an attestation report on the effectiveness of the Company's internal control over financial reporting as of June 30, 2015. Deloitte & Touche LLP's report on the Company's internal control over financial reporting is included herein.

/S/ John R. Hewitt  
John R. Hewitt  
President and Chief Executive Officer  
September 11, 2015

/S/ Kevin S. Cavanah  
Kevin S. Cavanah  
Vice President and Chief Financial Officer

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

Matrix Service Company

Tulsa, Oklahoma

We have audited the accompanying consolidated balance sheets of Matrix Service Company and subsidiaries (the "Company") as of June 30, 2015 and 2014, and the related consolidated statements of income, comprehensive income, cash flows and stockholders' equity for each of the three years in the period ended June 30, 2015. Our audits also included the financial statement schedule listed in the Index at Item 15. We also have audited the Company's internal control over financial reporting as of June 30, 2015, based on criteria established in Internal Control - Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the financial statements and financial statement schedule and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, such consolidated financial statements referred to above present fairly, in all material respects, the financial position of Matrix Service Company and subsidiaries as of June 30, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2015, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. Also, in our opinion, the Company

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maintained, in all material respects, effective internal control over financial reporting as of June 30, 2015, based on the criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/S/ DELOITTE & TOUCHE LLP  
Tulsa, Oklahoma  
September 11, 2015

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

	Twelve Months Ended		
	June 30, 2015	June 30, 2014	June 30, 2013
Revenues	\$1,343,135	\$1,263,089	\$892,574
Cost of revenues	1,255,765	1,126,616	797,872
Gross profit	87,370	136,473	94,702
Selling, general and administrative expenses	78,568	77,866	57,988
Operating income	8,802	58,607	36,714
Other income (expense):			
Interest expense	(1,236	) (1,436	) (800
Interest income	468	112	32
Other	158	(472	) (30
Income before income tax expense	8,192	56,811	35,916
Provision for federal, state and foreign income taxes	10,090	19,934	11,908
Net income (loss)	(1,898	) 36,877	24,008
Less: Net income (loss) attributable to noncontrolling interest	(19,055	) 1,067	—
Net income attributable to Matrix Service Company	\$17,157	\$35,810	\$24,008
Basic earnings per common share	\$0.64	\$1.36	\$0.92
Diluted earnings per common share	\$0.63	\$1.33	\$0.91
Weighted average common shares outstanding:			
Basic	26,603	26,288	25,962
Diluted	27,177	26,976	26,358

See accompanying notes

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Matrix Service Company  
 Consolidated Statements of Comprehensive Income  
 (In thousands)

	Twelve Months Ended		
	June 30, 2015	June 30, 2014	June 30, 2013
Net income (loss)	\$(1,898	) \$36,877	\$24,008
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments (net of tax of \$606, \$116 and \$190)	(5,744	) (409	) (544
Comprehensive income (loss)	(7,642	) 36,468	23,464
Less: Comprehensive income (loss) attributable to noncontrolling interest	(19,055	) 1,067	—
Comprehensive income attributable to Matrix Service Company	\$11,413	\$35,401	\$23,464

See accompanying notes

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Table of ContentsMatrix Service Company  
Consolidated Balance Sheets  
(In thousands)

	June 30, 2015	June 30, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$79,239	\$77,115
Accounts receivable, less allowances (2015 - \$561 ; 2014 - \$204)	199,149	204,692
Costs and estimated earnings in excess of billings on uncompleted contracts	86,071	73,008
Inventories	2,773	3,045
Income taxes receivable	579	2,797
Deferred income taxes	8,298	5,994
Other current assets	5,660	8,897
Total current assets	381,769	375,548
Property, plant and equipment, at cost:		
Land and buildings	32,746	31,737
Construction equipment	87,561	82,745
Transportation equipment	47,468	42,087
Office equipment and software	28,874	26,026
Construction in progress	5,196	9,892
Total property, plant and equipment - at cost	201,845	192,487
Accumulated depreciation	(116,782	) (103,315
Property, plant and equipment - net	85,063	89,172
Goodwill	71,518	69,837
Other intangible assets	23,961	28,676
Deferred income taxes - noncurrent	2,073	—
Other assets	3,947	5,699
Total assets	\$568,331	\$568,932

See accompanying notes

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Matrix Service Company  
Consolidated Balance Sheets (continued)  
(In thousands, except share data)

	June 30, 2015	June 30, 2014
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 125,792	\$ 111,863
Billings on uncompleted contracts in excess of costs and estimated earnings	96,704	108,440
Accrued wages and benefits	26,725	36,226
Accrued insurance	8,100	8,605
Income taxes payable	3,268	481
Deferred income taxes	473	—
Other accrued expenses	6,498	4,246
Total current liabilities	267,560	269,861
Deferred income taxes - noncurrent	7,413	5,167
Borrowings under senior credit facility	8,804	11,621
Total liabilities	283,777	286,649
Commitments and contingencies		
Stockholders' equity:		
Matrix Service Company stockholders' equity:		
Common stock—\$.01 par value; 60,000,000 shares authorized; 27,888,217 shares issued as of June 30, 2015 and June 30, 2014; 26,440,823 and 26,434,447 shares outstanding as of June 30, 2015 and June 30, 2014	279	279
Additional paid-in capital	123,038	119,777
Retained earnings	194,394	177,237
Accumulated other comprehensive loss	(5,926)	(182)
	311,785	297,111
Less treasury stock, at cost — 1,447,394 and 1,453,770 shares as of June 30, 2015 and June 30, 2014	(18,489)	(16,595)
Total Matrix Service Company stockholders' equity	293,296	280,516
Noncontrolling interest	(8,742)	1,767
Total stockholders' equity	284,554	282,283
Total liabilities and stockholders' equity	\$568,331	\$568,932

See accompanying notes

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Matrix Service Company  
Consolidated Statements of Cash Flows  
(In thousands)

	Twelve Months Ended			
	June 30, 2015	June 30, 2014	June 30, 2013	
Operating activities:				
Net income (loss)	\$(1,898	) \$36,877	\$24,008	
Adjustments to reconcile net income to net cash provided by operating activities, net of effects of acquisitions:				
Depreciation and amortization	23,480	18,518	12,782	
Stock-based compensation expense	6,302	5,688	3,831	
Deferred income taxes	(1,052	) (3,852	) 1,932	
Provision for uncollectible accounts	357	(159	) 714	
Impairment of intangible asset	—	—	255	
(Gain) loss on sale of property, plant and equipment	(252	) 109	(1	)
Other	238	208	163	
Excess tax benefit of exercised stock options and vesting of deferred shares	(1,802	) (1,730	) (37	)
Changes in operating assets and liabilities increasing (decreasing) cash, net of effects from acquisitions:				
Accounts receivable	6,831	(31,395	) (32,408	)
Costs and estimated earnings in excess of billings on uncompleted contracts	(13,063	) 13,540	(5,211	)
Inventories	272	(11	) (1,394	)
Other assets and liabilities	11,558	351	(2,157	)
Accounts payable	12,957	29,234	19,256	
Billings on uncompleted contracts in excess of costs and estimated earnings	(11,736	) 3,142	32,555	
Accrued expenses	(7,754	) 6,468	2,796	
Net cash provided by operating activities	24,438	76,988	57,084	
Investing activities:				
Acquisition of property, plant and equipment	(15,773	) (23,589	) (23,231	)
Acquisitions, net of cash acquired (Note 2)	(5,551	) (51,607	) (9,394	)
Proceeds from asset sales	750	553	186	
Net cash used for investing activities	\$(20,574	) \$(74,643	) \$(32,439	)

See accompanying notes



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Matrix Service Company  
Consolidated Statements of Cash Flows (continued)  
(In thousands)

	Twelve Months Ended		
	June 30, 2015	June 30, 2014	June 30, 2013
Financing activities:			
Capital contributions from noncontrolling interest	\$8,546	\$—	\$—
Exercise of stock options	493	1,175	875
Capital lease payments	—	—	(42 )
Excess tax benefit of exercised stock options and vesting of deferred shares	1,802	1,730	37
Advances under credit agreement	11,165	87,826	25,565
Repayments of advances under credit agreement	(13,982 )	(76,205 )	(25,565 )
Payment of debt amendment fees	—	(657 )	—
Proceeds from issuance of common stock under employee stock purchase plan	298	136	54
Open market purchase of treasury shares	(5,000 )	—	—
Repurchase of common stock for payment of statutory taxes due on equity-based compensation	(2,528 )	(1,776 )	(1,162 )
Net cash provided (used) for financing activities	794	12,229	(238 )
Effect of exchange rate changes on cash	(2,534 )	(1,209 )	(383 )
Net increase (decrease) in cash and cash equivalents	2,124	13,365	24,024
Cash and cash equivalents, beginning of period	77,115	63,750	39,726
Cash and cash equivalents, end of period	\$79,239	\$77,115	\$63,750
Other cash flow information:			
Cash paid during the period for:			
Income taxes	\$6,960	\$19,160	\$12,242
Interest	\$1,281	\$1,224	\$610
Non-cash investing:			
Purchases of property, plant and equipment on account	\$439	\$527	\$1,146

See accompanying notes

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Matrix Service Company  
Consolidated Statements of Changes in Stockholders' Equity  
(In thousands, except share data)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income(Loss)	Non- Controlling Interest	Total
Balances, July 1, 2012	\$279	\$116,693	\$117,419	\$(24,065 )	\$ 771	\$ —	\$211,097
Net income	—	—	24,008	—	—	—	24,008
Other comprehensive loss	—	—	—	—	(544 )	—	(544 )
Exercise of stock options (97,840 shares)	—	(662 )	—	1,537	—	—	875
Tax effect of exercised stock options and vesting of deferred shares	—	3	—	—	—	—	3
Issuance of deferred shares (367,449 shares)	—	(1,667 )	—	1,667	—	—	—
Treasury Shares sold to Employee Stock Purchase Plan (4,452 shares) (Note 12)	—	(8 )	—	62	—	—	54
Treasury shares repurchased to satisfy tax withholding obligations (107,344 shares)	—	—	—	(1,162 )	—	—	(1,162 )
Stock-based compensation expense	—	3,831	—	—	—	—	3,831
Balances, June 30, 2013	279	118,190	141,427	(21,961 )	227	—	238,162
Net income	—	—	35,810	—	—	1,067	36,877
Other comprehensive loss	—	—	—	—	(409 )	—	(409 )
Consolidated joint venture included in acquisition (Note 2)	—	—	—	—	—	700	700
Exercise of stock options (134,450 shares)	—	(1,190 )	—	2,365	—	—	1,175
Tax effect of exercised stock options and vesting of deferred shares	—	1,730	—	—	—	—	1,730
Issuance of deferred shares (266,209 shares)	—	(4,680 )	—	4,680	—	—	—
Treasury Shares sold to Employee Stock Purchase Plan (5,440 shares) (Note 12)	—	39	—	97	—	—	136
Treasury shares repurchased to satisfy tax withholding obligations (80,096 shares)	—	—	—	(1,776 )	—	—	(1,776 )
Stock-based compensation expense	—	5,688	—	—	—	—	5,688
Balances, June 30, 2014	279	119,777	177,237	(16,595 )	(182 )	1,767	282,283
	—	—	—	—	—	8,546	8,546

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Capital contributions from Non-Controlling Interest							
Net income (loss)	—	—	17,157	—	—	(19,055 )	(1,898 )
Other comprehensive loss	—	—	—	—	(5,744 )	—	(5,744 )
Exercise of stock options (55,200 shares)	—	(275 )	—	768	—	—	493
Tax effect of exercised stock options and vesting of deferred shares	—	1,802	—	—	—	—	1,802
Issuance of deferred shares (326,763 shares)	—	(4,702 )	—	4,702	—	—	—
Treasury Shares Sold to Employee Stock Purchase Plan (13,243 shares) (Note 12)	—	134	—	164	—	—	298
Open market purchases of treasury shares (283,772)	—	—	—	(5,000 )	—	—	(5,000 )
Treasury shares repurchased to satisfy tax withholding obligations (105,058 shares)	—	—	—	(2,528 )	—	—	(2,528 )
Stock-based compensation expense	—	6,302	—	—	—	—	6,302
Balances, June 30, 2015	\$279	\$123,038	\$194,394	\$(18,489 )	\$(5,926 )	\$(8,742 )	\$284,554

See accompanying notes

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Matrix Service Company

Notes to Consolidated Financial Statements

Note 1—Summary of Significant Accounting Policies

Organization and Basis of Presentation

The consolidated financial statements include the accounts of Matrix Service Company (“Matrix” or the “Company”) and its subsidiaries, all of which are wholly owned. Intercompany transactions and balances have been eliminated in consolidation.

The Company operates in the United States and Canada. The Company’s reportable segments are Electrical Infrastructure, Oil Gas & Chemical, Storage Solutions and Industrial.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. We believe the most significant estimates and judgments are associated with revenue recognition, the recoverability tests that must be periodically performed with respect to our goodwill and other intangible assets, valuation reserves on our accounts receivable and deferred tax assets, and the estimation of loss contingencies, including liabilities associated with litigation and with the self insured retentions on our insurance programs. Actual results could materially differ from those estimates.

Revenue Recognition

Matrix records profits on fixed-price contracts on a percentage-of-completion basis, primarily based on costs incurred to date compared to the total estimated contract cost. The Company records revenue on reimbursable and time and material contracts on a proportional performance basis as costs are incurred. Contracts in process are valued at cost plus accrued profits less billings on uncompleted contracts. Contracts are generally considered substantially complete when field construction is completed. The elapsed time from award of a contract to completion of performance may be in excess of one year. Matrix includes pass-through revenue and costs on cost-plus contracts, which are customer-reimbursable materials, equipment and subcontractor costs, when Matrix determines that it is responsible for the procurement and management of such cost components.

Matrix has numerous contracts that are in various stages of completion which require estimates to determine the appropriate cost and revenue recognition. The Company has a history of making reasonably dependable estimates of the extent of progress towards completion, contract revenues and contract costs, and accordingly, does not believe significant fluctuations are likely to materialize. However, current estimates may be revised as additional information becomes available. If estimates of costs to complete fixed-price contracts indicate a loss, provision is made through a contract write-down for the total loss anticipated. A number of our contracts contain various cost and performance incentives and penalties that impact the earnings we realize from our contracts, and adjustments related to these incentives and penalties are recorded in the period, on a percentage-of-completion basis, when estimable and probable. Indirect costs, such as salaries and benefits, supplies and tools, equipment costs and insurance costs, are charged to projects based upon direct labor hours and overhead allocation rates per direct labor hour. Warranty costs are normally incurred prior to project completion and are charged to project costs as they are incurred. Warranty costs incurred subsequent to project completion were not material for the periods presented. Overhead allocation rates are established annually during the budgeting process.

Precontract Costs

Precontract costs are expensed as incurred.

Change Orders and Claims Recognition

Change orders are modifications of an original contract that effectively change the existing provisions of the contract. Change orders may include changes in specifications or designs, manner of performance, facilities, equipment, materials, sites and period of completion of the work. Matrix or our clients may initiate change orders. The client's agreement to the terms of change orders is, in many cases, reached prior to work commencing; however, sometimes circumstances require that work progress prior to obtaining client agreement. Costs related to change orders are recognized as incurred. Revenues attributable to change orders that are unapproved as to price or scope are recognized

to the extent that costs have been incurred if the

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Matrix Service Company

Notes to Consolidated Financial Statements (continued)

amounts can be reliably estimated and their realization is probable. Revenues in excess of the costs attributable to change orders that are unapproved as to price or scope are recognized only when realization is assured beyond a reasonable doubt. Change orders that are unapproved as to both price and scope are evaluated as claims.

Claims are amounts in excess of the agreed contract price that we seek to collect from customers or others for delays, errors in specifications and designs, contract terminations, change orders in dispute or unapproved as to both scope and price or other causes of anticipated additional costs incurred by us. Recognition of amounts as additional contract revenue related to claims is appropriate only if it is probable that the claims will result in additional contract revenue and if the amount can be reliably estimated. We must determine if:

• there is a legal basis for the claim;

• the additional costs were caused by circumstances that were unforeseen by the Company and are not the result of deficiencies in our performance;

• the costs are identifiable or determinable and are reasonable in view of the work performed; and

• the evidence supporting the claim is objective and verifiable.

If all of these requirements are met, revenue from a claim is recorded only to the extent that we have incurred costs relating to the claim. Unapproved change orders and claims are more fully discussed in Note 7—Contingencies.

**Cash Equivalents**

The Company includes as cash equivalents all investments with original maturities of three months or less which are readily convertible into cash. The Company had approximately \$0.3 million of restricted cash related to a customer deposit at June 30, 2015 and \$0.3 million of restricted cash at June 30, 2014. We have cash on deposit at June 30, 2015 with banks in the United States and Canada in excess of Federal Deposit Insurance Corporation ("FDIC") or Canada Deposit Insurance Corporation ("CDIC") insurance limits, respectively.

**Accounts Receivable**

Accounts receivable are carried on a gross basis, less the allowance for uncollectible accounts. The Company's customers consist primarily of major integrated oil companies, steel companies, independent refiners and marketers, power companies, petrochemical companies, pipeline companies, mining companies, contractors and engineering firms. The Company is exposed to the risk of individual customer defaults or depressed cycles in our customers' industries. To mitigate this risk many of our contracts require payment as projects progress or advance payment in some circumstances. In addition, in most cases the Company can place liens against the property, plant or equipment constructed or terminate the contract if a material contract default occurs. Management estimates the allowance for uncollectible accounts based on existing economic conditions, the financial condition of its customers and the amount and age of past due accounts. Accounts are written off against the allowance for uncollectible accounts only after all collection attempts have been exhausted.

**Retentions**

Accounts receivable at June 30, 2015 and June 30, 2014 included retentions to be collected within one year of \$25.2 million and \$30.0 million, respectively. Contract retentions collectible beyond one year are included in Other Assets in the Consolidated Balance Sheets and totaled \$2.8 million at June 30, 2015 and \$4.3 million at June 30, 2014.

Accounts payable included retentions of \$10.2 million at June 30, 2015 and \$10.4 million at June 30, 2014.

**Loss Contingencies**

Various legal actions, claims and other contingencies arise in the normal course of our business. Contingencies are recorded in the consolidated financial statements, or are otherwise disclosed, in accordance with ASC 450-20, "Loss Contingencies". Specific reserves are provided for loss contingencies to the extent we conclude that a loss is both probable and estimable. We use a case-by-case evaluation of the underlying data and update our evaluation as further information becomes known. We believe that any amounts exceeding our recorded accruals should not materially affect our financial position, results of operations or liquidity. However, the results of litigation are inherently unpredictable and the possibility exists that the



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Matrix Service Company

Notes to Consolidated Financial Statements (continued)

ultimate resolution of one or more of these matters could result in a material effect on our financial position, results of operations or liquidity.

Legal costs are expensed as incurred.

**Inventories**

Inventories consist primarily of steel plate and pipe and are stated at the lower of cost or net realizable value. Cost is determined primarily using the average cost method.

**Depreciation**

Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets.

Depreciable lives are as follows: buildings—40 years, construction equipment—3 to 15 years, transportation equipment—3 to 5 years, and office equipment and software—3 to 10 years. Leasehold improvements are amortized over the shorter of the useful life of the asset or the lease term.

**Internal-Use Computer Software**

We expense or capitalize costs associated with the development of internal-use software as follows:

**Preliminary Project Stage:** Both internal and external costs incurred during this stage are expensed as incurred.

**Application Development Stage:** Both internal and external costs incurred to purchase or develop computer software are capitalized after the preliminary project stage is completed and management authorizes the computer software project. However, training costs and data conversion costs, which includes purging or cleansing of existing data, reconciling or balancing of data, are expensed as incurred.

**Post-Implementation/Operation Stage:** All training costs and maintenance costs incurred during this stage are expensed as incurred.

Costs of upgrades and enhancements are capitalized if the expenditures will result in adding functionality to the software. Capitalized software costs are depreciated using the straight-line method over the estimated useful life of the related software, which may be up to ten years.

**Impairment of Long-Lived Assets**

The Company evaluates long-lived assets for impairment when events or changes in circumstances indicate, in management's judgment, that the carrying value of such assets used in operations may not be recoverable. The determination of whether an impairment has occurred is based on management's estimate of undiscounted future cash flows attributable to the assets as compared to the carrying value of the assets. If an impairment has occurred, the amount of the impairment recognized is determined by estimating the fair value of the assets and, to the extent the carrying value exceeds the fair value of the assets, recording a loss provision.

For assets identified to be disposed of in the future, the carrying value of the assets are compared to the estimated fair value less the cost of disposal to determine if an impairment has occurred. Until the assets are disposed of, an estimate of the fair value is redetermined when related events or circumstances change.

**Goodwill**

Goodwill represents the excess of the purchase price of acquisitions over the acquisition date fair value of the net identifiable tangible and intangible assets acquired. In accordance with current accounting guidance, goodwill is not amortized and is tested at least annually for impairment at the reporting unit level.

We perform our annual analysis during the fourth quarter of each fiscal year and in any other period in which indicators of impairment warrant additional analysis. Goodwill impairment reviews involve a two-step process.

Goodwill is first evaluated for impairment by comparing management's estimate of the fair value of a reporting unit with its carrying value, including goodwill.



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Matrix Service Company

Notes to Consolidated Financial Statements (continued)

Management utilizes a discounted cash flow analysis, referred to as an income approach, to determine the estimated fair value of our reporting units. Significant judgments and assumptions including the discount rate, anticipated revenue growth rate and gross margins, estimated operating and interest expense, and capital expenditures are inherent in these fair value estimates, which are based on our operating and capital budgets and on our strategic plan. As a result, actual results may differ from the estimates utilized in our income approach. The use of alternate judgments and/or assumptions could result in a fair value that differs from our estimate and could result in the recognition of an impairment charge in the financial statements. As a result of these uncertainties, we utilize multiple scenarios and assign probabilities to each of the scenarios in the income approach.

We also consider indications obtained from market-based approaches. We compare market multiples derived from market prices of stock of companies that are engaged in a similar line of business to the corresponding measures of the Company. We also consider the combined carrying values of our reporting units to our market capitalization.

If the carrying value of our reporting unit is higher than its fair value, there is an indication that impairment may exist and the second step must be performed to measure the amount of impairment. The amount of impairment is determined by comparing the implied fair value of the reporting unit's goodwill to the carrying value of the goodwill calculated in the same manner as if the reporting unit were being acquired in a business combination. If the implied fair value of goodwill is less than its carrying value, we would record an impairment charge for the difference.

**Other Intangible Assets**

Intangible assets that have finite useful lives are amortized by the straight-line method over their useful lives ranging from 1.5 to 15 years. Intangible assets that have indefinite useful lives are not amortized but are tested at least annually for impairment. Each reporting period, we evaluate the remaining useful lives of intangible assets not being amortized to determine whether facts and circumstances continue to support an indefinite useful life. Intangible assets are considered impaired if the fair value of the intangible asset is less than its net book value. If quoted market prices are not available, the fair values of the intangible assets are based on present values of expected future cash flows or royalties avoided using discount rates commensurate with the risks involved.

**Insurance Reserves**

We maintain insurance coverage for various aspects of our operations. However, we retain exposure to potential losses through the use of deductibles, coverage limits and self-insured retentions. We establish reserves for claims using a combination of actuarially determined estimates and case-by-case evaluations of the underlying claim data and update our evaluations as further information becomes known. Judgments and assumptions are inherent in our reserve accruals; as a result, changes in assumptions or claims experience could result in changes to these estimates in the future. If actual results of claim settlements are different than the amounts estimated we may be exposed to future gains and losses that could be material.

**Stock-Based Compensation**

The Company has issued stock options and nonvested deferred share awards under its long-term incentive compensation plans. The fair value of these awards is calculated at grant date. The fair value of time-based, nonvested deferred shares is the value of the Company's common stock at the grant date. The fair value of market-based nonvested deferred shares is based on several factors, including the probability that the market condition specified in the grant will be achieved. The fair value of stock options is determined based on the Black-Scholes option pricing model. For all stock-based awards, expense is recognized over the requisite service period, net of estimated forfeitures.

**Income Taxes**

We use the asset and liability approach for financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances based on our judgments and estimates are established when necessary to reduce deferred tax assets to the amount expected to be

realized in future operating results. Company management believes that realization of deferred tax assets in excess of the valuation allowance is more likely than not. Our estimates are based on facts and circumstances in existence as well as interpretations of existing tax regulations and

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Matrix Service Company

Notes to Consolidated Financial Statements (continued)

laws applied to the facts and circumstances, with the help of professional tax advisors. Therefore, we estimate and provide for amounts of additional income taxes that may be assessed by the various taxing authorities.

Foreign Currency

The functional currency of the Company's operations in Canada is the Canadian dollar. The assets and liabilities are translated at the year end exchange rate and the income statement accounts are translated at average exchange rates throughout the year. Translation gains and losses are reported in Accumulated Other Comprehensive Income (Loss) in the Consolidated Statements of Changes in Stockholders' Equity and in Other Comprehensive Income (Loss) in the Consolidated Statements of Comprehensive Income. Transaction gains and losses are reported as a component of Other income (expense) in the Consolidated Statements of Income.

Recently Issued Accounting Standards

Accounting Standards Update 2014-09 (Topic 606), Revenue from Contracts with Customers

On May 28, 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that "an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." The ASU also requires entities to disclose both quantitative and qualitative information that enables users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The ASU's disclosure requirements are significantly more comprehensive than those in existing revenue standards. The ASU applies to all contracts with customers except those that are within the scope of other topics in the FASB Accounting Standards Codification ("ASC").

In July 2015, the FASB deferred the effective date by one year. With the deferral, this ASU is now effective for annual reporting periods beginning after December 15, 2017, with early adoption now permitted. We expect to adopt this standard on July 1, 2018 and are currently evaluating its expected impact on our financial statements.

Accounting Standards Update 2014-08 (Topics 205 and 360), Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity

On April 10, 2014, the FASB issued ASU 2014-08, which amends the definition of a discontinued operation in ASC 205-20 and requires entities to provide additional disclosures about discontinued operations as well as disposal transactions that do not meet the discontinued-operations criteria. The ASU is effective prospectively for all disposals (except disposals classified as held for sale before the adoption date) or components initially classified as held for sale in periods beginning on or after December 15, 2014. The Company adopted this standard as of January 1, 2015. The adoption of this standard did not impact on our consolidated financial statements.

Accounting Standards Update 2014-15 (Subtopic 205-40)—Presentation of Financial Statements—Going Concern : Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern

On August 27, 2014, the FASB issued ASU 2014-15, which provides guidance on determining when and how reporting entities must disclose going-concern uncertainties in their financial statements. The new standard requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date of issuance of the entity's financial statements. Further, an entity must provide certain disclosures if there is "substantial doubt about the entity's ability to continue as a going concern." The FASB believes that requiring management to perform the assessment will enhance the timeliness, clarity, and consistency of related disclosures and improve convergence with international financial reporting standards ("IFRSs") (which emphasize management's responsibility for performing the going-concern assessment). However, the time horizon for the assessment (look-forward period) and the disclosure thresholds under U.S. GAAP and IFRSs will continue to differ. The ASU is effective for annual periods ending after December 15, 2016, and interim periods thereafter; early adoption is

permitted. We expect to adopt this standard in fiscal 2017.

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Matrix Service Company

Notes to Consolidated Financial Statements (continued)

## Note 2—Acquisitions

## Purchase of HDB Ltd. Limited Partnership

On August 22, 2014, the Company purchased substantially all of the assets of HDB Ltd. Limited Partnership ("HDB"). HDB, headquartered in Bakersfield, California provides construction, fabrication and turnaround services to energy companies throughout California's central valley. The acquisition advanced a strategic goal of the Company to expand into the upstream energy market. The acquisition purchase price was \$5.6 million and was funded with cash on hand. Commencing on August 22, 2014, HDB's operating results are included in the Oil Gas & Chemical Segment. The purchase price was allocated to the major categories of assets and liabilities based on their estimated fair value at the acquisition date. The following table summarizes the preliminary purchase price allocation:

Current assets	\$1,645
Property, plant and equipment	1,001
Tax deductible goodwill	3,065
Other intangible assets	900
Total assets acquired	6,611
Current liabilities	1,060
Net assets acquired	\$5,551

The operating data related to this acquisition was not material.

## Purchase of Kvaerner North American Construction

Effective as of December 21, 2013, the Company acquired 100% of the stock of Kvaerner North American Construction Ltd. and substantially all of the assets of Kvaerner North American Construction Inc., together referenced as "KNAC". The businesses are now known as Matrix North American Construction Ltd. and Matrix North American Construction, Inc., together referenced as "Matrix NAC". Matrix NAC is a premier provider of maintenance and capital construction services to power generation, integrated iron and steel, and industrial process facilities. The acquisition significantly expanded the Company's presence in the Electrical Infrastructure and Industrial Segments, and to a lesser extent, the Oil Gas and Chemical segment.

The Company purchased KNAC for \$88.3 million. The acquisition was funded through a combination of cash-on-hand and borrowings under our senior revolving credit facility. The purchase price was allocated to the major categories of assets and liabilities based on their estimated fair value at the acquisition date. The following table summarizes the final purchase price allocation (in thousands):

Current assets	\$83,575
Property, plant and equipment	11,377
Goodwill	39,295
Other intangible assets	24,009
Total assets acquired	158,256
Current liabilities	68,115
Deferred income taxes	1,179
Noncontrolling interest of consolidated joint venture	700
Net assets acquired	88,262
Cash acquired	36,655
Net purchase price	\$51,607

Goodwill represents the excess of the purchase price over the fair value of the underlying net tangible and intangible assets. This acquisition generated \$39.3 million of goodwill, of which \$30.7 million is tax deductible.

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Matrix Service Company

Notes to Consolidated Financial Statements (continued)

The equity in the consolidated joint venture represents the acquired equity in KVPB Power Partners. KVPB Power Partners was subsequently renamed MXPB Power Partners, which we refer to as the "acquired EPC joint venture project". The acquired EPC joint venture project was formed by KNAC and an engineering firm to engineer and construct a combined cycle power plant in Dover, Delaware. The Company holds a 65% voting and economic interest in the acquired EPC joint venture project. The total acquired equity of the acquired EPC joint venture project was \$2.0 million of which the Company's portion was approximately \$1.3 million and the other party's non-controlling portion was approximately \$0.7 million.

The Company incurred approximately \$2.0 million of expenses related to the acquisition in the second quarter of fiscal 2014; therefore, such expenses are included in our results as selling, general and administrative costs for the year ended June 30, 2014.

The unaudited financial information in the table below summarizes the combined results of operations of Matrix Service Company and Matrix NAC for the for the twelve months ended June 30, 2014 and June 30, 2013, on a pro forma basis, as though the companies had been combined as of July 1, 2012. The pro forma earnings for the twelve months ended June 30, 2014 and were adjusted to include incremental intangible amortization expense of \$4.1 million and depreciation expense of \$1.3 million. The pro forma earnings for the twelve months ended June 30, 2013 were adjusted to include incremental amortization expense of \$4.1 million and depreciation expense of \$1.3 million. Additionally, \$0.6 million of income from a one-time KNAC tax settlement and \$2.0 million of acquisition-related expenses were removed from the twelve months ended June 30, 2014. The \$2.0 million of acquisition-related expenses were included in the twelve months ended June 30, 2013 as if the acquisition occurred at July 1, 2012. The pro forma financial information presented in the table below is for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at July 1, 2012 nor should it be taken as indicative of our future consolidated results of operations.

	Twelve Months Ended	
	June 30, 2014	June 30, 2013
	(In thousands, except per share data)	
Revenues	\$1,397,706	\$1,096,267
Net income attributable to Matrix Service Company	\$38,786	\$28,444
Basic earnings per common share	\$1.48	\$1.10
Diluted earnings per common share	\$1.44	\$1.08

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Matrix Service Company

Notes to Consolidated Financial Statements (continued)

## Note 3—Customer Contracts

Contract terms of the Company's construction contracts generally provide for progress billings based on project milestones. The excess of costs incurred and estimated earnings over amounts billed on uncompleted contracts is reported as a current asset. The excess of amounts billed over costs incurred and estimated earnings on uncompleted contracts is reported as a current liability. Gross and net amounts on uncompleted contracts are as follows:

	June 30, 2015	June 30, 2014
	(In thousands)	
Costs and estimated earnings recognized on uncompleted contracts	\$ 1,633,780	\$ 1,435,242
Billings on uncompleted contracts	1,644,413	1,470,674
	\$(10,633	) \$(35,432
Shown on balance sheet as:		
Costs and estimated earnings in excess of billings on uncompleted contracts	\$ 86,071	\$ 73,008
Billings on uncompleted contracts in excess of costs and estimated earnings	96,704	108,440
	\$(10,633	) \$(35,432

## Other

In the twelve months ended June 30, 2015, our results of operations were materially impacted by charges resulting from a change in estimate related to an acquired EPC joint venture project in the Electrical Infrastructure segment, as described in Note 2 - Acquisitions. The charges resulted in a reduction to operating income of \$53.4 million and an after-tax reduction of \$18.3 million to net income attributable to Matrix Service Company for the twelve months ended June 30, 2015. The charge was a result of labor compression and productivity losses, as well as technical issues that created rework, installation and commissioning complexity, all of which pushed the completion date and project costs beyond the previous forecasts. The Company reached substantial completion in the fourth quarter of fiscal 2015 for this project; therefore, any future impact to earnings is not expected to be significant.

In the twelve months ended June 30, 2014, our results of operations were materially impacted by a charge resulting from a change in estimate on an aboveground storage tank project. The charge resulted in an \$8.4 million decrease in operating income for the twelve months ended June 30, 2014.

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Matrix Service Company

Notes to Consolidated Financial Statements (continued)

## Note 4—Goodwill and Other Intangible Assets

## Goodwill

The changes in the carrying amount of goodwill by segment are as follows:

	Electrical Infrastructure	Oil Gas & Chemical	Storage Solutions	Industrial	Total
	(In thousands)				
Goodwill	\$29,666	\$8,088	\$10,985	\$7,097	\$55,836
Cumulative impairment loss	(17,653)	(3,000)	(922)	(3,425)	(25,000)
Net balance at June 30, 2013	12,013	5,088	10,063	3,672	30,836
Purchase of Kvaerner North American Construction (Note 2)	31,259	5,855	—	1,962	39,076
Translation adjustment	(29)	—	(36)	(10)	(75)
Net balance at June 30, 2014	43,243	10,943	10,027	5,624	69,837
Acquisition related adjustments	175	—	—	44	219
Purchase of HDB (Note 2)	—	3,065	—	—	3,065
Translation adjustment	(1,044)	—	(363)	(196)	(1,603)
Net balance at June 30, 2015	\$42,374	\$14,008	\$9,664	\$5,472	\$71,518

The translation adjustments relate to the periodic translation of Canadian Dollar denominated goodwill recorded as a part of a prior Canadian acquisition as well as the periodic translation of the Canadian entity acquired with the purchase of Kvaerner North American Construction (Note 2) through June 30, 2015. The cumulative impairment loss shown in the table above occurred as a result of the Company's operating performance in fiscal 2005.

## Other Intangible Assets

Information on the carrying value of other intangible assets is as follows:

		At June 30, 2015		
	Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(Years)	(In thousands)		
Intellectual property	6 to 15	\$2,460	\$(1,086)	\$1,374
Customer based	1.5 to 15	27,837	(7,109)	20,728
Non-compete agreements	4 to 5	1,354	(802)	552
Trade names	3 to 5	1,615	(308)	1,307
Total amortizing intangibles		33,266	(9,305)	23,961



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Matrix Service Company

Notes to Consolidated Financial Statements (continued)

		At June 30, 2014		
	Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(Years)	(In thousands)		
Intellectual property	6 to 15	\$2,460	\$(920)	) \$1,540
Customer based	1.5 to 15	27,662	(2,949)	) 24,713
Non-compete agreements	3 to 5	1,312	(471)	) 841
Trade name	5	165	(33)	) 132
Total amortizing intangibles		31,599	(4,373)	) 27,226
Trade name	Indefinite	1,450	—	) 1,450
Total intangible assets		\$33,049	\$(4,373)	) \$28,676

Each reporting period, the Company evaluates the remaining useful lives of intangible assets not being amortized to determine whether facts and circumstances continue to support an indefinite useful life. Based on this analysis, effective December 31, 2014, the Company redesignated a trade name with a value of \$1.5 million from an indefinite lived to a definite lived intangible asset and assigned a useful life of three years. The change in designation was an impairment indicator. The Company conducted an impairment analysis and concluded that no impairment existed. Amortization expense totaled \$5.0 million, \$2.8 million, and \$0.4 million in fiscal 2015, 2014, and 2013, respectively. We estimate that future amortization of other intangible assets will be as follows (in thousands):

For year ending:

June 30, 2016	\$3,334
June 30, 2017	3,250
June 30, 2018	2,909
June 30, 2019	2,543
June 30, 2020	2,543
Thereafter	9,382
Total estimated amortization expense	\$23,961

## Note 5—Debt

The Company has a five-year, \$200.0 million senior secured revolving credit facility under a credit agreement (the "Credit Agreement") that expires March 13, 2019. Advances under the credit facility may be used for working capital, acquisitions, capital expenditures, issuance of letters of credit and other lawful corporate purposes.

The Credit Agreement includes the following covenants and borrowing limitations:

- Our Senior Leverage Ratio, as defined in the agreement, may not exceed 2.50 to 1.00 as of the end of each fiscal quarter.

- We are required to maintain a Fixed Charge Coverage Ratio, as defined in the agreement, greater than or equal to 1.25 to 1.00 as of the end of each fiscal quarter.

- Asset dispositions (other than inventory and obsolete or unneeded equipment disposed of in the ordinary course of business) are limited to \$20.0 million per 12-month period.

Amounts borrowed under the Credit Agreement bear interest at LIBOR or an Alternate Base Rate, plus in each case, an additional margin based on the Senior Leverage Ratio. The additional margin on Alternate Base Rate and LIBOR-based loans ranges between 0.25% and 1.0% and between 1.25% and 2.0% on LIBOR-based loans.

The Credit Agreement also permits us to borrow in Canadian dollars with a sublimit of U.S. \$40.0 million. Amounts borrowed in Canadian dollars will bear interest either at the CDOR Rate, plus an additional margin based on the Senior Leverage Ratio ranging from 1.25% to 2.0%, or at the Canadian Prime Rate, plus an additional margin based on the Senior



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Matrix Service Company

Notes to Consolidated Financial Statements (continued)

Leverage Ratio ranging from 1.75% to 2.5%. The CDOR Rate is equal to the sum of the annual rate of interest, which is the rate determined as being the arithmetic average of the quotations of all institutions listed in respect of the relevant CDOR interest period for Canadian Dollar denominated bankers' acceptances, plus 0.1%. The Canadian Prime Rate is equal to the greater of (i) the rate of interest per annum most recently announced or established by JPMorgan Chase Bank, N.A., Toronto Branch as its reference rate in effect on such day for determining interest rates for Canadian Dollar denominated commercial loans in Canada and (ii) the CDOR Rate plus 1.0%.

The Unused Credit Facility Fee is between 0.20% and 0.35% based on the Senior Leverage Ratio.

Under our Credit Agreement, we may declare and pay dividends on our capital stock during any fiscal year up to an amount which, when added to all other dividends paid during such fiscal year, does not exceed 50% of our cumulative net income for such fiscal year to date. We currently have no future plans to pay cash dividends.

The Credit Agreement includes a Senior Leverage Ratio covenant, which provides that Consolidated Funded Indebtedness, as of the end of any fiscal quarter, may not exceed 2.5 times Consolidated EBITDA, as defined in the Credit Agreement, over the previous four quarters. For the four quarters ended June 30, 2015, Consolidated EBITDA, as defined in the Credit Agreement, was \$58.0 million. Accordingly, at June 30, 2015, there was a restriction on our ability to access the full amount of the credit facility. Consolidated Funded Indebtedness at June 30, 2015 was \$42.4 million.

Availability under the credit facility is as follows:

	June 30, 2015	June 30, 2014
	(In thousands)	
Senior credit facility	\$200,000	\$200,000
Capacity constraint due to the Senior Leverage Ratio	54,968	—
Capacity under the credit facility	145,032	200,000
Letters of credit issued	40,587	23,017
Borrowings outstanding	8,804	11,621
Availability under the senior credit facility	\$95,641	\$165,362

Outstanding borrowings at June 30, 2015 under our Credit Agreement were used for Canadian dollar advances required for short term working capital, including cross-border purchases of materials and services.

The Company is in compliance with all other affirmative, negative, and financial covenants under the Credit Agreement.

## Note 6—Income Taxes

The sources of pretax income are as follows:

	Twelve Months Ended		
	June 30, 2015	June 30, 2014	June 30, 2013
	(In thousands)		
Domestic	\$(4,001	) \$60,129	\$37,876
Foreign	12,193	(3,318	) (1,960
Total	\$8,192	\$56,811	\$35,916

For fiscal 2015 and 2014, domestic pretax income included a loss of \$19.1 million and income of \$1.1 million, respectively, related to our acquired EPC joint venture project. The Company consolidates the acquired EPC joint venture project and reports a noncontrolling interest. Accordingly, the Company's pretax income includes the noncontrolling interest holder's share of the acquired EPC project loss for which the Company does not receive a tax benefit.



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Matrix Service Company

Notes to Consolidated Financial Statements (continued)

The components of the provision for income taxes are as follows:

	Twelve Months Ended		
	June 30, 2015	June 30, 2014	June 30, 2013
	(In thousands)		
Current:			
Federal	\$7,535	\$19,870	\$8,260
State	1,606	3,117	1,268
Foreign	1,791	613	449
	10,932	23,600	9,977
Deferred:			
Federal	1,803	(3,951	) 1,801
State	(362	) (51	) 126
Foreign	(2,283	) 336	4
	(842	) (3,666	) 1,931
	\$10,090	\$19,934	\$11,908

The difference between the expected income tax provision applying the domestic federal statutory tax rate and the reported income tax provision is as follows:

	Twelve Months Ended		
	June 30, 2015	June 30, 2014	June 30, 2013
	(In thousands)		
Expected provision for Federal income taxes at the statutory rate	\$2,868	\$19,887	\$12,570
State income taxes, net of Federal benefit	1,023	2,275	1,252
Deemed foreign dividends	1,462	—	—
Charges without tax benefit	1,478	1,405	1,231
Change in valuation allowance	25	—	(140
IRC S199 deduction	—	(1,546	) (844
Foreign tax credits	(1,433	) —	—
Research & Development Credit	(1,197	) (1,793	) (1,450
Foreign tax differential	(529	) (182	) (160
Other	(276	) 262	(551
Noncontrolling interest	6,669	(374	) —
Provision for income taxes	\$10,090	\$19,934	\$11,908

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Matrix Service Company

Notes to Consolidated Financial Statements (continued)

Significant components of the Company's deferred tax assets and liabilities are as follows:

	June 30, 2015	June 30, 2014
	(In thousands)	
Deferred tax assets:		
Warranty reserve	\$312	\$234
Bad debt reserve	164	80
Paid-time-off accrual	765	712
Insurance reserve	2,178	2,519
Legal reserve	382	356
Net operating loss benefit and credit carryforwards	7,380	4,061
Valuation allowance	(115)	) (90 )
Accrued compensation and pension	1,059	2,187
Stock compensation expense on nonvested deferred shares	3,080	1,969
Accrued losses	970	1,488
Other—net	897	314
Total deferred tax assets	17,072	13,830
Deferred tax liabilities:		
Tax over book depreciation	9,987	8,537
Tax over book amortization	1,658	1,903
Branch future liability	2,193	—
Prepaid insurance	160	2,104
Other—net	589	459
Total deferred tax liabilities	14,587	13,003
Net deferred tax asset (liability)	\$2,485	\$827

As reported in the consolidated balance sheets:

	June 30, 2015	June 30, 2014
	(In thousands)	
Current deferred tax assets	\$8,298	\$5,994
Non-current deferred tax assets	2,073	—
Current deferred tax liabilities	(473)	) —
Non-current deferred tax liabilities	(7,413)	) (5,167 )
Net deferred tax asset (liability)	\$2,485	\$827

The Company has state net operating loss carryforwards, state tax credit carryforwards, federal foreign tax credit carryforwards, foreign net operating loss carryforwards and foreign tax credit carryforwards. The valuation allowance at June 30, 2015 and June 30, 2014 reduces the recognized tax benefit of these carryforwards to an amount that is more likely than not to be realized. These carryforwards will generally expire as shown below:

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Matrix Service Company

Notes to Consolidated Financial Statements (continued)

Item	Expiration Period	Amount (in thousands)
State net operating losses	June 2024 to June 2031	\$2,229
State tax credits	No expiration	316
Federal foreign tax credits	June 2016 to June 2024	3,371
Foreign net operating losses	June 2027 to June 2034	8,656
Foreign tax credits	June 2033	\$16

In general, it is the practice and intention of the Company to reinvest the earnings of its Canadian subsidiaries in these operations. Such amounts become subject to United States taxation upon the remittance of dividends and under certain other circumstances. As of June 30, 2015, unremitted earnings of foreign subsidiaries, which have been or are intended to be permanently invested, aggregated to approximately \$5.1 million. We anticipate that any deferred tax liability related to the investment in these foreign subsidiaries could be offset by foreign tax credits.

The Company files tax returns in several taxing jurisdictions in the United States and Canada. With few exceptions, the Company is no longer subject to examination by taxing authorities through fiscal 2010. At June 30, 2015, the Company updated its evaluation of its open tax years in all known jurisdictions. Based on this evaluation, the Company did not identify any material uncertain tax positions. We have recorded a \$0.8 million liability as of June 30, 2015 for unrecognized tax positions and the payment of related interest and penalties. We treat the related interest and penalties as income tax expense. Due to the uncertainties related to these tax matters, we are unable to make a reasonably reliable estimate as to when cash settlement with a taxing authority will occur.

## Note 7—Contingencies

## Insurance Reserves

The Company maintains insurance coverage for various aspects of its operations. However, exposure to potential losses is retained through the use of deductibles, self-insured retentions and coverage limits.

Typically our contracts require us to indemnify our customers for injury, damage or loss arising from the performance of our services and provide warranties for materials and workmanship. The Company may also be required to name the customer as an additional insured up to the limits of insurance available, or we may be required to purchase special insurance policies or surety bonds for specific customers or provide letters of credit in lieu of bonds to satisfy performance and financial guarantees on some projects. Matrix maintains a performance and payment bonding line sufficient to support the business. The Company generally requires its subcontractors to indemnify the Company and the Company's customer and name the Company as an additional insured for activities arising out of the subcontractors' work. We also require certain subcontractors to provide additional insurance policies, including surety bonds in favor of the Company, to secure the subcontractors' work or as required by the subcontract.

There can be no assurance that our insurance and the additional insurance coverage provided by our subcontractors will fully protect us against a valid claim or loss under the contracts with our customers.

## Unapproved Change Orders and Claims

As of June 30, 2015 and June 30, 2014, costs and estimated earnings in excess of billings on uncompleted contracts included revenues for unapproved change orders and claims of \$12.7 million and \$13.1 million, respectively.

Generally, collection of amounts related to unapproved change orders and claims is expected within twelve months. However, customers may not pay these amounts until final resolution of related claims, and accordingly, collection of these amounts may extend beyond one year.

## Other

The Company and its subsidiaries are participants in various legal actions. It is the opinion of management that none of the known legal actions will have a material impact on the Company's financial position, results of operations or liquidity.





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Matrix Service Company

Notes to Consolidated Financial Statements (continued)

Note 8—Operating Leases

The Company is the lessee under operating leases covering real estate and office equipment under non-cancelable operating lease agreements that expire at various times. Future minimum lease payments under non-cancelable operating leases that were in effect at June 30, 2015 total \$24.7 million and are payable as follows: fiscal 2016—\$5.0 million; fiscal 2017—\$3.9 million; fiscal 2018—\$3.3 million; fiscal 2019—\$2.9 million; fiscal 2020—\$2.0 million and thereafter—\$7.7 million. Operating lease expense was \$6.7 million, \$5.3 million and \$4.5 million for the twelve months ended June 30, 2015, June 30, 2014 and June 30, 2013, respectively.

Note 9—Stockholders' Equity

Preferred Stock

The Company has 5.0 million shares of preferred stock authorized, none of which was issued or outstanding at June 30, 2015 or June 30, 2014.

Treasury Shares

On November 4, 2014 the Board of Directors approved a stock buyback program that replaced the program that had been in place since November 2012. The new program, which expires on December 31, 2016, allows the Company to purchase up to \$25.0 million annually, on a calendar year basis, of common stock if sufficient liquidity exists and management believes the shares purchased would be accretive to the Company's stockholders. The cumulative number of shares repurchased cannot exceed 2,653,399, which represents 10% of the shares outstanding on the date the new repurchase program was approved. For the fiscal year ended June 30, 2015, the Company utilized \$5.0 million of cash to repurchase 283,772 shares of common stock as part of the stock buyback program.

In addition to the stock buyback program, the Company may repurchase shares of common stock to satisfy the tax withholding obligations upon vesting of an employee's deferred shares. Matrix repurchased 105,058 and 80,096 shares of common stock during fiscal 2015 and fiscal 2014, respectively, to satisfy these obligations. These shares were returned to the Company's pool of treasury shares. The Company has 1,447,394 treasury shares as of June 30, 2015 and intends to utilize these treasury shares solely in connection with equity awards under the Company's stock incentive plans.

Note 10—Stock-Based Compensation

Total stock-based compensation expense for the twelve months ended June 30, 2015, June 30, 2014, and June 30, 2013 was \$6.3 million, \$5.7 million and \$3.8 million, respectively. Measured but unrecognized stock-based compensation expense at June 30, 2015 was \$9.9 million, all of which related to nonvested deferred shares which are expected to be recognized as expense over a weighted average period of 1.7 years. The recognized tax benefit related to the stock-based compensation expense for the 12 months ended June 30, 2015, June 30, 2014 and June 30, 2013 totaled \$2.5 million, \$2.8 million and \$1.6 million, respectively.

Plan Information

Matrix Service Company's 2012 Stock and Incentive Compensation Plan ("2012 Plan") provides stock-based and cash-based incentives for officers, other key employees and directors. Stock options, restricted stock, restricted stock units, stock appreciation rights, performance shares and cash-based awards can be issued under this plan. All future grants of stock and cash-based awards will be made through the 2012 Plan. Upon approval of the 2012 Plan by the Company's stockholders, the 2004 Stock Incentive Plan ("2004 Plan") was frozen with the exception of normal vesting, forfeiture and other activity associated with awards previously granted under the 2004 Plan. Awards totaling 2,300,000 shares have been authorized under the 2012 Plan. At June 30, 2015 there were 1,524,837 shares available for grant under the 2012 Plan.

Stock Options

Stock options are granted at the market value of the Company's common stock on the grant date and expire after 10 years. The Company's policy is to issue shares upon the exercise of stock options from its treasury shares, if available. The Company did not award any new stock options in fiscal years 2013, 2014, or 2015.



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Matrix Service Company

Notes to Consolidated Financial Statements (continued)

Stock option activity and related information for the year ended June 30, 2015 is as follows:

	Number of Options	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Aggregate Intrinsic Value  (In thousands)
Outstanding at June 30, 2014	245,300	6.4	\$ 9.68	
Granted	—		\$ —	
Exercised	(55,200 )		\$ 8.94	\$737
Cancelled	—		\$ —	
Outstanding at June 30, 2015	190,100	5.7	\$ 9.90	\$1,593
Vested at June 30, 2015	190,100	5.7	\$ 9.90	\$1,593
Exercisable at June 30, 2015	190,100	5.7	\$ 9.90	\$1,593

The total intrinsic value of stock options exercised during fiscal 2015, 2014, and 2013 was \$0.7 million, \$2.4 million and \$0.6 million, respectively.

The following table summarizes information about stock options at June 30, 2015:

Range of Exercise Price	Stock Options Outstanding			Stock Options Exercisable		
	Options Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Options Exercisable	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)
\$5.49	8,000	\$ 5.49	0.1	8,000	\$ 5.49	0.1
8.93	14,000	8.93	0.3	14,000	8.93	0.3
10.19	168,100	10.19	6.4	168,100	10.19	6.4
\$5.49 - \$10.19	190,100	\$ 9.90	5.7	190,100	\$ 9.90	5.7

**Nonvested Deferred Shares**

The Company has issued nonvested deferred shares under the following types of arrangements:

**Time-based awards**—Employee awards generally vest in four or five equal annual installments beginning one year after the grant date. Director awards cliff vest on the earlier of three years or upon retirement from the Board.

**Market-based awards**—These awards are in the form of performance units which vest 3 years after the grant date only if the Company's common stock achieves certain levels of total shareholder return when compared to the total shareholder return of a peer group of companies as selected by the Compensation Committee of the Board of Directors. The payout is pro-rated and can range from zero to 200% of the original award. These awards are settled entirely in stock. As of June 30, 2015, there are approximately 201,000, 142,000, and 93,000 performance units that are scheduled to vest in fiscal 2016, fiscal 2017, and fiscal 2018, respectively.

All awards vest upon the death or disability of the participant or upon a change of control of the Company.

The grant date fair value of the time-based awards is determined by the market value of the Company's common stock on the grant date. The grant date fair value of the market-based awards is calculated using a Monte Carlo model. For the fiscal 2015 grant, the model estimated the fair value of the award based on approximately 100,000 simulations of the future prices of the Company's common stock compared to the future prices of the common stock of its peer companies based on historical volatilities. The model also took into account the expected dividends of the peer companies over the performance period.

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Matrix Service Company

Notes to Consolidated Financial Statements (continued)

Nonvested deferred share activity for the twelve months ended June 30, 2015 is as follows:

	Shares	Weighted Average Grant Date Fair Value per Share
Nonvested shares at June 30, 2014	1,105,701	\$ 13.22
Shares granted	242,649	\$ 29.31
Shares vested and released	(326,763	) \$ 11.69
Shares cancelled	(31,319	) \$ 17.40
Nonvested shares at June 30, 2015	990,268	\$ 17.49

There were 381,038 and 503,268 deferred shares granted in fiscal 2014 and 2013 with average grant date fair values of \$18.01 and \$10.96, respectively. There were 326,763, 266,029 and 367,449 deferred shares that vested and were released in fiscal 2015, 2014 and 2013 with weighted average fair values of \$23.93, \$22.38 and \$10.69 per share, respectively.

## Note 11—Earnings per Common Share

Basic earnings per share (“EPS”) is calculated based on the weighted average shares outstanding during the period. Diluted earnings per share includes the dilutive effect of employee and director stock options and nonvested deferred shares. Stock options are considered dilutive whenever the exercise price is less than the average market price of the stock during the period and antidilutive whenever the exercise price exceeds the average market price of the common stock during the period. Nonvested deferred shares are considered dilutive (antidilutive) whenever the average market value of the shares during the period exceeds (is less than) the sum or the related average unamortized compensation expense during the period plus the related hypothetical estimated excess tax benefit that will be realized when the shares vest. Stock options and nonvested deferred shares are considered antidilutive in the event we report a net loss.

The computation of basic and diluted EPS is as follows:

	Twelve Months Ended		
	June 30, 2015	June 30, 2014	June 30, 2013
	(In thousands, except per share data)		
Basic EPS:			
Net income attributable to Matrix Service Company	\$17,157	\$35,810	\$24,008
Weighted average shares outstanding	26,603	26,288	25,962
Basic EPS	\$0.64	\$1.36	\$0.92
Diluted EPS:			
Weighted average shares outstanding—basic	26,603	26,288	25,962
Dilutive stock options	110	180	81
Dilutive nonvested deferred shares	464	508	315
Diluted weighted average shares	27,177	26,976	26,358
Diluted EPS	\$0.63	\$1.33	\$0.91

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Matrix Service Company

Notes to Consolidated Financial Statements (continued)

The following securities are considered antidilutive and have been excluded from the calculation of diluted earnings per share:

	Twelve Months Ended		
	June 30, 2015	June 30, 2014	June 30, 2013
	(In thousands)		
Stock options	—	—	193
Nonvested deferred shares	148	—	2
Total antidilutive securities	148	—	195

Note 12—Employee Benefit Plans

## Defined Contribution Plans

The Company sponsors defined contribution savings plans for all eligible employees meeting length of service requirements. Under the primary plan, participants may contribute an amount up to 25% of pretax annual compensation subject to certain limitations. The Company matches 100% of the first 3% of employee contributions and 50% of the next 2% of employee contributions. The Company matching contributions vest immediately.

The Company's matching contributions were \$4.9 million, \$4.1 million and \$3.4 million for the twelve months ended June 30, 2015, 2014, and 2013, respectively.

## Multiemployer Pension Plans

The Company contributes to various union sponsored multiemployer benefit plans in the U.S. and Canada. Benefits under these plans are generally based on compensation levels and years of service.

For the Company, the financial risks of participating in multiemployer plans are different from single-employer plans in the following respects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.

- If a participating employer discontinues contributions to a plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

- If a participating employer chooses to stop participating in a plan, a withdrawal liability may be created based on the unfunded vested benefits for all employees in the plan.

Under federal legislation regarding multiemployer pension plans, in the event of a withdrawal from a plan or plan termination, companies are required to continue funding their proportionate share of such plan's unfunded vested benefits. We are a participant in multiple union sponsored multiemployer plans, and, as a plan participant, our potential obligation could be significant. The amount of the potential obligation is not currently ascertainable because the information required to determine such amount is not identifiable or readily available.

Our participation in significant plans for the fiscal year ended June 30, 2015 is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employer Identification Number ("EIN") and the three digit plan number. The zone status is based on the latest information that the Company received from the plan and is certified by the plan's actuary. Plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are generally less than 80 percent funded, and plans in the green zone are generally at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented. The "Surcharge Imposed" column includes plans in a red zone status that require a payment of a surcharge in excess of regular contributions. The last column lists the expiration date of the collective-bargaining agreement to which the plan is subject.

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Matrix Service Company

Notes to Consolidated Financial Statements (continued)

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending or Implemented	Company Contributions Fiscal Year			Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
		2015	2014		2015	2014	2013		
					(In thousands)				
Joint Pension Fund									
Local Union 164 IBEW <sup>(1)</sup>	22-6031199/001	Yellow	Yellow	Yes	\$3,026	\$2,955	\$3,943	No	5/31/2016
Boilermaker-Blacksmith National Pension Trust	48-6168020/001	Yellow	Yellow	Yes	8,330	3,271	2,882	No	Describe below (2)
Joint Pension Fund of Local Union No 102 <sup>(3)</sup>	22-1615726/001	Green	Green	N/A	2,395	2,381	2,387	No	6/1/2018
IBEW Local 456 Pension Plan <sup>(4)</sup>	22-6238995/001	Yellow	Yellow	Yes	788	940	2,384	No	5/31/2016
Local 351 IBEW Pension Plan	22-3417366/001	Described below (5)	Described below (5)	Described below (5)	2,608	2,218	2,281	Described below (5)	9/27/2016
Steamfitters Local Union No 420 Pension Plan	23-2004424/001	Red	Red	Yes	937	1,677	1,622	Yes	4/30/2016
IBEW Local Union 98 Pension Plan	23-1990722/001	Yellow	Yellow	Yes	2,768	1,380	1,212	No	5/1/2016
Indiana Laborers Pension Fund	35-6027150/001	Red	Yellow	Yes	2,519	1,268	—	Yes	5/31/2016
Iron Workers Mid-America Pension Plan <sup>(6)</sup>	36-6488227/001	Green	Green	N/A	2,605	1,156	—	No	5/31/2016
Plumbers & Pipefitters Local Union 74 Pension Fund	51-6015925/001	Yellow	Yellow	Yes	4,473	535	—	No	6/15/2016
Pipe Fitters Retirement Fund, Local 597	62-6105084/001	Green	Green	N/A	2,259	949	—	No	5/31/2016
		Contributions to other multiemployer plans			22,282	11,639	7,754		
Total contributions made					\$54,990	\$30,369	\$24,465		

(1) Our contributions for the Joint Pension Fund Local Union 164 IBEW exceeded 5% of total contributions for the 2013 calendar plan year. This information was not available for the 2014 calendar plan year.

(2) Our collective bargaining agreements with the Boilermaker-Blacksmith National Pension Trust are under a National Maintenance Agreement platform which is evergreen in terms of expiration. However, the agreements allow for termination of the collective bargaining agreement by either party with a predetermined written notice.

(3) Our contributions for the Joint Pension Fund of Local Union 102 exceeded 5% of total contributions for the 2013 calendar plan year. This information was not available for the 2014 calendar plan year.

(4) Our contributions for the IBEW Local 456 Pension Plan exceeded 5% of total contributions for the 2013 calendar plan year. This information was not available for the 2014 calendar plan year.

For the Local 351 IBEW Pension Plan, the Company has not received a funding notification that covers the Company's fiscal years 2014 or 2015 during the preparation of this Form 10-K. Under Federal pension law, if a multiemployer pension plan is determined to be in critical or endangered status, the plan must provide notice of (5) this status to participants, beneficiaries, the bargaining parties, the Pension Benefit Guaranty Corporation, and the Department of Labor. The Company also observed that the Local 351 IBEW Pension Plan has not submitted any Critical or Endangered Status Notices to the Department of Labor for either calendar years 2014 or 2015 (which can be accessed at <http://www.dol.gov/ebsa/criticalstatusnotices.html>).

(6) Our contributions for the Iron Workers Mid-America Pension Plan exceeded 5% of total contributions for the 2013 calendar plan year. This information was not available for the 2014 calendar plan year.

#### Employee Stock Purchase Plan

The Matrix Service Company 2011 Employee Stock Purchase Plan ("ESPP") was effective January 1, 2011. The ESPP allows employees to purchase shares through payroll deductions and members of the Board of Directors to purchase shares from amounts withheld from their cash retainers. Share purchases are limited to an aggregate market value of no greater than \$60,000 per calendar year per participant and are purchased at market value with no discount to the participant. Contributions are with after tax earnings and are accumulated in non-interest bearing accounts for quarterly purchases of company stock.

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Matrix Service Company

Notes to Consolidated Financial Statements (continued)

Upon the purchase of shares, the participants receive all stockholder rights including dividend and voting rights, and are permitted to sell their shares at any time. The Company has made 1,000,000 shares available under the ESPP. The ESPP can be terminated at the discretion of the Board of Directors or on January 2, 2021. Shares are issued from Treasury Stock under the ESPP. There were 13,243 shares issued in fiscal 2015, 5,440 shares in fiscal 2014, and 4,452 shares in fiscal 2013.

Note 13—Segment Information

We operate our business through four reportable segments: Electrical Infrastructure, Oil Gas & Chemical, Storage Solutions, and Industrial.

The Electrical Infrastructure segment primarily encompasses construction and maintenance services to a variety of power generation facilities, such as combined cycle plants, natural gas fired power stations, and renewable energy installations. We also provide high voltage services to investor owned utilities, including construction of new substations, upgrades of existing substations, short-run transmission line installations, distribution upgrades and maintenance, and storm restoration services.

The Oil Gas & Chemical segment includes our traditional turnaround activities, plant maintenance services and construction in the downstream petroleum industry. Another key offering is industrial cleaning services, which include hydroblasting, hydroexcavating, chemical cleaning and vacuum services. We also perform work in the petrochemical, natural gas, gas processing and compression, and upstream petroleum markets.

The Storage Solutions segment includes new construction of crude and refined products ASTs, as well as planned and emergency maintenance services. The Storage Solutions segment also includes balance of plant work in storage terminals and tank farms. Also included in the Storage Solutions segment is work related to specialty storage tanks including LNG, liquid nitrogen/liquid oxygen LIN/LOX, LPG tanks and other specialty vessels including spheres. Finally, we also offer aboveground storage tank products including floating roof seals.

The Industrial segment includes construction and maintenance work in the iron and steel and mining and minerals industries, bulk material handling and fertilizer production facilities, as well as work for clients in other industrial markets.

The Company evaluates performance and allocates resources based on operating income. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies.

Intersegment sales and transfers are recorded at cost; therefore, no intercompany profit or loss recognized.

Segment assets consist primarily of accounts receivable, costs and estimated earnings in excess of billings on uncompleted contracts, property, plant and equipment and goodwill.



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Matrix Service Company

Notes to Consolidated Financial Statements (continued)

## Results of Operations

(In thousands)

	Electrical Infrastructure	Oil Gas & Chemical	Storage Solutions	Industrial	Unallocated Corporate	Total
Twelve months ended June 30, 2015						
Gross revenues	\$ 257,930	\$ 310,826	\$ 504,155	\$ 281,319	\$—	\$ 1,354,230
Less: inter-segment revenues	—	5,466	1,032	4,597	—	11,095
Consolidated revenues	257,930	305,360	503,123	276,722	—	1,343,135
Gross profit (loss)	(31,444 )	25,394	58,085	35,335	—	87,370
Operating income (loss)	(44,293 )	7,064	29,069	16,962	—	8,802
Segment assets	129,725	108,960	172,857	102,761	54,028	568,331
Capital expenditures	579	3,858	2,396	1,139	7,801	15,773
Depreciation and amortization expense	4,915	4,772	7,298	6,495	—	23,480
Twelve months ended June 30, 2014						
Gross revenues	\$ 205,570	\$ 240,131	\$ 611,826	\$ 206,933	\$—	\$ 1,264,460
Less: inter-segment revenues	—	441	930	—	—	1,371
Consolidated revenues	205,570	239,690	610,896	206,933	—	1,263,089
Gross profit	20,629	26,912	68,448	20,484	—	136,473
Operating income	7,703	9,939	34,310	6,655	—	58,607
Segment assets	120,264	72,406	200,493	105,049	70,720	568,932
Capital expenditures	9,055	5,421	2,519	1,157	5,437	23,589
Depreciation and amortization expense	3,292	3,768	7,707	3,751	—	18,518
Twelve months ended June 30, 2013						
Gross revenues	\$ 171,204	\$ 273,979	\$ 395,794	\$ 54,321	\$—	\$ 895,298
Less: inter-segment revenues	—	131	2,593	—	—	2,724
Consolidated revenues	171,204	273,848	393,201	54,321	—	892,574
Gross profit	21,754	32,879	37,455	2,614	—	94,702
Operating income (loss)	11,185	15,415	11,904	(1,790 )	—	36,714
Segment assets	64,771	75,591	159,149	27,347	83,120	409,978
Capital expenditures	2,129	2,942	9,929	1,645	6,586	23,231
Depreciation and amortization expense	2,167	2,943	6,740	932	—	12,782

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Matrix Service Company

Notes to Consolidated Financial Statements (continued)

Geographical information is as follows:

	Revenues		
	Twelve Months Ended		
	June 30, 2015	June 30, 2014	June 30, 2013
	(In thousands)		
United States	\$1,205,713	\$1,149,262	\$814,879
Canada	137,422	113,827	77,695
	\$1,343,135	\$1,263,089	\$892,574
	Long-Lived Assets		
	June 30, 2015	June 30, 2014	June 30, 2013
	(In thousands)		
United States	\$164,596	\$164,894	\$101,581
Canada	21,966	28,490	12,378
	\$186,562	\$193,384	\$113,959

## Information about Significant Customers

In fiscal 2015, one customer accounted for 12.3% of our consolidated revenue and 33.0% of our Storage Solutions revenue. Another customer accounted for 10.9% of our Storage Solutions revenue. Five other customers accounted for 25.1%, 16.3%, 14.7%, 12.7% and 12.7% of our Electrical Infrastructure revenue, respectively. An additional two customers accounted for 17.7% and 12.3% of our Oil Gas & Chemical revenue, respectively. Three other customers accounted for 34.0%, 27.6%, and 19.0% of our Industrial revenue, respectively.

In fiscal 2014, two customers accounted for 17.3% and 12.7% of our consolidated revenue and 35.8% and 26.3% of our Storage Solutions revenue, respectively. Four other customers accounted for 20.8%, 17.5%, 17.0%, and 10.8% of our Electrical Infrastructure revenue, respectively. An additional three customers accounted for 18.3%, 14.0%, and 10.2% of our Oil Gas & Chemical revenue, respectively. Five more customers accounted for 23.3%, 15.1%, 13.0%, 12.7%, and 11.3% of our Industrial revenue, respectively.

In fiscal 2013, one customer accounted for 10.7% of our consolidated revenue and 24.3% of our Storage Solutions revenue and an additional customer accounted for 10.6% of our Storage Solutions revenue. Four other customers accounted for 24.9%, 19.6%, 12.6% and 11.1% of our Electrical Infrastructure revenue, respectively. An additional three customers accounted for 20.7%, 16.1% and 10.0% of our Oil Gas & Chemical revenue, respectively. Three more customers accounted for 23.3%, 20.5% and 16.4% of our Industrial revenue, respectively.

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Matrix Service Company  
 Quarterly Financial Data (Unaudited)  
 Fiscal Years Ended June 30, 2015 and June 30, 2014

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands, except per share amounts)			
Fiscal Year 2015				
Revenues	\$321,683	\$342,880	\$314,155	\$364,417
Gross profit	28,379	15,955	2,632	40,404
Operating income (loss)	8,547	(3,671	) (14,448	) 18,374
Net income (loss) attributable to Matrix Service Company	5,914	3,286	(2,959	) 10,916
Earnings (loss) per common share:				
Basic	0.22	0.12	(0.11	) 0.41
Diluted	0.22	0.12	(0.11	) 0.40
Fiscal Year 2014				
Revenues	\$226,217	\$310,998	\$381,516	\$344,358
Gross profit	25,476	34,150	39,944	36,903
Operating income	10,762	14,817	18,819	14,209
Net income attributable to Matrix Service Company	6,552	10,306	11,396	7,556
Earnings per common share:				
Basic	0.25	0.39	0.43	0.29
Diluted	0.25	0.38	0.42	0.28

The sum of earnings per share for the four quarters may not equal the total earnings per share for the year due to changes in the average number of common shares outstanding and rounding.

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Matrix Service Company  
 Schedule II—Valuation and Qualifying Accounts  
 June 30, 2015, June 30, 2014, and June 30, 2013  
 (In thousands)

COL. A	COL. B	COL. C ADDITIONS		COL. D	COL. E
	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts—Describe	Deductions—Describe	Balance at End of Period
Fiscal Year 2015					
Deducted from asset accounts:					
Allowance for doubtful accounts	\$ 204	\$422	\$ —	\$ (65 ) (A)	\$561
Valuation reserve for deferred tax assets	90	25	—	—	115
Total	\$ 294	\$447	\$ —	\$ (65 )	\$676
Fiscal Year 2014					
Deducted from asset accounts:					
Allowance for doubtful accounts	\$ 795	\$121	\$ —	\$ (712 ) (A)	\$204
Valuation reserve for deferred tax assets	90	—	—	—	90
Total	\$ 885	\$121	\$ —	\$ (712 )	\$294
Fiscal Year 2013					
Deducted from asset accounts:					
Allowance for doubtful accounts	\$ 1,201	\$725	\$ (666 ) (B)	\$ (465 ) (A)	\$795
Valuation reserve for deferred tax assets	230	(140 )	—	—	90
Total	\$ 1,431	\$585	\$ (666 )	\$ (465 )	\$885

(A)Receivables written off against allowance for doubtful accounts.

(B)Collection of a fully reserved receivable recognized as revenue.

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based on the definition of "disclosure controls and procedures" in Rule 13a-15(e).

The disclosure controls and procedures are designed to provide reasonable, not absolute, assurance of achieving the desired control objectives. The Company's management, including the Chief Executive Officer and Chief Financial Officer, does not expect that the disclosure controls and procedures or our internal controls over financial reporting will prevent or detect all errors or fraud. The design of our internal control system takes into account the fact that there are resource constraints and the benefits of controls must be weighed against the costs. Additionally, controls can be circumvented by the acts of key individuals, collusion or management override.

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2015. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level at June 30, 2015.

Management's Report on Internal Control over Financial Reporting

See "Management's Report on Internal Control over Financial Reporting" set forth in Item 8, Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There have been no changes during the fourth fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item with respect to the Company's directors and corporate governance is incorporated herein by reference to the sections entitled "Proposal Number 1: Election of Directors" and "Corporate Governance and Board Matters" in the Company's definitive Proxy Statement for the 2015 Annual Meeting of Stockholders ("Proxy Statement"). The information required by this item with respect to the Company's executive officers is incorporated herein by reference to the section entitled "Executive Officer Information" in the Proxy Statement. The information required by this item with respect to the Section 16 ownership reports is incorporated herein by reference to the section entitled "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement.

The Company has adopted a Code of Business Conduct and Ethics applicable to all directors, officers and employees, including the principal executive officer, principal financial officer and principal accounting officer of the Company. In addition, we have adopted Corporate Governance Guidelines for the Board of Directors and Charters for the Audit, Compensation and Nominating and Corporate Governance Committees of the Board of Directors. The current version of these corporate governance documents is publicly available in the "Investors" section of the Company's website at [matrixservicecompany.com](http://matrixservicecompany.com) under "Corporate Governance." If we make any substantive amendments to the Code of Business Conduct and Ethics, or grant any waivers, including implicit waivers, from the Code of Business Conduct and Ethics applicable to the principal executive officer, principal financial officer or principal accounting officer, or any person performing similar functions, we will disclose such amendment or waiver on our website or in a report on Form 8-K.

Item 11. Executive Compensation

The information required by this item is incorporated herein by reference to the sections entitled "Director Compensation" and "Executive Officer Compensation" in the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated herein by reference to the sections entitled "Securities Authorized for Issuance Under Executive Compensation Plans" and "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated herein by reference to the section entitled "Corporate Governance and Board Matters" and "Certain Relationships and Related Transactions" in the Proxy Statement.

Item 14. Principal Accountant Fees and Services

The information required by this item is incorporated herein by reference to the sections entitled "Fees of Independent Registered Public Accounting Firm" and "Audit Committee Pre-Approval Policy" in the Proxy Statement.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) (1) Financial Statements of the Company

The following financial statements and supplementary data are filed as a part of this report under “Item 8—Financial Statements and Supplementary Data” in this Annual Report on Form 10-K:

Financial Statements of the Company

Management’s Report on Internal Control Over Financial Reporting 38

Reports of Independent Registered Public Accounting Firm (Deloitte & Touche LLP) 39

Consolidated Statements of Income for the Years Ended June 30, 2015, June 30, 2014 and June 30, 2013 40

Consolidated Statements of Comprehensive Income for the Years Ended June 30, 2015, June 30, 2014 and June 30, 2013 41

Consolidated Balance Sheets as of June 30, 2015 and June 30, 2014 42

Consolidated Statements of Cash Flows for the Years Ended June 30, 2015, June 30, 2014 and June 30, 2013 44

Consolidated Statements of Changes in Stockholders’ Equity for the Years Ended June 30, 2015, June 30, 2014 and June 30, 2013 46

Notes to Consolidated Financial Statements 47

Quarterly Financial Data (Unaudited) 69

Schedule II—Valuation and Qualifying Accounts 70

(2) Financial Statement Schedules

The financial statement schedule is filed as a part of this report under Schedule II—Valuation and Qualifying Accounts for the three fiscal years ended June 30, 2015, June 30, 2014 and June 30, 2013, immediately following Quarterly Financial Data (Unaudited). All other schedules are omitted because they are not applicable or the required information is shown in the financial statements, or notes thereto, included herein.

(3) The following documents are included as exhibits to this Annual Report on Form 10-K:

- 2.0 Sales and Purchase Agreement dated December 8, 2013 between Matrix North America Construction, Inc. and Matrix Canadian Holdings, Inc., as Buyers, Matrix Service Company as a Buyer Party, Kvaerner North American Construction Inc. and Kvaerner AS, as Sellers and Kvaerner ASA, as Seller's Guarantor (Exhibit 2.1 to the Company's Current Report on Form 8-K (File No. 1-15461) filed December 27, 2013, is hereby incorporated by reference).
- 3.1 Amended and Restated Certificate of Incorporation (Exhibit 4.1 to the Company’s Registration Statement on Form S-3 (File No. 333-156814) filed January 21, 2009, is hereby incorporated by reference).
- 3.2 Certification of Designations, Preferences and Rights of Series B Junior Preferred Stock dated November 12, 1999 (Exhibit 3.2 to the Company’s Registration Statement on Form S-3 (File No. 333-117077) filed

July 1, 2004, is hereby incorporated by reference).



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- 3.3 Certificate of Increase of Authorized Number of Shares of Series B Junior Participating Preferred Stock pursuant to Section 151 of the General Corporation Law of the State of Delaware dated July 11, 2005 (Exhibit 3.5 to the Company's Annual Report on Form 10-K (File No. 1-15461) filed August 17, 2005, is hereby incorporated by reference).
- 3.4 Certificate of Increase of Authorized Number of Shares of Series B Junior Participating Preferred Stock pursuant to Section 151 of the General Corporation Law of the State of Delaware dated October 23, 2006 (Exhibit 3.7 to the Company's Annual Report on Form 10-K (File No. 1-15461) filed August 14, 2007, is hereby incorporated by reference).
- 3.5 Amended and Restated Bylaws (Exhibit 3 to the Company's Current Report on Form 8-K (File No. 1-15461) filed April 9, 2009, is hereby incorporated by reference).
- 4 Specimen Common Stock Certificate (Exhibit 4.1 to the Company's Registration Statement on Form S-1 (File No. 33-36081) filed July 26, 1990, is hereby incorporated by reference).
- +10.1 Matrix Service Company 1991 Incentive Stock Option Plan (Exhibit 10.1 to the Company's Registration Statement on Form S-8 (File No. 333-56945) filed June 16, 1998, is hereby incorporated by reference).
- +10.2 Matrix Service Company 1995 Nonemployee Directors' Stock Option Plan (Exhibit 4.3 to the Company's Registration Statement on Form S-8 (File No. 333-02771) filed April 23, 1996, is hereby incorporated by reference).
- +10.3 Amendment No. 1 to the Matrix Service Company 1995 Nonemployee Directors' Stock Option Plan (Exhibit B to the Company's 2005 Proxy Statement filed September 16, 2005 (File No. 1-15461), is hereby incorporated by reference).
- +10.4 Form of Stock Option Award Agreement (1995 Directors' Plan) (Exhibit 10.6 to the Company's Annual Report on Form 10-K (File No. 1-15461) filed August 4, 2006, is hereby incorporated by reference).
- +10.5 Matrix Service Company 2004 Stock Incentive Plan (Appendix B to the Company's Proxy Statement filed September 15, 2006 (File No. 1-15461), is hereby incorporated by reference).
- +10.6 Amendment 1 to Matrix Service Company 2004 Stock Incentive Plan (Exhibit 10 to Amended Schedule 14A filed October 4, 2006 (File No. 1-15461), is hereby incorporated by reference).
- +10.7 Amendment 2 to Matrix Service Company 2004 Stock Incentive Plan (Exhibit 10.6 to the Company's Annual Report on Form 10-K (File No. 1-15461) filed August 5, 2008, is hereby incorporated by reference).
- +10.8 Amendment 3 to Matrix Service Company 2004 Stock Incentive Plan (Exhibit A to the Company's Proxy Statement filed September 11, 2009 (File No. 1-15461), is hereby incorporated by reference).
- +10.9 Form of Restricted Stock Unit Award Agreement for non-employee directors (2004 Stock Incentive Plan) (Exhibit 10.8 to the Company's Annual Report on Form 10-K (File No. 1-15461) filed September 28, 2010 (the "2010 10-K"), is hereby incorporated by reference).

- +10.10 Form of Restricted Stock Unit Award Agreement for employees (2004 Stock Incentive Plan - time-based) (Exhibit 10.11 to the Company's Annual Report on Form 10-K (File No. 1-15461) filed September 6, 2012 (the "2012 10-K"), is hereby incorporated by reference).
- +10.11 Form of Restricted Stock Unit Award Agreement for executive management (2004 Stock Incentive Plan – performance based) (Exhibit 10.10 to the 2010 10-K is hereby incorporated by reference).
- +10.12 Form of Stock Option Award Agreement (2004 Stock Incentive Plan – Incentive Stock Options) (Exhibit 10.13 to the 2012 10-K is hereby incorporated by reference).
- +10.13 Form of Stock Option Award Agreement (2004 Stock Incentive Plan – Non-qualified) (Exhibit 10.14 to the 2012 10-K is hereby incorporated by reference).
- +10.14 Matrix Service Company 2012 Stock and Incentive Compensation Plan (Attachment A to the Company's Proxy Statement (File No. 1-15461) filed October 10, 2012, is hereby incorporated by reference).
- + 10.15 Amendment Number 1 to the Matrix Service Company 2012 Stock and Incentive Compensation Plan (Exhibit A to the Company's Proxy Statement (File No. 1-15461) filed October 10, 2014, is hereby incorporated by reference).

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+10.16	Long-Term Incentive Award Agreement (2012 Stock and Incentive Compensation Plan) (Exhibit 10 to the Company's Quarterly Report on Form 10-Q (File No. 1-15461) filed February 7, 2013, is hereby incorporated by reference).
+10.17	Form of Severance Agreement (Exhibit 10.6 to the Company's Current Report on Form 8-K (File No. 1-15461) filed October 27, 2006, is hereby incorporated by reference).
+10.18	Form of Amendment to Severance Agreement, (Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (File No. 1-15461) filed January 8, 2009, is hereby incorporated by reference).
+10.19	Amended and Restated Deferred Compensation Plan for Members of the Board of Directors (Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 1-15461) filed January 8, 2009, is hereby incorporated by reference).
+10.20	Amendment 1 to Amended and Restated Deferred Compensation Plan for Members of the Board of Directors (Exhibit 10 to the Company's Quarterly Report on Form 10-Q (File No. 1-15461) filed November 9, 2012, is hereby incorporated by reference).
10.21	Third Amended and Restated Credit Agreement dated as of November 7, 2011, among the Company, as Borrower, JPMorgan Chase Bank, N.A., as Administrative Agent, Swingline Lender and Issuing Bank, J.P. Morgan Securities LLC, as Sole Bookrunner and Sole Lead Arranger and the Lenders party thereto (Exhibit 10 to the Company's Quarterly Report on Form 10-Q (File No. 1-15461) filed November 8, 2011, is hereby incorporated by reference).
10.22	First Amendment effective as of March 13, 2014 to the Third Amended and Restated Credit Agreement (Exhibit 10 to the Company's Current Report on Form 8-K (File No. 1-5461) filed March 19, 2014, is hereby incorporated by reference).
+10.23	Separation Agreement and Release of Claims effective as of June 23, 2014 between Matthew J. Petrizzo and Matrix Service Company (Exhibit 10.23 to the Company's Annual Report on Form 10-K (File No. 1-15461) filed September 8, 2014, is hereby incorporated by reference).
+10.24	Form of Indemnification Agreement (Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 1-15461) filed June 9, 2015, is hereby incorporated by reference).
*21	Subsidiaries.
*23	Consent of Independent Registered Public Accounting Firm—Deloitte & Touche LLP.
*31.1	Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002—CEO.
*31.2	Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002—CFO.
*32.1	Certification Pursuant to 18 U.S.C. 1350 (section 906 of Sarbanes-Oxley Act of 2002)—CEO.
*32.2	Certification Pursuant to 18 U.S.C. 1350 (section 906 of Sarbanes-Oxley Act of 2002)—CFO.
*95	Mine Safety Disclosure.
*101.INS	XBRL Instance Document.

- \*101.SCH XBRL Taxonomy Schema Document.
- \*101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.
- \*101.DEF XBRL Taxonomy Extension Definition Linkbase Document.
- \*101.LAB XBRL Taxonomy Extension Labels Linkbase Document.
- \*101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.

\*Filed herewith

+Management Contract or Compensatory Plan.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Matrix Service Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Matrix Service Company

Date : September 11, 2015

By: /S/ John R. Hewitt  
John R. Hewitt, President and  
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
/S/ John R. Hewitt John R. Hewitt	President, Chief Executive Officer and Director (Principal Executive Officer)	September 11, 2015
/S/ Kevin S. Cavanah Kevin S. Cavanah	Vice President and Chief Financial Officer (Principal Accounting and Principal Financial Officer)	September 11, 2015
/S/ Michael J. Hall Michael J. Hall	Chairman of the Board of Directors	September 11, 2015
/S/ I. Edgar Hendrix I. Edgar Hendrix	Director	September 11, 2015
/S/ Paul K. Lackey Paul K. Lackey	Director	September 11, 2015
/S/ Tom E. Maxwell Tom E. Maxwell	Director	September 11, 2015
/S/ Jim W. Mogg Jim W. Mogg	Director	September 11, 2015
/S/ James H. Miller James H. Miller	Director	September 11, 2015

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Index to Exhibits

- 2 Sales and Purchase Agreement dated December 8, 2013 between Matrix North America Construction, Inc. and Matrix Canadian Holdings, Inc., as Buyers, Matrix Service Company as a Buyer Party, Kvaerner North American Construction Inc. and Kvaerner AS, as Sellers and Kvaerner ASA, as Seller's Guarantor (Exhibit 2.1 to the Company's Current Report on Form 8-K (File No. 1-15461) filed December 27, 2013, is hereby incorporated by reference).
- 3.1 Amended and Restated Certificate of Incorporation (Exhibit 4.1 to the Company's Registration Statement on Form S-3 (File No. 333-156814) filed January 21, 2009, is hereby incorporated by reference).
- 3.2 Certification of Designations, Preferences and Rights of Series B Junior Preferred Stock dated November 12, 1999 (Exhibit 3.2 to the Company's Registration Statement on Form S-3 (File No. 333-117077) filed July 1, 2004, is hereby incorporated by reference).
- 3.3 Certificate of Increase of Authorized Number of Shares of Series B Junior Participating Preferred Stock pursuant to Section 151 of the General Corporation Law of the State of Delaware dated July 11, 2005 (Exhibit 3.5 to the Company's Annual Report on Form 10-K (File No. 1-15461) filed August 17, 2005, is hereby incorporated by reference).
- 3.4 Certificate of Increase of Authorized Number of Shares of Series B Junior Participating Preferred Stock pursuant to Section 151 of the General Corporation Law of the State of Delaware dated October 23, 2006 (Exhibit 3.7 to the Company's Annual Report on Form 10-K (File No. 1-15461) filed August 14, 2007, is hereby incorporated by reference).
- 3.5 Amended and Restated Bylaws (Exhibit 3 to the Company's Current Report on Form 8-K (File No. 1-15461) filed April 9, 2009, is hereby incorporated by reference).
- 4 Specimen Common Stock Certificate (Exhibit 4.1 to the Company's Registration Statement on Form S-1 (File No. 33-36081) filed July 26, 1990, is hereby incorporated by reference).
- +10.1 Matrix Service Company 1991 Incentive Stock Option Plan (Exhibit 10.1 to the Company's Registration Statement on Form S-8 (File No. 333-56945) filed June 16, 1998, is hereby incorporated by reference).
- +10.2 Matrix Service Company 1995 Nonemployee Directors' Stock Option Plan (Exhibit 4.3 to the Company's Registration Statement on Form S-8 (File No. 333-02771) filed April 23, 1996, is hereby incorporated by reference).
- +10.3 Amendment No. 1 to the Matrix Service Company 1995 Nonemployee Directors' Stock Option Plan (Exhibit B to the Company's 2005 Proxy Statement filed September 16, 2005 (File No. 1-15461), is hereby incorporated by reference).
- +10.4 Form of Stock Option Award Agreement (1995 Directors' Plan) (Exhibit 10.6 to the Company's Annual report on Form 10-K (File No, 1-15461) filed August 4, 2006, is hereby incorporated by reference).
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- +10.6 Amendment 1 to Matrix Service Company 2004 Stock Incentive Plan (Exhibit 10 to Amended Schedule 14A filed October 4, 2006 (File No. 1-15461), is hereby incorporated by reference).
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