

# AUDIT AND NON-AUDIT SERVICES PRE-APPROVAL POLICY

## MATRIX SERVICE COMPANY

### I. Statement of Principles

Under the Sarbanes-Oxley Act of 2002 (the "Act"), the Audit Committee of the Board of Directors is responsible for the appointment, compensation and oversight of the work of the independent auditor. As part of this responsibility, in addition to the audit services, the Audit Committee is required to pre-approve the non-audit services performed by the independent auditor in order to assure that they do not impair the auditor's independence from the Company. To implement these provisions of the Act, the Securities and Exchange Commission (the "SEC") has issued rules specifying the types of services that an independent auditor may not provide to its audit client, as well as the audit committee's administration of the engagement of the independent auditor. Accordingly, the Audit Committee has adopted this Audit and Non-Audit Services Pre-Approval Policy (this "Policy"), which sets forth the procedures and the conditions pursuant to which services proposed to be performed by the independent auditor may be pre-approved.

The SEC's rules establish two different approaches to pre-approving services, which the SEC considers to be equally valid. Proposed services may either (1) be pre-approved without consideration of specific case-by-case services by the Audit Committee ("general pre-approval"); (2) or require the specific pre-approval of the Audit Committee ("specific pre-approval"). The Audit Committee believes that the combination of these two approaches in this Policy will result in an effective and efficient procedure to pre-approve services performed by the independent auditor. As set forth in this Policy, unless a type of service has received general pre-approval, it will require specific pre-approval by the Audit Committee if it is to be provided by the independent auditor. Any proposed services exceeding 120% of pre-approved cost levels or budgeted amounts will also require specific pre-approval by the Audit Committee.

For both types of pre-approval, the Audit Committee will consider whether such services are consistent with the SEC's rules on auditor independence. The Audit Committee will also consider whether the independent auditor is best positioned to provide the most effective and efficient service, for reasons such as its familiarity with the Company's business, people, culture, accounting systems, risk profile and other factors, and whether the service might enhance the Company's ability to manage or control risk or improve audit quality. All such factors will be considered as a whole, and no one factor should necessarily be determinative.

The appendices to this Policy describe the Audit, Audit-related, Tax and All Other services that have the general pre-approval of the Audit Committee. The term of any general pre-approval is 12 months from the date of pre-approval, unless the Audit Committee considers a different period and states otherwise. The Audit Committee will annually review and pre-approve the services that may be provided by the independent auditor without obtaining specific pre-approval from the Audit Committee. The Audit Committee will add or subtract to the list of general pre-approved services from time to time, based on subsequent determinations.

The purpose of this Policy is to set forth the procedures by which the Audit Committee intends to fulfill its responsibilities. It does not delegate the Audit Committee's responsibilities to pre-approve services performed by the independent auditor to management.

The independent auditor has reviewed this Policy and believes that implementation of this Policy will not adversely affect the auditor's independence.

## **II. Delegation**

As provided in the Act and the SEC's rules, the Audit Committee may delegate either type of pre-approval authority to one or more of its members. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next scheduled meeting. The Chairman of the Audit Committee is hereby delegated authority to approve or disapprove any auditing or non-audit service by the independent auditor for which approval is sought on an emergency basis or otherwise at a time when there is no scheduled Audit Committee meeting within one week after the date on which the approval is sought.

## **III. Audit Services**

The annual Audit services engagement terms and fees will be subject to the specific pre-approval of the Audit Committee. Audit services include the annual financial statement audit (including required quarterly reviews), subsidiary audits, equity investment audits and other procedures required to be performed by the independent auditor to be able to form an opinion on the Company's consolidated financial statements. These other procedures include information systems and procedural reviews and testing performed in order to understand and place reliance on the systems of internal control, and consultations relating to the audit or quarterly review. Audit services also include the attestation engagement for the independent auditor's report on internal controls for financial reporting. The Audit Committee will monitor the Audit services engagement as necessary, but no less than on a quarterly basis, and will also approve, if necessary, any changes in terms, conditions and fees resulting from changes in audit scope, Company structure or other items.

In addition to the annual Audit services engagement approved by the Audit Committee, the Audit Committee may grant general pre-approval to other Audit services, which are those services that only the independent auditor reasonably can provide. Other Audit services may include statutory audits or financial audits for subsidiaries or affiliates of the Company and services associated with SEC registration statements, periodic reports and other documents filed with the SEC or other documents issued in connection with securities offerings.

The Audit Committee has generally pre-approved the Audit services in Appendix A. At least annually, the Audit Committee will review and approve a pre-approved cost level for the services identified on Appendix A which the Company may utilize. All other Audit services not listed in Appendix A, and any Audit services listed on Appendix A for which no pre-approved cost level has been set or which will exceed 120% of the pre-approved cost level, must be specifically pre-approved by the Audit Committee.

#### **IV. Audit-related Services**

Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements or that are traditionally performed by the independent auditor. Because the Audit Committee believes that the provision of Audit-related services does not impair the independence of the auditor and is consistent with the SEC's rules on auditor independence, the Audit Committee may grant general pre-approval to Audit-related services. Audit-related services include, among others, due diligence services pertaining to potential business acquisitions/dispositions; accounting consultations related to accounting, financial reporting or disclosure matters not classified as "Audit services"; assistance with understanding and implementing new accounting and financial reporting guidance from rulemaking authorities; financial audits of employee benefit plans; agreed-upon or expanded audit procedures related to accounting and/or billing records required to respond to or comply with financial, accounting or regulatory reporting matters; and assistance with internal control reporting requirements.

The Audit Committee has pre-approved the Audit-related services in Appendix B. At least annually, the Audit Committee will review and approve a pre-approved cost level for the services identified on Appendix B which the Company may utilize, if any. All other Audit-related services not listed in Appendix B, and any Audit-related services listed on Appendix B for which no pre-approved cost level has been set or which will exceed 120% of the pre-approved cost level, must be specifically pre-approved by the Audit Committee.

#### **V. Tax Services**

The Audit Committee believes that the independent auditor can provide tax services to the Company such as tax compliance, tax planning and tax advice without impairing the auditor's independence, and the SEC has stated that the independent auditor may provide such services. Hence, the Audit Committee may grant general pre-approval to those Tax services that have historically been provided by the auditor, that the Audit Committee has reviewed and believes would not impair the independence of the auditor, and that are consistent with the SEC's rules on auditor independence. The Audit Committee will specifically review the retention of the independent auditor in connection with a transaction initially recommended by the independent auditor, the primary business purpose of which is tax reduction, and the tax treatment of which may not be supported in the Internal Revenue Code and related regulations or by the laws and regulations of another tax jurisdiction which would have subject-matter jurisdiction over the transaction.

Pursuant to the preceding paragraph, the Audit Committee has pre-approved the Tax services in Appendix C. At least annually, the Audit Committee will review and approve a pre-approved cost level for the services identified on Appendix C which the Company may utilize, if any. All other Tax services, and any Tax services listed on Appendix C for which no pre-approved cost level has been set or which will exceed 120% of the pre-approved cost level, must be specifically pre-approved by the Audit Committee. In addition, all Tax services involving large and complex transactions not identified specifically on Appendix C or which may subject the Company to

significant interest and penalties if successfully challenged by tax authorities must be specifically pre-approved by the Audit Committee[, including tax services proposed to be provided by the independent auditor to any executive officer or director of the Company, in his or her individual capacity, where such services are paid for by the Company].

## **VI. All Other Services**

The Audit Committee believes, based on the SEC's rules prohibiting the independent auditor from providing specific non-audit services, that other types of non-audit services are permitted. Accordingly, the Audit Committee believes it may grant general pre-approval to those permissible non-audit services classified as All Other services that it believes are routine and recurring services, would not impair the independence of the auditor and are consistent with the SEC's rules on auditor independence.

The Audit Committee has pre-approved the All Other services in Appendix D. At least annually, the Audit Committee will review and approve a pre-approved cost level for the services identified on Appendix D which the Company may utilize, if any. Permissible All Other services not listed in Appendix D, and any such services listed on Appendix D for which no pre-approved cost level has been set or which will exceed 120% of the pre-approved cost level, must be specifically pre-approved by the Audit Committee.

A list of the SEC's prohibited non-audit services is attached to this Policy as Exhibit 1.

## **VII. Pre-Approved Fee Levels or Budgeted Amounts**

Pre-approved fee levels or budgeted amounts for all services to be provided by the independent auditor will be established at least annually and reviewed at least quarterly by the Audit Committee. Any proposed services exceeding 120% of these levels or amounts will require specific pre-approval by the Audit Committee.

## **VIII. Procedures**

The Audit Committee will be informed on a timely basis of all services rendered by the independent auditor. The Chief Financial Officer will monitor the performance of all services provided by the independent auditor and, together with the independent auditor, will report to the Audit Committee periodically regarding those services in order to assist the Audit Committee in monitoring compliance with this Policy. Management will immediately report to the chairman of the Audit Committee any breach of this Policy that comes to the attention of any member of management.

## **APPENDIX A**

### **Pre-Approved Audit Services for Fiscal Year 2010**

Dated: July 29, 2009

- Annual financial statement audit for the Company, including quarterly reviews;
- Statutory audit engagements for each subsidiary and affiliate as required by applicable companies and securities law;
- Financial statement audit engagements for any subsidiary or affiliate, incremental to the audit work required for the purpose of the consolidated financial statements, where required by applicable laws or regulations or as requested to meet internal management requirements for audited financial statements of nominated subsidiary or affiliate entities;
- Services associated with SEC registration statements, periodic reports and other documents filed with the SEC or other documents issued in connection with securities offerings (e.g., comfort letters, consents), and assistance in responding to SEC comment letters;
- Attestation of reports on internal controls under the Sarbanes-Oxley Act of 2002;
- Consultations with management as to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by the SEC, FASB, or other regulatory or standard setting bodies (Note: Under SEC rules, some consultations may be "audit-related" services rather than "audit" services).

## **APPENDIX B**

### **Pre-Approved Audit-Related Services for Fiscal Year 2010**

Dated: July 29, 2009

- Due diligence services pertaining to potential acquisitions of complete businesses or significant investments in businesses, joint ventures, or strategic alliances, including, without limitation, (a) identification of financial statement and business risks, (b) investigation of the target's financial condition, including quality of assets and liabilities, quality of earnings, quality of cash flows, review of accounting policies and practices, and consideration of internal controls, (c) investigation of the target's tax position, risks, and implications, (d) advice and consultation on accounting structure and reporting requirements for the transaction, (e) advice and consultation on tax structure for the transaction and (f) integration risk assessment of the contemplated transaction;
- Consultations with management as to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by the SEC, FASB, or other regulatory or standard-setting bodies (Note: Under SEC rules, some consultations may be "audit" services rather than "audit-related" services);
- Subsidiary or equity investee audits incremental to the audit of the consolidated financial

statements;

- Closing balance sheet audits pertaining to dispositions;
- Review of the effectiveness of the internal audit function;
- General assistance with implementation of the requirements of SEC rules or listing standards;
- Financial statement audits of employee benefit plans;
- Agreed-upon or expanded audit procedures related to accounting required to respond to or comply with financial, accounting or regulatory reporting matters, including, without limitation, the review of subsidiary stand-alone financial statements to satisfy state business licensing requirements;
- Internal control reviews and assistance with internal control reporting requirements;
- Attest services not required by statute or regulation, including, without limitation, reporting on the financial statements of subsidiary stand-alone financial statements, information requested by existing or potential borrowing requirements, and special reports related to dispositions as required by the buyer in a purchase agreement;
- Information systems reviews not performed in connection with the audit (e.g., application, data center and technical reviews);
- Consultations on the accounting treatment or disclosure requirements of transactions or events including discussions, research consultations and auditing procedures relating to unusual or non-recurring transactions.

## **APPENDIX C**

### **Pre-Approved Tax Services for Fiscal Year 2010**

Dated: July 29, 2009

- U.S. and foreign Federal, state and local tax planning and advice related to routine day-to-day hourly consulting on the following:
  - Assistance and preparation of federal or national income and non-income tax compliance matters, including, without limitation, assistance with IRS or similar inquiries
  - Assistance and preparation on state and local tax matters, including, without limitation, income and franchise tax, employment tax, sales and use tax, property tax, business incentive credits, state tax inquiries and controversy
  - Assistance and advice on international transactions, including reorganizations, transfer pricing, and repatriation of foreign earnings.
  - Advice on U.S, state and local and international interpretations of statutes, regulations, administrative opinions, including proposed legislative changes.
  - Assistance and advice on employee benefit plans and compensation and benefits.
  
- U.S. and foreign Federal, state and local tax compliance

- Research assistance with respect to U.S. and International Federal, state and local income tax and non-income tax return issues, including, without limitation, assistance with elections to be included in returns
- Preparation or review of U.S. and International Federal, state and local income tax and non-income tax returns and supporting schedules, including the use of software licensed by the independent auditor, state exemption filings, and estimated tax payments
- Assistance with tax audits and appeals before the IRS and similar state, local and foreign agencies
- Tax advice and assistance regarding statutory, regulatory or administrative developments
- Expatriate tax assistance and compliance including, without limitation, preparation of U.S. Federal and foreign tax returns and assistance in determining withholding and equalization payments for employees on foreign assignment

## **APPENDIX D**

### **Pre-Approved Other Services for Fiscal Year 2010**

Dated: July 29, 2009

None.

## **EXHIBIT 1**

### **Prohibited Non-Audit Services**

Bookkeeping or other services related to the accounting records or financial statements of the Company;

Financial information system design and implementation;

Appraisal or valuation services, fairness opinions, or contribution-in-kind reports;

Actuarial services;

Internal audit outsourcing services;

Management functions or human resource functions

Broker or dealer, investment adviser or investment banking services;

Legal services and expert services unrelated to the audit; and

Any other service that the Board determines is impermissible.