

CHARTER FOR THE AUDIT COMMITTEE OF MATRIX SERVICE COMPANY

I. DESCRIPTION AND PURPOSE

The Audit Committee (the “Committee”) is a standing committee of the Board of Directors (the “Board”) of Matrix Service Company (the “Company”). Its purpose is to oversee the accounting and financial reporting processes of the Company and the audits of the financial statements of the Company. The Committee shall act independently as authorized and assist the Board in fulfilling its oversight responsibility to the shareholders, potential shareholders, the investment community, and others relating to the Company’s financial statements and the financial reporting process, the systems of internal accounting and financial controls, the internal audit function, the annual independent audit of the Company’s financial statements, and the legal compliance and ethics programs as established by management and the Board. In so doing, it is the responsibility of the Committee to maintain free and open communication between the Committee, independent auditors, the internal auditors and management of the Company.

II. COMPOSITION OF THE COMMITTEE

A. Number of Members

The Committee shall consist of at least three members, comprised solely of Independent Directors, as that term is defined below. Unless the Chair is elected by the full Board, the members of the Committee shall elect a Chair by a majority vote of all the Committee members.

B. Qualifications

1. **Financial Literacy.** Each member of the Committee must be able to read and understand fundamental financial statements, including the Company’s balance sheet, income statement, and cash flow statement.
2. **Financial Expertise.** At least one member of the Committee must be an “Audit Committee Financial Expert” (“ACFE”), as defined by the SEC and determined by the Board. An ACFE must possess all of the following attributes (the “Attributes”):
 - a. an understanding of generally accepted accounting principles and financial statements;
 - b. the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
 - c. experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company’s financial statements, or experience actively supervising one or more persons engaged in such activities;

- d. an understanding of internal control over financial reporting; and
- e. an understanding of audit committee functions.

The ACFE must have acquired the Attributes through any one or more of the following:

- a. education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;
- b. experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;
- c. experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or
- d. other relevant experience.

3. Independence. As used in this Charter, "Independent Director" means a member of the Board other than an officer or employee of the Company or its subsidiaries or any other individual having a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The following persons shall not be considered independent for purposes of serving on the Audit Committee:

- a. a director who is, or at any time during the past three years was, employed by the Company or by any parent or subsidiary of the Company;
- b. a director who accepted or has a Family Member (defined below) who accepted any payments from the Company or any parent or subsidiary of the Company in excess of \$60,000 during any period of twelve consecutive months within the three years preceding the determination of independence, other than the following:
 - (i) compensation for Board or Board committee service;
 - (ii) payments arising solely from investments in the Company's securities;
 - (iii) compensation paid to a Family Member who is a non-executive employee of the Company;
 - (iv) benefits under a tax-qualified retirement plan, or non-discretionary compensation;

(v) loans from a financial institution provided that the loans (1) were made in the ordinary course of business, (2) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with the general public, (3) did not involve more than a normal degree of risk or other unfavorable factors, and (4) were not otherwise subject to the disclosure requirements of SEC Regulation S-K, Item 404;

(vi) payments from a financial institution in connection with the deposit of funds or the financial institution acting in an agency capacity, provided such payments were (1) made in the ordinary course of business, (2) made on substantially the same terms as those prevailing at the time for comparable transactions with the general public, and (3) not otherwise subject to the disclosure requirements of SEC Regulation S-K, Item 404; or

(vii) loans permitted under Section 13(k) of the Exchange Act (charge cards).

- c. a director who is a Family Member of an individual who is, or at any time during the past three years was, employed by the Company or by any parent or subsidiary of the Company as an executive officer. Family Member means a person's spouse, parents, children and siblings, whether by blood, marriage or adoption, or anyone residing in such person's home;
- d. a director who is, or has a Family Member who is, a partner in, or a controlling shareholder or an executive officer of, any organization to which the Company made, or from which the Company received, payments for property or services in the current or any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenues for that year, or \$200,000, whichever is more, other than the following:
 - (i) payments arising solely from investments in the Company's securities; or
 - (ii) payments under non-discretionary charitable contribution matching programs;
- e. a director of the Company who is, or has a Family Member who is, employed as an executive officer of another entity where at any time during the past three years any of the executive officers of the Company serves on the compensation committee of such other entity;

- f. a director who is, or has a Family Member who is, a current partner of the Company's outside auditor, or was a partner or employee of the Company's outside auditor who worked on the Company's audit at any time during any of the past three years;
- g. a director who has accepted directly or indirectly any consulting, advisory, or other compensatory fee from the Company or any subsidiary thereof, provided that, unless the rules of the national securities exchange or national securities association provide otherwise, compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Company (provided that such compensation is not contingent in any way on continued service);
- h. a director who is an affiliate of the Company or any of its subsidiaries. The term "affiliate" means a person that directly, or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified, such as an executive officer or the beneficial owner, directly or indirectly, of more than 10% or any class of voting equity securities of the specified person. The following will also be deemed to be affiliates: (i) an executive officer of an affiliate, (ii) a director who is also an employee of an affiliate, (iii) a general partner of an affiliate, and (iv) a managing member of an affiliate; and
- i. a director who has participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years.

For purposes of independence, any three year look back periods commence on the date the relationship ceases. In addition, any reference to a "parent or subsidiary" covers entities the Company controls and consolidates with the Company's financial statements as filed with the SEC (but not if the Company reflects such entity solely as an investment in the Company's financial statements).

III. MEETINGS

A. Frequency

The Committee shall meet as frequently as circumstances require, but in any event on a quarterly basis. The Committee may ask members of management or others to attend meetings and may provide pertinent information to them as the Committee deems necessary.

B. Keeping Minutes

Minutes shall be taken for each Committee meeting which shall then be approved at the next meeting of the Committee.

IV. AUTHORITY

The Committee's authority is as follows:

A. Authority to Hire, Terminate and Compensate External Auditor/Settle Disputes

The Committee is authorized to appoint, determine the compensation of, and retain and oversee the work of any registered public accounting firm engaged (including resolving disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work or performing other audit, review or attest services for the Company, and each such registered public accounting firm must report directly to the Committee.

B. Authority to Engage Advisers

The Committee is authorized to engage independent counsel and other advisers, as it determines necessary to carry out its duties.

C. Authority to Conduct Independent Investigations

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and the power to retain and compensate outside counsel or other experts for this purpose.

D. Authority to Directly Access Corporate Employees and Information

The Committee is authorized to fully and directly access the independent auditor, anyone in the Company, and any and all information and records of the Company.

E. Funding

The Committee is authorized, and the Company shall provide for, appropriate funding, as determined by the Committee, in its capacity as a committee of the Board, for payment of: (i) compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attestation services for the Company, (ii) compensation to any advisers employed by the Committee under Sections B and C of this Article IV, (iii) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

V. RESPONSIBILITIES AND PROCESSES

The primary responsibility of the Committee is to oversee the Company's accounting and financial reporting processes and the audits of the financial statements on behalf of the Board and report the results of its activities to the Board. Management is responsible for preparing the Company's financial statements, and the independent auditors are responsible for auditing those financial statements. The Committee in carrying out its responsibilities believes its policies and procedures should remain flexible, in order to best react to changing conditions and circumstances. The Committee should take the appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices, and ethical behavior.

The following shall be the principal recurring processes of the Committee in carrying out its oversight responsibilities. The processes may be amended or supplemented from time to time by the Committee as it deems appropriate in order to carry out its duties and responsibilities contained in this Charter and to comply with changes required by applicable law.

A. In General

1. The Committee shall establish and maintain a clear understanding with management and the independent auditors that the independent auditors are ultimately accountable to the Board and the Committee, as representatives of the Company's shareholders.
2. The Committee shall monitor the integrity of the Company's financial reporting process and systems of internal controls regarding finance, accounting, and legal compliance.
3. The Committee shall ensure the independence and monitor the performance of the Company's independent auditor and the performance of the Company's internal auditing department.
4. The Committee shall provide an avenue of communication between the independent auditor and the Company's internal auditing department.
5. The Committee shall provide an avenue of communication among the independent auditor, management, the Company's internal auditing department, and the Board.

B. Review Procedures

1. The Committee shall review and reassess the adequacy of this Charter on an annual basis and submit this Charter to the Board for approval and have it published at least once every three years in accordance with SEC regulations and the rules of the stock exchange on which the Company's securities are traded.
2. The Committee shall review the interim financial statements with management and the independent auditors prior to the filing of the Company's Quarterly Report on Form 10-Q. Also, the Committee shall discuss the results of the quarterly review and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards. The Chair of the Committee may represent the entire Committee for the purposes of this review.
3. The Committee shall review with management and the independent auditors the financial statements to be included in the Company's Annual Report on Form 10-K (or the annual report to shareholders if distributed prior to the filing of Form 10-K), including their judgment about the quality, not just acceptability, of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements. Also, the Committee shall discuss the results of the annual audit and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards.
4. The Committee shall discuss with management the Company's earnings press releases as well as financial information and earnings guidance provided to analysts and rating agencies. Such discussion may generally consist of discussing the types of information to be disclosed and the types of presentations to be made.
5. The Committee shall review with the independent auditor any audit problems or difficulties and management's response, including, but not limited to (1) any restrictions on the scope of the independent auditor's activities, (2) any restriction on the access of the independent auditor to requested materials, (3) any significant disagreements with management and (4) any audit differences that were noted or proposed by the independent auditor but for which the Company's financial statements were not adjusted (as immaterial or otherwise). The Committee shall have sole authority to resolve any disagreements between the independent auditors and management regarding financial reporting.
6. The Committee shall review disclosures made to the Committee by the Company's CEO and CFO during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of disclosure controls and procedures and any fraud involving management or other employees who have a significant role in the Company's internal controls.

7. Commencing with the fiscal year ended May 31, 2005, the Committee shall receive a copy of the attestation by the independent auditors of management's assessment of the effectiveness of the Company's internal control over financial reporting.
8. If the appointment of the independent auditors is submitted for any ratification by shareholders, the Committee shall be responsible for making the recommendation of the independent auditors.
9. The Committee shall obtain from the independent auditors assurance that the requirements of Section 10A of the Securities Exchange Act of 1934, as amended, that pertain to the independent auditors have been complied with.
10. The Committee shall obtain reports from management that the Company is in conformity with the Company's Code of Business Conduct and Ethics.
11. The Committee shall establish and maintain procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters as further set forth in this Charter.
12. The Committee shall maintain procedures for the confidential anonymous submission by employees of the Company of concerns regarding questionable accounting, internal controls or auditing matters as further set forth in this Charter.
13. The Committee shall discuss with management and the independent auditors any correspondence with regulators or governmental agencies and any published reports that raise material issues regarding the Company's financial statements or accounting policies.
14. In conjunction with management, the independent auditor, and the Company's internal auditors, consider the integrity of the Company's financial reporting processes and controls. Discuss significant financial risk exposures and the steps management has taken to monitor, control and report such exposures. Review significant findings prepared by the independent auditor and the Company's internal auditing department together with management's responses. The scope of this review should at a minimum include a discussion of significant deficiencies and material weaknesses in design or operation of internal controls and any fraud, whether or not material, by management or other employees who have a significant role in the Company's internal control over financial reporting as reported by management, the auditing department or the independent auditor.

15. The Committee shall discuss any significant changes to the Company's accounting principles and any items required to be communicated by the independent auditor in accordance with SAS 61 *Communications With Audit Committees*. The Chairman of the Committee may represent the entire Committee for purposes of this review.
16. The Committee shall review with the independent auditor and objectively weigh the information provided by the independent auditor and the soundness of the Company's accounting policies in connections with:
 - a. The Company's financial statements and related footnotes and the independent auditor's report thereon, including their report on the adequacy of the Company's internal controls and any significant recommendations they may offer to improve internal controls;
 - b. Any significant accruals, reserves or estimates which may have a material impact on the financial statements;
 - c. Any difficulties or disputes with management encountered by the independent auditor during the course of the audit and any instances of second opinions sought by management;
 - d. All critical accounting policies and practices to be used by the Company;
 - e. All alternative treatments of financial information within generally accepted accounting principles that have been discussed with management of the Company, the ramifications of the use of such alternative disclosures and treatment, and the treatment preferred by the independent auditor;
 - f. Other material written communications between the independent auditor and the management of the Company, such as any management letter or schedule of unadjusted differences.
 - g. The adequacy of the Company's internal controls and any significant findings during the year and management's responses thereto, including at a minimum significant deficiencies and material weaknesses in internal controls and any fraud, whether or not material, by management);
 - h. Any difficulties encountered in the course of the audits, including any restrictions on the scope of the independent auditor's work or access to required information;
 - i. Any separate service that the independent auditor is providing the Company with written confirmation from the independent auditor regarding the nature of the service and existence of pre-approval from the Committee; and

- j. When required, the soundness of the internal quality-control procedures of the independent auditor including its standing before the Public Company Accounting Oversight Board and the nature of any investigation or other proceedings related to its quality controls or performance.
- 17. The Committee shall consider with management and the independent auditor the possible impact of any pending changes in accounting standards or rules as promulgated by the FASB or others.
- 18. The Committee shall review with legal counsel any legal and regulatory matters that may have a material impact on the financial statements and any reports received from regulators, and any environmental compliance and reserves.
- 19. The Committee shall report Committee actions to the Board with such recommendations as the Committee may deem appropriate.
- 20. The Committee shall conduct an appropriate review of all related party transactions involving the Company for potential conflict of interest situations on an ongoing basis and all such transactions shall be approved by the Committee.

C. Independent Auditor and Other Registered Public Accounting Firms

- 1. The independent auditor is directly accountable to the Committee. The Committee has the direct responsibility for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work or performing other audit, review or attest services for the Company, and each such registered public accounting firm must report directly to the Committee.
- 2. The Committee is responsible for ensuring that the independent auditor submits to the Committee a formal written statement delineating all relationships between the independent auditor and the Company, consistent with Independence Standards Board Standard 1, *Independent Discussions with Audit Committees*. The Committee is also responsible for actively engaging in a dialogue with the independent auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditor and for taking, or recommending that the Board take appropriate action to oversee the independence of the independent auditor. The Committee shall review the independence and the performance of the auditors and appoint the independent auditor or approve any discharge of auditors when circumstances warrant. To ensure independence, on an annual basis, the Committee shall review and discuss with the independent auditor all significant relationships they have with the Company that could impair the auditor's independence.

3. The Committee shall review the independent auditor's audit plan – discuss scope, staffing, locations, reliance upon management, and internal audit and general audit approach to ensure completeness of coverage, reduction in redundant efforts, and the effective use of audit resources.
4. The Committee shall approve the fees and other significant compensation to be paid to the independent auditor.
5. The Committee shall approve any change in the independent auditor's engagement partner or audit partner responsible for the audit of the Company's financial statements and confirm that the independent auditor has rotated its lead or controlling audit partner having primary responsibility for the audit or the audit partner responsible for reviewing the audit with an assignment not to exceed five fiscal years.

D. Prohibited Non-Audit Services

Except as provided in Section E, below, the independent auditor shall not provide to the Company, contemporaneously with the audit, any non-audit service, including the following:

1. bookkeeping or other services related to the accounting records or financial statements of the Company;
2. financial information systems design and implementation;
3. appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
4. actuarial services;
5. internal audit outsourcing services;
6. management functions or human resources;
7. broker or dealer, investment adviser, or investment banking services;
8. legal services and expert services unrelated to the audit; and
9. any other service that the Public Company Accounting Oversight Board determines, by regulation, is impermissible.

The independent auditor may engage in any non-audit service, including tax services, that is not described in Subsections 1 through 9 above, only if the activity is approved in advance by the Committee in accordance with Section E, below.

E. Pre-approval Requirements

In General. All auditing services (which may entail providing comfort letters in connection with securities underwritings) and non-audit services, other than as provided in Section D, above, provided to the Company by the independent auditor shall be pre-approved by the Committee.

De Minimis Exception. Notwithstanding anything to the contrary in this Section E, the pre-approval requirement shall not apply to the provision of non-audit services for the Company, if:

1. the aggregate amount of all such non-audit services provided to the Company constitutes not more than five percent of the total amount of revenues paid by the Company to the independent auditor during the fiscal year in which the non-audit services are provided;
2. the non-audit services were not recognized by the Company at the time of the engagement to be non-audit services; and
3. the non-audit services are promptly brought to the attention of the Committee and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board to whom authority to grant such approvals has been delegated by the Committee.

Disclosure to Investors. Any approval by the Committee of a non-audit service to be performed by the independent auditor of the Company shall be disclosed to investors in periodic reports required by Section 13(a) of the Exchange Act.

Delegation of Pre-Approval Authority. The Committee may delegate to one or more designated members of the Committee who are independent directors of the Board of Directors, the authority to grant pre-approvals required by this Section E. The decisions of any Committee member to whom authority is delegated under this paragraph to pre-approve an activity under this Section E shall be presented to the full Committee at each of its scheduled meetings.

Approval of Audit Services for Other Purposes. If the Committee approves an audit service within the scope of the engagement of the independent auditor, the audit service shall be deemed to have been pre-approved for purposes of this Section E.

F. Complaint Procedures; Dispute Resolution

1. **Accounting Complaints.** The Committee shall establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. These procedures, which may be incorporated into a more comprehensive code of ethics, shall at a minimum: (i) set forth a statement about the Company's commitment to comply with the laws; (ii) encourage employees to inform the Company of conduct amounting to a violation of the applicable standards; (iii) describe prohibited conduct; (iv) set forth compliance procedures that employees can easily use, including making anonymous complaints, and (v) provide assurances that there will be no retaliation for reporting suspected violations.
2. **Financial Accounting Policy Dispute Resolution.** The Committee shall establish procedures for resolving disputes between the external auditor and management over issues pertaining to financial reporting. The Committee shall resolve these disputes, and for such purpose, the procedures may allow the Committee to obtain a second opinion from independent advisors. The procedures shall in no way allow the Committee to improperly influence the external auditor.

G. Required Response to Audit Discoveries

If, in the course of conducting an audit of the Company, the Company's independent auditor informs the Committee that an illegal act (whether or not perceived to have a material effect on the financial statements of the Company) has been detected or has otherwise come to the attention of the independent auditor, (a) the Committee shall immediately direct the Company's senior management to take timely and appropriate remedial action with respect to the illegal act and to advise the Committee of the action taken, and (b) the Committee shall obtain written confirmation from the independent auditor that the remedial action taken has satisfactorily addressed the illegal act. At the next regularly scheduled meeting of the Board, or sooner if deemed appropriate by the Committee, the Committee shall report to the Board the illegal act, the remedial action taken and the status of the matter. The Committee may delegate to one or more designated members of the Committee who are independent directors of the Board, the authority to carry out the actions required by this Section G.

H. Audit Committee Report

To the extent required by statute or regulation to be provided in the Company's proxy statements or other filing with the SEC,

1. The Committee must state whether:
 - a. The Committee has reviewed and discussed the Company's audited financial statements with management;
 - b. The Committee has discussed with the independent auditors the matters required to be discussed by SAS 61, as may be modified or supplemented;
 - c. The Committee has received the written disclosures and the letter from the independent auditor required by Independence Standards Board Standard No. 1 (Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*), as may be modified or supplemented, and has discussed with the independent auditor the independent auditor's independence; and
 - d. Based on the review and discussions referred to in paragraphs (1)(a) through (1)(c) of this Section H, the Committee recommended to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K for the last fiscal year for filing with the SEC.
2. The name of each member of the Committee must appear below the required disclosure.

VI. CERTIFICATION

The Company shall provide to Nasdaq, or other primary stock exchange on which the Company's securities are traded, any changes to its written certification with respect to:

1. The independence of directors who are members of this Committee;
2. The financial literacy of Committee members;
3. The presence of an ACFE on the Committee; and
4. The Committee's annual review and reassessment of this Charter.

Accordingly, the Committee shall immediately report to the Board any information bearing upon the Board's determination of any of the foregoing.

VII. NOTIFICATION OF NON-COMPLIANCE

The Company shall provide to the Nasdaq, or other primary stock exchange on which the Company's securities are traded, prompt notification after an executive officer becomes aware of any material noncompliance by the Company of the qualitative listing requirements related to the Committee such as deviation from the composition and independence requirements and any restrictions placed on the authority, duties and responsibilities contained in this Charter.

VIII. GOING CONCERN ANNOUNCEMENT

In the event the Company receives an opinion from its independent auditor that contains a going concern qualification, it shall make a public announcement through the news media disclosing the receipt of such qualification within seven (7) days following the filing of the audit opinion with the SEC.

IX. AVAILABILITY OF CHARTER TO SECURITY HOLDERS

The Company shall provide a its security holders with a copy of this Charter by including a current copy as an appendix to its proxy statement at least once every three fiscal years.