

Armada Hoffler Properties, Inc.
Form S-11/A
May 02, 2013

As filed with the Securities and Exchange Commission on May 2, 2013

Registration No. 333-187513

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

Amendment No. 3 to
Form S-11
REGISTRATION STATEMENT
FOR REGISTRATION UNDER THE SECURITIES ACT OF 1933
OF SECURITIES OF CERTAIN REAL ESTATE COMPANIES

Armada Hoffler Properties, Inc.

(Exact name of registrant as specified in its governing instruments)

222 Central Park Avenue, Suite 2100, Virginia Beach, Virginia 23462

(757) 366-4000

(Address, including zip code and telephone number, including area code,

of registrant's principal executive offices)

Louis S. Haddad

Armada Hoffler Properties, Inc.

222 Central Park Avenue, Suite 2100, Virginia Beach, Virginia 23462

(757) 366-4000

(Name, address, including zip code and telephone number,

including area code, of agent for service)

Copies to:

David C. Wright

John A. Good

S. Gregory Cope

Justin R. Salon

Hunton & Williams LLP

Bass, Berry & Sims PLC

951 East Byrd Street

1201 Pennsylvania Ave. Suite 300

Richmond, Virginia 23219

Washington, D.C. 20004

(804) 788-8638

(202) 827-2950

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the Securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box: "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement of the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. "

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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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

PART II**INFORMATION NOT REQUIRED IN PROSPECTUS****Item 31. Other Expenses of Issuance and Distribution.**

The following table itemizes the expenses incurred by us in connection with the issuance and registration of the securities being registered hereunder. All amounts shown are estimates except for the Securities and Exchange Commission, or SEC, registration fee the New York Stock Exchange, or NYSE, listing fee and the Financial Industry Regulatory Authority, Inc., or FINRA, filing fee.

SEC Registration Fee	\$ 27,451
NYSE Listing Fee	125,000
FINRA Filing Fee	30,688
Printing and Engraving Expenses	400,000
Legal Fees and Expenses (other than Blue Sky)	2,750,000
Accounting Fees and Expenses	4,000,000
Transfer Agent and Registrar Fees	2,500
Other Expenses	114,300
Total	\$ 7,449,939

Item 32. Sales to Special Parties.

On October 12, 2012, we issued 1,000 shares of our common stock to Louis S. Haddad, our President and Chief Executive Officer, in connection with the initial capitalization of our company for an aggregate purchase price of \$1,000. The issuance of such shares was effected in reliance upon an exemption from registration provided by Section 4(a)(2) of the Securities Act and Regulation D thereunder.

Item 33. Recent Sales of Unregistered Securities.

On October 12, 2012, we issued 1,000 shares of our common stock to Louis S. Haddad, our President and Chief Executive Officer, in connection with the initial capitalization of our company for an aggregate purchase price of \$1,000. The issuance of such shares was effected in reliance upon an exemption from registration provided by Section 4(a)(2) of the Securities Act and Regulation D thereunder.

In connection with the formation transactions, an aggregate of 13,039,977 common units with an aggregate value of \$156,479,724 million, based on the midpoint of the price range set forth on the front cover of the prospectus that forms a part of this registration statement, will be issued to certain persons owning interests in the entities that own the properties and other assets comprising our portfolio as consideration in the formation transactions. All such persons had a substantive, pre-existing relationship with us and made irrevocable elections to receive such securities in the formation transactions prior to the filing of this registration statement with the SEC. Prior to the filing of this registration statement, each such person consented to the contribution of their interests in the ownership entities, or sell certain assets, to our operating partnership or its subsidiaries. All of such persons are accredited investors as defined under Regulation D of the Securities Act. The issuance of such units will be effected in reliance upon exemptions from registration provided by Section 4(a)(2) of the Securities Act and Regulation D of the Securities Act.

Item 34. Indemnification of Directors and Officers.

Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty that is established by a final judgment and is material to the cause of action. Our charter contains a provision which eliminates our directors and officers liability to the maximum extent permitted by Maryland law.

Maryland law requires a Maryland corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful in the defense of any proceeding to which he or she is made or threatened to be made a party by reason of his or her service in that capacity. Maryland law permits a Maryland corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made or threatened to be made a party by reason of their service in those or other capacities unless it is established that: (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (i) was committed in bad faith or (ii) was the result of active and deliberate dishonesty; (b) the director or officer actually received an improper personal benefit in money, property or services; or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, under Maryland law, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that personal benefit was improperly received, unless in either case a court orders indemnification and then only for expenses. In addition, Maryland law permits a Maryland corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of (a) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation and (b) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the standard of conduct was not met.

Our charter authorizes us, to the maximum extent permitted by Maryland law, to obligate ourselves and our bylaws obligate us, to indemnify any present or former director or officer or any individual who, while a director or officer of our company and at our request, serves or has served as a director, officer, partner, trustee, member or manager of another corporation, real estate investment trust, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise and who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity from and against any claim or liability to which that individual may become subject or which that individual may incur by reason of his or her service in any of the foregoing capacities and to pay or reimburse his or her reasonable expenses in advance of final disposition of a proceeding. Our charter and bylaws also permit us to indemnify and advance expenses to any individual who served a predecessor of our company in any of the capacities described above and any employees or agents of our company or a predecessor of our company.

We intend to enter into indemnification agreements with each of our executive officers and directors whereby we indemnify such executive officers and directors to the fullest extent permitted by Maryland law against all expenses and liabilities, subject to limited exceptions. These indemnification agreements also provide that upon an application for indemnity by an executive officer or director to a court of appropriate jurisdiction, such court may order us to indemnify such executive officer or director.

Furthermore, our officers and directors are indemnified against specified liabilities by the underwriters, and the underwriters are indemnified against certain liabilities by us, under the underwriting agreement relating to this offering. See *Underwriting*. In addition, our directors and officers are indemnified for specified liabilities and expenses pursuant to the partnership agreement of Armada Hoffler, L.P., the partnership of which we serve as sole general partner.

Insofar as the foregoing provisions permit indemnification of directors, officer or persons controlling us for liability arising under the Securities Act, we have been informed that in the opinion of the SEC this indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Item 35. Treatment of Proceeds from Stock Being Registered.

None.

Item 36. Financial Statements and Exhibits.

(A) *Financial Statements*. See page F-1 for an Index to Financial Statements and the related notes thereto included in this registration statement.

(B) Exhibits. The attached Exhibit Index is incorporated herein by reference.

Item 37. Undertakings.

(a) The undersigned registrant hereby further undertakes to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933, as amended, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933, as amended, and will be governed by the final adjudication of such issue.

(c) The undersigned registrant hereby further undertakes that:

- (1) For purposes of determining any liability under the Securities Act of 1933, as amended, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4), or Rule 497(h) under the Securities Act of 1933, as amended, shall be deemed to be part of this registration statement as of the time it was declared effective.
- (2) For the purpose of determining any liability under the Securities Act of 1933, as amended, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that the registrant meets all of the requirements for filing on Form S-11 and has duly caused this amendment to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Virginia Beach, Commonwealth of Virginia, on this 2nd day of May, 2013.

ARMADA HOFFLER PROPERTIES, INC.

By: /s/ Louis S. Haddad
Louis S. Haddad

Chief Executive Officer and President

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Louis S. Haddad Louis S. Haddad	Director, Chief Executive Officer and President (Principal Executive Officer)	May 2, 2013
/s/ Michael P. O Hara Michael P. O Hara	Chief Financial Officer (Principal Financial and Accounting Officer)	May 2, 2013

EXHIBIT INDEX

Exhibit	Exhibit Description
1.1**	Form of Underwriting Agreement
3.1**	Form of Articles of Amendment and Restatement of Armada Hoffler Properties, Inc.
3.2**	Form of Amended and Restated Bylaws of Armada Hoffler Properties, Inc.
4.1	Form of Certificate of Common Stock of Armada Hoffler Properties, Inc.
5.1	Opinion of Venable LLP regarding the validity of the securities being registered
8.1	Opinion of Hunton & Williams LLP with respect to tax matters
10.1**	Form of Amended and Restated Agreement of Limited Partnership of Armada Hoffler, L.P.
10.2 **	Armada Hoffler Properties, Inc. 2013 Equity Incentive Plan
10.3	Form of Restricted Stock Award Agreement for Executive Officers
10.4**	Form of Indemnification Agreement between Armada Hoffler Properties, Inc. and its directors and officers
10.5	Form of Tax Protection Agreement by and among Armada Hoffler Properties, Inc., Armada Hoffler, L.P., and each partner set forth in Schedule 2.1(a) thereto
10.6	Form of Representation, Warranty and Indemnity Agreement among Armada Hoffler Properties, Inc., Armada Hoffler, L.P. and Daniel A. Hoffler.
10.7 **	Armada Hoffler, L.P. Executive Severance Benefit Plan
10.8**	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and Daniel A. Hoffler, dated as of February 11, 2013
10.9**	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and A. Russell Kirk, dated as of February 12, 2013
10.10**	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and Louis S. Haddad, dated as of February 11, 2013
10.11**	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and Anthony P. Nero, dated as of February 12, 2013
10.12**	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and Eric E. Apperson, dated as of February 11, 2013
10.13**	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and Michael P. O Hara, dated as of February 11, 2013
10.14**	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and John C. Davis, dated as of February 11, 2013
10.15**	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and Alan R. Hunt, dated as of February 11, 2013
10.16**	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and Shelly R. Hampton, dated as of February 11, 2013
10.17**	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and William Christopher Harvey, dated as of February 11, 2013
10.18**	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and Eric L. Smith, dated as of February 12, 2013
10.19**	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and John E. Babb, dated as of January 31, 2013
10.20**	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and Rickard E. Burnell, dated as of February 12, 2013
10.21**	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and A/H TWA Associates, L.L.C., dated as of February 16, 2013
10.22**	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and RMJ Kirk Fortune Bay, L.L.C., dated as of February 16, 2013
10.23**	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and Kirk Gainsborough, L.L.C., dated as of February 16, 2013
10.24**	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and Chris A. Sanders, dated as of January 25, 2013

Exhibit	Exhibit Description
10.25**	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and Allen O. Keene, dated as of January 21, 2013
10.26**	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and Bruce G. Ford, dated as of January 31, 2013
10.27**	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and DIAN, LLC, dated as of January 28, 2013
10.28**	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and Compson of Richmond, L.C., Thomas Comparato and Lindsey Smith Comparato, dated as of January 31, 2013
10.29**	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and Bruce Smith Enterprises, LLC and Bruce B. Smith, dated as of January 31, 2013
10.30**	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and Steyn, LLC, dated as of January 31, 2013
10.31**	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and D&F Beach, L.L.C., dated as of February 1, 2013
10.32**	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and DF Smith's Landing, LLC, dated as of January 31, 2013
10.33**	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and Spratley Family Holdings, L.L.C., dated as of January 22, 2013
10.34**	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc., and Columbus One, LLC, DP Columbus Two, LLC, City Center Associates, LLC, TC Block 7 Partners LLC, TC Block 12 Partners LLC, TC Block 3 Partners LLC, TC Block 6 Partners LLC, TC Block 8 Partners LLC, TC Block 11 Partners LLC and TC Apartment Partners, LLC, dated as of February 1, 2013
10.35	Asset Purchase Agreement by and among AHP Construction, LLC and Armada/Hoffler Construction Company and Armada/Hoffler Construction Company of Virginia, dated as of May 1, 2013
10.36	Asset Purchase Agreement by and among AHP Asset Services, LLC and Armada Hoffler Holding Company, Inc., dated as of May 1, 2013
10.37	Contribution Agreement for the Apprentice School Apartment property by and among Armada Hoffler, L.P., Washington Avenue Associates, L.L.C. and Washington Avenue Apartments, L.L.C., and dated as of May 1, 2013
10.38	Option and Right of First Refusal Agreement by and between and Armada Hoffler, L.P. and Courthouse Marketplace Parcel 7, L.L.C., dated as of May 1, 2013
10.39	Option and Right of First Refusal Agreement by and between and Armada Hoffler, L.P. and Courthouse Outparcel A-1-B-2, LLC, dated as of May 1, 2013
10.40	Option and Right of First Refusal Agreement by and between and Armada Hoffler, L.P. and Hanbury Village, LLC, dated as of May 1, 2013
10.41	Option and Right of First Refusal Agreement by and between and Armada Hoffler, L.P. and Lake View AH-VNG, LLC, dated as of May 1, 2013
10.42	Option and Right of First Refusal Agreement by and between and Armada Hoffler, L.P. and Oyster Point Hotel Associates, L.L.C., dated as of May 1, 2013
10.43**	Contribution Agreement by and among Armada Hoffler, L.P., Armada Hoffler Properties, Inc. and Oyster Point Investors, L.P., dated as of February 11, 2013
10.44	Form of Restricted Stock Award Agreement for Directors
10.45	Option Agreement dated May 1, 2013 by and between Armada/Hoffler Properties, L.L.C. and Armada Hoffler, L.P.
21.1**	List of Subsidiaries of the Registrant
23.1**	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm
23.2**	Consent of Ernst & Young LLP, Independent Auditors
23.3	Consent of Venable LLP (included in Exhibit 5.1)
23.4	Consent of Hunton & Williams LLP (included in Exhibit 8.1)
23.5**	Consent of Rosen Consulting Group
24.1**	Power of Attorney (included on the Signature Page)

Exhibit	Exhibit Description
99.1**	Consent of George F. Allen
99.2**	Consent of James A. Carroll
99.3**	Consent of James C. Cherry
99.4**	Consent of John W. Snow
99.5**	Consent of Daniel A. Hoffer
99.6**	Consent of A. Russell Kirk

* To be filed by amendment.

** Previously filed.

Compensatory plan or arrangement.

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FONT> 3,451

Income taxes receivable

1,779

Deferred income taxes

5,872 8,073

Other current assets

2,752 6,076

Total current assets

206,524 198,525

Property, plant and equipment at cost:

Land and buildings

28,230 27,859

Construction equipment

54,754 52,086

Transportation equipment

19,703 19,192

Office equipment and software

14,876 14,358

Construction in progress

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2,434 1,251 119,997 114,746

Accumulated depreciation

(67,410) (61,817) 52,587 52,929

Goodwill

27,460 27,216

Other intangible assets

3,973 4,141

Other assets

2,263 1,997

Total assets

\$292,807 \$284,808

See accompanying notes.

Table of Contents**Matrix Service Company****Condensed Consolidated Balance Sheets**

(In thousands, except share data)

(unaudited)

	March 31, 2011	June 30, 2010
Liabilities and stockholders equity		
Current liabilities:		
Accounts payable	\$ 28,767	\$ 44,769
Billings on uncompleted contracts in excess of costs and estimated earnings	36,897	28,877
Accrued insurance	7,477	8,257
Income taxes payable	800	
Accrued wages and benefits	18,173	13,538
Current capital lease obligation	401	772
Other accrued expenses	2,479	6,572
Total current liabilities	94,994	102,785
Long-term capital lease obligation	46	259
Deferred income taxes	4,478	4,179
Total liabilities	99,518	107,223
Commitments and contingencies		
Stockholders equity:		
Common stock - \$.01 par value; 60,000,000 shares authorized; 27,888,217 shares issued as of March 31, 2011, and June 30, 2010	279	279
Additional paid-in capital	113,124	111,637
Retained earnings	94,548	81,252
Accumulated other comprehensive income	1,364	495
	209,315	193,663
Less: Treasury stock, at cost 1,450,800 shares as of March 31, 2011, and 1,546,512 shares as of June 30, 2010	(16,026)	(16,078)
Total stockholders equity	193,289	177,585
Total liabilities and stockholders equity	\$ 292,807	\$ 284,808

See accompanying notes.

Table of Contents**Matrix Service Company****Condensed Consolidated Statements of Cash Flows**

(In thousands)

(unaudited)

	Nine Months Ended	
	March 31,	March 31,
	2011	2010
Operating activities:		
Net income	\$ 13,299	\$ 9,105
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	8,250	8,880
Deferred income tax	2,191	256
Loss on sale of property, plant and equipment	7	26
Allowance for uncollectible accounts	321	2,838
Stock-based compensation expense	1,737	1,557
Tax benefit deficiency from the vesting of deferred shares	(139)	(393)
Other	165	118
Changes in operating assets and liabilities increasing (decreasing) cash:		
Accounts receivable	(4,281)	26,388
Costs and estimated earnings in excess of billings on uncompleted contracts	278	(4,477)
Inventories	855	536
Other assets	3,066	2,821
Accounts payable	(16,045)	(15,051)
Billings on uncompleted contracts in excess of costs and estimated earnings	8,020	(23,956)
Accrued expenses	(238)	(1,347)
Income tax receivable/payable	2,579	(2,267)
Net cash provided by operating activities	20,065	5,034
Investing activities:		
Acquisition of property, plant and equipment	(7,568)	(4,059)
Proceeds from asset sales	112	87
Net cash used by investing activities	\$ (7,456)	\$ (3,972)
<i>See accompanying notes.</i>		

Table of Contents**Matrix Service Company****Condensed Consolidated Statements of Cash Flows (continued)**

(In thousands)

(unaudited)

	Nine Months Ended	
	March 31,	March 31,
	2011	2010
Financing activities:		
Issuances of common stock	\$ 161	\$ 67
Capital lease payments	(584)	(829)
Tax benefit of exercised stock options	49	2
Payment of debt amendment fees	(216)	
Purchase of treasury shares	(272)	(428)
Net cash used by financing activities	(862)	(1,188)
Effect of exchange rate changes on cash	729	948
Net increase in cash and cash equivalents	12,476	822
Cash and cash equivalents, beginning of period	50,899	52,476
Cash and cash equivalents, end of period	\$ 63,375	\$ 53,298
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Income taxes	\$ 3,126	\$ 7,810
Interest	\$ 499	\$ 400
Non-cash investing and financing activities:		
Equipment acquired through capital leases	\$	\$ 236
Purchases of property, plant and equipment on account	\$ 84	\$ 100

See accompanying notes.

Table of Contents**Matrix Service Company****Condensed Consolidated Statements of Changes in Stockholders' Equity and Comprehensive Income**

(In thousands, except share data)

(unaudited)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Balances, June 30, 2010	\$ 279	\$ 111,637	\$ 81,252	\$ (16,078)	\$ 495	\$ 177,585
Net income			13,299			13,299
Other comprehensive income					869	869
Comprehensive income						14,168
Exercise of stock options (31,000 shares)		81	(3)	83		161
Tax effect of exercised stock options and the vesting of deferred shares		(90)				(90)
Issuance of deferred shares (92,761 shares)		(241)		241		
Treasury share purchases (28,049 shares)				(272)		(272)
Stock-based compensation expense		1,737				1,737
Balances, March 31, 2011	\$ 279	\$ 113,124	\$ 94,548	\$ (16,026)	\$ 1,364	\$ 193,289
Balances, June 30, 2009	\$ 279	\$ 110,496	\$ 76,387	\$ (16,146)	\$ (219)	\$ 170,797
Net income			9,105			9,105
Other comprehensive income					1,377	1,377
Comprehensive income						10,482
Exercise of stock options (11,500 shares)		36		31		67
Tax effect of exercised stock options and the vesting of deferred shares		(391)				(391)
Issuance of deferred shares (147,488 shares)		(403)		403		
Treasury share purchases (44,904 shares)				(428)		(428)
Stock-based compensation expense		1,557				1,557
Balances, March 31, 2010	\$ 279	\$ 111,295	\$ 85,492	\$ (16,140)	\$ 1,158	\$ 182,084

See accompanying notes.

Table of Contents**Matrix Service Company****Notes to Condensed Consolidated Financial Statements****(unaudited)****Note 1 Basis of Presentation**

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

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Rule 10-01 of Regulation S-X for interim financial statements required to be filed with the Securities and Exchange Commission and do not include all information and footnotes required by generally accepted accounting principles for complete financial statements. However, the information furnished reflects all adjustments, consisting of normal recurring adjustments and other adjustments described herein that are, in the opinion of management, necessary for a fair statement of the results for the interim periods.

The accompanying condensed financial statements should be read in conjunction with the audited financial statements for the year ended June 30, 2010, included in the Company's Annual Report on Form 10-K for the year then ended. The Company's business is cyclical due to the scope and timing of projects released by its customer base. In addition, Matrix Service generates a significant portion of its revenues under a comparatively few major contracts, which often do not commence or terminate in the same period from one year to the next. Accordingly, results for any interim period may not necessarily be indicative of future operating results.

Note 2 Uncompleted Contracts

Contract terms of the Company's construction contracts generally provide for progress billings based on attainment of 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 recognized on uncompleted contracts is reported as a current liability. Gross and net amounts on uncompleted contracts are as follows:

	March 31, 2011	June 30, 2010
	(in thousands)	
Costs incurred and estimated earnings recognized on uncompleted contracts	\$ 612,226	\$ 630,342
Billings on uncompleted contracts	608,481	618,299
	\$ 3,745	\$ 12,043
Presented as:		
Costs and estimated earnings in excess of billings on uncompleted contracts	\$ 40,642	\$ 40,920
Billings on uncompleted contracts in excess of costs and estimated earnings	36,897	28,877
	\$ 3,745	\$ 12,043

Progress billings in accounts receivable at March 31, 2011 and June 30, 2010 included retentions to be collected within one year of \$13.3 million and \$13.2 million, respectively. Contract retentions collectible beyond one year totaled \$1.5 million and \$0.1 million at March 31, 2011 and June 30, 2010.

Table of Contents**Matrix Service Company****Notes to Condensed Consolidated Financial Statements****(unaudited)****Note 3 Goodwill**

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

	Construction Services	Repair and Maintenance Services (In thousands)	Total
Balance at July 1, 2010			
Goodwill	\$ 31,427	\$ 20,789	\$ 52,216
Cumulative impairment loss	(25,000)		(25,000)
	6,427	20,789	27,216
Translation adjustment		244	244
Balance at March 31, 2011			
Goodwill	31,427	21,033	52,460
Cumulative impairment loss	(25,000)		(25,000)
	\$ 6,427	\$ 21,033	\$ 27,460

Note 4 Debt

The Company has a five-year, \$75.0 million senior revolving credit facility (Credit Facility) that expires on November 30, 2012. The Credit Facility is guaranteed by substantially all of the Company s subsidiaries and is secured by a lien on substantially all of the Company s assets. The Credit Facility is primarily used for the issuance of letters of credit and to fund working capital.

The credit agreement was amended, effective September 24, 2010, to waive the Company s non-compliance with the Fixed Charge Coverage Ratio covenant as of June 30, 2010, and to add back the charges related to the California Pay Practice Class Action Lawsuits discussed in Note 6

Commitments and Contingencies, included in Part I, Item 1 of this report, to the calculation of Consolidated EBITDA. The amendment also modified the definition of the Fixed Charge Coverage 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, 2010 Consolidated EBITDA was \$25.2 million and resulted in a capacity reduction to the Credit Facility of \$12.0 million at June 30, 2010. For the four quarters ended March 31, 2011, Consolidated EBITDA was \$31.5 million and did not cause a reduction to the available capacity under the Credit Facility at March 31, 2011.

Availability under the senior credit facility is as follows:

March 31, 2011	June 30, 2010
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	(In thousands)	
Credit Facility	\$ 75,000	\$ 75,000
Capacity constraint due to the Senior Leverage Ratio		12,049
Capacity under the Credit Facility	75,000	62,951
Letters of credit outstanding	7,484	11,622
Availability under senior credit facility	\$ 67,516	\$ 51,329

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Matrix Service Company

Notes to Condensed Consolidated Financial Statements

(unaudited)

Interest rates and fees under the Credit Facility are as follows:

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 additional margin on the LIBOR-based loans is between 2.00% and 2.75% based on the Senior Leverage Ratio.

The additional margin on the Alternate Base Rate loans is between 1.00% and 1.75% based on the Senior Leverage Ratio.

The Alternate Base Rate is the greater of the Prime Rate, Federal Funds Effective Rate plus 0.50% or LIBOR plus 1.00%.

The Unused Revolving Credit Facility Fee is between 0.35% and 0.50% based on the Senior Leverage Ratio. The credit agreement includes significant covenants and restrictions that include the following:

Our Tangible Net Worth must be an amount which is no less than the sum of \$110.0 million, plus the net proceeds of any issuance of equity that occurs after November 30, 2008, plus 50% of all positive quarterly net income after November 30, 2008.

The Senior Leverage Ratio must not exceed 2.50 to 1.00.

The Asset Coverage Ratio must be greater than or equal to 1.45 to 1.00.

The Fixed Charge Coverage Ratio must be greater than or equal to 1.25 to 1.00.

Share repurchases are limited to \$25.0 million in any calendar year.

Acquisitions are permitted so long as the Company's Senior Leverage Ratio on a pro forma basis as of the end of the fiscal quarter immediately preceding the acquisition is below 1.00 to 1.00 and availability under the Credit Facility is at or above 50% after consummation of the acquisition. If the Senior Leverage Ratio on a pro forma basis as of the end of the fiscal quarter immediately preceding the acquisition is over 1.00 to 1.00 but below 1.75 to 1.00, acquisitions will be limited to \$25.0 million in a twelve month period, provided there is at least \$25.0 million of availability under the Credit Facility after the consummation of the acquisition.

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Other customary affirmative and negative covenants place certain restrictions on the Company, including limits on new debt, operating and capital lease obligations, asset sales and certain distributions, including dividends.

The Company is in compliance with all affirmative, negative, and financial covenants under the credit agreement and is at the lowest margin tier for the LIBOR and Alternate Base Rate loans and the lowest tier for the Unused Revolving Credit Facility Fee.

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Matrix Service Company

Notes to Condensed Consolidated Financial Statements

(unaudited)

Note 5 Income Taxes

The Company complies with ASC 740, *Income Taxes*. Deferred income taxes are computed using the liability method whereby deferred tax assets and liabilities are recognized based on temporary differences between the financial and tax basis of assets and liabilities using presently enacted tax rates. Valuation allowances are established against deferred tax assets to the extent management believes that it is not probable that the assets will be recovered.

Note 6 Commitments and 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, coverage limits and self-insured retentions.

Typically our contracts require us to indemnify our customers for injury, damage or loss arising from the performance of our services. 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 Service maintains a 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.

Material Legal Proceeding

California Pay Practice Class Action Lawsuits

On December 8, 2008 (*December 2008 Action*) a class action lawsuit was filed in the Superior Court of California, Los Angeles County alleging that the Company's subsidiary, Matrix Service Inc. (*MSI*), and any subsidiary or affiliated company within the State of California had a consistent policy of failing to pay overtime wages in violation of California state wage and hour laws. Specifically, the lawsuit alleged that the Company was requiring employees to work more than 8 hours per day and failing to compensate at a rate of time and one-half, failing to pay double time for all hours worked in excess of twelve in one day, and not paying all wages due at termination. The class sought all unpaid overtime compensation, waiting time penalties, injunctive and equitable relief and reasonable attorneys' fees and costs. The class included approximately 1,500 current and former employees.

On September 1, 2009 (*September 2009 Action*) a second class action lawsuit was filed in the Superior Court of California, Alameda County also alleging that MSI and Matrix Service Company failed to comply with California state wage and hour laws. The September 2009 Action included similar allegations to the December 2008 Action but also alleged that the Company did not provide second meal periods and third rest periods for employees who worked more than 10 hours in a day, complete and accurate itemized wage statements, compensation for all compensable travel time, and did not take bonus payments into account when calculating the regular wage rate, leading to incorrect overtime rates. The class sought all allowable compensation, penalties for rest and meal periods not provided, restitution and restoration of sums owed, statutory penalties, declaratory and injunctive relief, and attorneys' fees and costs. The plaintiffs then amended the September 2009 Action to assert damages under the Private Attorney General's Act. The September 2009 Action increased the class to approximately 2,300 current and former employees.

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The cases were coordinated in Alameda County. At the plaintiff's request, mediation was held on September 7, 2010. In mediation, the parties executed a Memorandum of Understanding awarding the plaintiffs \$4.0 million (September Settlement). The award was in addition to amounts previously

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Matrix Service Company

Notes to Condensed Consolidated Financial Statements

(unaudited)

paid to the class members of \$1.9 million. The September Settlement was subject to court approval and resolved all class member claims included in the December 2008 Action and the September 2009 Action. The award was designated to pay the class member claims, an enhancement award to the three named plaintiffs, the cost of administration, and the class members' attorneys' fees and costs. As a result of these actions and the related settlement, the Company recorded a cumulative charge of \$6.1 million, of which \$5.1 million was recorded in fiscal 2010 and \$1.0 million was recorded in fiscal 2009. The fiscal 2010 charge included an estimate of the cost that will be incurred by the Company for payroll taxes that will be paid in conjunction with the September Settlement.

On January 20, 2011 the Company received final court approval of the September Settlement. Final payments of \$4.1 million have been made, which include \$4.0 million deposited with the claim administrator in December 2010 and \$0.1 million for applicable payroll taxes submitted in February 2011.

Unapproved Change Orders and Claims

As of March 31, 2011 and June 30, 2010, costs and estimated earnings in excess of billings on uncompleted contracts included revenues for unapproved change orders of \$4.8 million and \$3.0 million, respectively. There were no revenues related to claims included in costs and estimated earnings in excess of billings on uncompleted contracts at March 31, 2011 or June 30, 2010. Generally, collection of amounts related to unapproved change orders and claims is expected within twelve months. However, customers generally will not pay these amounts until final resolution of related claims, and accordingly, collection of these amounts may extend beyond one year. The amounts ultimately realized may be significantly different than the recorded amounts resulting in a material adjustment to future earnings.

Acquired Claims Receivable

The Company continues to pursue collection of the remaining claim receivables included in the purchase of S.M. Electric Company, Inc. in February 2009. The recorded value at March 31, 2011 of \$2.4 million represents the Company's best estimate of the amounts that will ultimately be collected. However, recovering these receivables will require mediation, arbitration or litigation and the ultimate amounts realized may be significantly different than the recorded amounts resulting in a material adjustment to future earnings. All future collection costs will be expensed as incurred.

Other

The Company and its subsidiaries are named as defendants in various other legal actions and are vigorously defending each of them. It is the opinion of management that none of the known legal actions will have a material adverse impact on the Company's financial position, results of operations or liquidity.

Table of Contents**Matrix Service Company****Notes to Condensed Consolidated Financial Statements****(unaudited)****Note 7 Other Comprehensive Income**

Other comprehensive income consisted of foreign currency translation adjustments.

	Three Months Ended		Nine Months Ended	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
	(In thousands)			
Net income	\$ 4,923	\$ 63	\$ 13,299	\$ 9,105
Other comprehensive income	113	324	869	1,377
Comprehensive income	\$ 5,036	\$ 387	\$ 14,168	\$ 10,482

Note 8 Earnings per Common Share

Basic earnings per share (EPS) is calculated based on the weighted average shares outstanding during the period. Diluted EPS includes the dilutive effect of employee and director stock options as well as the dilutive effect of nonvested deferred shares.

The computation of basic and diluted EPS is as follows:

	Three Months Ended		Nine Months Ended	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
	(In thousands, except per share data)			
Basic EPS:				
Net income	\$ 4,923	\$ 63	\$ 13,299	\$ 9,105
Weighted average shares outstanding	26,425	26,307	26,389	26,258
Basic EPS	\$ 0.19	\$ 0.00	\$ 0.50	\$ 0.35
Diluted EPS:				
Weighted average shares outstanding - basic	26,425	26,307	26,389	26,258
Dilutive stock options	108	109	89	101
Dilutive nonvested deferred shares	190	105	158	118
Diluted weighted average shares	26,723	26,521	26,636	26,477
Diluted EPS	\$ 0.18	\$ 0.00	\$ 0.50	\$ 0.34

Table of Contents**Matrix Service Company****Notes to Condensed Consolidated Financial Statements****(unaudited)**

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

	Three Months Ended		Nine Months Ended	
	March 31,	March 31,	March 31,	March 31,
	2011	2010	2011	2010
	(In thousands)			
Stock options		106	105	123
Nonvested deferred shares	32	68	49	86
Total antidilutive securities	32	174	154	209

Note 9 Segment Information

The Company has two reportable segments, the Construction Services segment and the Repair and Maintenance Services segment.

The primary services of our Construction Services segment are aboveground storage tanks for the bulk storage/terminal industry, capital construction for the downstream petroleum and power industries, specialty construction, and electrical and instrumentation services for various industries. These services, including civil/structural, mechanical, piping, electrical and instrumentation, millwrighting, and fabrication, are provided for projects of varying complexities, schedule durations, and budgets. Our project experience includes renovations, retrofits, modifications and expansions to existing facilities as well as construction of new facilities.

The primary services of our Repair and Maintenance Services segment are aboveground storage tank repair and maintenance services including tank inspection, cleaning and ASME code repairs, planned major and routine maintenance for the downstream petroleum industry and electrical and instrumentation repair and maintenance for various industries.

Items classified as other consist of certain corporate assets.

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 generally recorded at cost; therefore, no significant intercompany profit or loss is 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.

Table of Contents**Matrix Service Company****Notes to Condensed Consolidated Financial Statements****(unaudited)****Results of Operations**

(in thousands)

	Construction Services	Repair and Maintenance Services	Other	Total
Three Months Ended March 31, 2011				
Gross revenues	\$ 77,797	\$ 60,923	\$	\$ 138,720
Less: Inter-segment revenues	2,114	273		2,387
Consolidated revenues	75,683	60,650		136,333
Gross profit	13,192	5,378		18,570
Operating income	6,886	754		7,640
Segment assets	125,275	99,261	68,271	292,807
Capital expenditures	2,300	562	177	3,039
Depreciation and amortization expense	1,547	1,180		2,727
Three Months Ended March 31, 2010				
Gross revenues	\$ 79,394	\$ 45,701	\$	\$ 125,095
Less: Inter-segment revenues	3,073	9		3,082
Consolidated revenues	76,321	45,692		122,013
Gross profit	10,098	3,195		13,293
Operating income (loss)	880	(835)		45
Segment assets	117,974	89,214	62,508	269,696
Capital expenditures	63	276	871	1,210
Depreciation and amortization expense	1,646	1,268		2,914
Nine Months Ended March 31, 2011				
Gross revenues	\$ 285,303	\$ 185,209	\$	\$ 470,512
Less: Inter-segment revenues	6,502	587		7,089
Consolidated revenues	278,801	184,622		463,423
Gross profit	37,351	16,689		54,040
Operating income	17,809	3,576		21,385
Segment assets	125,275	99,261	68,271	292,807
Capital expenditures	4,458	893	2,217	7,568
Depreciation and amortization expense	4,612	3,638		8,250
Nine Months Ended March 31, 2010				
Gross revenues	\$ 244,484	\$ 175,726	\$	\$ 420,210
Less: Inter-segment revenues	9,910	212		10,122
Consolidated revenues	234,574	175,514		410,088
Gross profit	33,088	16,065		49,153
Operating income	11,152	3,290		14,442
Segment assets	117,974	89,214	62,508	269,696
Capital expenditures	565	1,082	2,412	4,059
Depreciation and amortization expense	4,976	3,904		8,880

Table of Contents**Matrix Service Company****Notes to Condensed Consolidated Financial Statements****(unaudited)**

Segment revenue from external customers by market is as follows:

	Construction Services	Repair and Maintenance Services (In thousands)	Total
Three Months Ended March 31, 2011			
Aboveground Storage Tanks	\$ 40,120	\$ 17,667	\$ 57,787
Downstream Petroleum	13,974	25,464	39,438
Electrical and Instrumentation	14,493	17,519	32,012
Specialty	7,096		7,096
Total	\$ 75,683	\$ 60,650	\$ 136,333
Three Months Ended March 31, 2010			
Aboveground Storage Tanks	\$ 28,305	\$ 17,957	\$ 46,262
Downstream Petroleum	24,286	22,086	46,372
Electrical and Instrumentation	18,251	5,649	23,900
Specialty	5,479		5,479
Total	\$ 76,321	\$ 45,692	\$ 122,013
Nine Months Ended March 31, 2011			
Aboveground Storage Tanks	\$ 130,444	\$ 60,766	\$ 191,210
Downstream Petroleum	57,550	76,257	133,807
Electrical and Instrumentation	71,800	47,599	119,399
Specialty	19,007		19,007
Total	\$ 278,801	\$ 184,622	\$ 463,423
Nine Months Ended March 31, 2010			
Aboveground Storage Tanks	\$ 95,736	\$ 69,824	\$ 165,560
Downstream Petroleum	69,250	89,293	158,543
Electrical and Instrumentation	47,726	16,397	64,123
Specialty	21,862		21,862
Total	\$ 234,574	\$ 175,514	\$ 410,088

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations **CRITICAL ACCOUNTING ESTIMATES**

There have been no material changes in our critical accounting policies from those reported in our fiscal 2010 Annual Report on Form 10-K filed with the SEC. For more information on our critical accounting policies, see Part II, Item 7 of our fiscal 2010 Annual Report on Form 10-K. The following section provides certain information with respect to our critical accounting estimates as of the close of our most recent quarterly period.

Unapproved Change Orders and Claims

As of March 31, 2011 and June 30, 2010 costs and estimated earnings in excess of billings on uncompleted contracts included revenues for unapproved change orders of \$4.8 million and \$3.0 million, respectively. There were no revenues related to claims included in costs and estimated earnings in excess of billings on uncompleted contracts at March 31, 2011 or June 30, 2010. The amounts ultimately realized may be significantly different than the recorded amounts resulting in a material adjustment to future earnings.

Acquired Claims Receivable

The Company continues to pursue collection of the remaining claim receivables included in the purchase of S.M. Electric Company, Inc. in February of 2009. The recorded value at March 31, 2011 of \$2.4 million represents the Company's best estimate of the amounts that will ultimately be collected. However, recovering these receivables will require mediation, arbitration or litigation and the ultimate amounts realized may be significantly different than the recorded amounts resulting in a material adjustment to future earnings. All future collection costs will be 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. As of March 31, 2011 and June 30, 2010, the Company recorded insurance reserves totaling \$7.5 million and \$8.3 million, respectively. These amounts represent our best estimate of our ultimate obligations for asserted claims, insurance premium obligations and claims incurred but not yet reported. 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, 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 and losses that could be significant.

Goodwill

The Company's most recent annual goodwill impairment test, performed in the fourth quarter of fiscal 2010, indicated that the estimated fair value of the Construction Services segment exceeded its carrying value by 75% and the estimated fair value of the Repair and Maintenance Services segment exceeded its carrying value by 61%. Based on the excess of estimated fair value over carrying value and the absence of any indicators of impairment at March 31, 2011, the Company does not currently anticipate recording a goodwill impairment charge for either of its operating units.

Recently Issued Accounting Standards

There are no recently issued accounting standards that we believe will have a material effect on our financial statements.

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RESULTS OF OPERATIONS

Overview

The Company has two reportable segments, Construction Services and Repair and Maintenance Services. The majority of the work for both segments is performed in the United States with 4.7% of revenues generated in Canada during the first nine months of fiscal 2011.

The primary services of our Construction Services segment are aboveground storage tanks for the bulk storage/terminal industry, capital construction for the downstream petroleum and power industries, specialty construction, and electrical and instrumentation services for various industries. These services, including civil/structural, mechanical, piping, electrical and instrumentation, millwrighting, and fabrication, are provided for projects of varying complexities, schedule durations, and budgets. Our project experience includes renovations, retrofits, modifications and expansions to existing facilities as well as construction of new facilities.

The primary services of our Repair and Maintenance Services segment are aboveground storage tank repair and maintenance services, planned major and routine maintenance for the downstream petroleum industry, specialty repair and maintenance services and electrical and instrumentation repair and maintenance for various industries.

Significant fluctuations in revenues, gross profits and operating results are discussed below on a consolidated basis and for each segment. Revenues fluctuate due to many factors, including the changing product mix and project schedules, which are dependent on the level and timing of customer releases of new business.

Three Months Ended March 31, 2011 Compared to the Three Months Ended March 31, 2010

Consolidated

Consolidated revenues were \$136.3 million for the three months ended March 31, 2011, an increase of \$14.3 million, or 11.7%, from consolidated revenues of \$122.0 million in the same period a year earlier. The increase in consolidated revenues was a result of a \$14.9 million increase in Repair and Maintenance Services revenues while Construction Services revenues decreased \$0.6 million.

Consolidated gross profit increased from \$13.3 million in the three months ended March 31, 2010 to \$18.6 million in the three months ended March 31, 2011. The increase of \$5.3 million was due to higher revenues which increased \$14.3 million and higher gross margins which increased to 13.6% in the three months ended March 31, 2011 compared to 10.9% in the same period a year earlier. The increase in gross margins was primarily due to the favorable effect of improved recovery of construction overhead costs in the three months ended March 31, 2011.

Selling, general and administrative expenses for the third quarter of fiscal 2011 were \$10.9 million compared to \$13.2 million in the third quarter of fiscal 2010. The third quarter of fiscal 2010 selling, general and administrative expenses included non-routine charges totaling \$3.5 million related to acquired claim receivables. The third quarter of fiscal 2011 selling, general and administrative expenses included higher incentive compensation costs due to improved operating results when compared to the same period a year earlier. SG&A expense as a percentage of revenue decreased to 8.0% in the three months ended March 31, 2011 compared to 10.9% in the same period a year earlier.

Net interest expense was \$0.2 million in the three months ended March 31, 2011 and 2010. Net interest expense for both periods was primarily related to Unused Revolving Credit Facility fees, fees on letters of credit issued under the Credit Facility, amortization of Credit Facility deal and amendment fees partially offset by interest earned on invested cash.

Other income in the three months ended March 31, 2011 and 2010 was \$0.5 million and \$0.2 million, respectively, and related primarily to foreign currency transaction gains.

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The effective tax rates in the three months ended March 31, 2011 and 2010 were 38.0% and 37.0%, respectively.

Construction Services

Revenues for the Construction Services segment were \$75.7 million in the three months ended March 31, 2011, compared with \$76.3 million in the same period a year earlier. The decrease of \$0.6 million, or 0.8%, was primarily due to lower Downstream Petroleum revenues which decreased to \$14.0 million in the three months ended March 31, 2011 compared to \$24.3 million in the same period a year earlier and lower Electrical and Instrumentation revenues, which decreased to \$14.5 million in the three months ended March 31, 2011, versus \$18.3 million in the same period a year earlier. These decreases were largely offset by higher Aboveground Storage Tank and Specialty revenues, which increased to \$40.1 million and \$7.1 million, respectively, in the three months ended March 31, 2011 compared to \$28.3 million and \$5.5 million, respectively, in the same period a year earlier.

Gross profit increased to \$13.2 million in the three months ended March 31, 2011 from \$10.1 million in the same period a year earlier. The increase in gross profit was due to higher gross margins which increased from 13.2% in the three months ended March 31, 2010 to 17.4% in the three months ended March 31, 2011. The increase in gross margins was due to strong project execution which led to the recognition of performance bonuses.

Repair and Maintenance Services

Revenues for the Repair and Maintenance Services segment were \$60.6 million in the three months ended March 31, 2011 compared to \$45.7 million in the same period a year earlier. The increase was due to higher Electrical and Instrumentation revenues, which increased to \$17.5 million in the three months ended March 31, 2011, compared to \$5.6 million in the same period a year earlier and higher Downstream Petroleum revenues, which increased to \$25.5 million in the three months ended March 31, 2011 compared to \$22.1 million in the same period a year earlier. Aboveground Storage Tank revenues were \$17.7 million in the three months ended March 31, 2011 compared to \$18.0 million in the same period a year earlier.

Gross profit increased from \$3.2 million in the three months ended March 31, 2010 to \$5.4 million in the three months ended March 31, 2011 due to higher revenues, which increased \$14.9 million, and higher gross margins which increased to 8.9% in the three months ended March 31, 2011 compared to 7.0% in the same period a year earlier. The gross margin increase was due to the favorable effect of improved recovery of construction overhead costs partially offset by lower direct margins.

Nine Months Ended March 31, 2011 Compared to the Nine Months Ended March 31, 2010

Consolidated

Consolidated revenues were \$463.4 million in the nine months ended March 31, 2011, an increase of \$53.3 million, or 13.0%, from consolidated revenues of \$410.1 million in the same period a year earlier. The increase in consolidated revenues was a result of an increase of \$44.2 million in Construction Services revenues and an increase of \$9.1 million in Repair and Maintenance Services revenues.

Consolidated gross profit increased from \$49.2 million in the nine months ended March 31, 2010 to \$54.0 million in the nine months ended March 31, 2011. The increase of \$4.8 million was largely due to the effect of higher revenues, partially offset by the effect of lower gross margins which decreased from 12.0% in the nine months ended March 31, 2010 to 11.7% in the nine months ended March 31, 2011. The change in gross margins was due to lower direct margins largely offset by the favorable effect of improved recovery of construction overhead costs.

Selling, general and administrative expenses for the nine months ended March 31, 2011 were \$32.7 million compared to \$34.7 million for the nine months ended March 31, 2010. Selling, general and administrative expenses for the nine months ended March 31, 2010 included non-routine charges totaling \$4.4 million related to acquired claim receivables. Selling, general and administrative expenses in the nine months ended March 31, 2011 included non-routine charges of \$0.6 million related to an internal fraud investigation previously discussed in our filings with the Securities and Exchange Commission, and

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higher incentive compensation costs due to improved operating results when compared to the same period a year earlier. SG&A expense as a percentage of revenue decreased to 7.0% in the nine months ended March 31, 2011 compared to 8.5% in the same period a year earlier.

Net interest expense was \$0.5 million in the nine months ended March 31, 2011 and 2010. Net interest expense for both periods was primarily related to Unused Revolving Credit Facility fees, fees on letters of credit issued under the Credit Facility, amortization of Credit Facility deal and amendment fees, partially offset by interest earned on invested cash.

Other income in the nine months ended March 31, 2011 was \$0.6 million and related primarily to foreign currency transaction gains partially offset by costs relating to the relocation of a regional operating facility. Other income in the nine months ended March 31, 2010 totaled \$0.8 million and related primarily to foreign currency transaction gains.

The effective tax rates for the nine months ended March 31, 2011 and 2010 were 38.0% and 38.2%, respectively.

Construction Services

Revenues for the Construction Services segment were \$278.8 million in the nine months ended March 31, 2011, compared with \$234.6 million in the same period a year earlier. The increase of \$44.2 million, or 18.8%, was primarily due to higher Aboveground Storage Tank revenues, which increased to \$130.4 million in the nine months ended March 31, 2011, versus \$95.7 million in the same period a year earlier and higher Electrical and Instrumentation revenues, which increased to \$71.8 million in the nine months ended March 31, 2011 compared to \$47.7 million in the same period a year earlier. Partially offsetting these increases were lower Downstream Petroleum and Specialty revenues which decreased to \$57.6 million and \$19.0 million, respectively, in the nine months ended March 31, 2011, compared to \$69.3 million and \$21.9 million, respectively, in the same period a year earlier.

Gross profit increased to \$37.4 million in the nine months ended March 31, 2011 from \$33.1 million in the same period a year earlier due to higher revenues, partially offset by lower gross margins which decreased from 14.1% in the nine months ended March 31, 2010 to 13.4% in the nine months ended March 31, 2011. The decline in gross margins was due to lower direct margins partially offset by the favorable effect of improved recovery of construction overhead costs in the nine months ended March 31, 2011.

Repair and Maintenance Services

Revenues for the Repair and Maintenance Services segment were \$184.6 million in the nine months ended March 31, 2011 compared to \$175.5 million in the same period a year earlier. The increase was due to higher Electrical and Instrumentation revenues, which increased to \$47.6 million in the nine months ended March 31, 2011, compared to \$16.4 million in the same period a year earlier partially offset by lower Downstream Petroleum revenues, which decreased to \$76.3 million in the nine months ended March 31, 2011 compared to \$89.3 million in the same period a year earlier, and lower Aboveground Storage Tank revenues, which decreased to \$60.8 million in the nine months ended March 31, 2011 compared to \$69.8 million in the same period a year earlier.

Gross profit increased from \$16.1 million in the nine months ended March 31, 2010 to \$16.7 million in the nine months ended March 31, 2011 primarily due to higher revenues, which increased \$9.1 million, largely offset by the effect of lower gross margins which decreased to 9.0% in the nine months ended March 31, 2011 compared to 9.2% in the same period a year earlier. The gross margin decrease was due to lower direct margins largely offset by the favorable effect of improved recovery of construction overhead costs.

Table of Contents**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 that we consider firm. The following contract types are considered firm:

fixed-price arrangements;

minimum customer commitments on cost plus arrangements; and

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

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

Three Months Ended March 31, 2011

The following table provides a summary of changes in our backlog for the three months ended March 31, 2011:

	Construction Services	Repair and Maintenance Services	Total
	(In thousands)		
Backlog as of December 31, 2010	\$ 204,468	\$ 161,499	\$ 365,967
New awards	78,709	75,539	154,248
Revenue recognized	(75,683)	(60,650)	(136,333)
Backlog as of March 31, 2011	\$ 207,494	\$ 176,388	\$ 383,882

At March 31, 2011, the Construction Services segment had a backlog of \$207.5 million, as compared to a backlog of \$204.5 million as of December 31, 2010. The increase of \$3.0 million is due to increases in Downstream Petroleum of \$8.0 million and Specialty of \$2.1 million, partially offset by decreases in Aboveground Storage Tank of \$3.8 million and Electrical and Instrumentation of \$3.3 million. The backlog at March 31, 2011 and December 31, 2010 for the Repair and Maintenance Services segment was \$176.4 million and \$161.5 million, respectively. The increase of \$14.9 million is due to increases in Downstream Petroleum of \$12.5 million and Electrical and Instrumentation of \$6.1 million, partially offset by the decrease in Aboveground Storage Tank of \$3.7 million.

Nine Months Ended March 31, 2011

The following table provides a summary of changes in our backlog for the nine months ended March 31, 2011:

	Construction Services	Repair and Maintenance Services	Total
	(In thousands)		
Backlog as of June 30, 2010	\$ 197,675	\$ 155,541	\$ 353,216
New awards	288,620	205,469	494,089
Revenue recognized	(278,801)	(184,622)	(463,423)

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Backlog as of March 31, 2011

\$ 207,494

\$ 176,388

\$ 383,882

At March 31, 2011 the Construction Services segment had a backlog of \$207.5 million, as compared to a backlog of \$197.7 million as of June 30, 2010. The increase of \$9.8 million is due to an increase in Aboveground Storage Tank of \$33.4 million, partially offset by decreases in Electrical and Instrumentation of \$13.4 million, Downstream Petroleum of \$9.9 million, and Specialty of \$0.3 million. The backlog at March 31, 2011 and June 30, 2010 for the Repair and Maintenance Services segment was \$176.4 million and \$155.5 million, respectively. The increase of \$20.9 million is due to increases in Electrical and Instrumentation of \$10.7 million, Downstream Petroleum of \$9.2 million, and Aboveground Storage Tank of \$1.0 million.

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Table of Contents**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 present 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 necessarily 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.

A reconciliation of EBITDA to net income follows:

	Three Months Ended		Nine Months Ended	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
	(In thousands)			
Net income	\$ 4,923	\$ 63	\$ 13,299	\$ 9,105
Interest expense	227	163	594	525
Provision for income taxes	3,018	37	8,152	5,634
Depreciation and amortization	2,727	2,914	8,250	8,880
EBITDA	\$ 10,895	\$ 3,177	\$ 30,295	\$ 24,144

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FINANCIAL CONDITION AND LIQUIDITY

Overview

We define liquidity as the ongoing ability to pay our liabilities as they become due, fund business operations and meet all monetary contractual obligations. Our primary sources of liquidity for the nine months ended March 31, 2011 was cash on hand at the beginning of the year and operational cash flows. Cash on hand at March 31, 2011 totaled \$63.4 million and availability under the senior revolving credit facility totaled \$67.5 million resulting in total liquidity at March 31, 2011 of \$130.9 million.

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

Changes in working capital

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 attainment of 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.

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

Maintaining full capacity under our senior revolving credit facility and remaining in compliance with all covenants contained in the credit agreement

In the future we may elect to raise additional capital by issuing common or preferred stock, convertible notes, term debt or increase the amount of our revolving credit facility as necessary to fund our operations or to fund the acquisition of other businesses. We will continue to evaluate our working capital requirements and other factors to maintain sufficient liquidity.

Cash Flow in the Nine Months Ended March 31, 2011

Cash Flows from Operating Activities

Cash flow from operations for the nine months ended March 31, 2011 totaled \$20.1 million and was primarily due to cash generated from profitable operating results, partially offset by an increase in working capital. The cash effect of significant changes in working capital include the following:

Accounts payable decreased by \$16.0 million. The decrease was primarily due to a large steel purchase late in the prior fiscal year related to a significant Aboveground Storage Tank project.

Accounts receivable increased by \$4.3 million. The accounts receivable balance fluctuates from period to period based on many factors including, but not limited to, the volume of business and the rate of collections. We consider the \$4.3 million increase in accounts receivable to be a normal fluctuation. In addition, we consider both the aging and the amount of the March 31, 2011 accounts receivable balance to be normal based on historical trends.

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The net change in the combined balances of costs and estimated earnings in excess of billings on uncompleted contracts and billings on uncompleted contracts in excess of costs and estimated earnings caused a decrease in working capital and an increase to cash of \$8.3 million. This change was primarily attributable to advanced billings on Aboveground Storage Tank contracts in the Construction Services segment.

Other assets decreased by \$3.1 million and is primarily attributable to certain insurance deposit refunds received.

Income taxes receivable/payable decreased by \$2.6 million due to the timing of income tax payments.

Accrued expenses decreased by \$0.2 million. The decrease was primarily the result of payments totaling \$4.1 million to settle the California Pay Practice Class Action Lawsuits offset in part by higher accrued wages at March 31, 2011. The settlement and payments for the California Pay Practice Class Action Lawsuits are discussed in Note 6 of the Notes to Condensed Financial Statements included in Part 1, Item 1 of this Quarterly Report on Form 10-Q.

Cash Flows from Investing Activities

Investing activities used \$7.5 million of cash in the nine months ended March 31, 2011 due to capital expenditures of \$7.6 million partially offset by proceeds from asset dispositions of \$0.1 million. Capital expenditures included \$3.7 million for the purchase of construction equipment, \$2.0 million for transportation equipment, \$1.4 million for office equipment and software and \$0.5 million for land and buildings.

Cash Flows from Financing Activities

Financing activities used \$0.9 million of cash in the nine months ended March 31, 2011 primarily due to capital lease payments of \$0.6 million, treasury stock purchases of \$0.3 million and payment of \$0.2 million in fees associated with the September 2010 amendment to the senior revolving credit facility, partially offset by cash received from the issuance of common stock associated with the exercise of incentive stock options and the related tax benefit.

Senior Revolving Credit Facility

The Company has a five-year, \$75.0 million senior revolving credit facility (Credit Facility) that expires on November 30, 2012. The Credit Facility is guaranteed by substantially all of the Company's subsidiaries and is secured by a lien on substantially all of the Company's assets. The Credit Facility is primarily used for the issuance of letters of credit and to fund working capital.

The credit agreement was amended, effective September 24, 2010, to waive the Company's non-compliance with the Fixed Charge Coverage Ratio covenant as of June 30, 2010, and to add back the charges related to the California Pay Practice Class Action Lawsuits discussed in Note 6 Commitments and Contingencies, included in Part I, Item 1 of this report, to the calculation of Consolidated EBITDA. The amendment also modified the definition of the Fixed Charge Coverage 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, 2010 Consolidated EBITDA was \$25.2 million and resulted in a capacity reduction to the Credit Facility of \$12.0 million at June 30, 2010. For the four quarters ended March 31, 2011, Consolidated EBITDA was \$31.5 million and did not cause a reduction to the available capacity under the Credit Facility at March 31, 2011. At March 31, 2011 our Consolidated Funded Indebtedness was \$7.5 million and related solely to letters of credit.

Interest rates and fees under the Credit Facility are as follows:

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.

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The additional margin on the LIBOR-based loans is between 2.00% and 2.75% based on the Senior Leverage Ratio.

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The additional margin on the Alternate Base Rate loans is between 1.00% and 1.75% based on the Senior Leverage Ratio.

The Alternate Base Rate is the greater of the Prime Rate, Federal Funds Effective Rate plus 0.50% or LIBOR plus 1.00%.

The Unused Revolving Credit Facility Fee is between 0.35% and 0.50% based on the Senior Leverage Ratio.

The credit agreement includes significant financial covenants and restrictions that include the following:

Our Tangible Net Worth must be an amount which is no less than the sum of \$110.0 million, plus the net proceeds of any issuance of equity that occurs after November 30, 2008, plus 50% of all positive quarterly net income after November 30, 2008.

The Senior Leverage Ratio must not exceed 2.50 to 1.00.

The Asset Coverage Ratio must be greater than or equal to 1.45 to 1.00.

The Fixed Charge Coverage Ratio must be greater than or equal to 1.25 to 1.00.

Share repurchases are limited to \$25.0 million in any calendar year.

Acquisitions are permitted so long as the Company's Senior Leverage Ratio on a pro forma basis as of the end of the fiscal quarter immediately preceding the acquisition is below 1.00 to 1.00 and availability under the Credit Facility is at or above 50% after consummation of the acquisition. If the Senior Leverage Ratio on a pro forma basis as of the end of the fiscal quarter immediately preceding the acquisition is over 1.00 to 1.00 but below 1.75 to 1.00, acquisitions will be limited to \$25.0 million in a twelve month period, provided there is at least \$25.0 million of availability under the Credit Facility after the consummation of the acquisition.

Other customary affirmative and negative covenants place certain restrictions on the Company, including limits on new debt, operating and capital lease obligations, asset sales and certain distributions, including dividends.

The Company is in compliance with all affirmative, negative, and financial covenants under the credit agreement and is at the lowest margin tier for the LIBOR and Alternate Base Rate loans and the lowest tier for the Unused Revolving Credit Facility Fee.

Dividend Policy

The Company has never paid cash dividends on its common stock, and the terms of our credit agreement limit the amount of cash dividends that can be paid. We currently intend to retain earnings to finance the growth of our business. Any future dividend payments will depend on our financial condition, capital requirements and earnings as well as other factors the Board of Directors may deem relevant.

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Stock Repurchase Program and Treasury Shares

Treasury Shares

On February 4, 2009 our Board of Directors authorized a stock buyback program (February 2009 Program) that allows the Company to purchase up to 3,000,000 shares of common stock provided that such purchases do not exceed \$25.0 million in any calendar year commencing in calendar year 2009 and continuing through calendar year 2012. The Company has not purchased any common shares under the February 2009 Program since its inception. Matrix Service may purchase shares in future periods if sufficient liquidity exists and the Company believes that it is in the best interest of the stockholders.

In addition to any stock buyback program that may be in effect, the Company may withhold shares of common stock to satisfy the tax withholding obligations upon vesting of an employee s deferred shares. Matrix Service withheld 28,049 shares in the nine months ended March 31, 2011 to satisfy these obligations. These shares were returned to the Company s pool of treasury shares.

The Company has 1,450,800 treasury shares as of March 31, 2011 and intends to utilize these treasury shares in connection with equity awards under the Company s stock incentive plans and for share issuances under a recently adopted employee stock purchase plan.

Outlook

The Company continues to experience generally improving market conditions and strong bid volume in both the Construction Services and Repair and Maintenance Services segments. Our outlook remains positive and we continue to see attractive project opportunities across our core markets.

The aboveground storage tank (AST) business continues to gain momentum with a number of projects planned in Cushing, Oklahoma and other terminal facilities in North America. The development of the Canadian oil sands and related pipelines to transport crude oil to the Gulf Coast continues to be a key driver for the AST market. Recent research reports have highlighted the excess crude inflow capacity into Cushing compared to the smaller outflow capacity to the Gulf Coast as a key driver for additional storage capacity over the next several quarters. This, combined with improving economics for terminal operators, is expected to support additional investments in storage assets. The AST repair and maintenance business has improved somewhat in recent months and we continue to pursue opportunities in the U.S. and Canada. The level of competition in the repair and maintenance market remains high, which is keeping margins below historical levels.

The electrical and instrumentation business continues to be a significant part of our growth strategy. We are targeting opportunities in the power delivery, power generation, downstream petroleum and renewable energy markets, which we believe will allow us to expand our market share in the Northeast corridor, Mid-Atlantic States and in other growth areas throughout North America. We have added equipment, tools and personnel to position the Company to capture a significant amount of work required to construct and upgrade power systems. We are also expanding beyond our traditional substation business to include transmission and distribution construction and maintenance as we see a growing market for capital expansion and maintenance to the high voltage infrastructure required by many of our utility customers.

The calendar year 2011 outlook for the downstream petroleum market is positive based on refinery utilization rates and improving crack spreads. This trend also bodes well for improved construction activity in this market segment. Turnaround activity in the third fiscal quarter was higher compared to the prior year and we expect turnaround activity in the fourth fiscal quarter to be strong as well. However, the timing of future awards continues to be uncertain. In addition, it will be difficult to achieve attractive margins given the high level of competition in the downstream petroleum market.

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FORWARD-LOOKING STATEMENTS

This Form 10-Q 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 Form 10-Q 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 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 our Construction Services and Repair and Maintenance Services segments;

the likely impact of new or existing regulations or market forces on the demand for our services;

expansion and other development trends of 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 continue 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 perception of 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 our Form 10-K for the fiscal year ended June 30, 2010 and listed from time to time in our filings with the Securities and Exchange Commission;

the inherently uncertain outcome of current and future litigation and, in particular, our ability to recover the claim receivables acquired in a recent acquisition;

the adequacy of our reserves for contingencies;

economic, market or business conditions in general and in the oil and gas, power and petrochemical 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 Form 10-Q 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 to or effects on us or our business operations. We assume no obligation to update publicly any such forward-looking statements, whether as a result of new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Other than noted below, there have been no material changes in market risk faced by us from those reported in our Annual Report on Form 10-K for the fiscal year ended June 30, 2010, filed with the Securities and Exchange Commission. For more information on market risk, see Part II, Item 7A in our fiscal 2010 Annual Report on Form 10-K.

Japan is a major producer of steel, and the earthquake and resulting tsunami that occurred in Japan on March 11, 2011 has caused or may cause Japanese companies to curtail some of their steel exports due to reduced manufacturing capacity, increased Japanese demand, or other factors. We purchase our

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steel from domestic sources, and the events in Japan have not had a material short-term effect on our steel supply. However, supply disruptions originating in Japan could affect domestic supply or steel prices in the United States. We continue to believe that our contracting strategy of passing the risk of steel price increases and availability on to our customers mitigates our risk related to these events. However, we cannot predict and will continue to assess what affect, if any, a long-term reduction in Japanese imports may have on the United States steel market in terms of both pricing and availability of our steel supplies.

Item 4. 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 Chairman of the Board of Directors, who is currently acting in the capacity of our Chief Executive Officer, and our 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 Chairman of the Board of Directors and the Chief Financial Officer, do 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 through collusion or management override.

We carried out an evaluation, under the supervision and with the participation of our management, including our Chairman of the Board of Directors and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2011. Based on the foregoing, our Chairman of the Board of Directors and our Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level at March 31, 2011.

There have been no changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect our internal controls over financial reporting during the quarter ended March 31, 2011.

While we believe our control environment is effective, as a result of the fraud that allegedly occurred and has been discussed in our previous filings with the Securities and Exchange Commission, the Company is in the process of enhancing certain internal control processes and procedures in order to improve the existing internal controls.

Table of Contents**PART II****OTHER INFORMATION****Item 1. Legal Proceedings**

For information regarding legal proceedings, see the discussion under the caption "Material Legal Proceeding" in Note 6 in Item 1 of Part 1 of this Quarterly Report on Form 10-Q, which information is incorporated by reference into this Part II, Item 1.

Item 1A. Risk Factors

There were no material changes in our Risk Factors from those reported in Item IA of Part I of our Annual Report on Form 10-K for the fiscal year ended June 30, 2010.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds
Issuer Purchases of Equity Securities**

The table below sets forth the information with respect to purchases made by the Company of its common stock during the third quarter of fiscal year 2011.

	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
January 1 to January 31, 2011				
Share Repurchase Program (A)				3,000,000
Employee Transactions (B)	334	\$ 11.79		
February 1 to February 28, 2011				
Share Repurchase Program (A)				3,000,000
Employee Transactions (B)		\$		
March 1 to March 31, 2011				
Share Repurchase Program (A)				3,000,000
Employee Transactions (B)		\$		

- (A) On February 4, 2009 our Board of Directors authorized a stock buyback program that allows the Company to purchase up to 3,000,000 shares of common stock provided that such purchases do not exceed \$25.0 million in any calendar year commencing in calendar year 2009 and continuing through calendar year 2012.
- (B) 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.

Dividend Policy

The Company has never paid cash dividends on its common stock, and the terms of our credit agreement limit the amount of cash dividends that can be paid. We currently intend to retain earnings to finance the growth of our business. Any payment of cash dividends in the future will

depend upon our financial condition, capital requirements and earnings as well as other factors the Board of Directors may deem relevant.

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Item 3. Defaults Upon Senior Securities

None

Item 4. Reserved

Item 5. Other Information

None

Item 6. Exhibits:

Exhibit 10: Fourth Amendment to Second Amended and Restated Credit Agreement.

Exhibit 31.1: Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002 CEO.

Exhibit 31.2: Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002 CFO.

Exhibit 32.1: Certification Pursuant to 18 U.S.C. 1350 (section 906 of Sarbanes-Oxley Act of 2002) CEO.

Exhibit 32.2: Certification Pursuant to 18 U.S.C. 1350 (section 906 of Sarbanes-Oxley Act of 2002) CFO.
Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MATRIX SERVICE COMPANY

Date: May 3, 2011

By: /s/ KEVIN S. CAVANAH
Kevin S. Cavanah,

Vice President and

Chief Financial Officer signing on behalf of the registrant and

as the registrant's principal financial officer

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EXHIBIT INDEX

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