CONSUMER PORTFOLIO SERVICES INC
Form 11-K
June 29, 2010

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

(Mark One)

[x] Annual Report pursuant to Section 15(d) of the Securities Exchange of 1934

For the fiscal year ended December 31, 2009

OR

[ ] Transition Report pursuant to Section 15(d) of the Securities Exchange Act of 1934 [No Fee Required]

For the transition period from ______ to_______

Commission File Number 1-11416

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

Consumer Portfolio Services, Inc. 401(k) Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Consumer Portfolio Services, Inc.
19500 Jamboree Road
Irvine, CA 92612

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REQUIRED INFORMATION

I. Financial Statements.

Financial statements and schedule prepared in accordance with the financial reporting requirements of the Employee Retirement Income Security Act of 1974, together with the report of independent registered public accounting firm thereon, are filed herewith.

II. Exhibits:

Consent of Independent Registered Public Accounting Firm is filed herewith as Exhibit 23.1.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the Plan) have duly caused this annual report to be signed on its behalf by the undersigned, hereunto duly authorized.

Consumer Portfolio Services, Inc. 401(k) Plan

Date: By: /s/ Jeffrey P. Fritz
Jeffrey P. Fritz
Member, Administrative Committee

CONSUMER PORTFOLIO SERVICES, INC. 401(K) PLAN

Financial Statements and Supplemental Schedule

As of and for the Years Ended December 31, 2009 and 2008

(with Report of Independent Registered Public Accounting Firm Thereon)

CONSUMER PORTFOLIO SERVICES, INC. 401(K) PLAN

Index to Financial Statements and Supplemental Schedule

All schedules omitted are not applicable or are not required based on disclosure requirements of the Employee Retirement Income Security Act of 1974 and regulations issued by the Department of Labor.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Participants and Benefits Committee
Consumer Portfolio Services, Inc. 401(k) Plan:

We have audited the accompanying statements of net assets available for benefits of the Consumer Portfolio Services, Inc. 401(k) Plan (the "Plan") as of December 31, 2009 and 2008 and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2009 and 2008 and the changes in net assets available for benefits for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule, Schedule H, line 4i – schedule of assets (held at end of year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

/s/ HASKELL & WHITE LLP

June 24, 2010
Irvine, California

CONSUMER PORTFOLIO SERVICES, INC. 401(K) PLAN

Statements of Net Assets Available for Benefits
As of December 31, 2009 and 2008

	2009	2008
Investments, at fair value (Notes 2 and 3):		
Interest bearing cash	$30,437	$8,538
Guaranteed interest account	2,443,358	3,218,267
Pooled separate accounts	8,398,747	6,264,965
Consumer Portfolio Services, Inc. common stock	735,108	220,070
Participant loans	519,924	664,938
Net assets available for benefits, at fair value	12,127,574	10,376,778
Adjustments from fair value to contract value for		
fully benefit-responsive investment	(90,990)	167,992
Net assets available for benefits	$12,036,584	$10,544,770

See accompanying notes to financial statements.

CONSUMER PORTFOLIO SERVICES, INC. 401(K) PLAN

Statements of Changes in Net Assets Available for Benefits
For the Years Ended December 31, 2009 and 2008

	2009	2008
Additions to net assets attributed to:		
Contributions:		
Employees	$802,881	$1,300,097
Employer (Note 1)	-	665,563
Employees' individual rollover	14,294	94,502
Total contributions	817,175	2,060,162
Investments (Notes 2, 3 and 4):		
Interest	36,148	56,402
Interest at contract value	89,095	93,824
Net appreciation (depreciation) in fair value of pooled separate accounts	1,936,207	(3,667,226)
Realized (loss) gain on sale of CPS, Inc. common stock	(162,276)	20,314
Unrealized gain (loss) of CPS, Inc. common stock	608,884	(1,437,444)
Investment expenses	(54,543)	(118,326)
Total investments	2,453,515	(5,052,456)
Total additions	3,270,690	(2,992,294)
Deductions from net assets attributed to:		
Benefits paid to participants	(1,778,876)	(1,443,876)
Total deductions	(1,778,876)	(1,443,876)
Net increase (decrease)	1,491,814	(4,436,170)
Net assets available for benefits:		
Beginning of year	10,544,770	14,980,940
End of year	$12,036,584	$10,544,770

See accompanying notes to financial statements.

CONSUMER PORTFOLIO SERVICES, INC. 401(K) PLAN

Notes to Financial Statements
December 31, 2009 and 2008

(1) Description of the Plan

The following description of the Consumer Portfolio Services, Inc. (the Plan Sponsor or CPS) 401(k) Plan (the Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

(a) General

The Plan was established as a profit sharing plan with a cash or deferred arrangement on January 1, 1994. The Plan was restated as of January 1, 1996 to permit investment in the Plan Sponsor's common stock without regard to Section 407(a) of the Employee Retirement Income Security Act of 1974 (ERISA). Effective January 1, 2003 the Plan Sponsor adopted the MassMutual Life Insurance Company Flexinvest® Prototype Non-Standardized 401(k) Profit Sharing Plan.

The Plan is a defined contribution plan which provides retirement benefits for eligible employees of the Plan Sponsor. It is subject to the provisions of the ERISA.

(b) Administration of the Plan

The Plan is administered by the Human Resources Department (the Plan Administrator) of the Plan Sponsor. The Plan Administrator consults with the benefits administrative committee and other key management of the Plan Sponsor when managing the operations and the administration of the Plan.

The Plan is operated under an agreement which requires that MassMutual Retirement Services (MassMutual), as custodian and recordkeeper, holds and distributes the funds of the Plan in accordance with the text of the Plan and the instructions of the Plan Administrator or its designees.

(c) Basis of Presentation

Certain reclassifications have been made to the prior years' financial statements in order to conform to the current year presentation. Such reclassifications are immaterial to both current and all previously issued financial statements taken as a whole and had no effect on previously issued changes in net assets available for benefits.

(d) Contributions

Employees are eligible to participate in the Plan after completing 90 days of service. In accordance with the Plan, participants may contribute up to 50% of their annual compensation. Contributions are subject to certain limitations as defined in the Plan agreement as well as a maximum of $16,500 and $15,500 for the years ended December 31, 2009 and 2008, respectively, under the Internal Revenue Code (IRC) of 1986. Participants may roll over into the Plan amounts representing distributions from other qualified plans.

CONSUMER PORTFOLIO SERVICES, INC. 401(K) PLAN

Notes to Financial Statements (continued)
December 31, 2009 and 2008

(1) Description of the Plan (continued)

(d) Contributions (continued)

The Plan Sponsor may make a discretionary matching contribution equal to a discretionary amount of each participant's pretax contributions up to a maximum of $1,500. Total discretionary matching contributions were $431,980 and $665,563 for the years ended December 31, 2009 and 2008, respectively. In accordance with the Plan Agreement, for the year ended December 31, 2009, $431,980 of employer matching contributions were made from the reallocation of forfeited accounts and therefore not included in the statement of changes in net assets available for benefits.

(e) Participant Accounts

Each participant's account is credited with the participant's contributions, allocations of the Plan Sponsor's matching contributions, investment earnings and charged with an allocation of expenses and investment losses. Allocations are based on participant earnings or account balances, as defined in the Plan agreement.

(f) Vesting

Participants are immediately vested in their contributions plus actual earnings thereon. Vesting in the Plan Sponsor's matching contributions plus actual earnings thereon is based on years of continuous service. A participant vests at the rate of 20% after two years of credited service and 20% each year thereafter until 100% is reached after six years of credited service. Participants are also fully vested at death, retirement and upon termination for disability.

(g) Investment Options

The Plan offers various investment options which are managed by several outside investment managers. Upon enrollment in the Plan, participants may direct their contributions in any of the investment options offered at the time. Participants may change their investment options daily. Participants should refer to the investment literature provided by the Plan Sponsor for a complete description of the investment options and for the detailed composition of each investment fund.

(h) Participants Loans

Participants may borrow from their fund accounts. Loan transactions are treated as transfers to and from participant investment funds. Loans are secured by the participant's vested account balance and bear interest at a rate commensurate with local prevailing rates as determined by the Plan Administrator. Loans are limited to the lesser of $50,000, reduced by the highest outstanding loan balance during the preceding 12 months, or 50% of the participant's vested account balance. A loan shall be repaid within five years, unless it is used for the purchase of a primary residence.

Participant loans are included in the statements of net assets available for plan benefits at their outstanding balances, which approximate fair value of the loans. The loans are payable through payroll deductions in installments of principal plus interest at rates between 4.25% and 9.25%, with final payments due between January 2010 and

December 2022.

CONSUMER PORTFOLIO SERVICES, INC. 401(K) PLAN

Notes to Financial Statements (continued)
December 31, 2009 and 2008

(1) Description of the Plan (continued)

(i) Payments of Benefits

Upon termination of service, a participant may elect to receive either a single lump sum payment in cash equal to the value of the vested interest in his or her account, or a series of substantially equal annual or more frequent installments over a period not to exceed the participant's life expectancy. Benefits are recorded when paid.

(j) Forfeited Accounts

Through December 31, 2002 forfeitures were applied to reduce any employer contribution. Effective January 1, 2003, forfeitures attributable to matching contributions will be applied first to reduce expenses related to the administration of the Plan and then to reduce any employer contributions. As of December 31, 2009 and 2008, forfeited accounts totaled $263,890 and $692,129 respectively. The decrease in forfeitures from December 31, 2008 to December 31, 2009 was a result of the use of forfeitures to pay Plan administrative expenses and fund employer matching contributions during 2009. Prior to 2009, forfeitures had not been used to fund employer matching contributions.

(k) Plan Termination

Although it has not expressed any intent to do so, the Plan Sponsor has the right under the Plan to discontinue contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100% vested in their accounts.

(2) Significant Accounting Policies

(a) Basis of Accounting

The financial statements of the Plan have been prepared on the accrual basis of accounting.

(b) Investments

Publicly traded securities are carried at fair value based on published market quotations. Shares of pooled separate accounts are valued at the net fair value of the underlying assets at year-end. Participant loans are valued at their outstanding balances, which approximates fair value. Purchases and sales of investments are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Interest income is recorded on the accrual basis.

Realized gains and losses on investments are based on the market value of the asset at the beginning of the year or at the time of purchase for assets purchased during the year and the related fair value on the date investments are sold during the year.

CONSUMER PORTFOLIO SERVICES, INC. 401(K) PLAN

Notes to Financial Statements (continued)
December 31, 2009 and 2008

(2) Significant Accounting Policies (continued)

(b) Investments (continued)

In accordance with generally accepted accounting principles (GAAP), investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan for fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transaction under the terms of the Plan. In the event that the underlying agreements in the Plan's investments in fully benefit-responsive investment contracts are fully or partially terminated, participants will receive the liquidation value instead of the contract value. The Plan's administrator does not anticipate the full or partial termination of such agreements in the foreseeable future. As required by GAAP, the statement of net assets available for benefits presents the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from a fair value to contract value. The statements of changes in net assets available for benefits are prepared on a contract value basis.

(c) Administrative Expenses

The Plan and the Plan Sponsor share in plan expenses. Certain direct investment expenses, such as record keeping fees, brokerage fees and loan, withdrawal or distribution processing fees are deducted from participants' accounts. During the years ended December 31, 2009 and 2008, $28,692 and $34,782, respectively, in Plan administrative expenses were paid through the use of forfeitures.

(d) Use of Estimates

The Plan Administrator has made a number of estimates and assumptions relating to the reporting of assets and liabilities and disclosure of contingent assets and liabilities to prepare these financial statements in conformity with GAAP. Accordingly, actual results may differ from those estimates.

(e) Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued the FASB Accounting Standards Codification for financial statements issued for periods ending after September 15, 2009. The Plan adopted the new codification for financial reporting purposes as of and for the year ended December 31, 2009. The codification became the single authoritative source for GAAP. The Codification did not affect the Plan's statement of net assets available for benefits or statement of changes in net assets available for benefits as of and for the year ended December 31, 2009.

CONSUMER PORTFOLIO SERVICES, INC, 401(K) PLAN

Notes to Financial Statements (continued)
December 31, 2009 and 2008

(2) Significant Accounting Policies (continued)

(e) Recent Accounting Pronouncements

In May 2009, the FASB issued new standards for subsequent events, which established general standards of accounting for and disclosure of events that occur after the statement of net assets available for Plan benefits date but before financial statements are issued or are available to be issued. The new standards are effective for annual reporting periods ending after June 15, 2009. The Plan adopted the new standards for financial reporting purposes as of and for the year ended December 31, 2009. As these standards only require additional disclosures, the adoption did not have an impact on the Plan's statement of net assets available for benefits or statement of changes in net assets available for benefits as of and for the year ended December 31, 2009.

(3) Investments

In accordance with GAAP, the Plan uses a hierarchy for measuring the fair value of all financial assets and liabilities that are being measured and reported at fair value on a recurring and non-recurring basis. Fair value is measured in levels, which are described in more detail below, and are determined based on the observability and reliability of the assumptions used to determine fair value.

Level 1: Valuation for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or comparable assets or liabilities.

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models, and similar techniques, and not based on market exchange, dealer, or broker traded transactions. These valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Investments in the Plan are measured and reported at fair value on a recurring basis. The following tables show the balances of these assets based on their GAAP designated levels:

	As of December 31, 2009			
	Total	Level 1	Level 2	Level 3
Pooled separate accounts	$ 8,398,747	$ -	$ 8,398,747	$ -
Guaranteed interest account	2,443,358	-	-	2,443,358
Participant loans	519,924	-	-	519,924
CPS, Inc. common stock	735,108	735,108	-	-
Interest bearing cash	30,437	30,437	-	-

Total	$ 12,127,574	$ 765,545	$ 8,398,747	$ 2,963,282

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CONSUMER PORTFOLIO SERVICES, INC. 401(K) PLAN

Notes to Financial Statements (continued)
December 31, 2009 and 2008

(3) Investments (continued)

	As of December 31, 2008			
	Total	Level 1	Level 2	Level 3
Pooled separate accounts	$ 6,264,965	$ -	$ 6,264,965	$ -
Guaranteed interest account	3,218,267	-	-	3,218,267
Participant loans	664,938	-	-	664,938
CPS, Inc. common stock	220,070	220,070		
Interest bearing cash	8,538	8,538	-	-
Total	$ 10,376,778	$ 228,608	$ 6,264,965	$ 3,883,205

The fair value of pooled separate accounts was determined based on the observable net asset value of the underlying investments. The fair value of participant loans approximates the carrying value. A reconciliation of the participant loans for the years ended December 31, 2009 and 2008 is as follows:

	2009	2008
Beginning balance	$ 664,938	$ 670,428
Principal distributions	(17,058)	3,496
Principal payments	(326,664)	(470,566)
Issuances of new loans	198,708	461,580
Ending balance	$ 519,924	$ 664,938

The fair value of the guaranteed interest account was determined based on the liquidation value calculated using an actuarial formula as defined under the terms of the contracts. The aforementioned actuarial formula takes into consideration the following factors: (i) the interest rate being earned by investments underlying the guaranteed interest account determined without regard to capital gains and losses, (ii) the assumed interest rate obtainable by MassMutual on new investments, and (iii) the asset flows of an investment with coupons and maturity characteristics based upon the rates defined under the terms of the contracts. A reconciliation of the guaranteed interest account for the years ended December 31, 2009 and 2008 is as follows:

	2009	2008
Beginning balance	$ 3,218,267	$ 2,184,393
Settlements (purchases), net	(761,087)	59,020
Transfers (out) in, net	(102,917)	881,030
Interest earned	89,095	93,824

Ending balance	$	2,443,358	$	3,218,267

CONSUMER PORTFOLIO SERVICES, INC. 401(K) PLAN

Noted to Financial Statements (continued)
December 31, 2009 and 2008

(3) Investments (continued)

Management may also be required, from time to time, to measure certain other financial assets at fair value on a non-recurring basis in accordance with GAAP. During the years ended December 31, 2009 and 2008, no other financial assets were measured at fair value on a non–recurring basis.

The following presents the fair value of investments that represent 5% or more of the Plan's net assets available for plan benefits:

	As of December 31,			
		2009		2008
Investment:				
Guaranteed Interest Account	$	2,443,358	$	3,218,267
Select Indexed Equity (Northern Trust)		1,084,894		829,327
Select Aggressive Growth (Sands Cap/Delaware)		875,658		*
Moderate Journey		789,374		*
Premier Main Street (OFI Inst)		736,640		*
CPS, Inc. Common Stock		735,108		*
Premier Cap Appreciation (OFI)		656,271		*
International New Discovery (MFS)		624,897		*
Aggressive Journey		544,813		*
Select Fundamental Value (Wellington)		526,383		*
Total Return (PIMCO)		485,844		*
Other investments individually less than 5%		2,624,334		6,329,184
	$	12,127,574	$	10,376,778

* Investment did not constitute five percent or more for the applicable year.

The average yield for the guaranteed interest account was 3.15% and 3.47% for the years ended December 31, 2009 and 2008, respectively.

(4) Risks and Uncertainties

The Plan provides for various investment options in money market funds, pooled separate accounts, guaranteed interest accounts and the common stock of Consumer Portfolio Services, Inc. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of uncertainty related to changes in value of investment securities, it is at least reasonably possible that changes in the various risk factors could materially affect participants' account balances and the amounts reported in the financial statements.

Diluted EPS:

Weighted average shares outstanding basic	26,342	26,195
Dilutive stock options	77	104
Dilutive nonvested deferred shares	130	138
Diluted weighted average shares	26,549	26,437
Diluted EPS	$0.12	$0.17

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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	
	September 30, 2010	September 30, 2009
	(In thousands)	
Stock options	121	125
Nonvested deferred shares	81	193
Total antidilutive securities	202	318

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 industry, specialty construction, and electrical/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.

Other consists of operating activity related to previously disposed of businesses and 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.

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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 September 30, 2010				
Gross revenues	$ 99,620	$ 54,431	$	$ 154,051
Less: Inter-segment revenues	2,106	107		2,213
Consolidated revenues	97,514	54,324		151,838
Gross profit	11,344	4,358		15,702
Operating income	4,779	334		5,113
Segment assets	147,082	97,252	48,246	292,580
Capital expenditures	872	238	1,149	2,259
Depreciation and amortization expense	1,549	1,249		2,798
Three Months Ended September 30, 2009				
Gross revenues	$ 80,579	$ 60,176	$	$ 140,755
Less: Inter-segment revenues	2,908	197		3,105
Consolidated revenues	77,671	59,979		137,650
Gross profit	11,096	6,322		17,418
Operating income	5,266	2,065		7,331
Segment assets	129,969	90,672	62,417	283,058
Capital expenditures	268	87	678	1,033
Depreciation and amortization expense	1,683	1,336		3,019

Segment revenue from external customers by market is as follows:

	Construction Services	Repair and Maintenance Services (In thousands)	Total
Three Months Ended September 30, 2010			
Aboveground Storage Tanks	$ 40,780	$ 21,232	$ 62,012
Downstream Petroleum	20,927	22,406	43,333
Electrical and Instrumentation	29,922	10,686	40,608
Specialty	5,885		5,885
Total	$ 97,514	$ 54,324	$ 151,838
Three Months Ended September 30, 2009			
Aboveground Storage Tanks	$ 31,394	$ 26,791	$ 58,185

Downstream Petroleum	24,433	27,681	52,114
Electrical and Instrumentation	13,487	5,507	18,994
Specialty	8,357		8,357
Total	$ 77,671	$ 59,979	$ 137,650

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Matrix Service Company

Notes to Condensed Consolidated Financial Statements

(unaudited)

Note 10 Internal Investigation

In connection with a routine project review, the Company determined that a subcontractor and an employee of the Company in one operating location in the United States may have been in collusion to obtain improper payments from the Company. Consequently, the Company, with the assistance of internal audit, forensic accounting specialists and outside counsel, conducted an investigation into this matter which has led to the conclusion that the Company was improperly invoiced for a total of approximately $1.7 million by the subcontractor, a majority of which was in turn paid by the subcontractor to five current and former employees of the Company over the last four fiscal years. A portion of the improper payments were recorded as costs on cost reimbursable projects. These costs, along with the Company s mark-up, were subsequently billed to certain customers resulting in an overbilling of $1.3 million, which will be refunded, accordingly, the Company recorded a liability of $1.3 million in accounts payable at June 30, 2010. The Company believes that the loss to the Company and the first $100,000 of costs incurred to conduct the investigation are covered by the Company s crime policy and recorded a receivable for the estimated probable loss recovery from insurance of $1.3 million in accounts receivable at June 30, 2010. The insurance claim is in process but no amounts have been collected as of September 30, 2010.

The Company recorded a charge, which is included in selling, general and administrative expenses, of $0.5 million in the first quarter of fiscal 2011 for the cost of the investigation. Since the internal investigation is complete and all significant costs have been identified, the Company does not believe this matter will significantly affect earnings in future periods.

The Company intends to fully cooperate with law enforcement authorities with respect to this matter.

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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 September 30, 2010 and June 30, 2010 costs and estimated earnings in excess of billings on uncompleted contracts included revenues for unapproved change orders of $3.6 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 September 30, 2010 or June 30, 2010.

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 September 30, 2010 of $3.4 million represents the Company s best estimate of the amounts that will ultimately be collected. However, monetizing these receivables may 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 September 30, 2010 and June 30, 2010, the Company recorded insurance reserves totaling $7.9 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 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 September 30, 2010, 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 5.6% of revenues generated in Canada during the first quarter 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 industry, specialty construction, and electrical/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.

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 September 30, 2010 Compared to the Three Months Ended September 30, 2009

Consolidated

Consolidated revenues were $151.8 million in fiscal 2011, an increase of $14.1 million, or 10.2%, from consolidated revenues of $137.7 million in fiscal 2010. The improvement in consolidated revenues resulted from an increase of $19.8 million in Construction Services revenues offset by a decrease of $5.7 million in Repair and Maintenance Services revenues.

Consolidated gross profit decreased from $17.4 million in fiscal 2010 to $15.7 million in fiscal 2011. The decrease of $1.7 million was due to lower gross margins which decreased to 10.3% in fiscal 2011 compared to 12.7% a year earlier. The decrease in gross margins was due to lower direct margins partially offset by the favorable effect of reduced unrecovered construction overhead costs.

Consolidated SG&A expenses were $10.6 million in fiscal 2011 compared to $10.1 million in the prior fiscal year. The net increase was primarily related to costs of $0.5 million associated with an internal investigation discussed in Note 10 Internal Investigation of the Notes to Condensed Consolidated Financial Statements included in Part I, Item I of this report. SG&A expense as a percentage of revenue decreased to 7.0% in fiscal 2011 compared to 7.3% in the prior fiscal year.

Net interest expense was $0.2 million in fiscal 2011 and $0.1 million in fiscal 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 fiscal 2010 was $0.1 million and related primarily to foreign currency transaction gains. There was no other income in fiscal 2011.

The effective tax rates for fiscal 2011 and fiscal 2010 were 38.0% and 38.1%, respectively.

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Construction Services

Revenues for the Construction Services segment were $97.5 million in fiscal 2011, compared with $77.7 million in fiscal 2010. The increase of $19.8 million, or 25.5%, was primarily due to the growth in our Electrical and Instrumentation revenues, which increased to $29.9 million in fiscal 2011 compared to $13.5 million a year earlier, and Aboveground Storage Tank revenues, which increased to $40.8 million in fiscal 2011, versus $31.4 million in fiscal 2010. Partially offsetting these increases were lower Downstream Petroleum and Specialty revenues which decreased to $20.9 million and $5.9 million in fiscal 2011, compared to $24.4 million and $8.4 million a year earlier.

Gross profit increased to $11.3 million in fiscal 2011 from $11.1 million in fiscal 2010 due to higher revenues partially offset by lower gross margins which decreased from 14.3% in fiscal 2010 to 11.6% in fiscal 2011. The decline was due to lower direct margins partially offset by the favorable effect of lower unrecovered construction overhead costs.

Repair and Maintenance Services

Revenues for the Repair and Maintenance Services segment were $54.3 million in fiscal 2011 compared to $60.0 million in fiscal 2010. The decline was due to a lower volume of recurring repair and maintenance work which has resulted in lower Aboveground Storage Tank revenues, which decreased to $21.2 million in fiscal 2011 compared to $26.8 million a year earlier, and lower Downstream Petroleum revenues, which decreased to $22.4 million in fiscal 2011 compared to $27.7 million if fiscal 2010. These declines were partially offset by higher Electrical and Instrumentation revenues, which increased to $10.7 million in fiscal 2011, compared to $5.5 million a year earlier.

Gross profit decreased from $6.3 million in fiscal 2010 to $4.4 million in fiscal 2011 due to a reduction in revenues and lower gross margins. Gross margins were 8.0% in fiscal 2011 compared to 10.5% in fiscal 2010. The gross margin reduction was due to lower direct margins partially offset by the favorable effect of lower unrecovered construction overhead costs.

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.

The following table provides a summary of changes in our backlog for the three months ended September 30, 2010:

	Construction Services	Repair and Maintenance Services	Total
		(In thousands)	
Backlog as of June 30, 2010	$ 197,675	$ 155,541	$ 353,216
New backlog awarded	124,803	69,046	193,849

Revenue recognized on contracts in backlog	(97,514)	(54,324)	(151,838)
Backlog as of September 30, 2010	$ 224,964	$ 170,263	$ 395,227

At September 30, 2010 the Construction Services segment had a backlog of $225.0 million, as compared to a backlog of $197.7 million as of June 30, 2010. The increase of $27.3 million is due to increases in Aboveground Storage Tank of $39.5 million and Specialty of $2.3 million, partially offset by decreases in Electrical and Instrumentation of $7.5 million and Downstream Petroleum of $7.0 million. The backlog at September 30, 2010 and June 30, 2010 for the Repair and Maintenance Services segment was $170.3 million and $155.5 million, respectively. The increase of $14.8 million is due to increases in Electrical and Instrumentation of $9.8 million and Aboveground Storage Tank of $9.3 million, partially offset by the decline in Downstream Petroleum of $4.3 million.

Non-GAAP Financial Measure

EBITDA is a supplemental, non-GAAP financial measure. EBITDA is defined as earnings before interest expense, income taxes, depreciation and amortization. We have presented EBITDA because it is used by the financial community as a method of measuring our performance and of evaluating the market value of companies considered to be in similar businesses. We believe that the line item on our Consolidated Statements of Income entitled "Net Income" is the most directly comparable GAAP measure to EBITDA. Since EBITDA is not a measure of performance calculated in accordance with GAAP, it should not be considered in isolation of, or as a substitute for, net earnings as an indicator of operating performance. EBITDA, as we calculate it, may not be comparable to similarly titled measures employed by other companies. In addition, this measure is not 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	
	September 30, 2010	September 30, 2009
	(In thousands)	
Net income	$ 3,089	$ 4,509
Interest expense	170	174
Provision for income taxes	1,894	2,774
Depreciation and amortization	2,798	3,019
EBITDA	$ 7,951	$ 10,476

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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 three months ended September 30, 2010 was cash on hand at the beginning of the year. Cash on hand at September 30, 2010 totaled $43.3 million and availability under the senior revolving credit facility totaled $55.2 million resulting in total liquidity of $98.5 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 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 resulting from the failure of a significant customer
- 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 Three Months Ended September 30, 2010

Cash Flows from Operating Activities

Increased business activity in the first quarter led to higher working capital balances which caused operations to use $5.3 million of cash in the three months ended September 30, 2010. The working capital increase was primarily due to increases in accounts receivable and costs in excess caused by increased business volume, and a decrease in accounts payable. The decrease in accounts payable was due to an unusually large balance at June 30 caused by a significant steel plate purchase late in the prior fiscal year. Increases in billings in excess and accrued expenses positively affected cash at September 30 and were due to the increase in business.

Cash Flows from Investing Activities

Investing activities used $2.3 million of cash in the three months ended September 30, 2010 due to capital expenditures. Capital expenditures included $1.1 million for the purchase of transportation equipment, $0.8 million for office equipment and software, and $0.4 million for construction equipment.

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Cash Flows from Financing Activities

Financing activities used $0.5 million in cash in the three months ended September 30, 2010 primarily due to capital lease payments of $0.3 million and the payment of $0.2 million in fees associated with the September 2010 amendment to the revolving credit facility.

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, 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 and to modify 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 September 24, 2010 amendment, over the previous four quarters. For the four quarters ended September 30, 2010, Consolidated EBITDA, as defined in the credit agreement, was $26.7 million. Accordingly, at September 30, 2010, Consolidated Funded Indebtedness in excess of $66.8 million would have violated the Senior Leverage Ratio covenant.

The Company currently expects that, as of December 31, 2010, Consolidated EBITDA, as defined in the credit agreement, for the previous four quarters, may be less than $30 million. Accordingly, the Company s ability to maintain Consolidated Funded Indebtedness in the form of short-term borrowings or letters of credit as of the end of the second quarter of fiscal 2011 may be limited by the Senior Leverage Ratio.

The credit agreement, as currently amended, includes the following:

- Limits share repurchases to $25.0 million in any calendar year.

- Permits acquisitions 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.

- 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.

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

- 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.
- Senior Leverage Ratio must not exceed 2.50 to 1.00;
- Asset Coverage Ratio must be greater than or equal to 1.45 to 1.00; and,
- Fixed Charge Coverage Ratio must be greater than or equal to 1.25 to 1.00.

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

We have never paid cash dividends on our common stock, and the terms of our credit agreement limit the amount of cash dividends we can pay. 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.

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 did not purchase any common shares under the February 2009 Program in the first quarter of fiscal 2011. 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 462 shares in the first quarter of fiscal 2011 to satisfy these obligations. These shares were returned to the Company s pool of treasury shares.

The Company has 1,545,740 treasury shares as of September 30, 2010 and intends to utilize these treasury shares solely in connection with equity awards under the Company s stock incentive plans.

Outlook

We are beginning to experience improvements in many of our markets, led by Aboveground Storage Tank and Electrical and Instrumentation. The strengthening of new construction in the Aboveground Storage Tank market is being led by the continued development of the Canadian oil sands and increasing investment from energy trading companies looking to add storage capacity. Additionally, many projects that were delayed are now moving forward as oil prices have stabilized. We expect the Electrical and Instrumentation market to continue to be strong due to the continuing high voltage overhaul occurring in the United States. The Repair and Maintenance Services segment remains relatively soft with only modest increases in bid volume and continued downward pressure on gross margins. With regard to turnaround activity, fiscal 2011 is shaping up to be average to slightly below average with many announced shutdowns being delayed. We continue to gain traction with our international expansion and are pursuing several opportunities in Latin America in our core businesses.

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

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.

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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 Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based on the definition of disclosure controls and procedures in Rule 13a-15(e).

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

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2010. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level at September 30, 2010.

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 September 30, 2010.

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PART II

OTHER INFORMATION

Item 1. Legal Proceedings

For information regarding legal proceedings, see the discussion under the caption Material Legal Proceedings 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 first 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
July 1 to July 31, 2010				
Share Repurchase Program (A)				3,000,000
Employee Transactions (B)	462	$ 9.59		
August 1 to August 31, 2010				
Share Repurchase Program (A)				3,000,000
Employee Transactions (B)		$		
September 1 to September 30, 2010				
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

We have never paid cash dividends on our common stock, and the terms of our credit agreement limits the amount of cash dividends we can pay. 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.

Item 3. Defaults Upon Senior Securities

None

Item 4. Reserved

Item 5. Other Information

None

Item 6. Exhibits:

Exhibit 10:	Third Amendment to Second Amended and Restated Credit Agreement (Exhibit 10.22 to the Company s Annual Report on Form 10-K (File No. 1-15461), filed September 28, 2010, is hereby incorporated by reference).
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: November 5, 2010

By: /s/ Thomas E. Long

Thomas E. Long

Vice President Finance and

Chief Financial Officer signing on behalf of the registrant and

as the registrant s principal financial officer

EXHIBIT INDEX

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