



CORPORATE GOVERNANCE GUIDELINES  
(As Amended and in Effect on April 7, 2004)

The Nominating and Corporate Governance Committee of Matrix Service Company's Board of Directors has established the following Corporate Governance Guidelines, that includes specific duties and responsibilities to be performed by the Board in their oversight of the Company's operations. Also included are appropriate Standards of Conduct for Directors.

### **Overview of Directors' Functions**

The role of the Board of Directors of Matrix Service Company is to oversee and monitor the Company's management and its business affairs in the interest and for the benefit of the Company's stockholders. The role of the directors is essentially advisory in nature, with specific day-to-day management functions and decision-making delegated to the full-time officers and executive employees of the Company.

*Activities of the Board and Committees of the Board considered essential include:*

- Approving major policies and objectives.
- Authorizing, where appropriate, major transactions recommended by management.
- Giving advice and counsel to the management of the Company, especially the CEO.
- Ensuring compliance with the law and pertinent regulations.
- Providing effective auditing procedures so that the Board will be adequately informed of the Company's financial and legal status.
- Monitoring performance, setting objectives, and measuring management's results against them, evaluating the accomplishments of management and their activities, and being responsible for the selection and removal of the Company's officers.
- Adopting the annual budget and reviewing financial results at regular intervals.
- Establishing and delegating authorities.
- Keeping informed as to the business in which the Company is engaged and remaining knowledgeable as to the company's business activities.
- Assessing major risk factors relating to the Company's business and reviewing measures to address and mitigate such risks.
- Adopting plans for succession of the CEO and monitoring plans of management for succession of other key executives.

In discharging these obligations, directors should be entitled to rely reasonably on the honesty and integrity of their fellow directors and the Company's executives and its outside advisors and auditors. The directors shall be entitled to (i) have the Company purchase reasonable directors' and officers' liability insurance on their behalf; (ii) the benefits of indemnification to the fullest extent permitted by law under the Company's Articles of Incorporation, by-laws and any indemnification agreements; and (iii) exculpation as provided by state law and the Company's Articles of Incorporation.

The Board may discharge its responsibilities either directly or by delegating them to committees of the Board, except that the Board may not delegate any of its responsibilities which, under applicable law or the Company's Articles of Incorporation, may not be delegated to a committee of the Board. The Board and each Board committee shall have the full power and authority to hire, at the expense of the Company, independent financial, accounting, legal or other advisors, as necessary to fulfill their duties, without consulting or obtaining the approval of any officer of the Company, and the Company shall pay, or shall provide the committee with, all funds necessary to engage and compensate such advisors.

The Board should promote policies within the Company that encourage a corporate culture of openness, honesty, fairness and accountability. These policies also should apply to the Board and to relationships among and between the Board, stockholders and employees. The Board should periodically review and amend these policies if needed.

The Board should recognize that the actual management of the business and affairs of the Company should be conducted by the CEO and other senior managers under his or her supervision and that, in performing the management function, the CEO and other senior managers are obliged to act in a manner that is consistent with the oversight functions and powers of the Board and the standards of the Company and to execute any specific plans, instructions or directions of the Board.

## **DUTIES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND/OR COMMITTEES OF THE BOARD**

### ***Primary Responsibilities***

#### All directors:

- Serve as fiduciaries for all shareholders.
- Direct the business and affairs of the Company within the law recognizing that the actual management of the business and affairs of the Company are conducted by the CEO and other senior managers either directly or through employees of the Company under his or their supervision.
- Oversee Company performance.
- Select the CEO and ratify the selection of officers of the company.
- Review and confirm basic Company objectives.

- Approve, where appropriate, major policy and management decisions.
- Determine the “independence” of those members of the Board that are represented to the public as “independent” as such term is defined by law and regulations from time to time in effect.
- Adopt and maintain the Code of Business Conduct and Ethics (the “Code”) for the directors, officers and employees of the Company in compliance with Nasdaq Listing Standards from time to time in effect. The Code shall be posted on the Company’s website.
- Act at all times in accordance with the requirements of the Code. Waivers of the Code for any officer or director may only be made by the Board of the Company or by a Board committee composed of independent directors. Any waiver for an officer or director must be posted on the Company website and communicated to stockholders.
- Any director that receives any reports of concerns regarding accounting, internal auditing controls or other audit matters shall inform the CEO and the Chairman of the Audit Committee of such concerns maintaining, to the extent practicable, the confidentiality of the person expressing such concern.

Independent Directors:

- Spend time learning the business of the Company, developing informal contacts with management and other directors to build mutual trust.
- Advise management.
- Serve on committees of the Board where all or a majority of the members of such committee are required to be independent.
- Each “independent” director shall inform the Board of any material changes in his or her circumstances or relationships that may impact his or her designation by the Board as “independent”.

***Secondary Responsibilities***

All directors:

- Adopt or change bylaws of the Company, where appropriate.
- Approve changes in major policies of the Company, where appropriate.

Independent Directors:

- Review disinterestedly the work of management, refraining from involvement in day-to-day management.
- Bring perspective and a fresh point of view to the board’s deliberations.
- Provide general guidance based upon experience in special areas of expertise.

## *Additional Responsibilities*

### Planning

- Approve, where appropriate, the short- and long-term objectives, strategies, and plans recommended by management and advise management regarding the planning process. Periodically evaluate progress against such plans.
- Identify any barriers to the company's progress in achieving such objectives, etc., and the effect upon timing to achieve such objectives, etc.

### Management

- Elect the officers of the Company and delegate management responsibility and authority to them.
- Authorize necessary officer signatory authorities on behalf of the Company.

### Financial Structure

- Approve, where appropriate, overall capital structure of the Company as recommended by management.
- Approve, where appropriate, overall financing programs and policies as recommended by management.
- Authorize appropriate officers of the Company to take actions as may be required to implement such programs.
- Approve all dividend distribution actions.
- Establish regulations and controls concerning issue, transfer, and registration of transfer of securities.
- Ensure that there is a specific financial program designed to properly support the Company's long-term plan for growth by reviewing long-term plans and financing to prepare for it.

### Controls

- Identify the Board's needs for information and arrange for its timely supply.
- Approve, where appropriate, annual operating and capital budgets recommended by management and review performance quarterly.
- Review and, where appropriate, approve all capital expenditures and divestitures in excess of \$ 2,000,000.
- Review the accuracy and completeness of financial control systems through an Audit Committee composed entirely of independent directors.
- Ensure that management has adequate financial systems, including timely and accurate information.

- Inquire into major deficiencies in performance.
- Ensure existence of written policies and authorization systems for major expenditures.
- Require audited financial statements by a major public accounting firm that satisfies the requirements for auditor independence.

#### Board Continuity

- Seek continuity and strengthening of the Board through identifying and attracting additional and/or replacement directors.

#### Expectations of Individual Performance

- Attend all Board meetings.
- Study advance information packets and be prepared to discuss their contents.
- Be available to advise management between meetings when necessary.

### **STANDARDS OF CONDUCT FOR DIRECTORS**

#### ***The members of the Board are to serve as fiduciaries for all shareholders.***

Each director is a fiduciary whose actions and performance mandate a high standard of loyalty and care and are subject to rigid review. In carrying out their responsibilities, directors must exercise the **duty of loyalty** and the **duty of care**.

#### ***Duty of Loyalty***

The duty of loyalty dictates that a director must act in good faith and in a manner reasonably believed to be in the best interests of the Company and its shareholders. A director must not allow personal interests to prevail over the interests of the Company and its shareholders, particularly in transactions involving potential conflict of interest between the Company and the director.

- **Conflicts of Interest.** A director should avoid conflicts of interest, never using his or her corporate position to make a personal profit or to gain other personal advantage. The existence of any material personal interest of a director (“interested director”) in a contract or transaction to which the Company is to be a party, either directly or indirectly because of employment or investment relationship with an entity with which the Company is dealing, must be disclosed by the interested director. The nature of any such material personal interest must be fully described to the other directors prior to the time action is taken by the Board with respect to the matter, with such interested director abstaining from taking any action thereon or from participating in any deliberation thereon.
- **Duty of Fairness.** If a transaction involves a possible conflict of interest, the interested director and those disinterested directors in favor of the transaction must recognize and satisfy “fairness” obligations. In such situations the terms of a proposed transaction should be as favorable to the Company as might be available from any other person or entity.

- **“Corporate” Opportunity.** Directors have a duty to present any business opportunities which are relevant to the Company’s present or prospective business activities to the Board before pursuing the matter on his or her own behalf or for others.
- **Confidentiality.** Directors are to treat all available information of the Company with strict confidentiality until such time as a matter has been publicly disclosed.

### *Duty of Care*

The duty of care requires directors to be diligent and prudent in managing the affairs and business interests of the Company. While limited in application, there are situations in which directors may be liable for any action that injures the Company. However, the law is clear that directors are not liable merely because they chose a course of action that turned out, in hindsight, to be a poor economic choice; provided that, the director is able to demonstrate that he or she has acted in a manner that reasonably satisfies the following:

- **Duty of Attention.** Directors have a responsibility to participate actively in overseeing the activities of the Company.
- **Meeting Attendance.** Four regular meetings of the Board are scheduled annually. In addition, directors are expected to attend the annual stockholders meeting in October. Committee meetings are scheduled, usually in conjunction with the Board meetings, at various intervals throughout the year. Regular attendance at meetings of the Board and Board committees is a requirement for acceptable director performance.
- **Review of Information and Documentation.** It is expected that each director will be furnished with sufficient information regarding every important matter requiring Board action in a timely enough manner to permit an informed judgment. Directors are expected to have reviewed all materials distributed to the members of the Board prior to Board meetings, giving special attention to financial statements and any matters to be acted on (such as minutes or proposals).
- **Discussion in Full of Major Items.** A director can make a valuable contribution through focused discussion of and relevant inquiry into management’s proposals. Any questions that occur to a director, however basic, should be raised and discussed. Directors are encouraged to make independent inquiries on matters of concern and to register objections when needed.

## **DIRECTOR QUALIFICATIONS**

The Board shall have a majority of directors who “independent” as defined by the Nasdaq Listing Standards from time to time in effect.

A director should possess personal and professional integrity, have good business judgment, relevant experience and skills and be an effective director in conjunction with the full Board in collectively serving the long-term interests of the Company’s stockholders. Directors should be committed to devoting sufficient time and energy to diligently performing their duties as directors.

The Board shall determine the appropriate size of the Board within the requirements of the Company's Charter and Bylaws.

In accordance with the policies and principles in its charter, the Nominating and Corporate Governance Committee is responsible for identifying and recommending potential director nominees to the Board for its approval when there is a vacancy on the Board. The Chairman of the Nominating and Corporate Governance Committee and the Chairman of the Board shall extend an invitation to the potential director nominee to join the Board.

An individual director should offer his or her resignation in the event the director's principal occupation or business association changes substantially from the position he or she held when originally invited to join the Board. The Board should consider the continued appropriateness of the director's membership on the Board under the changed circumstances and then the Board should determine whether or not to accept the director's resignation. Also a director should tender a resignation in the event there is a substantial conflict of interest between the director and the Company or the Board and such conflict cannot be resolved to the satisfaction of the Board.

A director shall retire from the Board at the end of the calendar year in which he or she reaches such age as is from time to time determined by the Board as the age for retirement.

Prior to any Board discussion or decision related to any matter that potentially affects a director's personal, business or professional interests, that director should (i) disclose the existence of the potential conflict of interest to the Chairman of the Board and (ii) if the Chairman of the Board (in consultation with legal counsel) determines a conflict exists or the perception of a conflict is likely to be significant, recuse himself or herself from any discussion or vote related to the matter.

No director may serve on more than four other public company boards. A director should advise the Chairman of the Board and the Chairman of the Nominating and Corporate Governance Committee in advance of accepting an invitation to serve on another public company board.

The Board does not believe it should establish term limits. The Company and its stockholders both benefit from Board continuity and stability and by allowing directors to focus on long-term business strategies and results.

## **DIRECTOR INDEPENDENCE GUIDELINES**

The following Director Independence Guidelines (the "Guidelines") should be interpreted in the context of all applicable laws and the Company's other corporate governance documents, and are intended to serve as a flexible framework within which the Board may conduct its business. These Guidelines are subject to modification from time to time, and the Board shall be able, in the exercise of its discretion, to deviate from the Guidelines from time to time, as the Board may deem appropriate and as required or permitted by applicable laws and regulations.

1. **Effectiveness.** The Guidelines were adopted by the Nominating and Corporate Governance Committee of the Company and by the Board on April 7, 2004 and became effective on that date.

2. **Implementation.** The Board will annually review the independence of all directors, affirmatively make a determination as to the independence of each director and disclose those determinations, in each case, consistent with the requirements of the NASDAQ National Market System (“NASDAQ”) and the Securities and Exchange Commission (“SEC”), as applicable.

3. **Independence of at Least a Majority of the Board.** The Board will at all times have at least a majority of directors who meet the criteria for independence required by the NASDAQ and the SEC.

4. **Absence of a Material Relationship.** In order for a director to be considered “independent,” the Board must affirmatively determine, after consideration of all relevant facts and circumstances, that the director has no direct or indirect material relationship with the Company or any subsidiary in a consolidated group with the Company (all of which together are herein referred to as the “Company”). When assessing the materiality of a director’s relationship with the Company, the Board will consider the issue not merely from the standpoint of the director, but also from that of persons or entities with which the director has an affiliation.

5. **Cooling-Off Period.** A director will not be considered independent if, within the preceding three years:

- (i) the director was employed by the Company;
- (ii) an immediate family member of the director was employed by the Company as an executive officer;
- (iii) the director was employed by, or affiliated with, a present or former independent auditor of the Company;
- (iv) an immediate family member of the director was employed in a professional capacity by, or affiliated with, a present or former independent auditor of the Company; or
- (v) a present Company executive officer served on the compensation committee of an entity which employed the director or an immediate family member of the director as an executive officer (the three year cooling-off period shall apply to both service and employment).

The term “immediate family member” means a person’s spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law and anyone (other than domestic employees) who shares such person’s home.

7. *Affirmative Obligation of Directors.* Each director has an affirmative obligation to inform the Board of any material change in his or her business or other relationships that may impact the Board's determination with regard to his or her independence.

## **BOARD COMMITTEES**

The Board shall have at all times an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. All members of these Committees shall be independent directors as determined by the Board in accordance with the aforementioned independence criteria. Committee members shall be appointed by the Board upon recommendation (after consultation with the Chairman) of the Nominating and Corporate Governance Committee. In making any committee appointments, consideration should be given to the periodic rotation of a committee member; however, such rotation is within the Board's discretion.

The Audit Committee, Compensation Committee and the Nominating and Corporate Governance Committee each shall have a written charter that sets forth the committee's structure, membership qualifications, purposes, responsibilities, and procedures for appointing and removing committee members.

Each committee chairman, in consultation with the committee members, shall determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter. Each committee chairman, in consultation with the appropriate members of the committee and management, shall develop the committee's agenda. Each committee shall report to the Board its activities, findings and recommendations after each committee meeting.

The Board may, from time to time, establish or maintain additional committees of the Board, including an Executive Committee. If an Executive Committee is established, it will have the powers and authority as specified in the Company's by-laws. Each committee shall have the full power and authority to hire independent legal, financial or other advisors as it may deem necessary, without consulting with or obtaining the pre-approval of any Company officer or the Board.

Any director may attend any committee meetings, whether or not he or she is a member of that committee, providing that he or she has obtained pre-approval to attend from the committee chair or a majority of the committee.

## **CHAIRMAN OF THE BOARD**

The Board will appoint the Chairman of the Board who shall be a director and who may be an employee of the Company. The Chairman will chair all regular sessions of the Board and, with input from the CEO, set the agenda for Board meetings, subject to the right of each Board member to suggest the inclusion of item(s) on any agenda.

## **DIRECTOR ACCESS TO OFFICERS, EMPLOYEES AND INDEPENDENT ADVISERS**

Directors are encouraged to keep themselves informed with regard to the Company and its operations. Directors shall have full and free access to Company officers and employees; provided that, any meetings or contacts that a director wishes to initiate shall be arranged through the CEO. Directors shall use their judgment to ensure that any such contact is not disruptive to the Company's business operations and shall, to the extent that it is not inappropriate, copy the CEO on any written communications between a director and a Company officer or employee.

The Board shall approve any director's request to have senior Company officers and other personnel regularly attend the Board meetings. Directors will also have access to the Company's independent advisors following consultation with the CEO to the extent not inappropriate.

### **DIRECTOR COMPENSATION**

All directors shall receive directors' fees as their only compensation for Board and/or Board committee service. Directors' fees shall be in the form of cash, company stock, including options and restricted stock, or combination thereof, as well as any additional benefits regularly given to all directors. The exact amount and form of director compensation shall be determined and reviewed annually by the Compensation Committee in accordance with the policies and principles set forth in its charter.

### **DIRECTOR ORIENTATION AND CONTINUING EDUCATION**

All new directors shall receive an orientation package. The package will include a copy of the Company's by-laws and charter, the Code of Business Conduct and Ethics, the Corporate Governance Guidelines, all SEC filings for the current year and last preceding calendar year, press releases issued during the current calendar year and any other pertinent information. The new director will attend a meeting with the CEO and Chief Financial Officer to be briefed on the Company's strategic plans, its significant financial, accounting and risk management issues and current significant exploration and development projects.

All directors must receive annual director education in subjects relevant to the duties of a director, including the study of corporate governance best practices or ethics. This education may be as a result of a program planned by the Company or by the director attending a pre-approved seminar, with all expenses paid by the Company.

### **CEO EVALUATION AND MANAGEMENT SUCCESSION**

The Compensation Committee shall conduct an annual review of the CEO's, the CFO's and other senior management's performance and compensation, as set forth in its charter. An executive session of the Board, comprised solely of independent directors, shall review the Compensation Committee's report in order to ensure that the CEO is providing the best long and short-term leadership for the Company.

The Nominating and Corporate Governance Committee shall make an annual report to the Board on emergency as well as expected CEO succession planning. The entire Board shall work with the Nominating and Corporate Governance Committee to nominate and evaluate potential successors to the CEO. The CEO shall provide the Committee with his or her recommendations

and evaluations of potential successors, along with a review of any development plans recommended for such individuals.

409685.2:611135:00355