

REFINITIV

DELTA REPORT

10-K

MTRX - MATRIX SERVICE CO

10-K - JUNE 30, 2023 COMPARED TO 10-K - JUNE 30, 2022

The following comparison report has been automatically generated

TOTAL DELTAS 3739

■ CHANGES 414

■ DELETIONS 2301

■ ADDITIONS 1024

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K**

(Mark One)

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended June 30, 2022 June 30, 2023
or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____
Commission File No. 001-15461

MATRIX SERVICE COMPANY
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

73-1352174
(I.R.S. Employer
Identification No.)

5100 15 E. Skelly Drive, 5th

Street Suite 500 1100

Tulsa, Oklahoma

(Address of Principal Executive Offices)

74135 74103

(Zip Code)

Registrant's telephone number, including area code: (918) 838-8822
Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.01 per share	MTRX	NASDAQ Global Select Market

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the registrant's common stock held by non-affiliates computed by reference to the price at which the common stock was last sold as of the last business day of the registrant's most recently completed second quarter was approximately \$195 million \$162.3 million.

The number of shares of the registrant's common stock outstanding as of October 7, 2022 September 8, 2023 was 26,972,621 27,209,838 shares.

Documents Incorporated by Reference

Certain sections of the registrant's definitive proxy statement relating to the registrant's 2022 2023 annual meeting of stockholders, which definitive proxy statement will be filed within 120 days of the end of the registrant's fiscal year, are incorporated by reference into Part III of this Form 10-K.

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PART I

Item 1. Business

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K 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 Annual Report 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 also intended to identify forward-looking statements.

These forward-looking statements include, among others, such things as:

- amounts and nature of future project awards, revenue and margins from each of our segments;

- our ability to generate sufficient cash from operations, access our credit facility, obtain letters of credit, or raise cash in order to meet our short and long-term capital requirements;
- our ability to comply with the covenants in our credit agreement;
- the impact to our business from economic, market or business conditions in general and in the oil, natural gas, power, oil, petrochemical, agricultural and mining industries in particular;
- the impact of inflation on our operating expenses and our business operations;
- the likely impact of new or existing regulations or market forces on the demand for our services;
- the impact to our business of the COVID-19 pandemic and its related disruptions to supply chains, inflation and availability of materials and labor;
- our expectations with respect to the likelihood of a future impairment; and
- expansion and other trends of the industries we serve.

These statements are based on certain assumptions and analyses we made in light of our experience and our 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 Item 1A of this Annual Report and listed from time to time in our filings with the Securities and Exchange Commission ("SEC");
- economic, market or business conditions in general and in the oil, natural gas, power, oil, petrochemical, agricultural and mining industries in particular;
- the transition to renewable energy sources and its impact on our current customer base;
- the under- or over-utilization of our work force;
- delays in the commencement or progression of major projects, whether due to permitting issues or other factors;
- reduced creditworthiness of our customer base and the higher risk of non-payment of receivables;
- the inherently uncertain outcome of current and future litigation;
- the adequacy of our reserves for claims and contingencies; and
- changes in laws or regulations, including the imposition, cancellation or delay of tariffs on imported goods.

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Consequently, all of the forward-looking statements made in this Annual Report 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 or effects on our business operations. We assume no obligation to update, except as required by law, any such forward-looking statements, whether as a result of new information, future events or otherwise.

BACKGROUND

We began operations in 1984 as an Oklahoma corporation under the name of Matrix Service. In 1989, we incorporated in the State of Delaware under the name of Matrix Service Company. We provide engineering, fabrication, construction, and maintenance services to support critical energy infrastructure and industrial markets. We maintain regional offices throughout the United States, Canada and other international locations, and operate through separate union and merit subsidiaries.

We are licensed to operate in all 50 states, in four Canadian provinces and in other international locations. Our principal executive offices are located at 5100 15 E. Skelly Drive, 5th Street, Suite 500, 1100, Tulsa, Oklahoma 74135, 74103. Our telephone number is (918) 838-8822. Unless the context otherwise requires, all references herein to "Matrix Service Company", "Matrix", the "Company" or to "we", "our", and "us" are to Matrix Service Company and its subsidiaries.

We believe we have an obligation to better the world in which we live and work – to do today's work in a manner that advances and protects tomorrow's world for future generations. Across the ideals of environmental stewardship, social responsibility, governance, diversity, inclusiveness equity and equity, inclusiveness, we are committed to ensuring our business strategies, policies, and practices align with sustainability goals where such ideals so we can have the greatest impact globally and in our own local communities. We are committed to fulfilling our purpose today by safely engineering, constructing, and maintaining essential infrastructure that provides a better, brighter future for tomorrow.

WEBSITE ACCESS TO REPORTS

Our public website is matrixservicecompany.com. We make available free of charge through the "Investor Relations" section of our website our annual reports to stockholders, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, including exhibits, and amendments to those reports, filed or furnished pursuant to

Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to the SEC. Any materials we file with or furnish to the SEC are also maintained on the SEC website (sec.gov).

The information contained on our website, or available by hyperlink from our website, is not incorporated into this Annual Report or other documents we file with, or furnish to, the SEC. We intend to use our website as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. Such disclosures will be included in the "Investor Relations" section of our website. Investors should monitor that section of our website for press releases, investor presentations, SEC filings and public conference calls and webcasts.

While not our primary means of communication, investors can also learn more about us by visiting our social media channels. We encourage investors, the media, and others interested in us to review the information posted on our Facebook site (facebook.com/matrixservicecompany), our LinkedIn account (linkedin.com/company/matrix-service-company) and our Twitter account (twitter.com/matrixserviceco). Investors, the media or other interested parties can subscribe to the Twitter feed at the address listed above. The information contained in our social media accounts is not incorporated into this Annual Report or other documents we file with, or furnish to, the SEC.

OPERATING REPORTABLE SEGMENTS

We operate our business through three reportable segments:

- **Utility and Power Infrastructure:** consists of power delivery services provided to investor-owned utilities, including construction of new substations, upgrades of existing substations, transmission and distribution line installations, upgrades and maintenance, as well as emergency and storm restoration services. We also provide engineering, fabrication, and construction services for LNG utility peak shaving facilities, and construction and maintenance services to a variety of power generation facilities, including natural gas fired facilities, in simple or combined cycle configuration.

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- **Process and Industrial Facilities:** primarily serves customers in the downstream and midstream petroleum industries who are engaged in refining crude oil and processing, fractionating, and marketing of natural gas and natural gas liquids. We also serve customers in various other industries such as petrochemical, sulfur, mining and minerals companies engaged primarily in the extraction of non-ferrous metals, aerospace and defense, cement, agriculture, and other industrial customers. Our services include plant maintenance, turnarounds, industrial cleaning services, engineering, fabrication, and capital construction.
- **Storage and Terminal Solutions:** primarily consists of work related to aboveground storage tanks engineering, procurement, fabrication, and terminals. We also include work construction services related to cryogenic and other specialty storage tanks and terminals including for LNG, NGLs, hydrogen, ammonia, propane, butane, liquid nitrogen/liquid oxygen, and liquid petroleum, hydrogen and other specialty vessels such as spheres in this segment, as well petroleum. Also includes work related to marine structures traditional aboveground crude oil and refined product storage tanks and terminals. This segment also includes terminal balance of plant work, truck and rail loading/offloading facilities. Our services include engineering, fabrication, construction, facilities, and marine structures as well as storage tank and terminal maintenance and repair, which includes planned and emergency services for both tanks and full terminals, repair. Finally, we offer manufacture and sell precision engineered specialty tank products, including geodesic domes, aluminum internal floating roofs, floating suction and skimmer systems, roof drain systems and floating roof seals.

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- **Utility and Power Infrastructure:** primarily consists of engineering, procurement, fabrication, and construction services to support growing demand for LNG utility peak shaving facilities. We also perform traditional electrical work for public and private utilities, including construction of new substations, upgrades of existing substations, transmission and distribution line installations, and upgrades and maintenance including live wire work. Work may also include emergency and storm restoration services. We also provide construction services to a variety of power generation facilities, including natural gas fired facilities in simple or combined cycle configurations.
- **Process and Industrial Facilities:** primarily consists of plant maintenance, repair, and turnarounds in the downstream and midstream markets for energy clients including refining and processing of crude oil, fractionating, and marketing of natural gas and natural gas liquids. Also includes engineering, procurement, fabrication, and construction for refinery upgrades and retrofits for renewable fuels. We also construct thermal vacuum test chambers for aerospace and defense industries and other infrastructure for industries including petrochemical, sulfur, mining and minerals primarily in the extraction of non-ferrous metals, cement, agriculture, wastewater treatment facilities and other industrial customers.

OTHER BUSINESS MATTERS

Customers and Marketing

We provided services to approximately 400 customers in fiscal 2022, 2023. Most of our revenue comes from long-term customer relationships. One customer accounted for \$87.2 million \$84.8 million or 12.3% 10.7% of our consolidated revenue in fiscal 2022, 2023, which was primarily included in the Process and Industrial Facilities segment. Another customer accounted for \$78.1 million or 11.0% of our consolidated revenue in fiscal 2022, all of which was included in the Utility and Power Infrastructure segment. No other customers

individually accounted for more than 10% of our consolidated revenue in fiscal 2022, 2023. See Part II, Item 8. Financial Statement and Supplementary Data, Note 13 - Segment Information, for more information about concentration of revenue by segment.

We market our services and products primarily through our marketing and business development personnel, senior professional staff and our operating management. We competitively bid most of our projects; however, we have a number of preferred provider relationships with customers who award us work through long-term agreements. Our projects have durations ranging from a few days to multiple years.

Competition

We compete with local, regional, national and international contractors and service providers. Competitors vary with the markets we serve with few serve. Few competitors competing compete in all of the markets we serve or in providing provide all of the services we provide. Contracts are generally awarded based on price, quality, safety performance, schedule, experience and customer satisfaction.

Backlog

We define backlog as the total dollar amount of revenue that we expect to recognize as a result of performing work that has been awarded to us through a signed contract, limited notice to proceed ("LNTN") or other type of assurance that we consider firm. The following arrangements are considered firm:

- fixed-price awards;
- minimum customer commitments on cost plus arrangements; and
- certain time and material arrangements in which the estimated value is firm or can be estimated with a reasonable amount of certainty in both timing and amounts.

For long-term maintenance contracts with no minimum commitments and other established customer agreements, we include only the amounts that we expect to recognize as revenue over the next 12 months. For arrangements in which we have received a LNTN, we include the entire scope of work in our backlog if we conclude that the likelihood of the full project proceeding as high. For all other arrangements, we calculate backlog as the estimated contract amount less revenue recognized as of the reporting date.

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The following table provides a summary of changes in our backlog in fiscal 2022:

	Utility and Power Infrastructure	Process and Industrial Facilities	Storage and Terminal Solutions	Total
	(In thousands)			
Backlog as of June 30, 2021	\$ 170,043	\$ 134,777	\$ 157,741	\$ 462,561
Project awards	152,109	412,358	270,212	834,679
Revenue recognized	(220,093)	(254,848)	(232,839)	(707,780)
Backlog as of June 30, 2022	\$ 102,059	\$ 292,287	\$ 195,114	\$ 589,460
Book-to-bill ratio ⁽¹⁾	0.7	1.6	1.2	1.2

(1) Calculated by dividing project awards by revenue recognized.

In the Utility and Power Infrastructure segment, backlog decreased by 40.0% as we booked \$152.1 million of project awards in fiscal 2022. Our opportunity pipeline for LNG peak shaving projects continues to be promising, however those awards, while significant, can be less frequent. Bidding activity is strong in the power delivery portion of the business. During fiscal 2022, we received several key contracts for electrical infrastructure services including substation and transmission line rebuilds, relay upgrades, and fiber installation.

In the Process and Industrial Facilities segment, backlog increased by 116.9% as we booked \$412.4 million of project awards in fiscal 2022. Client spending related to refinery maintenance operations has returned to near-normal pre-pandemic levels. During fiscal 2022, we received key awards for two thermal vacuum chamber projects, a midstream gas processing plant, a borate mining facility, a refinery capital project, and other renewable energy capital projects. We continue to see strong demand for thermal vacuum chambers in the coming quarters, as well as increasing opportunities in mining and minerals, and chemicals. In addition, we are seeing more opportunities for midstream gas work, including some larger scale projects.

In the Storage and Terminal Solutions segment, backlog increased by 23.7% as we booked \$270.2 million of project awards during fiscal 2022. This segment includes significant opportunities for storage infrastructure projects related to natural gas, LNG, ammonia, hydrogen, NGLs and other forms of renewable energy. We believe LNG and hydrogen projects in particular will be key growth drivers for this segment. Bidding activity on LNG projects has been strong and we have been positioning ourselves for growth in hydrogen by entering into key relationships, such as the signing of a memorandum of understanding ("MOU") with Korea Gas Corporation in August 2022 to support South Korea's development of a hydrogen economy as it transforms itself from natural gas and the signing of a MOU with Chart Industries, Inc. in January of 2021 to support the development of hydrogen solutions. Oil and natural gas producers have remained cautious with capital spending, which has limited opportunities in crude oil tanks and terminals. However, the

price of crude oil and natural gas increased significantly during fiscal 2022, which, if sustained, may lead to higher production volumes and more opportunities for crude oil tanks, terminals and export facilities in the coming quarters.

Project awards in all segments are cyclical and are typically the result of a sales process that can take several months or years to complete. It is common for awards to shift from one period to another as the timing of awards is dependent upon a number of factors including changes in market conditions, permitting, off take agreements, project financing and other factors. Backlog volatility may increase for some segments from time to time when individual project awards are less frequent, but more significant. We expect to recognize approximately 83% of our total backlog reported as of June 30, 2022 as revenue within fiscal 2023.

Seasonality and Other Factors

Our operating results can exhibit seasonal fluctuations, especially in our Process and Industrial Facilities segment, for a variety of reasons. Turnarounds and planned outages at customer facilities are typically scheduled in the spring and the fall when the demand for energy is lower. Within the Utility and Power Infrastructure segment, transmission and distribution work is generally scheduled by the public utilities when the demand for electricity is at its lowest. Therefore, revenue volume in the summer months is typically lower than in other periods throughout the year.

Our business can also be affected, both positively and negatively, by seasonal factors such as energy demand or weather conditions including hurricanes, snowstorms, and abnormally low or high temperatures. Some of these seasonal factors may cause some of our offices and projects to close or reduce activities temporarily. In addition to the above noted factors, the general timing of project starts and completions could exhibit significant fluctuations.

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Other factors impacting operating results in all segments come from decreased work volume during holidays, work site permitting delays or customers accelerating or postponing work. The differing types, sizes, and durations of our contracts, combined with their geographic diversity and stages of completion, often results in fluctuations in our operating results.

Our overhead cost structure is generally fixed. Significant fluctuations in revenue volume usually leads to over or under recovery of fixed overhead costs, which can have a material impact on our gross margin and profitability.

Material Sources and Availability

The COVID-19 pandemic and Beginning in fiscal 2022, increased demand and competition for qualified labor have resulted in certain materials and disruptions to global supply chains which have led to higher prices for some of the materials we need to run our business, including, but not limited to, structural steel, steel piping, rebar, valves, copper, electrical components, fabricated products and equipment, and delivery freight. We have been proactive with managing our procurement processes to help reduce the impacts of rising materials prices on our business and to help ensure we

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continue to have the materials we need available. However, rising Rising prices and the potential for materials shortages have created additional risk into in bidding and executing work profitably.

The timing of normalization of the global supply chains is uncertain and will depend on several factors, including the speed of recovery from the pandemic, producer capacity, the level of imports, worldwide demand, tariffs on imported goods and other market conditions.

Insurance

We maintain insurance coverage for various aspects of our operations. However, exposure to potential losses is retained through the use of deductibles, self-insured retentions and coverage limits.

Typically our contracts require us to indemnify our customers for injury, damage or loss arising from the performance of our services and provide warranties for materials. We may also be required to name the customer as an additional insured up to the limits of insurance available, to purchase special insurance policies or surety bonds for specific customers or to provide letters of credit in lieu of bonds to satisfy performance and financial guarantees on some projects. We maintain a performance and payment bonding line sufficient to support the business. We generally require our subcontractors to indemnify us and our customers and name us as an additional insured for activities arising out of the subcontractors' work. We also require certain subcontractors to provide additional insurance policies, security, including surety bonds in favor of us, to secure the subcontractors' work. There can be no assurance that our insurance and the additional insurance coverage provided by our subcontractors will fully protect us against a valid claim or loss under the contracts with our customers.

Human Capital Management

Employees

Successful execution of our business strategy is dependent on attracting, developing, and retaining key employees who represent our core values and the communities we serve. Our people are our greatest resource, which makes our certification in fiscal 2022 2023 as a Great Place To Work® — for the sixth seventh consecutive year — both a point of pride and an invaluable tool for continuous improvement supporting our objective of remaining an employer of choice.

Given the nature of our work, the size of our employee population can vary significantly throughout the year because of the number, type, and size of projects we have in progress at any particular time. As of June 30, 2022, June 30, 2023, we had 2,810, 2,545 employees worldwide. Of those employees, 677, 621 were employed in office-based positions and 2,133, 1,924 were employed in field or craft positions. The breakdown by country was: 2,467, 2,353 located in the United States, 309, 159 in Canada, and 343, 333 across other international locations. At the end of fiscal 2022, 45% 2023, worldwide, women in management represented 1.5% and 17.6% of our overall workforce field and 28% office teams, respectively. The percentage of our minorities in management team was (U.S. only) for field and office represented by women 9.8% and minorities, 18.6%, respectively. Recognizing that our commitment to Diversity, Equity and Inclusion (DEI) begins at the top, in top. In fiscal 2022, Matrix increased the overall diversity 2023, 43% of our Independent Board Members to 43%, were diverse, with 29% female and 14% ethnically diverse.

The percentage of our employees represented by trade unions as of June 30, 2022, June 30, 2023, was approximately 30%, 35%. Operating under collective bargaining agreements with various unions, our union employees are provided with benefits including health and welfare, pension, training programs and competitive compensation plans. We have not experienced any strikes or work stoppages in recent years and are proud that our relationships with our employees and labor unions are strong.

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Business Ethics and Core Values

Our employees are entrusted with engineering, constructing, and maintaining the complex, critical infrastructure that supports modern daily living and quality of life. Ethics and integrity are foundational in our ability to be successful and are engrained in our culture and core values. Across all areas of our business, we maintain focus on compliance and doing the right thing, and integrity is essential to every aspect of our business, in both policy and practice. Accordingly, we are committed to ensuring compliance with all applicable laws and regulations, and to maintaining the highest standards of ethical conduct in accordance with our code of conduct.

Health and Safety

Ensuring the safety of our employees and those around us is integral to who we are, and paramount to our success and sustainability. The journey to achieving and maintaining a zero-incident safety performance requires a strong culture of safety and hands-on leadership, combined with robust training along with comprehensive policies, processes, and systems to plan, perform, report, measure, and review, and to continuously improve our performance. We have incorporated safety as a key performance metric in our incentive compensation plan by measuring our annual Total Recordable Incident Rate ("TRIR"), which is calculated by multiplying the number of recordable incidents by 200,000 and dividing that number by the total hours worked each year. This metric is also used by others in our industry, which allows for a more objective comparison of our performance. Our TRIR was 0.73, 0.51, 0.28, and 0.50, 0.28 during fiscal years 2023, 2022, and 2021, and 2020, respectively.

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Diversity, Equity, and Inclusion (DEI)

Foundational to attracting, developing, and retaining a diverse, engaged workforce is our commitment to making sure our employees feel safe, know they are valued, know that their work matters, and that they are provided opportunities to achieve their maximum potential. We believe when we value each other's differences and encourage everyone's voice to be heard, we can break down the barriers that stifle ideas and opportunities.

In fiscal 2022, 2023, we continued to advance and strengthen our culture. We launched our first Employee Resource Groups (ERGs), creating employee-led pathways for inclusion. We also continued year-round learning opportunities on unconscious bias and other DEI-specific topics and enhanced our DEI education offering available to all employees through Matrix University. University, our internal training and development program. We strengthened our accountability by increasing the diversity of our independent Board Members based on gender and ethnicity; establishing our ERG Executive Sponsor Program; advancing development of an employee survey designed to measure effectiveness of our DEI efforts and setting the framework for data analysis to identify opportunities for improvement. We also continued our participation in CEO Action for Diversity & Inclusion and participated in a variety of community events including Advancing Oklahoma, a state-wide conversation on race, where Matrix our leadership served on the committee that developed comprehensive programming to engage participants in discussions about race and history, the criminal justice system, everyday conversations, education, business, image and attitudes, advocacy, and the future.

Total Rewards Package

As part of our compensation philosophy and to attract and retain superior talent, we offer and maintain market-competitive total rewards programs for our employees. In addition to base salaries, additional programs include incentive and project bonus opportunities, comprehensive healthcare coverage and insurance benefits, Company matched retirement plans, health savings and flexible spending accounts, an Employee Stock Purchase Plan, paid holidays and other paid time off, family leave, and flexible work schedules where possible. Other offerings include employee assistance programs with 365/24/7 access to resources and support, and Matrix HealthMatters, our robust wellness program that provides resources and education to help employees and their families get and stay healthy, focusing holistically holistically on physical, mental and financial health.

Training and Employee Development Programs

Investment in continuous learning is essential to providing industry-leading expertise and service to our clients, continuous improvement across our organization, and meaningful career development opportunities for our people. From in-person to online courses, formalized and other specialized training, our employees benefit from opportunities to

strengthen their leadership and management competencies, improve communication and interpersonal skills, and advance their technical proficiency. Through Matrix University, our people have access to resources that include a robust Learning Management System (LMS) that provides enterprise-wide access for employees to a number of online learning modules and support tools.

Our employees also benefit from the Matrix Performance Development Program, designed for collaborative development of annual performance goals and to promote continuous, transparent feedback between employees and their supervisors.

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Employee Engagement

We also empower our employees to donate time, talent, and resources through Company-led initiatives, [matching for employee matching, charitable contributions](#), and paid volunteer time off. Each year, our employees collectively log thousands of hours participating in individual community service projects in addition to hours they invest serving on boards and participating in Company-sponsored charitable events. We also provide direct corporate financial support to nonprofit organizations in the communities where we live and work.

Patents and Proprietary Technology

Our subsidiaries have several patents and continue to pursue new ideas and innovations to better serve our customers in several areas of our business. The Flex-A-Span® and Flex-A-Seal® trademarks are utilized to market our unique seals for floating roof tanks. [The FastFroth® trademark is utilized to market our unique industrial cleaning process.](#) The Flowdome® trademark is used to market our geodesic dome tank roofs. Our SwingMaster® trademark is used to market our central type swing joints. The patent for the Training Tank for Personnel Entry, Exit and Rescue relates to a training device that can be used to train personnel on equipment that is made to simulate confined space scenarios. We hold two separate patents for Pipe Lifting and Orienting Apparatus and Method that is used to raise and lower pipes and to move them around the upper surface of floating roof of tanks. The Batten Joint for an Internal Floating Roof of a Fluid Tank allows us to overcome many of the disadvantages associated with other types of joints used for internal floating roofs for floating tanks.

We also hold a perpetual license to use various patents and technologies related to LNG storage tanks, liquid nitrogen/liquid oxygen storage tanks, liquid petroleum gas storage tanks and thermal vacuum chambers.

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While our intellectual property is not our main business, we believe that the ability to use these patents, trademarks, and technology enables us to expand our presence in the markets we serve and minimizes the development costs typically associated with organic growth.

Regulation

Health and Safety Regulations

Our operations are subject to regulation by the U.S. Department of Labor Occupational Safety and Health Administration ("OSHA") and Mine Safety and Health Administration ("MSHA"), the U.S. Department of Transportation, and to regulation under state laws and by the Canadian Workers' Compensation Board and its Workplace Health, Safety and Compensation Commission. Regulations promulgated by these agencies require employers and independent contractors to implement work practices, medical surveillance systems and personnel protection programs to protect employees from workplace hazards and exposure to hazardous chemicals and materials. In recognition of the potential for accidents within various scopes of work, these agencies have enacted strict and comprehensive safety regulations. We have established and consistently reinforce and monitor compliance with comprehensive programs intended to ensure that we comply with all applicable health and safety regulations to protect the safety of our workers, subcontractors and customers. While we believe that we operate safely and prudently, there can be no assurance that accidents will not occur or that we will not incur substantial liability in connection with the operation of our businesses. In order to minimize the financial exposure resulting from potential accidents associated with our work, we maintain liability insurance to limit losses that could result from our work.

Environmental

We believe we have an obligation to better the world in which we live and work – to do today's work in a manner that advances and protects tomorrow's world for future generations. Across our organization, from our project sites to our offices, we are committed to environmental stewardship and to continuously seeking better, more sustainable ways to perform our work in existing and new markets, including renewables.

Our operations and the operations of our customers are subject to extensive and changing environmental laws and regulations. These laws and regulations relate primarily to air and water pollutants and the management and disposal of hazardous materials. We are exposed to potential liability for personal injury or property damage caused by any release, spill, exposure or other accident involving such pollutants, substances or hazardous materials.

In order to limit costs incurred as a result of environmental exposure, we maintain contractor's pollution liability insurance that covers liability that may be incurred as a result of accidental releases of hazardous materials.

We believe that we are currently in compliance, in all material aspects, with all applicable environmental laws and regulations. We do not expect any material charges in subsequent periods relating to environmental conditions that currently exist and do not currently foresee any significant future capital spending relating to environmental matters.

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Item 1A. Risk Factors

The following risk factors should be considered with the other information included in this Annual Report on Form 10-K. As we operate in a continuously changing environment, other risk factors may emerge which could have a material adverse effect on our results of operations, financial condition and cash flow.

Risk Factors Related to Our Business and Operations

Our results of operations depend upon the award of new contracts and the timing of those awards.

Our revenue is derived primarily from contracts awarded on a project-by-project basis. Generally, it is difficult to predict whether and when we will be awarded a new contract due to lengthy and complex bidding and selection processes, changes in existing or forecasted market conditions, customers' access to financing, governmental regulations, permitting and environmental matters. Because our revenue **are** is derived from contract awards, our results of operations and cash flows can fluctuate materially from period to period.

The uncertainty associated with the timing of contract awards may reduce our short-term profitability as we balance our current capacity with expectations of future contract awards. If an expected contract award is delayed or not received, we could incur costs to maintain an idle workforce that may have a material adverse effect on our results of operations. Alternatively, we may decide that our long-term interests are best served by reducing our workforce and incurring increased costs associated with severance and termination benefits, which also could have a material adverse effect on our results of operations in the period incurred. Reducing our workforce could also impact our results of operations if we are unable to adequately staff projects that are awarded subsequent to a workforce reduction.

Demand for our products and services is cyclical and is vulnerable to the level of capital and maintenance spending of our customers and to downturns in the industries and markets we serve, as well as conditions in the general economy.

The demand for our products and services depends upon the existence of construction and maintenance projects primarily in the energy markets, including LNG, hydrogen, renewable energy, midstream and downstream petroleum, and other heavy industries in the United States and Canada. Therefore, it is likely that our business will continue to be cyclical in nature and vulnerable to general downturns in the United States, Canadian and world economies and negative changes in commodity and energy prices, which could adversely affect the demand for our products and services.

The availability of engineering and construction projects is dependent upon economic conditions and the outlook for renewable energy, hydrogen, natural gas, oil, petrochemical, industrial, and power industries, and specifically, the level of capital expenditures on energy infrastructure. **Additionally, we expect our customers to benefit from bills such as the Infrastructure Investment and Jobs Act and the Inflation Reduction Act. While spending and stimulus bills are expected to provide funding in many of the markets in which we operate, we may not be able to obtain the expected benefits from these bills or similar bills in the future.** Our failure to obtain projects, the delay of project awards, the cancellation of projects or delays in the execution of contracts has resulted and may continue to result in under-utilization of our resources, which could adversely impact our revenue, margins, operating results and cash flow. There are numerous factors beyond our control that influence the level of maintenance and capital expenditures of our customers, including:

- the demand for alternative and renewable energy products, including hydrogen;
- ability and demand to export LNG and other hydrocarbon products;
- the demand for natural gas, oil and electricity;
- current or projected commodity prices, including natural gas, oil, power and mineral prices;
- refining margins;
- the ability of energy and industrial companies to generate, access and deploy capital;
- interest rates;
- technological challenges and advances;
- tax incentives, including those for alternative energy projects;
- regulatory restraints on the rates that power companies may charge their customers; and

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- local, national and international political and economic conditions.

Our profitability could be negatively impacted if we are not able to maintain appropriate utilization of our workforce.

The extent to which we utilize our workforce affects our profitability. If we under utilize our workforce, our project gross margins and overall profitability suffer in the short-term. If we over utilize our workforce, we may negatively impact safety, employee satisfaction and project execution. The utilization of our workforce is impacted by numerous factors including:

- our estimate of the headcount requirements for various operating units based upon our forecast of the demand for our products and services;
- our ability to maintain our talent base and manage attrition;
- productivity;
- our ability to schedule our portfolio of projects to efficiently utilize our employees and minimize downtime between project assignments; and
- our need to invest time and resources into functions such as training, business development, employee recruiting, and sales that are not chargeable to customer projects.

An inability to attract and retain qualified personnel, and in particular, engineers, project managers, and skilled craft workers, could impact our ability to perform on our contracts, which could harm our business and impair our future revenue and profitability.

Our ability to attract and retain qualified engineers, project managers, skilled craftsmen and other experienced professionals in accordance with our need is an important factor in our ability to maintain profitability and grow our business. The market for these professionals is competitive, particularly during periods of economic growth when the supply is limited. We cannot provide any assurance that we will be successful in our efforts to retain or attract qualified personnel when needed. Therefore, when we anticipate or experience growing demand for our services, we may incur additional cost to maintain a professional staff in excess of our current contract needs in an effort to have sufficient qualified personnel available to address this anticipated demand. If we do incur additional compensation and benefit costs, our customer contracts may not allow us to pass through these costs.

Competent and experienced engineers, project estimators, project managers, and craft workers are especially critical to the profitable performance of our contracts, particularly on our fixed-price contracts where superior design and execution of the project can result in profits greater than originally estimated or where inferior design and project execution can reduce or eliminate estimated profits or even result in a loss.

Our project managers are involved in most aspects of contracting and contract execution, including:

- supervising the bidding process, including providing estimates of significant cost components, such as material and equipment needs, and the size, productivity and composition of the workforce;
- negotiating contracts;
- supervising project performance, including performance by our employees, subcontractors and other third-party suppliers and vendors;
- estimating costs for completion of contracts that is used to estimate amounts that can be reported as revenue and earnings on the contract under the percentage-of-completion method of accounting;
- negotiating requests for change orders and the final terms of approved change orders; and
- determining and documenting claims by us for increased costs incurred due to the failure of customers, subcontractors and other third-party suppliers of equipment and materials to perform on a timely basis and in accordance with contract terms.

The loss of one or more of our significant customers could adversely affect us.

One or more customers have in the past and may in the future contribute a material portion of our revenue in any one year. Because these significant customers generally contract with us for specific projects or for specific periods of time, we may lose

these customers from year to year as the projects or maintenance contracts are completed. The loss of business from any one of these customers could have a material adverse effect on our business or results of operations.

Our backlog is subject to unexpected fluctuations, adjustments and cancellations and does not include the full value of our long-term maintenance contracts, and therefore, may not be a reliable indicator of our future earnings.

Backlog may not be a reliable indicator of our future performance. We cannot guarantee that the revenue projected in our backlog will be realized or profitable. Projects may remain in our backlog for an extended period of time. In addition, project cancellations or scope adjustments may occur from time to time with respect to contracts included in our backlog that could reduce the dollar amount of our backlog and the revenue and profits that we actually earn. Many of our contracts have termination rights. Therefore, project adjustments may occur from time to time to contracts in our backlog.

The terms of our contracts could expose us to unforeseen costs and costs not within our control, which may not be recoverable and could adversely affect our results of operations and financial condition.

A significant amount of our work is performed under fixed-price contracts. Under fixed-price contracts, we agree to perform the contract for a fixed price and, as a result, can improve our expected profit by superior execution, productivity, workplace safety and other factors resulting in cost savings. However, we could incur cost overruns above the approved contract price, which may not be recoverable. Under certain incentive fixed-price contracts, we may agree to share with a customer a portion of any savings we generate while the customer agrees to bear a portion of any increased costs we may incur up to a negotiated ceiling. To the extent costs exceed the negotiated ceiling price, we may be required to absorb some or all of the cost overruns.

Fixed-price contract prices are established based largely upon estimates and assumptions relating to project scope and specifications, personnel and productivity, material needs, and site conditions. These estimates and assumptions may prove inaccurate, or conditions may change due to factors out of our control, resulting in cost overruns, which we may be required to absorb and which could have a material adverse effect on our business, financial condition and results of operations. In addition, our profits from these contracts could decrease or we could experience losses if we incur difficulties in performing the contracts or are unable to secure fixed-pricing commitments from our manufacturers, suppliers and subcontractors at the time we enter into fixed-price contracts with our customers.

Under cost-plus and time-and-material contracts, we perform our services in return for payment of our agreed upon reimbursable costs plus a profit. The profit component is typically expressed in the contract either as a percentage of the reimbursable costs we actually incur or is factored into the rates we charge for labor or for the cost of equipment and materials, if any, we are required to provide. Our profit could be negatively impacted if our actual costs exceed the estimated costs utilized to establish the billing rates included in the contracts.

We may incur significant costs in providing services in excess of original project scope without having an approved change order.

After commencement of a contract, we may perform, without the benefit of an approved change order from the customer, additional services requested by the customer that were not contemplated in our contract price for various reasons, including customer changes or incomplete or inaccurate engineering, changes in project specifications and other similar information provided to us by the customer. Our construction contracts generally require the customer to compensate us for additional work or expenses incurred under these circumstances.

A failure to obtain adequate compensation for these matters could require us to record in the current period an adjustment to revenue and profit recognized in prior periods under the percentage-of-completion accounting method. Any such adjustments, if substantial, could have a material adverse effect on our results of operations and financial condition, particularly for the period in which such adjustments are made. We can provide no assurance that we will be successful in obtaining, through negotiation, arbitration, litigation or otherwise, approved change orders in an amount adequate to compensate us for our additional work or expenses.

Our business may be affected by difficult work sites and environments, which may adversely affect our overall business.

We perform our work under a variety of conditions, including, but not limited to, difficult terrain, difficult site conditions and busy urban centers where delivery of materials and availability of labor may be impacted. Performing work under these conditions can slow our progress, potentially causing us to incur contractual liability to our customers. These difficult conditions may also cause us to incur additional, unanticipated costs that we might not be able to pass on to our customers.

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We are susceptible to severe weather conditions, as a result of including those caused by climate change or otherwise, which may harm our business and financial results.

Our business may be adversely affected by severe weather in areas where we have significant operations. Repercussions of severe weather conditions may include:

- curtailment of services;
- suspension of operations;
- inability to meet performance schedules in accordance with contracts and potential liability for liquidated damages;
- injuries or fatalities;
- weather related damage to our facilities or work-in-progress on project sites;
- disruption of information systems;
- inability to receive machinery, equipment and materials at job sites; and
- loss of productivity.

The frequency and severity of severe weather conditions may be enhanced by present and future changes to our climate.

Our business has been affected by inflation, supply chain disruptions and shortages of materials and labor.

Following the onset of the pandemic and with the ongoing conflict between Ukraine and Russia in Europe, there has been a high degree of volatility in commodity and energy markets that affect our client's businesses. In addition, inflation in the United States has reached multi-decade **highs and has been increasing since the beginning of the fiscal year. highs.** In some cases we have had to bid more competitively than before to win work, which has compressed margins somewhat given the higher inflation. It is uncertain how this market environment will impact our business, both positively or negatively.

Domestic and foreign trade tariffs could raise the price and reduce the availability of raw materials to us, which could negatively impact our operating results and financial condition.

Domestic and foreign trade tariffs could raise the price and reduce the availability of raw materials such as steel plate and steel pipe, which are key materials used by us. Supplies of these materials are available throughout the United States and globally from numerous sources. We anticipate that adequate amounts of these materials will be available in the foreseeable future. However, if trade tariffs should significantly impact the price and availability of these materials, we could experience lower gross margins, operational inefficiencies and project delays.

Unsatisfactory safety performance may subject us to penalties, affect customer relationships, result in higher operating costs, negatively impact employee morale and result in higher employee turnover.

Our projects are conducted at a variety of sites including construction sites and industrial facilities. With each location, hazards are part of the day-to-day exposures that we must manage on a continuous basis to ensure our employees return home from work the same way they arrived. We understand that everyone plays a role with safety and everyone can make a difference with their active participation. With our proactive approach, our strategy is to identify the exposures and correct them before they result in an incident whether that involves an injury, damage or destruction of property, plant and equipment or an environmental impact. We are intensely focused on maintaining a strong safety culture and strive for zero incidents.

Although we have taken what we believe are appropriate precautions to adequately train and equip our employees, we have experienced serious accidents, including fatalities, in the past and may experience additional accidents in the future. Serious accidents may subject us to penalties, civil litigation or criminal prosecution. Claims for damages to persons, including claims for bodily injury or loss of life, could result in costs and liabilities, which could materially and adversely affect our financial condition, results of operations or cash flows. Poor safety performance could also jeopardize our relationships with our customers and increase our insurance premiums.

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We are exposed to credit risk from customers. If we experience delays and/or defaults in customer payments, we could suffer liquidity problems or we could be unable to recover amounts owed to us.

Under the terms of our contracts, at times we commit resources to customer projects prior to receiving payments from customers in amounts sufficient to cover expenditures on these projects as they are incurred. Many of our fixed-price or **cost-plus cost-**

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plus contracts require us to satisfy specified progress milestones or performance standards in order to receive a payment. Under these types of arrangements, we may incur significant costs for labor, equipment and supplies prior to receipt of payment. If the customer fails or refuses to pay us for any reason, there is no assurance we will be able to collect amounts due to us for costs previously incurred. In some cases, we may find it necessary to terminate subcontracts with suppliers engaged by us to assist in performing a contract, and we may incur costs or penalties for canceling our commitments to them. Delays in customer payments require an investment in working capital. If we are unable to collect amounts owed to us under our contracts, we may be required to record a charge against previously recognized earnings related to the project, and our liquidity, financial condition and results of operations could be adversely affected.

We contribute to multiemployer plans that could result in liabilities to us if those plans are terminated or if we withdraw from those plans.

We contribute to several multiemployer pension plans for employees covered by collective bargaining agreements. These plans are not administered by us and contributions are determined in accordance with provisions of negotiated labor contracts. The Employee Retirement Income Security Act of 1974, as amended by the Multiemployer Pension Plan Amendments Act of 1980, imposes certain liabilities upon employers who are contributors to a multiemployer plan in the event of the employer's withdrawal from, or upon termination of, such plan. If we terminate, withdraw, or partially withdraw from other multiemployer pension plans, we could be required to make significant cash contributions to fund that plan's unfunded vested benefit, which could materially and adversely affect our financial condition and results of operations; however, we are not currently able to determine the net assets and actuarial present value of the multiemployer pension plans' unfunded vested benefits allocable to us, if any, and we are not presently aware of the amounts, if any, for which we may be contingently liable if we were to withdraw from any of these plans. In addition, if the funding level of any of these multiemployer plans becomes classified as "critical status" under the Pension Protection Act of 2006, we could be required to make significant additional contributions to those plans.

A failure or outage in our operational systems or cyber security attacks on any of our systems, or those of third parties, may adversely affect our financial results.

We have become more reliant on technology to help increase efficiency in our business. We use numerous technologies to help run our operations, and this may subject our business to increased risks. Any cyber security attack that affects our facilities, our systems, our customers and any of our financial data could have a material adverse effect on our business. In addition, a cyber-attack on our customer and employee data may result in a financial loss, including potential fines for failure to safeguard data, and may damage our reputation. Third-party systems on which we rely could also suffer system failure. Any of these occurrences could disrupt our business, result in potential liability or reputational damage or otherwise have an adverse effect on our financial results.

We have experienced cybersecurity threats to our information technology infrastructure and have experienced cyber-attacks, attempts to breach our systems and other similar incidents. Such prior events have not had a material impact on our financial condition, results of operations or liquidity. However, future threats could cause harm to our business and our reputation, as well as negatively impact our results of operations materially. Our insurance coverage may not be adequate to cover all the costs related to cyber-attacks or disruptions resulting from such events.

Any security breach resulting in the unauthorized use or disclosure of certain personal information could put individuals at risk of identity theft and financial or other harm and result in costs to us in investigation, remediation, legal defense and in liability to parties who are financially harmed. We may incur significant costs to protect against the threat of information security breaches or to respond to or alleviate problems caused by such breaches. For example, laws may require notification to regulators, clients or employees and enlisting credit monitoring or identity theft protection in the event of a privacy breach. A cybersecurity attack could also be directed at our systems and result in interruptions in our operations or delivery of services to our clients and their customers. Furthermore, a material security breach could cause us to lose revenue, lose clients or cause damage to our reputation.

To reduce organizational risk from cybersecurity threats, we carry cyber liability insurance and have undertaken several initiatives in recent years. We strengthened our identity and access management capabilities by requiring multi-factor authentication, increased the threat detection efficiencies within our security information and event management capacity, and completed projects designed to reduce our organization's external attack surface. In addition, in the area of security awareness

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and training, we have updated our foundational curriculum, established mandatory recurring training requirements, and commenced periodic phishing campaign assessments.

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We rely on internally and externally developed software applications and systems to support critical functions including project management, estimating, scheduling, human resources, accounting, and financial reporting. Any sudden loss, disruption or unexpected costs to maintain these systems could significantly increase our operational expense as well as disrupt the management of our business operations.

We rely on various software systems to conduct our critical operating and administrative functions. We depend on our software vendors to provide long-term software maintenance support for our information systems. Software vendors may decide to discontinue further development, integration or long-term software maintenance support for our information systems, in which case we may need to abandon one or more of our current information systems and migrate some or all of our project management, human resources, estimating, scheduling, accounting and financial information to other systems, thus increasing our operational expense as well as disrupting the management of our business operations.

Financial Risks

Our borrowing capacity under our Credit Agreement is determined by the size of our borrowing base and if the size of our borrowing base does not provide adequate liquidity, then we may need to raise additional capital in the future for working capital, capital expenditures and/or acquisitions, and we may not be able to do so on favorable terms or at all, which would impair our ability to operate our business or achieve our strategic plan.

Management believes it has sufficient cash on hand and will generate sufficient cash from operations to fund the business. However, should we require additional liquidity, there is risk that we will be unable access the amount of additional liquidity needed from our Credit Agreement if the level of assets included in the borrowing base is insufficient. The borrowing base includes restricted cash plus a percentage of the value of certain accounts receivable, inventory and equipment, reduced for certain reserves. **Accounts receivable eligible to be included in the borrowing base are generally limited to receivables associated with cost reimbursable work. While receivables associated with fixed price work do not increase the borrowing base, such work often has upfront billings, which help support the liquidity needs of the business. As of June 30, 2023, our borrowing base was \$67.0 million. Our borrowing base has ranged from \$67.0 million to \$83.2 million during fiscal 2023.**

To the extent that cash on hand, cash flow from operations, and borrowing availability under the Credit Agreement are insufficient to make future investments, or provide needed working capital, we may require additional financing from other sources. Our ability to obtain such additional financing in the future will depend in part upon prevailing capital market conditions, as well as conditions in our business and our operating results; and those factors may affect our efforts to arrange additional financing on terms that are satisfactory to us. If adequate funds are not available, or are not available on acceptable terms, we may not be able to make future investments or respond to competitive challenges.

Our Credit Agreement imposes restrictions that may limit business alternatives.

Our Credit Agreement prohibits or limits us from making acquisitions, repurchasing equity, incurring additional debt, acquiring or disposing of assets, or making other distributions, including cash dividends. In addition, our Credit Agreement requires that we comply with a Fixed Charge Coverage Ratio financial covenant under certain conditions. These covenants and restrictions may impact our ability to effectively execute operating and strategic plans and our operating performance may not be sufficient to comply with the required covenants.

Our failure to comply with one or more of the covenants in our Credit Agreement could result in an event of default. We can provide no assurance that a default could be remedied, or that our creditors would grant a waiver or further amend the terms of the Credit Agreement.

We may be unable to compete for projects if we are not able to obtain surety bonds or letters of credit.

A portion of our business depends on our ability to provide surety bonds or letters of credit. Current or future market conditions, including losses incurred in the construction industry or as a result of large corporate bankruptcies, as well as changes in our sureties' assessment of our operating and financial risk, could cause our surety providers and lenders to decline to issue or renew, or substantially reduce the amount of, bid or performance bonds for our work and could increase our costs associated with collateral. These actions could be taken on short notice. If our surety providers or lenders were to limit or eliminate our access to bonding or letters of credit, our alternatives would include seeking capacity from other sureties and lenders or finding more business that does not require bonds or that allows for other forms of collateral for project performance, such as cash. We may be unable to secure these alternatives in a timely manner, on acceptable terms, or at all, which could affect our ability to bid for or work on certain future projects requiring financial assurances.

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Under standard terms in the surety market, sureties issue or continue bonds on a project-by-project basis and can decline to issue bonds at any time or require the posting of additional collateral as a condition to issuing or renewing bonds. If we were to experience an interruption or reduction in the availability of bonding capacity as a result of these or other reasons, we may be unable to compete for or work on certain projects that require bonding.

Accounting Risks

Our use of percentage-of-completion accounting for fixed-price contracts and our reporting of profits for cost-plus contracts prior to contract completion could result in a reduction or elimination of previously reported profits.

Revenue for fixed-price contracts is recognized using the percentage-of-completion method of accounting. Under percentage-of-completion accounting, contract revenue and earnings are recognized ratably over the contract term based on the proportion of actual costs incurred to total estimated costs. In addition, some contracts contain penalty provisions for failure to achieve certain milestones, schedules or performance standards. We review our estimates of contract revenue, costs and profitability on a monthly basis. As a result, we may adjust our estimates on one or more occasions as a result of changes in cost estimates, change orders to the original contract, or claims against the customer for increased costs incurred by us due to customer-induced delays and other factors.

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If estimates of costs to complete fixed-price contracts indicate a loss, a provision is made to accrue the total loss anticipated in the period the loss is determined. Contract profit estimates are also adjusted, on a percentage of completion basis, in the fiscal period in which it is determined that an adjustment is required. No restatements are made to prior periods. Further, many of our contracts contain various cost and performance incentives and penalties that impact the earnings we realize from our contracts, and adjustments related to these incentives and penalties are recorded on a percentage of completion basis in the period when estimable and probable.

As a result of the requirements of the percentage-of-completion method of accounting, the possibility exists that we could have estimated and reported a profit on a contract over several prior periods and later determine, as a result of additional information, that all or a portion of such previously estimated and reported profits were overstated. If this occurs, the full aggregate amount of the overstatement will be recognized in the period in which such change in estimate occurs.

Actual results could differ from the estimates and assumptions that we use to prepare our financial statements.

To prepare financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions, as of the date of the financial statements, which affect the reported values of assets, liabilities, revenue and expenses and disclosures of contingent assets and liabilities. Areas requiring significant estimation by our management include:

- contract costs and application of percentage-of-completion accounting;
- provisions for uncollectable receivables from customers for invoiced amounts;
- the amount and collectability of unpriced change orders and claims against customers;
- provisions for income taxes and related valuation allowances;
- recoverability of goodwill and intangible assets;
- valuation of assets acquired and liabilities assumed in connection with business combinations; and

- accruals for estimated liabilities, including litigation and insurance reserves.

Our actual results could materially differ from these estimates.

Earnings for future periods may be affected by impairment charges.

Because we have grown in part through acquisitions, goodwill and other acquired intangible assets represent a substantial portion of our assets. We perform annual goodwill impairment reviews in the fourth quarter of every fiscal year. In addition, we perform an impairment review whenever events or changes in circumstances indicate the fair value of a goodwill reporting unit may be less than its carrying value or the carrying value of goodwill or an intangible or fixed asset may not be recoverable. As of June 30, 2022 June 30, 2023, we had \$4.8 million \$3.1 million of amortizing intangible assets and \$42.1 million \$29.1 million of non-amortizing goodwill representing 1.1% 0.8% and 9.6% 7.3% of our total assets, respectively.

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Legal, Insurance, Regulatory and Compliance Risks

We are involved, and are likely to continue to be involved in legal proceedings, which will increase our costs and, if adversely determined, could have a material effect on our financial condition, results of operations, cash flows and liquidity.

We are currently a defendant in legal proceedings arising from the operation of our business, and it is reasonable to expect that we would be named in future actions. Many of the actions against us arise out of the normal course of performing services on project sites, and include workers' compensation claims, personal injury claims and contract disputes with our customers. From time to time, we are also named as a defendant for actions involving the violation of federal and state labor laws related to employment practices, wages and benefits. We may also be a plaintiff in legal proceedings against customers seeking to recover payment of contractual amounts due to us as well as claims for increased costs incurred by us resulting from, among other things, services performed by us at the request of a customer that are in excess of original project scope that are later disputed by the customer and customer-caused delays in our contract performance.

We maintain insurance against operating hazards in amounts that we believe are customary in our industry. However, our insurance policies include deductibles and certain coverage exclusions, so we cannot provide assurance that we are adequately insured against all of the risks associated with the conduct of our business. A successful claim brought against us in excess of, or outside of, our insurance coverage could have a material adverse effect on our financial condition, results of operations, cash flows and liquidity.

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Litigation, regardless of its outcome, is expensive, typically diverts the efforts of our management away from operations for varying periods of time, and can disrupt or otherwise adversely impact our relationships with current or potential customers, subcontractors and suppliers. Payment and claim disputes with customers may also cause us to incur increased interest costs resulting from incurring indebtedness under our revolving line of credit or receiving less interest income resulting from fewer funds invested due to the failure to receive payment for disputed claims and accounts.

Our projects expose us to potential professional liability, product liability, pollution liability, warranty and other claims, which could be expensive, damage our reputation and harm our business. We may not be able to obtain or maintain adequate insurance to cover these claims.

We perform construction and maintenance services at large industrial facilities where accidents or system failures can be disastrous and costly. Any catastrophic occurrence in excess of our insurance limits at locations engineered or constructed by us or where our products are installed or services performed could result in significant professional liability, product liability, warranty and other claims against us by our customers, including claims for cost overruns and the failure of the project to meet contractually specified milestones or performance standards. Further, the rendering of our services on these projects could expose us to risks and claims by third parties and governmental agencies for personal injuries, property damage and environmental matters, among others. Any claim, regardless of its merit or eventual outcome, could result in substantial costs, divert management's attention and create negative publicity, particularly for claims relating to environmental matters where the amount of the claim could be extremely large. We may not be able to or may choose not to obtain or maintain insurance coverage for the types of claims described above. If we are unable to obtain insurance at an acceptable cost or otherwise protect against the claims described above, we will be exposed to significant liabilities, which may materially and adversely affect our financial condition and results of operations.

Employee, subcontractor or partner misconduct or our overall failure to comply with laws or regulations could harm our reputation, damage our relationships with customers, reduce our revenue and profits, and subject us to criminal and civil enforcement actions.

Misconduct, fraud, non-compliance with applicable laws and regulations, or other improper activities by one of our employees, subcontractors or partners could have a significant negative impact on our business and reputation. Such misconduct could include the failure to comply with safety standards, laws and regulations, customer requirements, regulations pertaining to the internal controls over financial reporting, environmental laws and any other applicable laws or regulations. The precautions we take to prevent and detect these activities may not be effective, since our internal controls are subject to inherent limitations, including human error, the possibility that controls could be circumvented or become inadequate because of changed conditions, and fraud.

Our failure to comply with applicable laws or regulations or acts of misconduct could subject us to fines and penalties, harm our reputation, damage our relationships with customers, reduce our revenue and profits and subject us to criminal and civil enforcement actions.

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Environmental factors and changes in laws and regulations could increase our costs and liabilities.

Our operations are subject to environmental laws and regulations, including those concerning emissions into the air; discharges into waterways; generation, storage, handling, treatment and disposal of hazardous material and wastes; and health and safety.

Our projects often involve highly regulated materials, including hazardous wastes. Environmental laws and regulations generally impose limitations and standards for regulated materials and require us to obtain permits and comply with various other requirements. The improper characterization, handling, or disposal of regulated materials or any other failure by us to comply with federal, state and local environmental laws and regulations or associated environmental permits could subject us to the assessment of administrative, civil and criminal penalties, the imposition of investigatory or remedial obligations, or the issuance of injunctions that could restrict or prevent our ability to operate our business and complete contracted projects.

In addition, under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), and comparable state and foreign laws, we may be required to investigate and remediate regulated materials. CERCLA and the comparable state laws typically impose liability without regard to whether a company knew of or caused the release, and liability for the entire cost of clean-up can be imposed upon any responsible party.

We are subject to numerous other laws and regulations including those related to business registrations and licenses, environment, workplace, employment, health and safety. These laws and regulations are complex, change frequently and could become more stringent in the future. It is impossible to predict the effect on us of any future changes to these laws and regulations. We can provide no absolute assurance that our operations will continue to comply with future laws and regulations

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or that the costs to comply with these laws and regulations and/or a failure to comply with these laws will not significantly adversely affect our business, financial condition and results of operations.

Climate change legislation or regulations restricting emissions of "greenhouse gases" could result in reduced demand for our certain services and products, products we provide.

There has been an increased focus in the last several years on climate change in response to findings that emissions of carbon dioxide, methane and other greenhouse gases present an endangerment to public health and the environment. As a result, there have been a variety of regulatory developments, proposals or requirements and legislative initiatives as well as pressure from institutional investors to restrict the emission of greenhouse gases. The growing imperative on customers for whom we provide services to limit greenhouse gas emissions could affect demand for our certain services and products and services, we provide. Further, scientists have concluded that increasing greenhouse gas concentrations in the atmosphere may produce physical effects, such as increased severity and frequency of storms, droughts, floods and other climate events. Such climate events have the potential to adversely affect our certain operations or those of our certain customers, which in turn could have a negative effect on us. We believe this risk is partly mitigated by new project opportunities resulting from our customers' investment in cleaner energy sources.

We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery laws.

The U.S. Foreign Corrupt Practices Act and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to officials or others for the purpose of obtaining or retaining business. Our policies mandate compliance with these anti-bribery laws. We operate in parts of the world that have experienced corruption to some degree and, in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices. We train our personnel concerning anti-bribery laws and issues, and we also inform our customers, vendors, and others who work for us or on our behalf that they must comply with anti-bribery law requirements. We also have procedures and controls in place to monitor compliance. We cannot assure that our internal controls and procedures always will protect us from the possible reckless or criminal acts committed by our employees or agents. If we are found to be liable for anti-bribery law violations (either due to our own acts or our inadvertence, or due to the acts or inadvertence of others including our partners, agents, subcontractors or suppliers), we could suffer from criminal or civil penalties or other sanctions, including contract cancellations or debarment, and loss of reputation, any of which could have a material adverse effect on our business. Litigation or investigations relating to alleged or suspected violations of anti-bribery laws, even if ultimately such litigation or investigations demonstrate that we did not violate anti-bribery laws, could be costly and could divert management's attention away from other aspects of our business.

Economic, political and other risks associated with international operations could adversely affect our business.

A small portion of our operations are conducted outside the United States, and accordingly, our business is subject to risks associated with doing business internationally, including changes in foreign currency exchange rates, instability in political or economic conditions, difficulty in repatriating cash proceeds, differing employee relations, differing regulatory environments,

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trade protection measures, and difficulty in administering and enforcing corporate policies which may be different than the normal business practices of local cultures.

General Risk Factors

Acquisitions may result in significant transaction expenses, and unidentified liabilities and risks associated with entering new markets. We may also be unable to profitably integrate and operate these businesses.

Any future acquisitions may result in significant transaction expenses, unexpected liabilities and other risks in addition to the integration and consolidation risks. If we make any future acquisitions, we will likely assume liabilities of the acquired business or have exposure to contingent liabilities that may not be adequately covered by insurance or indemnification, if any, from the former owners of the acquired business. These potential liabilities could have a material adverse effect on our business.

We may also not be able to successfully complete our ongoing integration of the operations, personnel and technology from our acquisitions. Because of their size and complexity, if we fail to complete our integration efforts successfully, we may experience interruptions in our business activities, a decrease in the quality of our services, a deterioration in our employee and customer relationships, and harm to our reputation, all of which could have a material adverse effect on our business, financial condition and results of operations. Our integration activities have required significant attention from management, which potentially decreases the time that management may devote to serve existing customers, attract new customers and develop new services and strategies. We may also experience difficulties in combining corporate cultures, maintaining employee morale and retaining key employees. The integration efforts may also impose substantial demands on our operations or other projects. We will have to actively strive to demonstrate to our existing customers that these integrations have not resulted in adverse changes

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in our standards or business focus. Our acquisitions have involved a significant capital commitment, and the return that we achieve on any capital invested may be less than the return achieved on our other projects or investments. There will be challenges in consolidating and rationalizing information technology platforms and administrative infrastructures. In addition, any delays or increased costs of integrating acquired companies could adversely affect our operations, financial results and liquidity.

We may not realize the growth opportunities, operating margins and synergies that are anticipated from acquisitions.

The benefits we expect to achieve as a result of an acquisition will depend, in part, on our ability to realize the anticipated growth opportunities, operating margins and synergies. Our success in realizing these growth opportunities, operating margins and synergies, and the timing of this realization, depends on the successful integration of the acquired business and operations with our existing business and operations. Even if we are able to integrate existing and acquired businesses successfully, this integration may not result in the realization of the full benefits of the growth opportunities, operating margins and synergies we currently expect within the anticipated time frame or at all. Accordingly, the benefits from an acquisition may be offset by costs incurred or delays in integrating the companies, which could cause our revenue assumptions and operating margin to be inaccurate.

We face substantial competition in each of our business segments, which may have a material adverse effect on our business.

We face competition in all areas of our business from regional, national and international competitors. Our competitors range from small, family-owned businesses to well-established, well-financed entities, both privately and publicly held, including many large engineering and construction companies and specialty contractors. We compete primarily on the basis of price, customer satisfaction, safety performance and programs, quality of our products and services, and schedule. As a result, an increase in the level of competition in one or more markets may result in lower operating margins than we have recently experienced.

Our common stock, which is listed on the NASDAQ Global Select Market, has experienced significant price and volume fluctuations. These fluctuations could continue in the future, and our stockholders may not be able to resell their shares of common stock at or above the purchase price paid.

The market price of our common stock may change significantly in response to various factors and events beyond our control, including the following:

- the risk factors described in this Item 1A;
- general conditions in our customers' industries;
- general conditions in the security markets;
- the significant concentration of ownership of our common stock in the hands of a small number of institutional investors;
- a shortfall in operating revenue or net income from that expected by securities analysts and investors; and
- changes in securities analysts' estimates of our financial performance or the financial performance of our competitors or companies in our industry.

Some companies that have volatile market prices for their securities have been subject to security class action suits filed against them. If a suit were to be filed against us, regardless of the outcome, it could result in substantial costs and a diversion of our management's attention and resources. This could have a material adverse effect on our business, results of operations and financial condition.

Future sales of our common stock may depress our stock price.

Sales of a substantial number of shares of our common stock in the public market or otherwise, either by us, a member of management or a major stockholder, or the perception that these sales could occur, could depress the market price of our common stock and impair our ability to raise capital through the sale of additional equity securities.

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We may issue additional equity securities, which could lead to dilution of our issued and outstanding stock.

The issuance of additional common stock, restricted stock units or securities convertible into our common stock could result in dilution of the ownership interest held by existing stockholders. We are authorized to issue, without stockholder approval 5,000,000 shares of preferred stock, par value \$0.01 per share, in one or more series, which may give other stockholders dividend, conversion, voting, and liquidation rights, among other rights, which may be superior to the rights of holders of our common stock. In addition, we are authorized to issue, without stockholder approval, a significant number of additional shares of our common stock and securities convertible into either common stock or preferred stock.

Shareholder activists could cause a disruption to our business.

An activist investor may indicate disagreement with our strategic direction or capital allocation policies and may seek representation on our Board of Directors. Our business, operating results or financial condition could be adversely affected and may result in, among other things:

- increased operating costs, including increased legal expenses, insurance, administrative expenses and associated costs incurred in connection with director election contests;
- uncertainties as to our future direction, which could result in the loss of potential business opportunities and could make it more difficult to attract, retain, or motivate qualified personnel, and strain relationships with investors and customers; and
- reduction or delay in our ability to effectively execute our current business strategy and to implement new strategies.

Item 1B. Unresolved Staff Comments

None.

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Item 2. Properties

Our principal properties are as follows:

Location	Description of Facility	Segment	Interest
United States:			
Tulsa, Oklahoma	Corporate headquarters and regional office	All segments	Leased
Bellingham, Washington	Regional office, fabrication facility and warehouse	Process and Industrial Facilities, Storage and Terminal Solutions	Owned
Broomall, Pennsylvania	Regional office	All segments	Leased
Catoosa, Oklahoma	Fabrication facility, regional offices and warehouses	All segments	Leased & Owned ⁽¹⁾
Columbus, Ohio	Regional office	All segments	Leased
Houston, Texas	Regional offices and warehouse	All segments	Leased & Owned
Norco, California	Regional office and warehouse	Process and Industrial Facilities, Storage and Terminal Solutions	Leased
Orange, California	Regional office and fabrication and warehouse facility	Process and Industrial Facilities, Storage and Terminal Solutions	Leased
Pittsburgh, Pennsylvania	Regional office	All segments	Leased
Somerset, New Jersey	Regional office and warehouse	Utility and Power Infrastructure, Process and Industrial Facilities	Leased
Temperance, Michigan	Regional office and warehouse	Storage and Terminal Solutions	Owned
Tucson, Arizona	Regional office and warehouse	Process and Industrial Facilities, Storage and Terminal Solutions	Leased
International:			
Burlington, Ontario, Canada	Regional office	All segments	Owned
Leduc, Alberta, Canada	Regional office and warehouse	Storage and Terminal Solutions	Leased
Sarnia, Ontario, Canada	Regional office and warehouse	Storage and Terminal Solutions	Owned
Paju-si, Gyeonggi-do, South Korea	Fabrication facility, regional office and warehouse	Storage and Terminal Solutions	Owned
Sydney, New South Wales, Australia	Regional office	Storage and Terminal Solutions	Leased

(1) We constructed certain facilities on land acquired through ground leases with renewal options.

In addition to the locations listed above, we have smaller regional locations and temporary office facilities at numerous customer locations throughout the United States and Canada.

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Item 3. Legal Proceedings

We are a party to a number of legal proceedings. We believe that the nature See Part II., Item 8. Financial Statements and number of these proceedings are typical Supplementary Data, Note 7 - Commitments and Contingencies, for a company description of our size engaged in our type of business and that none of these proceedings will result in a material effect on our business, results of operations, financial condition, cash flows or liquidity. ongoing litigation.

Item 4. Mine Safety Disclosures

Section 1503 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") requires domestic mine operators to disclose violations and orders issued under the Federal Mine Safety and Health Act of 1977 (the "Mine Act") by the federal Mine Safety and Health Administration. We do not act as owner of any mines, but as a result of our performing services or construction at mine sites as an independent contractor, we may be considered an "operator" within the meaning of the Mine Act.

Information concerning mine safety violations or other regulatory matters required to be disclosed in this annual report under Section 1503(a) of the Dodd-Frank Act and Item 104 of Regulation S-K is included in Exhibit 95 to this Annual Report on Form 10-K.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock trades on the NASDAQ Global Select Market under the trading symbol "MTRX". Substantially all of our stockholders maintain their shares in "street name" accounts and are not individually stockholders of record. As of **September 30, 2022** **August 31, 2023**, there were 19 holders of record of our common stock.

Dividend Policy

We have never paid cash dividends on our common stock and the terms of our Credit Agreement **limit prohibit us from paying cash dividends to stock dividends only** (see Item 8. Financial Statements and Supplementary Data, Note 5 - Debt for more information about our Credit Agreement). Any future dividend payments will depend on the terms of our Credit Agreement, our financial condition, capital requirements and earnings as well as other relevant factors.

Issuer Purchases of Equity Securities

We may repurchase common stock pursuant to the Stock Buyback Program, which was approved by the board of directors in November 2018. Under the program, the aggregate number of shares repurchased may not exceed 2,707,175 shares. We may repurchase our stock from time to time in the open market at prevailing market prices or in privately negotiated transactions and are not obligated to purchase any shares. The program will continue unless and until it is modified or revoked by the Board of Directors. We made no repurchases under the program **in during fiscal 2022 2023** and have no current plans to repurchase stock. As of **June 30, 2022** **June 30, 2023**, there were 1,349,037 shares available for **purchase repurchase** under the Stock Buyback Program. The terms of our **Credit Agreement ABL Facility** limit share repurchases to \$2.5 million per fiscal year provided **that** that we meet certain availability thresholds and do not violate our Fixed Charge Coverage Ratio financial covenant.

Performance Graph

The following Performance Graph and related information shall not be deemed "soliciting material" or to be "filed" with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that we specifically incorporate it by reference into such filing.

The following graph compares, for the period from **June 30, 2017** **June 30, 2018** to **June 30, 2022** **June 30, 2023**, the cumulative stockholder return on our common stock with the cumulative total return of the NASDAQ Composite Index and the Dow Jones U.S. Heavy Construction Index.

The graph below assumes an investment of \$100 (with reinvestment of all dividends) in our common stock, the NASDAQ Composite Index, and the Dow Jones U.S. Heavy Construction Index on **June 30, 2017** **June 30, 2018** and tracks their relative performance through **June 30, 2022** **June 30, 2023**. The stock price performance reflected in the following graph is not necessarily indicative of future stock performance.

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Item 5 - Performance Graph.jpg

		June 30,						June 30,						
		2017	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022	2023	
Matrix Service Company	Matrix Service Company	\$ 100.00	\$ 196.26	\$ 216.68	\$ 103.96	\$ 112.30	\$ 54.12	Matrix Service Company	\$ 100.00	\$ 110.41	\$ 52.97	\$ 57.22	\$ 27.57	\$ 32.10
NASDAQ Composite	NASDAQ Composite	\$ 100.00	\$ 123.60	\$ 133.22	\$ 169.11	\$ 245.60	\$ 188.07	NASDAQ Composite	\$ 100.00	\$ 107.78	\$ 136.82	\$ 198.71	\$ 152.16	\$ 191.93
Dow Jones US Heavy Construction	Dow Jones US Heavy Construction	\$ 100.00	\$ 107.41	\$ 113.48	\$ 98.54	\$ 179.38	\$ 190.51	Dow Jones US Heavy Construction	\$ 100.00	\$ 105.65	\$ 91.74	\$ 166.99	\$ 177.36	\$ 262.47

Item 6. Reserved

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). GAAP represents a comprehensive set of accounting and disclosure rules and requirements, the application of which requires management judgments and estimates including, in certain circumstances, choices between acceptable GAAP alternatives. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. We base our estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from these estimates under different assumptions or conditions. Note 1 - Summary of Significant Accounting Policies of the Notes to Consolidated Financial Statements included in Part II, Item 8 - Financial Statements and Supplementary Data in this Annual Report on Form 10-K, contains a comprehensive summary of our significant accounting policies. The following is a discussion of our most critical accounting policies, estimates, judgments and uncertainties that are inherent in our application of GAAP.

RESULTS OF OPERATIONS

Reportable Segments

We operate our business through three reportable segments:

- **Utility and Power Infrastructure:** consists of power delivery services provided to investor-owned utilities, including construction of new substations, upgrades of existing substations, transmission and distribution line installations, upgrades and maintenance, as well as emergency and storm restoration services. We also provide engineering, fabrication, and construction services for LNG utility peak shaving facilities, and construction and maintenance services to a variety of power generation facilities, including natural gas fired facilities, in simple or combined cycle configuration.
- **Process and Industrial Facilities:** primarily serves customers in the downstream and midstream petroleum industries who are engaged in refining crude oil and processing, fractionating, and marketing of natural gas and natural gas liquids. We also serve customers in various other industries such as petrochemical, sulfur, mining and minerals companies engaged primarily in the extraction of non-ferrous metals, aerospace and defense, cement, agriculture, and other industrial customers. Our services include plant maintenance, turnarounds, industrial cleaning services, engineering, fabrication, and capital construction.
- **Storage and Terminal Solutions:** primarily consists of work related to aboveground storage tanks engineering, procurement, fabrication, and terminals. We also include work construction services related to cryogenic and other specialty storage tanks and terminals including for LNG, NGLs, hydrogen, ammonia, propane, butane, liquid nitrogen/liquid oxygen, and liquid petroleum, hydrogen and other specialty vessels such as spheres in this segment, as well petroleum. Also includes work related to marine structures traditional aboveground crude oil and refined product storage tanks and terminals. This segment also includes terminal balance of plant work, truck and rail loading/offloading facilities. Our services include engineering, fabrication, construction, facilities, and marine structures as well as storage tank and terminal maintenance and repair, which includes planned and emergency services for both tanks and full terminals. repair. Finally, we offer manufacture and sell precision engineered specialty tank products, including geodesic domes, aluminum internal floating roofs, floating suction and skimmer systems, roof drain systems and floating roof seals.
- **Utility and Power Infrastructure:** primarily consists of engineering, procurement, fabrication, and construction services to support growing demand for LNG utility peak shaving facilities. We also perform traditional electrical work for public and private utilities, including construction of new substations, upgrades of existing substations, transmission and distribution line installations, and upgrades and maintenance including live wire work. Work may also include emergency and storm restoration services. We also provide construction services to a variety of power generation facilities, including natural gas fired facilities in simple or combined cycle configurations.
- **Process and Industrial Facilities:** primarily consists of plant maintenance, repair, and turnarounds in the downstream and midstream markets for energy clients including refining and processing of crude oil, fractionating, and marketing of natural gas and natural gas liquids. Also includes engineering, procurement, fabrication, and construction for refinery upgrades and retrofits for renewable fuels. We also construct thermal vacuum test chambers for aerospace and defense industries and other infrastructure for industries including petrochemical, sulfur, mining and minerals primarily in the extraction of non-ferrous metals, cement, agriculture, wastewater treatment facilities and other industrial customers.

Overview

The majority of the work for all segments is performed in the United States, with 9.5% 9.4% of revenue generated internationally during fiscal 2023, 9.5% in fiscal 2022 and 10.2% in fiscal 2021 and 7.3% in fiscal 2020, 2021. The percentage of revenue generated internationally decreased in fiscal 2023 and fiscal 2022 compared to fiscal 2021 primarily due to higher levels of domestic revenue generated domestically, growth.

Significant period to period changes in revenue, gross profits and operating results between fiscal 2022 2023 and fiscal 2021 2022 are discussed below on a consolidated basis for each segment. A discussion of results of operations changes between fiscal 2021 2022 and fiscal 2020 2021 is included in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of our Annual Report on Form 10-K for the year ended June 30, 2021 June 30, 2022, which was filed with the SEC on September 13, 2021 October 11, 2022.

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Matrix Service Company
Results of Operations
(In thousands)

		Utility and Power Infrastructure	Process and Industrial Facilities	Storage and Terminal Solutions	Corporate	Total		Storage and Terminal Solutions	Utility and Power Infrastructure	Process and Industrial Facilities	Corporate	Total
Fiscal Year 2022												
Fiscal Year 2023												
Consolidated revenue	Consolidated revenue	\$ 220,093	\$254,848	\$232,839	\$ —	\$707,780	Consolidated revenue	\$255,693	\$ 169,504	\$369,823	\$ —	\$795,020
Gross profit (loss)	Gross profit (loss)	(8,586)	9,270	262	(2,152)	(1,206)	Gross profit (loss)	10,470	10,699	10,756	(1,105)	30,820
Gross profit (loss) %	Gross profit (loss) %	(3.9) %	3.6 %	0.1 %	— %	(0.2)%	Gross profit (loss) %	4.1 %	6.3 %	2.9 %	— %	3.5 %
Selling, general and administrative expenses	Selling, general and administrative expenses	11,771	12,506	17,284	26,129	67,690	Selling, general and administrative expenses	20,054	7,045	14,909	26,241	68,249
Goodwill impairment and restructuring costs	Goodwill impairment and restructuring costs	2,746	6,867	7,330	2,015	18,958	Goodwill impairment and restructuring costs	969	37	13,288	1,164	15,458
Operating loss		(23,103)	(10,103)	(24,352)	(30,296)	(87,854)						
Operating loss %		(10.5) %	(4.0) %	(10.5) %	— %	(12.4) %						
Fiscal Year 2021												
Operating profit (loss)							Operating profit (loss)	(10,553)	3,617	(17,441)	(28,510)	(52,887)
Operating profit (loss) %							Operating profit (loss) %	(4.1) %	2.1 %	(4.7) %	— %	(6.7) %
Fiscal Year 2022												
Consolidated revenue	Consolidated revenue	\$ 210,052	\$199,917	\$263,429	\$ —	\$673,398	Consolidated revenue	\$232,839	\$ 220,093	\$254,848	\$ —	\$707,780
Gross profit		1,506	17,642	13,617	—	32,765						
Gross profit %		0.7 %	8.8 %	5.2 %	— %	4.9 %						
Gross profit (loss)							Gross profit (loss)	262	(8,586)	9,270	(2,152)	(1,206)
Gross profit (loss) %							Gross profit (loss) %	0.1 %	(3.9) %	3.6 %	— %	(0.2) %
Selling, general and administrative expenses	Selling, general and administrative expenses	9,882	14,756	18,644	26,474	69,756	Selling, general and administrative expenses	17,284	11,771	12,506	26,129	67,690
Restructuring costs	Restructuring costs	1,312	3,807	1,391	246	6,756	Restructuring costs	7,330	2,746	6,867	2,015	18,958
Operating loss	Operating loss	(9,688)	(921)	(6,418)	(26,720)	(43,747)	Operating loss	(24,352)	(23,103)	(10,103)	(30,296)	(87,854)
Operating loss %	Operating loss %	(4.6) %	(0.5) %	(2.4) %	— %	(6.5) %	Operating loss %	(10.5) %	(10.5) %	(4.0) %	— %	(12.4) %
Variations Fiscal Year 2022 to Fiscal Year 2021 Increase/(Decrease)												
Variations Fiscal Year 2023 to Fiscal Year 2022 Increase/(Decrease)												
Consolidated revenue	Consolidated revenue	\$ 10,041	\$ 54,931	\$ (30,590)	\$ —	\$ 34,382	Consolidated revenue	\$ 22,854	\$ (50,589)	\$114,975	\$ —	\$ 87,240
Gross profit (loss)	Gross profit (loss)	(10,092)	(8,372)	(13,355)	(2,152)	(33,971)	Gross profit (loss)	10,208	19,285	1,486	1,047	32,026

Selling, general and administrative expenses	Selling, general and administrative expenses	1,889	(2,250)	(1,360)	(345)	(2,066)	Selling, general and administrative expenses	2,770	(4,726)	2,403	112	556
Goodwill impairment and restructuring costs	Goodwill impairment and restructuring costs	1,434	3,060	5,939	1,769	12,202	Goodwill impairment and restructuring costs	(6,361)	(2,709)	6,421	(851)	(3,500)
Operating loss		(13,415)	(9,182)	(17,934)	(3,576)	(44,107)						
Operating profit (loss)							Operating profit (loss)	13,799	26,720	(7,338)	1,786	34,967

Operational Update

During fiscal 2023, strong bidding activity resulted in project awards of \$1.3 billion and we ended the fiscal year with \$1.1 billion of backlog, the highest level since the end of fiscal 2019. Based on this building momentum, the process of returning revenue volume to pre-pandemic levels is well underway. Accordingly, we are expecting revenue growth to be stronger in fiscal 2024 than it was in fiscal 2023. However, some of the new awards are for significant capital projects that will not commence until the latter half of fiscal 2024 and will be recognized as revenue over a multi-year period.

Many of the projects booked during fiscal 2023 are large capital projects with gross margins at our pre-pandemic historical gross margin range. In addition, growing revenue volume combined with cost reductions implemented in recent years should allow us to better leverage our cost structure, which will further enhance gross margins in fiscal 2024 and beyond.

Backlog

We define backlog as the total dollar amount of revenue that we expect to recognize as a result of performing work that has been awarded to us through a signed contract, limited notice to proceed ("LNTP") or other type of assurance that we consider firm. The following arrangements are considered firm:

- fixed-price awards;
- minimum customer commitments on cost plus arrangements; and
- certain time and material arrangements in which the estimated value is firm or can be estimated with a reasonable amount of certainty in both timing and amounts.

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For long-term maintenance contracts with no minimum commitments and other established customer agreements, we include only the amounts that we expect to recognize as revenue over the next 12 months. For arrangements in which we have received a LNTP, we include the entire scope of work in our backlog if we conclude that the likelihood of the full project proceeding is high. For all other arrangements, we calculate backlog as the estimated contract amount less revenue recognized as of the reporting date.

The following table provides a summary of changes in our backlog in fiscal 2023:

	Storage and			
	Terminal Solutions	Utility and Power Infrastructure	Process and Industrial Facilities	Total
	(In thousands)			
Backlog as of June 30, 2022	\$ 195,114	\$ 102,059	\$ 292,287	\$ 589,460
Project awards	354,510	526,963	444,148	1,325,621
Other adjustment ⁽¹⁾	(23,272)	—	(6,691)	(29,963)
Revenue recognized	(255,693)	(169,504)	(369,823)	(795,020)
Backlog as of June 30, 2023	\$ 270,659	\$ 459,518	\$ 359,921	\$ 1,090,098
Book-to-bill ratio ⁽²⁾	1.4	3.1	1.2	1.7

(1) Backlog was reduced by \$30.0 million to account for a reduction of work available to us in an existing facility upgrade and service program.

(2) Calculated by dividing project awards by revenue recognized.

In the Storage and Terminal Solutions segment, backlog increased by 38.7% as we booked \$354.5 million of project awards during fiscal 2023. This segment includes significant opportunities for storage infrastructure projects related to natural gas, LNG, ammonia, hydrogen, NGLs and other forms of renewable energy. We believe LNG and hydrogen

projects in particular will be key growth drivers for this segment. We were awarded a large-scale specialty vessel project in the second quarter following a similar award in the first quarter. Bidding activity on LNG projects has been strong and we expect that to continue.

In the Utility and Power Infrastructure segment, backlog increased by 350.2% as we booked \$527.0 million of project awards in fiscal 2023. Project awards are primarily comprised of a project for the engineering, procurement, and construction of LNG peak shaving facilities and power delivery work. We received a significant LNG peak shaving project award during the fourth quarter of fiscal 2023. Our opportunity pipeline for LNG peak shaving projects continues to be promising, however those awards, while significant, can be less frequent. Project opportunities and bidding activity are strong for both the power delivery portion of the business and LNG peak shaving.

In the Process and Industrial Facilities segment, backlog increased by 23.1% as we booked \$444.1 million of project awards in fiscal 2023. Included in project awards are a significant capital project awarded in the third quarter to upgrade a natural gas compressor station and contract growth on a capital project at a biodiesel facility. Client spending related to refinery maintenance and turnaround operations has continued to be strong, which also contributed significantly to project awards during the year. We continue to see demand for thermal vacuum chambers in the coming quarters, as well as increasing opportunities in mining and minerals, chemicals, and renewables. In addition, we are continuing to pursue opportunities for midstream gas work, including some larger scale projects.

Project awards in all segments are cyclical and are typically the result of a sales process that can take several months or years to complete. It is common for awards to shift from one period to another as the timing of awards is dependent upon a number of factors including changes in market conditions, permitting, off take agreements, project financing and other factors. Backlog volatility may increase for some segments from time to time when individual project awards are less frequent, but more significant. Awards for significant capital projects may be recognized as revenue over a multi-year period as the projects may take a few years to complete. We expect to recognize approximately 54% of our total backlog reported as of June 30, 2023 as revenue within fiscal 2024.

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Fiscal 2023 Versus Fiscal 2022

Consolidated

Consolidated revenue was \$795.0 million for fiscal 2023 compared to \$707.8 million in fiscal 2022. On a segment basis, revenue increased in the Process and Industrial Facilities and Storage and Terminal Solutions segments by \$115.0 million and \$22.8 million, respectively. These increases were partially offset by a decrease in revenue of \$50.6 million in the Utility and Power Infrastructure segment.

Consolidated gross profit was \$30.8 million in fiscal 2023 compared to a gross loss of \$1.2 million in fiscal 2022. Gross margin was 3.9% in fiscal 2023 compared to a negative gross margin of (0.2%) in fiscal 2022. Gross margins in fiscal 2023 were negatively impacted by the under recovery of construction overhead costs, unfavorable changes in the estimated recovery of change orders and increased forecasted costs to complete certain midstream gas processing projects, continued work on previously-booked projects with reduced gross margins awarded in a highly competitive time period. Gross margins in fiscal 2022 were negatively impacted by low revenue volume, which led to the under recovery of construction overhead costs. In addition, the competitive bidding environment and increased forecasts in costs to complete projects negatively impacted gross margins.

Consolidated Selling, General and Administrative ("SG&A") expenses were \$68.2 million in fiscal 2023 compared to \$67.7 million in fiscal 2022.

In the second quarter of fiscal 2023, we recorded \$12.3 million of goodwill impairment. In the third quarter of fiscal 2022, we recorded \$18.3 million of goodwill impairment. See Part II, Item 8, Financial Statements, Note 4 - Goodwill and Other Intangible Assets - Goodwill, for more information about the impairment.

As a result of actions taken to reduce our cost structure, we recorded \$3.1 million of restructuring costs in fiscal 2023 and \$0.6 million of restructuring costs in fiscal 2022. See Part II, Item 8, Financial Statements and Supplementary Data, Note 14 - Restructuring Costs, for more information.

Interest expense was \$2.0 million in fiscal 2023 and \$3.0 million in fiscal 2022. Interest expense consists primarily of interest on debt outstanding, unused capacity fees, amortization of deferred debt issuance costs, letter of credit fees and other interest. Interest expense in fiscal 2022 included \$1.5 million of accelerated amortization of deferred debt amendment fees in the first quarter.

Other income included a \$2.9 million gain on the sale of our industrial cleaning business in the fourth quarter of fiscal 2023. See Part II, Item 8, Financial Statements, Note 3 - Property, Plant and Equipment - Industrial Cleaning Disposal, for more information. In fiscal 2022, other income included a \$32.4 million gain on the sale-leaseback of our regional office and fabrication and warehouse facility located in Orange, California. See Part II, Item 8, Financial Statements, Note 3 - Property, Plant and Equipment - Sale-leaseback Transaction, for more information.

Our effective tax rate for fiscal 2023 was 0.8% compared to (9.6)% in fiscal 2022. The effective tax rates for both periods were impacted by valuation allowances of \$12.6 million and \$17.9 million, respectively, placed on deferred tax assets. We placed a valuation allowance on all of our deferred tax assets in the second quarter of fiscal 2022 due to the existence of a cumulative loss over a three-year period. We will continue to place valuation allowances on newly generated deferred tax assets and will realize the benefit associated with the deferred tax assets for which the valuation allowance has been provided to the extent we generate taxable income in the future, or cumulative losses are no longer present and our future projections for growth or tax planning strategies are demonstrated.

In fiscal 2023 and 2022, net loss was \$52.4 million and \$63.9 million, respectively; or \$1.94 and \$2.39 per fully diluted share, respectively.

Storage and Terminal Solutions

Revenue for the Storage and Terminal Solutions segment was \$255.7 million in fiscal 2023 compared to \$232.8 million in fiscal 2022, an increase of \$22.9 million. The increase in segment revenue is primarily a result of higher volumes of specialty vessel capital projects and tank repair and maintenance work.

The segment gross margin was 4.1% in fiscal 2023 compared to 0.1% in fiscal 2022. The fiscal 2023 segment gross margin improved on good project execution, but was negatively impacted by the under recovery of construction overhead costs due to low revenue volumes. The fiscal 2022 segment gross margin was negatively impacted by low revenue

volume, which led to under recovery of construction overhead costs and a lower than previously forecasted margin on a thermal energy storage tank

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repair and maintenance project, which had reduced segment gross profit by \$6.3 million. In addition, segment gross margin was negatively impacted by smaller competitively priced capital projects in fiscal 2022.

Utility and Power Infrastructure

Revenue for the Utility and Power Infrastructure segment was \$169.5 million in fiscal 2023 compared to \$220.1 million in fiscal 2022. The decrease is primarily due to lower volumes of natural gas utility peak shaving work, partially offset by higher volumes of power delivery work. The reduction of peak shaving work is due to the timing of commencement of new projects and the completion of previous awarded projects. We expect peak shaving work to have a significant impact to segment revenue in the second half of fiscal 2024.

The segment gross margin was 6.3% in fiscal 2023 compared to a negative gross margin of (3.9%) in fiscal 2022. The segment gross margin for fiscal year 2023 was negatively impacted by continued work on projects with previously reduced gross margins and projects that were bid competitively. These negative impacts were partially offset by strong execution of cost reimbursable power delivery work. The fiscal 2022 negative segment gross margin was materially impacted by changes in the forecasted costs to complete two large capital projects and an unfavorable settlement of a claim with a customer. The segment gross margin in fiscal 2022 was also negatively impacted by the under recovery of construction overhead costs.

Process and Industrial Facilities

Revenue for the Process and Industrial Facilities segment was \$369.8 million in fiscal 2023 compared to \$254.8 million in fiscal 2022. The increase of \$115.0 million was primarily due to work on a capital project at a biodiesel facility, higher volumes of refinery maintenance and turnaround activity, midstream gas processing capital work, and work on a capital project at a mining facility.

The segment gross margin was 2.9% in fiscal 2023 compared to 3.6% in fiscal 2022. Outside of work on midstream gas processing work, project execution was strong for the remainder of the segment. The segment gross margin in fiscal 2023 was negatively impacted by unfavorable changes in the estimated recovery of change orders and increased forecasted costs to complete certain midstream gas processing capital work, which resulted in a \$12.6 million reduction in gross profit for the fiscal year. These charges were primarily the result of the client not approving adequate compensation to us for the impact that excessive scope changes had on our ability to progress the work according to forecast and for the impact of global supply chain issues and inflation. We have accrued the full expected loss for the work, which are now mechanically complete. Finally, segment gross margin was also negatively impacted by the under recovery construction overhead costs.

Despite generally strong project execution and higher volumes, the segment gross margin in fiscal 2022 was negatively impacted by an increase in forecasted costs to complete a midstream gas processing project. The project had reduced gross profit by \$8.7 million during fiscal 2022. The increase in forecasted costs was primarily due to performance of a now terminated subcontractor, which required rework, as well as supply chain and escalation issues, in order to meet our client's expectations. Segment gross margin was also negatively impacted by under recovered construction overhead costs in fiscal 2022.

Corporate

Unallocated corporate expenses were \$28.5 million during fiscal 2023 compared to \$30.3 million in the same period last year.

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Operational Update

Bidding activity, project award volumes, and revenue volumes all improved in fiscal 2022 as the economy recovered from the pandemic. However, delays in project starts on certain projects in our backlog as well as delays in awards of larger projects have negatively impacted our operating results. Therefore, we have not been able to generate enough revenue to fully recover construction overhead and SG&A costs despite significant reductions in our cost structure. In addition, projects bid during a competitive environment and increased forecasted costs to complete certain projects have further pressured profitability during the fiscal year (see the discussion of our fiscal 2022 results, and Part II, Item 8- Financial Statements and Supplementary Data, Note 2 - Revenue - Revisions in Estimates, for more information). Based on improving market conditions and strong bidding activity, we are expecting project awards to increase into fiscal 2023, which we expect to lead to higher revenue volume, increased cost leverage, better margins, and improved earnings.

In fiscal 2022, we commenced the second phase of our ongoing business improvement plan to focus on centralization of support functions, including business development, accounting, human resources, procurement and project services into shared service centers. Since the beginning of fiscal 2020, we estimate that we have reduced our cost structure by approximately \$83 million, or approximately 30%, with approximately one-third of those reductions related to SG&A and the rest related to construction overhead, which is included in cost of revenue in the Consolidated Statements of Income. See Part II, Item 8, Non-GAAP Financial Statements and Supplementary Data, Note 14 - Restructuring Costs, for more information about our business improvement plan. [Measures](#)

In order to more clearly depict our core profitability, the following tables present our operating results after certain adjustments:

Reconciliation of Net Loss to Adjusted Net Income (Loss) ⁽¹⁾

(In thousands, except per share data)

		Fiscal Years Ended				Fiscal Years Ended		
		June 30, 2022	June 30, 2021	June 30, 2020		June 30, 2023	June 30, 2022	June 30, 2021
Net loss, as reported	Net loss, as reported	\$ (63,900)	\$ (31,224)	\$ (33,074)	Net loss, as reported	\$ (52,361)	\$ (63,900)	\$ (31,224)
Restructuring costs incurred	Restructuring costs incurred	646	6,756	14,010	Restructuring costs incurred	3,142	646	6,756
Goodwill and intangible asset impairments	Goodwill and intangible asset impairments	18,312	—	38,515	Goodwill and intangible asset impairments	12,316	18,312	—
Gain on sale of facilities ⁽²⁾		(32,392)	—	—				
Gain on sale of assets ⁽²⁾					Gain on sale of assets ⁽²⁾	(2,905)	(32,392)	—
Accelerated amortization of deferred debt amendment fees ⁽³⁾	Accelerated amortization of deferred debt amendment fees ⁽³⁾	1,518	—	—	Accelerated amortization of deferred debt amendment fees ⁽³⁾	—	1,518	—
Deferred tax valuation allowance ⁽⁴⁾		17,943	—	—				
Tax impact of adjustments and other net tax items		4,464	(1,739)	(8,644)				
Adjusted net income (loss)		\$ (53,409)	\$ (26,207)	\$ 10,807				
Tax impact of adjustments and other net tax items ⁽⁴⁾					Tax impact of adjustments and other net tax items ⁽⁴⁾	(3,231)	4,464	(1,739)
Deferred tax valuation allowance ⁽⁵⁾					Deferred tax valuation allowance ⁽⁵⁾	12,595	17,943	—
Adjusted net loss					Adjusted net loss	\$ (30,444)	\$ (53,409)	\$ (26,207)
Loss per fully diluted share, as reported	Loss per fully diluted share, as reported	\$ (2.39)	\$ (1.18)	\$ (1.24)	Loss per fully diluted share, as reported	\$ (1.94)	\$ (2.39)	\$ (1.18)
Adjusted earnings (loss) per fully diluted share	Adjusted earnings (loss) per fully diluted share	\$ (2.00)	\$ (0.99)	\$ 0.40	Adjusted earnings (loss) per fully diluted share	\$ (1.13)	\$ (2.00)	\$ (0.99)

(1) This table presents non-GAAP financial measures of our adjusted net **income (loss) loss** and adjusted **earnings (loss) loss** per fully diluted share for fiscal 2023, 2022, 2021 and 2020, 2021. The most directly comparable financial measures are net loss and loss per fully diluted share, respectively, presented in the Consolidated Statements of Income. We have presented these non-GAAP financial measures because we believe they more clearly depict our core operating results during the periods presented and provide a more comparable measure of our operating results to other companies considered to be in similar businesses. Since adjusted net **income (loss) loss** and adjusted **earnings (loss) loss** per fully diluted share are not measures of performance calculated in accordance with GAAP, they should be considered in addition to, rather than as a substitute for, the most directly comparable GAAP financial measures.

(2) **Gain** in fiscal 2023, we booked a \$2.9 million gain on the sale of our industrial cleaning business in the fourth quarter of fiscal 2023. See Part II, Item 8, Financial Statements, Note 3 - Property, Plant and Equipment - Industrial Cleaning Disposal, for more information. In fiscal 2022, we booked a \$32.4 million gain on the sale-leaseback of our regional office and fabrication and warehouse facility located in Orange, California (see Part II, Item 8-Financial Statements and Supplementary Data, Note 3 - Property, Plant and Equipment - Sale-leaseback Transaction, for more information.)

(3) Interest expense in fiscal 2022 included \$1.5 million of accelerated amortization of deferred debt amendment fees (see Part II, Item 8-Financial Statements and Supplementary Data, Note 5 - Debt, for more information), in connection with terminating the Senior Secured Revolving Credit facility.

(4) Calculated by applying a blended state and federal tax rate of approximately 26% to the adjustments, after giving consideration to the portion of impaired goodwill that was not tax deductible.

(5) See Part II, Item 8-Financial Statements and Supplementary Data, Note 6 - Income Taxes, for more information about the deferred tax asset valuation allowance.

Reconciliation Utility and Power Infrastructure

Revenue for the Utility and Power Infrastructure segment was \$169.5 million in fiscal 2023 compared to \$220.1 million in fiscal 2022. The decrease is primarily due to lower volumes of Net Loss natural gas utility peak shaving work, partially offset by higher volumes of power delivery work. The reduction of peak shaving work is due to Adjusted EBITDA the timing of commencement of new projects and the completion of previous awarded projects. We expect peak shaving work to have a significant impact to segment revenue in the second half of fiscal 2024.

We have presented Adjusted EBITDA, which we define as net loss before goodwill. The segment gross margin was 6.3% in fiscal 2023 compared to a negative gross margin of (3.9%) in fiscal 2022. The segment gross margin for fiscal year 2023 was negatively impacted by continued work on projects with previously reduced gross margins and other intangible asset impairments, restructuring projects that were bid competitively. These negative impacts were partially offset by strong execution of cost reimbursable power delivery work. The fiscal 2022 negative segment gross margin was materially impacted by changes in the forecasted costs gain on sale to complete two large capital projects and an unfavorable settlement of facilities, stock-based compensation, interest expense, income taxes, and depreciation and amortization, because it is used a claim with a customer. The segment gross margin in fiscal 2022 was also negatively impacted by the financial community as under recovery of construction overhead costs.

Process and Industrial Facilities

Revenue for the Process and Industrial Facilities segment was \$369.8 million in fiscal 2023 compared to \$254.8 million in fiscal 2022. The increase of \$115.0 million was primarily due to work on a method capital project at a biodiesel facility, higher volumes of measuring our performance refinery maintenance and turnaround activity, midstream gas processing capital work, and work on a capital project at a mining facility.

The segment gross margin was 2.9% in fiscal 2023 compared to 3.6% in fiscal 2022. Outside of evaluating work on midstream gas processing work, project execution was strong for the market value remainder of companies considered the segment. The segment gross margin in fiscal 2023 was negatively impacted by unfavorable changes in the estimated recovery of change orders and increased forecasted costs to be complete certain midstream gas processing capital work, which resulted in similar businesses. We believe a \$12.6 million reduction in gross profit for the fiscal year. These charges were primarily the result of the client not approving adequate compensation to us for the impact that the line item excessive scope changes had on our Consolidated Statements of Income entitled "Net loss" is the most directly comparable GAAP measure to Adjusted EBITDA. Since Adjusted 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. Adjusted EBITDA, as we calculate it, may not be comparable to similarly titled measures employed by other companies. In addition, this measure is not a measure of our ability to fund progress the work according to forecast and for the impact of global supply chain issues and inflation. We have accrued the full expected loss for the work, which are now mechanically complete. Finally, segment gross margin was also negatively impacted by the under recovery construction overhead costs.

Despite generally strong project execution and higher volumes, the segment gross margin in fiscal 2022 was negatively impacted by an increase in forecasted costs to complete a midstream gas processing project. The project had reduced gross profit by \$8.7 million during fiscal 2022. The increase in forecasted costs was primarily due to performance of a now terminated subcontractor, which required rework, as well as supply chain and escalation issues, in order to meet our cash needs. As Adjusted EBITDA excludes certain financial information client's expectations. Segment gross margin was also negatively impacted by under recovered construction overhead costs in fiscal 2022.

Corporate

Unallocated corporate expenses were \$28.5 million during fiscal 2023 compared with net loss, to \$30.3 million in 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, Adjusted EBITDA, has certain material limitations as follows: same period last year.

- It does not include impairments to goodwill and other intangible assets. While impairments to intangible assets are non-cash expenses in the period recognized, cash or other consideration was still transferred in exchange for the intangible assets in the period of the acquisition. Any measure that excludes impairments to intangible assets has material limitations since these expenses represent the loss of an asset that was acquired in exchange for cash or other assets.
- It does not include gain on sale of facilities. While the sale occurred outside the normal course of business and similar sales are not expected to be recurring or sustainable, any measure that excludes this gain has inherent limitations since the sale resulted in a material inflow of cash.
- It does not include restructuring costs. Restructuring costs represent material costs that we incurred and are oftentimes cash expenses. Therefore, any measure that excludes restructuring costs has material limitations.
- It does not include stock-based compensation. Stock-based compensation represents material amounts of equity that are awarded to our employees and directors for services rendered. While the expense is non-cash, we release vested shares out of our treasury stock, which has historically been replenished by using cash to periodically repurchase our stock. Therefore, any measure that excludes stock-based compensation has material limitations.
- It does not include interest expense. Because we have borrowed money to finance our operations and to acquire businesses, pay commitment fees to maintain our senior secured revolving credit facility, and incur fees to issue letters of credit under the senior secured revolving 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.

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	Fiscal Years Ended		
	June 30, 2022	June 30, 2021	June 30, 2020
	(in thousands)		
Net loss	\$ (63,900)	\$ (31,224)	\$ (33,074)
Goodwill and other intangible asset impairment	18,312	—	38,515
Gain on sale of facilities ⁽¹⁾	(32,392)	—	—
Restructuring costs	646	6,756	14,010
Stock-based compensation	7,877	8,156	9,877
Interest expense	2,951	1,559	1,597
Provision (benefit) for federal, state and foreign income taxes	5,617	(12,039)	(3,570)
Depreciation and amortization	15,254	17,858	19,124
Adjusted EBITDA	\$ (45,635)	\$ (8,934)	\$ 46,479

Non-GAAP Financial Measures

In order to more clearly depict our core profitability, the following tables present our operating results after certain adjustments:

Reconciliation of Net Loss to Adjusted Net Loss⁽¹⁾
(In thousands, except per share data)

	Fiscal Years Ended		
	June 30, 2023	June 30, 2022	June 30, 2021
Net loss, as reported	\$ (52,361)	\$ (63,900)	\$ (31,224)
Restructuring costs incurred	3,142	646	6,756
Goodwill and intangible asset impairments	12,316	18,312	—
Gain on sale of assets ⁽²⁾	(2,905)	(32,392)	—
Accelerated amortization of deferred debt amendment fees ⁽³⁾	—	1,518	—
Tax impact of adjustments and other net tax items ⁽⁴⁾	(3,231)	4,464	(1,739)
Deferred tax valuation allowance ⁽⁵⁾	12,595	17,943	—
Adjusted net loss	\$ (30,444)	\$ (53,409)	\$ (26,207)
Loss per fully diluted share, as reported	\$ (1.94)	\$ (2.39)	\$ (1.18)
Adjusted earnings (loss) per fully diluted share	\$ (1.13)	\$ (2.00)	\$ (0.99)

(1) **Gain** This table presents non-GAAP financial measures of our adjusted net loss and adjusted loss per fully diluted share for fiscal 2023, 2022 and 2021. The most directly comparable financial measures are net loss and loss per fully diluted share, respectively, presented in the Consolidated Statements of Income. We have presented these non-GAAP financial measures because we believe they more clearly depict our core operating results during the periods presented and provide a more comparable measure of our operating results to other companies considered to be in similar businesses. Since adjusted net loss and adjusted loss per fully diluted share are not measures of performance calculated in accordance with GAAP, they should be considered in addition to, rather than as a substitute for, the most directly comparable GAAP financial measures.

(2) In fiscal 2023, we booked a \$2.9 million gain on the sale of our industrial cleaning business in the fourth quarter of fiscal 2023. See Part II, Item 8, Financial Statements, Note 3 - Property, Plant and Equipment - Industrial Cleaning Disposal, for more information. In fiscal 2022, we booked a \$32.4 million gain on the sale-leaseback of our regional office and fabrication and warehouse facility located in Orange, California (see Part II, Item 8-Financial Statements and Supplementary Data, Note 3 - Property, Plant and Equipment - Sale-leaseback Transaction, for more information.)

Fiscal 2022 Versus Fiscal 2021

Consolidated

Consolidated revenue was \$707.8 million for fiscal 2022 compared to \$673.4 million in fiscal 2021. On a segment basis, revenue increased in the Process and Industrial Facilities and Utility and Power Infrastructure segments by \$54.9 million and \$10.1 million, respectively. The increases were partially offset by a decrease in revenue of \$30.6 million in the Storage and Terminal Solutions segment.

Consolidated gross profit (loss) was (\$1.2) million in fiscal 2022 compared to \$32.8 million in fiscal 2021. Gross margin (loss) was (0.2)% in fiscal 2022 compared to 4.9% in fiscal 2021. Gross margins in fiscal 2022 were negatively impacted by low revenue volume, which led to the under recovery of construction overhead costs. In addition, the competitive bidding environment and increased forecasts in costs to complete projects negatively impacted gross margins. Gross margins in fiscal 2021 were negatively impacted by lower than forecasted volume, which led to under recovery of construction overhead costs, lower than previously forecasted margins on large capital projects in the Utility and Power Infrastructure and Storage and Terminal Solutions segments, and an unfavorable settlement on a contract dispute in the Storage and Terminal Solutions segment.

Consolidated SG&A expenses were \$67.7 million in fiscal 2022 compared to \$69.8 million in fiscal 2021. The decrease in fiscal 2022 was primarily attributable to implemented cost reductions.

In the third quarter of fiscal 2022, we recorded \$18.3 million of goodwill impairment. See Part II, Item 8, Financial Statements, Note 4 - Goodwill and Other Intangible Assets - Goodwill, for more information about the impairments.

As a result of actions taken to reduce our cost structure, we recorded \$0.6 million of restructuring costs in fiscal 2022. These costs were net of a \$1.6 million credit recorded in restructuring costs in the third quarter. The credit was due to a favorable settlement of a restructuring obligation related to our exit from the domestic iron and steel industry in fiscal 2020. See "Operational Update" in this Results of Operations section and Part II, Item 8, Financial Statements and Supplementary Data, Note 14 - Restructuring Costs, for more information.

Interest expense was \$3.0 million in fiscal 2022 and \$1.6 million in fiscal 2021. (3) Interest expense in fiscal 2022 included \$1.5 million of accelerated amortization of deferred debt amendment fees in connection with terminating the first quarter (see Part II, Item 8, Financial Statements, Note 5 - Debt, for more information.) The remaining interest expense in fiscal 2022 Senior Secured Revolving Credit facility.

(4) Calculated by applying a blended state and federal tax rate of approximately 26% to the adjustments, after giving consideration to the portion of impaired goodwill that was comprised of letter of credit fees, unused capacity fees, interest on outstanding advances, and amortization of deferred debt issuance costs. not tax deductible.

Other income included a \$32.4 million gain on the sale-leaseback of our regional office and fabrication and warehouse facility located in Orange, California during the fourth quarter of fiscal 2022. (5) See Part II, Item 8, Financial Statements Note 3 - Property, Plant and Equipment - Sale-leaseback Transaction, for more information.

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Our effective tax rate for fiscal 2022 was (9.6)% compared to 27.8% in fiscal 2021. The effective tax rate during fiscal 2022 was primarily impacted by a \$17.9 million valuation allowance placed on our deferred tax assets. See Part II, Item 8, Financial Statements, Supplementary Data, Note 6 - Income Taxes, for more information about the valuation allowance. The effective tax rate during fiscal 2021 was positively impacted by a provision of the CARES Act that allowed us to carryback \$5.2 million of the fiscal 2021 net operating loss to a period with a higher statutory federal income tax rate. The carryback benefit was offset by \$2.8 million of valuation allowances on various deferred tax assets and \$1.8 million asset valuation allowance.

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[Table of excess tax expense related to the vesting of stock-based compensation](#), [Contents](#)

In fiscal 2022 and 2021, net loss was \$63.9 million and \$31.2 million, respectively; or \$2.39 and \$1.18 per fully diluted share, respectively.

Utility and Power Infrastructure

Revenue for the Utility and Power Infrastructure segment was \$169.5 million in fiscal 2023 compared to \$220.1 million in fiscal 2022 compared to \$210.1 million in fiscal 2021. 2022. The increase decrease is primarily due to higher volumes of power generation and power delivery work, partially offset by lower volumes of natural gas utility peak shaving work, partially offset by higher volumes of power delivery work. The reduction of peak shaving work is due to the timing of commencement of new projects and storm response service work, the completion of previous awarded projects. We expect peak shaving work to have a significant impact to segment revenue in the second half of fiscal 2024.

The segment gross margin (loss) was (3.9)% 6.3% in fiscal 2022 2023 compared to 0.7% a negative gross margin of (3.9%) in fiscal 2021. Fiscal 2022. The segment gross margin for fiscal year 2023 was negatively impacted by continued work on projects with previously reduced gross margins and projects that were bid competitively. These negative impacts were partially offset by strong execution of cost reimbursable power delivery work. The fiscal 2022 negative segment gross margin was materially impacted by changes in the forecasted costs to complete two large capital projects. Improved execution on the first project resulted in projects and an increase in gross profit unfavorable settlement of \$2.2 million during the second half of fiscal 2022. However, increases in the forecasted costs to complete this project during the first half of fiscal 2022 resulted in the project reducing gross profit by \$3.6 million during the year. The increase in forecasted costs during the first half of the fiscal year was principally due to unexpected equipment repairs during commissioning that delayed the scheduled completion and increased the estimated costs to complete. We achieved a critical performance milestone during the second quarter of fiscal 2022, which significantly reduced our financial exposure on the project.

Increased forecasted costs to the complete the second project resulted in the project reducing gross profit by \$2.2 million during the fourth quarter of fiscal 2022 and \$0.1 million during fiscal 2022. We recognized \$78.1 million of revenue on this project during the year at claim with a near break-even margin as a result of the change in estimate. The increase

in forecasted costs was the result of higher than anticipated subcontractor costs and labor costs as the project neared completion. We expect to complete the project during the second quarter of fiscal 2023.

customer. The segment gross margin in fiscal 2022 was also negatively impacted by low revenue volume, which led to the under recovery of construction overhead costs, and by an unfavorable settlement of a claim with a customer in the first quarter of fiscal 2022.

Results of operations in fiscal 2021 were materially impacted by increases in the forecasted costs to complete a large capital project. This project reduced gross profit by \$5.8 million in fiscal 2021. The changes in estimate were due to lower than previously forecasted productivity caused by excessive rain at the project site, the impact of COVID-19, and rework which led to higher costs and schedule compression. In addition, segment gross margin was negatively impacted by low volume, which led to the under recovery of construction overhead costs. These negative impacts were partially offset by good project execution in the remainder of the segment.

Process and Industrial Facilities

Revenue for the Process and Industrial Facilities segment was \$369.8 million in fiscal 2023 compared to \$254.8 million in fiscal 2022 compared to \$199.9 million in fiscal 2021. 2022. The increase of \$54.9 million is \$115.0 million was primarily due to work on a capital project at a biodiesel facility, higher levels/volumes of refinery maintenance and turnaround work, activity, midstream gas processing capital work, and work on a capital project at a mining facility.

The segment gross margin was 2.9% in fiscal 2023 compared to 3.6% in fiscal 2022 compared to 8.8% 2022. Outside of work on midstream gas processing work, project execution was strong for the remainder of the segment. The segment gross margin in fiscal 2021. 2023 was negatively impacted by unfavorable changes in the estimated recovery of change orders and increased forecasted costs to complete certain midstream gas processing capital work, which resulted in a \$12.6 million reduction in gross profit for the fiscal year. These charges were primarily the result of the client not approving adequate compensation to us for the impact that excessive scope changes had on our ability to progress the work according to forecast and for the impact of global supply chain issues and inflation. We have accrued the full expected loss for the work, which are now mechanically complete. Finally, segment gross margin was also negatively impacted by the under recovery construction overhead costs.

Despite generally strong project execution and higher volumes, the segment gross margin in fiscal 2022 was negatively impacted by an increase in forecasted costs to complete a midstream gas processing project. The project had reduced gross profit by \$8.7 million during fiscal 2022. The increase in forecasted costs was primarily due to poor performance of a now terminated subcontractor, which required rework, as well as supply chain and escalation issues, in order to meet our client's expectations. Segment gross margin was also negatively impacted by under recovered construction overhead costs in fiscal 2022.

Segment gross margin in fiscal 2021 was positively impacted by strong project execution and the positive impact of a one-time workers' compensation item recorded in the second quarter, but these positive impacts were partially offset by lower revenue volume, which led to the under recovery of construction overhead costs.

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Storage and Terminal Solutions

Revenue for the Storage and Terminal Solutions segment was \$232.8 million in fiscal 2022 compared to \$263.4 million in fiscal 2021, a decrease of \$30.6 million. The decrease in segment revenue is primarily a result of lower volumes of crude oil tank and terminal capital work.

The segment gross margin was 0.1% in fiscal 2022 compared to 5.2% in fiscal 2021. The fiscal 2022 segment gross margin was negatively impacted by low revenue volume, which led to under recovery of construction overhead costs and a lower than previously forecasted margin on a thermal energy storage tank repair and maintenance project due to changes in repair scope, expanded client weld testing and associated schedule delays, which reduced segment gross profit by \$6.3 million. In addition, segment gross margin was negatively impacted by smaller competitively priced capital projects.

The fiscal 2021 segment gross margin was negatively impacted by increases in the costs to complete a large crude oil terminal project, partially offset by an increase in the estimated recovery of those costs. During the third quarter, we achieved mechanical completion on the project, demobilized and completed our assessment of unpriced change orders. The project's financial impact for fiscal 2021 was a \$3.8 million reduction to gross profit. In addition, a settlement on a contract dispute over the construction of a crude oil terminal negatively impacted gross profit by \$2.9 million in the fourth quarter. The settlement resulted in a cash receipt of \$8.9 million in the first quarter of fiscal 2022, which enabled us to avoid future legal costs and litigation risk. Fiscal 2021 gross margin was also negatively impacted by low volume, which led to the under recovery of construction overhead costs.

Corporate

Unallocated corporate expenses were \$30.3 million \$28.5 million during fiscal 2022 2023 compared to \$26.7 million \$30.3 million in the same period last year. The increase is primarily attributable to an increase in legal costs for outstanding litigation (see Item 8. Financial Statements, Note 7 - Commitment and Contingencies, for more information), third party consulting services and centralization of support costs related to restructuring activities (see "Operational Update" in this Results of Operations section), partially offset by cost reductions we implemented.

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Non-GAAP Financial Measures

In order to more clearly depict our core profitability, the following tables present our operating results after certain adjustments:

Reconciliation of Net Loss to Adjusted Net Loss⁽¹⁾ (In thousands, except per share data)

	Fiscal Years Ended		
	June 30, 2023	June 30, 2022	June 30, 2021
Net loss, as reported	\$ (52,361)	\$ (63,900)	\$ (31,224)
Restructuring costs incurred	3,142	646	6,756
Goodwill and intangible asset impairments	12,316	18,312	—
Gain on sale of assets ⁽²⁾	(2,905)	(32,392)	—
Accelerated amortization of deferred debt amendment fees ⁽³⁾	—	1,518	—
Tax impact of adjustments and other net tax items ⁽⁴⁾	(3,231)	4,464	(1,739)
Deferred tax valuation allowance ⁽⁵⁾	12,595	17,943	—
Adjusted net loss	\$ (30,444)	\$ (53,409)	\$ (26,207)
Loss per fully diluted share, as reported	\$ (1.94)	\$ (2.39)	\$ (1.18)
Adjusted earnings (loss) per fully diluted share	\$ (1.13)	\$ (2.00)	\$ (0.99)

- (1) This table presents non-GAAP financial measures of our adjusted net loss and adjusted loss per fully diluted share for fiscal 2023, 2022 and 2021. The most directly comparable financial measures are net loss and loss per fully diluted share, respectively, presented in the Consolidated Statements of Income. We have presented these non-GAAP financial measures because we believe they more clearly depict our core operating results during the periods presented and provide a more comparable measure of our operating results to other companies considered to be in similar businesses. Since adjusted net loss and adjusted loss per fully diluted share are not measures of performance calculated in accordance with GAAP, they should be considered in addition to, rather than as a substitute for, the most directly comparable GAAP financial measures.
- (2) In fiscal 2023, we booked a \$2.9 million gain on the sale of our industrial cleaning business in the fourth quarter of fiscal 2023. See Part II, Item 8, Financial Statements, Note 3 - Property, Plant and Equipment - Industrial Cleaning Disposal, for more information. In fiscal 2022, we booked a \$32.4 million gain on the sale-leaseback of our regional office and fabrication and warehouse facility located in Orange, California (see Part II, Item 8-Financial Statements and Supplementary Data, Note 3 - Property, Plant and Equipment - Sale-leaseback Transaction, for more information.)
- (3) Interest expense in fiscal 2022 included \$1.5 million of accelerated amortization of deferred debt amendment fees in connection with terminating the Senior Secured Revolving Credit facility.
- (4) Calculated by applying a blended state and federal tax rate of approximately 26% to the adjustments, after giving consideration to the portion of impaired goodwill that was not tax deductible.
- (5) See Part II, Item 8-Financial Statements and Supplementary Data, Note 6 - Income Taxes, for more information about the deferred tax asset valuation allowance.

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Reconciliation of Net Loss to Adjusted EBITDA

We have presented Adjusted EBITDA, which we define as net loss before goodwill impairments, gain on sale of facilities, restructuring costs, stock-based compensation, interest expense, income taxes, and depreciation and amortization, 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 loss" is the most directly comparable GAAP measure to Adjusted EBITDA. Since Adjusted 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. Adjusted EBITDA, as we calculate it, may not be comparable to similarly titled measures employed by other companies. In addition, this measure is not a measure of our ability to fund our cash needs. As Adjusted EBITDA excludes certain financial information compared with net loss, 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, Adjusted EBITDA, has certain material limitations as follows:

- It does not include impairments to goodwill. While impairments to intangible assets are non-cash expenses in the period recognized, cash or other consideration was still transferred in exchange for the intangible assets in the period of the acquisition. Any measure that excludes impairments to intangible assets has material limitations since these expenses represent the loss of an asset that was acquired in exchange for cash or other assets.
- It does not include gain on asset sales. While these sales occurred outside the normal course of business and are not expected to be recurring, any measure that excludes this gain has inherent limitations since the sale resulted in a material inflow of cash.
- It does not include restructuring costs. Restructuring costs represent material costs that we incurred and are oftentimes cash expenses. Therefore, any measure that excludes restructuring costs has material limitations.

- It does not include stock-based compensation. Stock-based compensation represents material amounts of equity that are awarded to our employees and directors for services rendered. While the expense is non-cash, we release vested shares out of our treasury stock, which has historically been replenished by using cash to periodically repurchase our stock. Therefore, any measure that excludes stock-based compensation has material limitations.
- It does not include interest expense. Because we have borrowed money to finance our operations and to acquire businesses, pay commitment fees to maintain our senior secured revolving credit facility, and incur fees to issue letters of credit under the senior secured revolving 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.

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	Fiscal Years Ended		
	June 30, 2023	June 30, 2022	June 30, 2021
	(in thousands)		
Net loss	\$ (52,361)	\$ (63,900)	\$ (31,224)
Goodwill and other intangible asset impairment	12,316	18,312	—
Gain on sale of assets ⁽¹⁾	(2,905)	(32,392)	—
Restructuring costs	3,142	646	6,756
Stock-based compensation	6,791	7,877	8,156
Interest expense	2,024	2,951	1,559
Provision (benefit) for federal, state and foreign income taxes	(400)	5,617	(12,039)
Depreciation and amortization	13,694	15,254	17,858
Adjusted EBITDA	<u>\$ (17,699)</u>	<u>\$ (45,635)</u>	<u>\$ (8,934)</u>

(1) In fiscal 2023, we booked a \$2.9 million gain on the sale of our industrial cleaning business in the fourth quarter of fiscal 2023. See Part II, Item 8, Financial Statements, Note 3 - Property, Plant and Equipment - Industrial Cleaning Disposal, for more information. In fiscal 2022, we booked a \$32.4 million gain on the sale-leaseback of our regional office and fabrication and warehouse facility located in Orange, California (see Part II, Item 8-Financial Statements and Supplementary Data, Note 3 - Property, Plant and Equipment - Sale-leaseback Transaction, for more information.)

LIQUIDITY AND CAPITAL RESOURCES

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 at [June 30, 2022](#) [June 30, 2023](#) were unrestricted cash and cash equivalents on hand, capacity under our ABL Facility (see "ABL Credit Facility" in this Liquidity and Capital Resources section and Item 8, Financial Statements and Supplementary Data, Note 5 - Debt, for more information), and cash generated from operations. Unrestricted cash and cash equivalents at [June 30, 2022](#) [June 30, 2023](#) totaled [\\$52.4 million](#) [\\$54.8 million](#) and availability under the ABL Facility totaled [\\$42.5 million](#) [\\$37.7 million](#), resulting in total liquidity of [\\$94.8 million](#) [\\$92.5 million](#).

The following table provides a reconciliation of cash, cash equivalents and restricted cash in the Consolidated Balance Sheets to the total cash, cash equivalents and restricted cash shown in the Consolidated Statements of Cash Flows (in thousands):

		June 30, 2022	June 30, 2021		June 30, 2023	June 30, 2022
Cash and cash equivalents	Cash and cash equivalents	\$ 52,371	\$ 83,878	Cash and cash equivalents	\$ 54,812	\$ 52,371
Restricted cash	Restricted cash	\$ 25,000	—	Restricted cash	25,000	25,000

Total cash, cash equivalents and restricted cash shown in the Consolidated Statements of Cash Flows	Total cash, cash equivalents and restricted cash shown in the Consolidated Statements of Cash Flows	\$ 77,371	\$ 83,878	Total cash, cash equivalents and restricted cash shown in the Consolidated Statements of Cash Flows	\$ 79,812	\$ 77,371
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The following table provides a summary of changes in our liquidity for the year ended **June 30, 2022** June 30, 2023 (in thousands):

Liquidity at June 30, 2021 June 30, 2022		\$	83,878 94,831
Cash used provided by operating activities			(54,196) 10,247
Capital expenditures			(3,345) (9,009)
Proceeds from asset sales ⁽¹⁾			39,018 6,466
Net borrowings repayments under ABL Facility			15,000 (5,000)
Remaining Decrease in availability under ABL Facility			42,460 (4,718)
Cash used by other financing activities			(2,301) (58)
Effect of exchange rate changes on cash			(683) (205)
Liquidity at June 30, 2022 June 30, 2023		\$	94,831 92,554

(1) Includes **\$37.4 million** **\$6.3 million** of net proceeds from the sale-leaseback sale of our regional office and fabrication and warehouse facility located in Orange, California industrial cleaning business during the fourth quarter of fiscal **2022**, 2023. See Part II, Item 8, Financial Statements, Note 3 - Property, Plant and Equipment - Sale-leaseback Transaction, Industrial Cleaning Disposal, for more information. The remaining asset sales comprised of equipment sold in the normal course of business.

There continues to be significant uncertainty regarding the near- and intermediate-term business impacts from supply chain disruptions, inflation, and the dislocation of certain energy and industrial markets following the onset of the COVID-19 Pandemic and the war between Ukraine and Russia. During fiscal 2022, low revenue volume, a competitive bidding environment, and increased forecasted costs to complete certain projects led to a \$54.2 million use of liquidity position by entering into a sale-leaseback transaction during the fourth quarter of fiscal 2022, which resulted in \$37.4 million in proceeds (see Part II, Item 8-Financial Statements and Supplemental Information). In addition, we added \$32.5 million of liquidity as a result of entering into the ABL Facility during the first quarter of fiscal 2022. We continue to maintain adequate liquidity to support our near- to intermediate-term needs. We are taking the following actions: proactive management of the cost structure and working capital; and

- eliminating all non-critical capital expenditures.

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

- changes in costs and estimated earnings in excess of billings on uncompleted contracts and billings on uncompleted contracts in excess of costs due to 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 temporarily prior to collections from our customers;
 - some fixed price customer contracts allow for significant upfront billings at the beginning of a project, which temporarily increases liquidity near term;
 - 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; and
 - some of our large construction projects may require security in the form of letters of credit or significant retentions. The timing of collection of retentions is often uncertain; Retentions are normally held until certain contractual milestones are achieved;
- other changes in working capital; capital, including the timing of tax payments and refunds; and
- capital expenditures.

Other factors that may impact both short and long-term liquidity include:

- contract disputes, which can be significant; disputes;
- collection issues, including those caused by weak commodity prices, economic slowdowns or other factors which can lead to credit deterioration of our customers;
- issuances of letters of credit; and
- strategic investments in new operations.

Other factors that may impact long-term liquidity include:

- borrowing constraints under our credit facility ABL Facility and maintaining compliance with all covenants contained in the Credit Agreement; ABL Facility;
- acquisitions and disposals of businesses; businesses or assets; and
- purchases of shares under our stock buyback program.

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Cash Flows Used by Operating Activities

Cash flows used by operating activities for the fiscal year ended June 30, 2022 totaled \$54.2 million. Major components of cash flows used by operating activities for the year ended June 30, 2022 are as follows:

Net Cash Used by Operating Activities
(In thousands)

	Fiscal Year Ended June 30, 2022
Net loss	\$ (63,900)
Gain on sale of property, plant and equipment ⁽¹⁾	(33,114)
Goodwill impairment	18,312
Depreciation and amortization	15,254
Stock-based compensation expense	7,877
Deferred income tax	5,358
Other non-cash expenses	2,425
Cash effect of changes in operating assets and liabilities	(6,408)
Net cash used by operating activities	\$ (54,196)

(1) Gain on sale of property, plant and equipment includes a \$32.4 million gain on the sale-leaseback of our regional office and fabrication and warehouse facility located in Orange, California (see Part II, Item 8-Financial Statements and Supplementary Data, Note 3 - Property, Plant and Equipment - Sale-leaseback Transaction, for more information.) The remaining gain on the sale of property, plant and equipment comprised of equipment sold in the normal course of business.

Cash effect of changes in operating assets and liabilities at June 30, 2022 in comparison to June 30, 2021 include the following:

- Accounts receivable, excluding credit losses recognized during the period, increased \$6.6 million during fiscal 2022, which decreased cash flows from operating activities. The variance is primarily attributable to higher business volume and the timing of billing and collections.
- Costs and estimated earnings in excess of billings on uncompleted contracts ("CIE") increased \$14.0 million, which decreased cash flows from operating activities. Billings on uncompleted contracts in excess of costs and estimated earnings ("BIE") increased \$11.3 million, which increased cash flows from operating activities. CIE and BIE balances can experience significant fluctuations based on business volume and the timing of when job costs are incurred and the timing of customer billings and payments.

- Inventories, income taxes receivable, other current assets, operating right-of-use lease assets and other non-current assets increased \$1.1 million during fiscal 2022, which decreased cash flows from operating activities. These operating assets can fluctuate based on the timing of inventory builds and draw-downs, accrual and receipt of income taxes receivable, prepayments of certain expenses, leasing activity, business volume, and other timing differences.
- Accounts payable, accrued wages and benefits, accrued insurance, operating lease liabilities and other accrued expenses increased by \$12.2 million during fiscal 2022, which increased cash flows from operating activities. These operating liabilities can fluctuate based on the timing of vendor payments, accruals, leasing activities, business volume, and other timing differences.
- Other liabilities decreased by \$7.4 million, which decreased cash flows from operating activities. This decrease was primarily due to payment on the deferred payroll tax liability associated with the CARES Act. See Part II., Item 8. Financial Statements and Supplementary Data, Note 6 - Income Taxes for more information.

Cash Flows Provided by Investing Activities

Investing activities provided \$35.7 million of cash in the fiscal year ended June 30, 2022 primarily due to \$39.0 million of asset sales, including \$37.4 million in proceeds from the sale-leaseback of our regional office and fabrication and warehouse facilities located in Orange, California during the fourth quarter of fiscal 2022 (see Part II. Item 8, Financial Statements, Note 3 - Property, Plant and Equipment - Sale-leaseback Transaction, for more information.) The asset sale proceeds were partially

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offset by \$3.3 million of capital expenditures. Capital expenditures consisted of \$1.5 million for facilities, office equipment and software, and \$1.8 million for construction, fabrication, and transportation equipment.

Cash Flows Provided by Financing Activities

Financing activities provided \$12.7 million of cash in the fiscal year ended June 30, 2022 primarily due to the net borrowings of \$15.0 million under our ABL Facility, partially offset by \$1.3 million paid in fees to enter into the ABL Facility, and \$0.9 million paid to repurchase our stock for payment of withholding taxes due on equity-based compensation.

ABL Credit Facility

On **October 5, 2022** September 9, 2021, we the Company and our primary U.S. and Canada operating subsidiaries entered into the First Amendment and Waiver to Credit Agreement (the "Amendment"), which amended our asset-backed an asset-based credit agreement, (the which was amended on October 5, 2022 (as amended, the "ABL Facility"), dated as of September 9, 2021 with Bank of Montreal, as Administrative Agent, Swing Line Lender and a Letter of Credit Issuer, and the lenders named therein. The Amendment (i) waives an event of default resulting from our failure to deliver the Administrative Agent and the lenders our audited financial statements for the fiscal year ended June 30, 2022 by September 28, 2022 (the "Audited Financial Statements"), provided we deliver the Audited Financial Statements by October 14, 2022, (ii) reduces the maximum amount of loans under the ABL Facility is limited to \$90.0 million from \$100.0 million and (iii) replaces the London interbank offered rate with the forward term rate based on the secured overnight financing rate (the "SOFR") as the interest rate benchmark.

The ABL Facility is guaranteed by substantially all of our remaining U.S. and Canadian subsidiaries. The ABL Facility Facility's available borrowings may be increased by an amount not to exceed \$15.0 million, \$15.0 million, subject to certain conditions, including obtaining additional commitments. The ABL Facility is intended to be used for working capital, capital expenditures, issuances of letters of credit and other lawful purposes. Our obligations under the ABL Facility are guaranteed by substantially all of our U.S. and Canadian subsidiaries and are secured by a first lien on all our assets and the assets of our co-borrowers and guarantors under the ABL Facility.

The maximum amount that we may borrow under the ABL Facility is subject to a borrowing base, which is based on restricted cash plus a percentage of the value of certain accounts receivable, inventory and equipment, reduced for certain reserves. We are required to maintain a minimum of \$25.0 million \$25.0 million of restricted cash at all times, but such amounts are also included in the borrowing base. The ABL Facility matures, and any outstanding amounts become due and payable, on September 9, 2026. At **June 30, 2022** June 30, 2023, our borrowing base was \$80.8 million, \$67.0 million, we had \$15.0 million \$10.0 million of outstanding borrowings, and \$23.3 million we had \$19.3 million in letters of credit outstanding, which resulted in availability of \$42.5 million \$37.7 million under the ABL Facility. Our borrowing base has ranged from \$67.0 million to \$83.2 million during fiscal 2023.

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Borrowings under the ABL Facility bear interest through maturity at a variable rate based upon, at our option, an annual rate of either a base rate ("Base Rate"), an Adjusted Term SOFR Secured Overnight Financing Rate ("Adjusted Term SOFR"), or at the Canadian Prime Rate, plus an applicable margin. The Adjusted Term SOFR is defined as (i) the SOFR plus (ii) 11.448 basis points for a one-month tenor and 26.161 basis points for a three-month tenor; provided that the Adjusted Term SOFR cannot be below zero. The Base Rate is defined as a fluctuating interest rate equal to the greater of: (i) rate of interest announced by Bank of Montreal from time to time as its prime rate; (ii) the U.S. federal funds rate plus 0.50%; (iii) Adjusted Term SOFR for one month period plus 1.00%; or (iv) 1.00%. Depending on the amount of average availability, the applicable margin is between 1.00% to 1.50% for Base Rate and Canadian Prime Rate borrowings, which includes either U.S. or Canadian prime rate, and between 2.00% and 2.50% for Adjusted Term SOFR borrowings. Interest is payable either (i) monthly for Base Rate or Canadian Prime Rate borrowings or (ii) the last day of the interest period for Adjusted Term SOFR borrowings, as set forth in the ABL Facility. The fee for undrawn amounts is 0.25% per annum and is due quarterly. The interest rate in effect for borrowings outstanding at **June 30, 2022** June 30, 2023, including applicable margin, was 6.00% approximately 7.47%.

The ABL Facility contains customary conditions to borrowings, events of default and covenants, including, but not limited to, covenants that restrict our ability to sell assets, engage in mergers and acquisitions, incur, assume or permit to exist additional indebtedness and guarantees, create or permit to exist liens, pay cash dividends, issue equity instruments, make distribution or redeem or repurchase capital stock. In the event that our availability is less than the greater of (i) \$15.0 million \$15.0 million and (ii) 15.00% of the lesser of (1) the current borrowing base and (2) the commitments under the ABL Facility then in effect, a consolidated Fixed Charge Coverage Ratio of at least 1.00 to 1.00 must be maintained. We were in compliance with all covenants of the ABL Facility as of June 30, 2022 June 30, 2023.

Senior Secured Revolving Credit Facility Cash Flows Provided by Operating Activities

Cash flows provided by operating activities for the fiscal year ended June 30, 2023 totaled \$10.2 million. Major components of cash flows provided by operating activities for the year ended June 30, 2023 are as follows:

	Fiscal Year Ended June 30, 2023
Net loss	\$ (52,361)
Gain on sale of property, plant and equipment ⁽¹⁾	(2,841)
Goodwill impairment	12,316
Depreciation and amortization	13,694
Stock-based compensation expense	6,791
Other non-cash expenses	147
Cash effect of changes in operating assets and liabilities	32,501
Net cash provided by operating activities	\$ 10,247

(1) Gain on sale of property, plant and equipment includes a \$2.9 million gain on the sale of our industrial cleaning business (see Part II, Item 8-Financial Statements and Supplementary Data, Note 3 - Property, Plant and Equipment - Industrial Cleaning Disposal, for more information.) The ABL Facility replaced remaining loss on the Fifth Amended sale of property, plant and Restated Credit Agreement (the "Prior Credit Agreement") equipment comprised of equipment sold in the normal course of business.

Cash effect of changes in operating assets and liabilities at June 30, 2023 in comparison to June 30, 2022 include the following:

- Accounts receivable, excluding credit losses recognized during the period, decreased \$8.7 million during fiscal 2023, which increased cash flows from operating activities. The variance is primarily attributable to the timing of billing and collections.
- Costs and estimated earnings in excess of billings on uncompleted contracts ("CIE") increased \$0.1 million, that was entered into which decreased cash flows from operating activities. Billings on November 2, 2020 uncompleted contracts in excess of costs and estimated earnings ("BIE") increased \$20.3 million, which increased cash flows from operating activities. CIE and subsequently amended BIE balances can experience significant fluctuations based on May 4, 2021, by and among us and certain foreign subsidiaries, as Borrowers, various subsidiaries of ours, as Guarantors, JPMorgan Chase Bank, N.A., as Administrative Agent, Sole Lead Arranger and Sole Book Runner, business volume and the timing of when job costs are incurred and the timing of customer billings and payments.
- Inventories, income taxes receivable, prepaid expenses, other Lenders party thereto. The Prior Credit Agreement provided for a three-year current assets, operating right-of-use lease assets and other non-current assets decreased \$13.7 million during fiscal 2023, which increased cash flows from operating activities. Most of this decrease was due to the receipt of \$13.3 million of income tax refunds during the fiscal year.

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senior secured revolving credit facility These operating assets can fluctuate based on the timing of \$200.0 million that expired November 2, 2023. We had no borrowings inventory builds and \$41.3 million draw-downs, accrual and receipt of letters income taxes receivable, prepayments of credit outstanding under certain expenses, leasing activity, business volume, and other timing differences.

- Accounts payable, accrued wages and benefits, accrued insurance, operating lease liabilities and other accrued expenses, and other liabilities, non-current decreased by \$9.4 million during fiscal 2023, which decreased cash flows from operating activities. These operating liabilities can fluctuate based on the Prior Credit Agreement as timing of vendor payments, accruals, leasing activities, business volume, and other timing differences.

Cash Flows Used by Investing Activities

Investing activities used \$2.5 million of cash in the date we commenced fiscal year ended June 30, 2023 primarily due to capital expenditures of \$9.0 million, partially offset by \$6.5 million of proceeds from the sale of assets. The capital expenditures were comprised of \$4.4 million for construction and transportation equipment, \$2.3 million for office

equipment, and \$2.3 million for buildings and leasehold improvements. The sale of assets included \$6.3 million of net proceeds from the sale of our industrial cleaning business (see Part II, Item 8 - Financial Statements and Supplementary Data, Note 3 - Property, Plant and Equipment - Industrial Cleaning Disposal, for more information).

Investing activities provided \$35.7 million of cash in the fiscal year ended June 30, 2022 primarily due to \$39.0 million of asset sales, including \$37.4 million in proceeds from the sale-leaseback of our regional office and fabrication and warehouse facilities located in Orange, California during the fourth quarter of fiscal 2022 (see Part II, Item 8, Financial Statements, Note 3 - Property, Plant and Equipment - Sale-leaseback Transaction, for more information.) The asset sale proceeds were partially offset by \$3.3 million of capital expenditures. Capital expenditures consisted of \$1.5 million for facilities, office equipment and software, and \$1.8 million for construction, fabrication, and transportation equipment.

Cash Flows Used by Financing Activities

Financing activities used \$5.1 million of cash in the fiscal year ended June 30, 2023 primarily due to net repayments of \$5.0 million on the ABL Facility. Interest expense during

Financing activities provided \$12.7 million of cash in the fiscal 2022 included \$1.5 million year ended June 30, 2022 primarily due to the net borrowings of accelerated amortization \$15.0 million under our ABL Facility, partially offset by \$1.3 million paid in fees to enter into the ABL Facility, and \$0.9 million paid to repurchase our stock for payment of deferred debt amendment fees associated with the Prior Credit Agreement, withholding taxes due on equity-based compensation.

Dividend Policy

We have never paid cash dividends on our common stock and the terms of our ABL Facility limit dividends to stock dividends only. Credit Agreement prohibit us from paying cash dividends. Any future dividend payments will depend on the terms of our ABL Facility, our financial condition, capital requirements and earnings as well as other relevant factors.

Stock Repurchase Program

We may repurchase common stock pursuant to the Stock Buyback Program, which was approved by the board of directors in November 2018. Under the program, the aggregate number of shares repurchased may not exceed 2,707,175 shares. We may repurchase our stock from time to time in the open market at prevailing market prices or in privately negotiated transactions and are not obligated to purchase any shares. The program will continue unless and until it is modified or revoked by the Board of Directors. We made no repurchases under the program in during fiscal 2022 2023 and have no current plans to repurchase stock. As of June 30, 2022 June 30, 2023, there were 1,349,037 shares available for repurchase under the Stock Buyback Program. The terms of our ABL Facility limit share repurchases to \$2.5 million per fiscal year provided that we meet certain availability thresholds and do not violate our Fixed Charge Coverage Ratio financial covenant.

Treasury Shares

We had 1,097,703 840,899 treasury shares as of June 30, 2022 June 30, 2023 and intend to utilize these treasury shares in connection with equity awards under the our stock incentive plans and for sales to the Employee Stock Purchase Plan.

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Material Cash Requirements from Contractual and Other Obligations

As of June 30, 2022 June 30, 2023, our short-term and long-term material cash requirements for known contractual and other obligations were as follows:

- **Operating Leases:** In the normal course of business, we lease real estate and equipment under various arrangements which are classified as operating leases. Future payments for such leases, excluding leases with initial terms of one year or less, were \$31.7 million \$31.2 million at June 30, 2022 June 30, 2023, with \$7.0 million \$5.7 million payable within the next 12 months. Refer to Part II, Item 8, Financial Statements, Note 8 - Leases, for more information about our lease obligations and the timing of expected future payments.
- **Outstanding Debt and Interest Payments:** As of June 30, 2022 June 30, 2023, the amount outstanding under our ABL Facility was \$15.0 million \$10.0 million. Based on the outstanding balance and interest rates applicable as of June 30, 2022 June 30, 2023, if we carried the borrowings to the maturity of the facility, we would make total payments of interest payments and fees on the outstanding debt of \$6.8 million \$4.4 million, with \$1.6 million \$1.4 million payable within the next 12 months. The outstanding borrowings are due on September 9, 2026 when the ABL Facility matures. Future interest payments will be determined based on prevailing interest rates during that time. Refer to Part II, Item 8, Financial Statements, Note 5 - Debt, for more information about the terms of our ABL Facility.
- **Deferred Payroll Taxes:** We have deferred \$5.6 million of U.S. payroll tax as of June 30, 2022 through provisions of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). We must repay these deferred payroll taxes by December 31, 2022. Refer to Part II, Item 8, Financial Statements, Note 6 - Income Taxes, for more information about the deferred payroll taxes.

Off-Balance Sheet Arrangements and Other Commitments

The terms of our construction contracts frequently require that we obtain from surety companies, and provide to our customers, surety bonds as a condition to the award of such contracts. These surety bonds are issued in return for premiums, which vary depending on the size and type of the bond, and secure our payment and performance obligations under such contracts. We have agreed to indemnify the surety companies for amounts, if any, paid by them in respect of surety bonds issued on our behalf. Surety bonds expire at various times ranging from final completion of a project to a period extending beyond contract completion in certain circumstances. Such amounts can also fluctuate from period to period based upon the mix and level of our bonded operating activity. As of June 30, 2022 June 30, 2023, there were \$140.6 million \$127.6 million of surety bonds in force, of which we expect \$90.3 million \$126.6 million to expire within the next 12 months. Of the bonds in force, \$99.6 million related to performance bonds for ongoing projects and the

remainder related to contractor licensing, liens, and other bonds. We are not aware of any losses in connection with surety bonds that have been posted on our behalf, and we do not expect to incur significant losses in the foreseeable future.

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We issue letters of credit under our ABL Facility in the normal course of business to support workers' compensation insurance programs or certain construction contracts. As of June 30, 2022 June 30, 2023, we had \$23.3 million \$19.3 million of letters of credit outstanding, nearly all of which expire within the next 12 months. The letters of credit that support our workers' compensation programs are expected to renew annually through the term of our credit facility. The letters of credit that support construction contracts carry expiration dates throughout fiscal 2023, 2026.

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CRITICAL ACCOUNTING POLICIES

Revenue Recognition

General Information about our Contracts with Customers

Our revenue comes from contracts to provide engineering, procurement, fabrication and construction, repair and maintenance and other services. Our engineering, procurement and fabrication and construction services are usually provided in association with capital projects, which are commonly fixed-price contracts that are billed based on project milestones. Our repair and maintenance services typically are cost reimbursable or time and material based contracts and are billed monthly or, for projects of short duration, at the conclusion of the project. The elapsed time from award to completion of performance may exceed one year for capital projects.

Step 1: Contract Identification

We do not recognize revenue unless we have identified a contract with a customer. A contract with a customer exists when it has approval and commitment from both parties, the rights and obligations of the parties are identified, payment terms are identified, the contract has commercial substance, and collectability is probable. We also evaluate whether a contract should be combined with other contracts and accounted for as a single contract. This evaluation requires judgment and could change the timing of the amount of revenue and profit recorded for a given period.

Step 2: Identify Performance Obligations

Next, we identify each performance obligation in the contract. A performance obligation is a promise to provide a distinct good or service or a series of distinct goods or services to the customer. Revenue is recognized separately for each performance obligation in the contract. Many of our contracts have one clearly identifiable performance obligation. However, many of our contracts provide the customer an integrated service that includes two or more of the following services: engineering, procurement, fabrication, construction, repair and maintenance services. For these contracts, we do not consider the integrated services to be distinct within the context of the contract when the separate scopes of work combine into a single commercial objective or capability for the customer. Accordingly, we generally identify one performance obligation in our contracts. The determination of the number of performance obligations in a contract requires significant judgment and could change the timing of the amount of revenue recorded for a given period.

Step 3: Determine Contract Price

After determining the performance obligations in the contract, we determine the contract price. The contract price is the amount of consideration we expect to receive from the customer for completing the performance obligation(s). In a fixed-price contract, the contract price is a single lump-sum amount. In reimbursable and time and materials based contracts, the contract price is determined by the agreed upon rates or reimbursements for time and materials expended in completing the performance obligation(s) in the contract.

A number of our contracts contain various cost and performance incentives and penalties that can either increase or decrease the contract price. These variable consideration amounts are generally earned or incurred based on certain performance metrics, most commonly related to project schedule or cost targets. We estimate variable consideration at the most likely amount of additional consideration to be received (or paid in the case of penalties), provided that meeting the variable condition is probable. We include estimated amounts of variable consideration in the contract price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration and determination of whether to include estimated amounts in the contract price are based largely on an assessment of our anticipated performance and all information (historical, current and forecasted) that is reasonably available to us. We reassess the amount of variable consideration each accounting period until the uncertainty associated with the variable consideration is resolved. Changes in the assessed amount of variable consideration are accounted for prospectively as a cumulative adjustment to revenue recognized in the current period.

Step 4: Assign Contract Price to Performance Obligations

After determining the contract price, we assign such price to the performance obligation(s) in the contract. If a contract has multiple performance obligations, we assign the contract price to each performance obligation based on the stand-alone selling prices of the distinct services that comprise each performance obligation.

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Step 5: Recognize Revenue as Performance Obligations are Satisfied

We record revenue for contracts with our customers as we satisfy the contracts' performance obligations. We recognize revenue on performance obligations associated with fixed-price contracts for engineering, procurement, fabrication and construction services over time since these services create or enhance assets the customer controls as they are being created or enhanced. We measure progress of satisfying these performance obligations by using the percentage-of-completion method, which is based on costs incurred to date compared to the total estimated costs at completion, since it best depicts the transfer of control of assets being created or enhanced to the customer.

We recognize revenue over time for reimbursable and time and material based repair and maintenance contracts since the customer simultaneously receives and consumes the benefit of those services as we perform work under the contract. As a practical expedient allowed under the revenue accounting standards, we record revenue for these contracts in the amount to which we have a right to invoice for the services performed provided that we have a right to consideration from the customer in an amount that corresponds directly with the value of the performance completed to date.

Costs incurred may include direct labor, direct materials, subcontractor costs and indirect costs, such as salaries and benefits, supplies and tools, equipment costs and insurance costs. Indirect costs are charged to projects based upon direct costs and overhead allocation rates per dollar of direct costs incurred or direct labor hours worked. Typically, customer contracts will include standard warranties that provide assurance that products and services will function as expected. We do not sell separate warranties.

We have numerous contracts that are in various stages of completion which require estimates to determine the forecasted costs at completion. Due to the nature of the work left to be performed on many of our contracts, the estimation of total cost at completion for fixed-price contracts is complex, subject to many variables and requires significant judgment. Estimates of total cost at completion are made each period and changes in these estimates are accounted for prospectively as cumulative adjustments to revenue recognized in the current period. If estimates of costs to complete fixed-price contracts indicate a loss, a provision is made through a contract write-down for the total loss anticipated.

Change Orders

Contracts are often modified through change orders, which are changes to the agreed upon scope of work. Most of our change orders, which may be priced or unpriced, are for goods or services that are not distinct from the existing contract due to the significant integration of services provided in the context of the contract and are accounted for as if they were part of that existing contract. The effect of a change order on the contract price and our measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue on a cumulative catch-up basis. For unpriced change orders, we estimate the increase or decrease to the contract price using the variable consideration method described in the Step 3: Determine Contract Price paragraph above. Unpriced change orders are more fully discussed in Note 72 - Commitments and Contingencies Revenue of the Notes to Financial Statements.

Claims

Sometimes we seek claims for amounts in excess of the contract price for delays, errors in specifications and designs, contract terminations, change orders in dispute or other causes of additional costs incurred by us. Recognition of amounts as additional contract price related to claims is appropriate only if there is a legal basis for the claim. The determination of our legal basis for a claim requires significant judgment. We estimate the change to the contract price using the variable consideration method described in the Step 3: Determine Contract Price paragraph above. Claims are more fully discussed in Part II, Item 8-Financial Statements and Supplementary Data, Note 72 - Commitments and Contingencies of the Notes to Financial Statements, Revenue.

Costs and estimated earnings in excess of billings on uncompleted contracts included revenue for unpriced change orders and claims of \$9.7 million at June 30, 2023 and \$8.9 million at June 30, 2022 and \$14.6 million at June 30, 2021. The amounts ultimately realized may be significantly different than the recorded amounts resulting in a material adjustment to future earnings. Generally we expect collection of amounts related to unpriced change orders and claims within twelve months. However, customers may not pay these amounts until final resolution of related claims, which may extend beyond one year.

Goodwill

Goodwill represents the excess of the purchase price of acquisitions over the acquisition date fair value of the net identifiable tangible and intangible assets acquired. In accordance with current accounting guidance, goodwill is not amortized and is tested at least annually for impairment at the reporting unit level, which is a level below our reportable segments.

We perform our annual impairment test in the fourth quarter of each fiscal year, or in between annual tests whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable, to determine whether an impairment exists and to determine the amount of headroom. We define "headroom" as the percentage difference between the fair value of a reporting unit and its carrying value. The goodwill impairment test involves comparing management's estimate of the fair value of a reporting unit with its carrying value, including goodwill. If the fair value of a reporting unit exceeds its carrying value, then goodwill is not impaired. If the fair value of a reporting unit is less than its carrying value, then goodwill is impaired to the extent of the difference, but the impairment may not exceed the balance of goodwill assigned to that reporting unit.

We utilize a discounted cash flow analysis, referred to as an income approach, and market multiples, referred to as a market approach, to determine the estimated fair value of our reporting units. For the income approach, significant judgments and assumptions including forecasted project awards, discount rate, anticipated revenue growth rate, gross margins, operating expenses, working capital needs and capital expenditures are inherent in the fair value estimates, which are based on our operating and capital budgets and on our strategic plan. As a result, actual results may differ from the estimates utilized in our income approach. For the market approach, significant judgments and assumptions include the selection of guideline companies, forecasted guideline company EBITDA and our forecasted EBITDA. The use of alternate judgments and/or assumptions could result in

a fair value that differs from our estimate and could result in the recognition of additional impairment charges in the financial statements. As a test for reasonableness, we also consider the combined fair values of our reporting units to our market capitalization.

We performed our annual goodwill impairment test as of **May 31, 2022** **May 31, 2023**, which resulted in no impairment. The fiscal **2022** **2023** test indicated that **four** **three** reporting units with a combined total of **\$33.8 million** **\$20.9 million** of goodwill as of **June 30, 2022** **June 30, 2023** were at higher risk of future impairment. If our view of project opportunities or gross margins deteriorates, particularly for the higher risk reporting units, then we may be required to record an impairment of goodwill. Subsequent to the completion of the **May 31, 2023** annual impairment test, additional information regarding new project awards became available which would significantly improve the cash flows and fair values of certain reporting units including reporting units 1 and 4 (see table below) that were considered at a higher risk of impairment.

We considered the amount of headroom for each reporting unit when determining whether an impairment existed. The amount of headroom varies by reporting unit. Our significant assumptions, including revenue growth rates, gross margins, discount rate and other factors may change in the future based on the changing economic and competitive environment in which we operate. Assuming that all other components of our fair value estimate remain unchanged, a change in the following assumptions would have the following effect on headroom:

		Headroom Sensitivity Analysis					Headroom Sensitivity Analysis					
		Goodwill as of		Headroom if Revenue Growth Rate Declines by 100 Basis Points	Headroom if Gross Margin Declines by 100 Basis Points	Headroom if Discount Rate Increases by 100 Basis Points	Goodwill as of		Headroom if Revenue Growth Rate Declines by 100 Basis Points	Headroom if Gross Margin Declines by 100 Basis Points	Headroom if Discount Rate Increases by 100 Basis Points	
		June 30, 2022	Baseline	100 Basis	100 Basis	by 100	June 30, 2023	Baseline	100 Basis	100 Basis	by 100	
		(in thousands)	Headroom	Points	Points	Basis Points	(in thousands)	Headroom	Points	Points	Basis Points	
Reporting Unit 1	Reporting Unit 1	\$ 12,316	5%	-3%	-20%	-3%	Reporting Unit 1	\$ 11,158	11%	4%	-5%	3%
Reporting Unit 2	Reporting Unit 2	\$ 11,158	4%	-2%	-12%	-4%	Reporting Unit 2	\$ 8,240	3,583%	3,252%	2,151%	3,180%
Reporting Unit 3	Reporting Unit 3	\$ 8,287	103%	87%	37%	83%	Reporting Unit 3	\$ 5,484	22%	19%	0%	16%
Reporting Unit 4	Reporting Unit 4	\$ 6,112	23%	18%	1%	17%	Reporting Unit 4	\$ 4,238	28%	25%	15%	24%
Reporting Unit 5	Reporting Unit 5	\$ 4,262	16%	9%	-17%	6%						

In the **third** **second** quarter of fiscal 2023, we concluded that a goodwill impairment indicators existed in the Process and Industrial Facilities segment based on a material adverse change in gross profit on a project. Based on the decline in indicated outcome of this project and our near-term outlook for the price of our stock and operating results that have underperformed our forecasts during the year. Accordingly, reporting unit, we performed an interim impairment test as of March 31, 2022 for the unit and concluded that there is \$12.3 million of goodwill was \$18.3 million of total fully impaired. The impairment to goodwill, which was recorded as follows: recognized in operating income during the three and six months ended December 31, 2022.

- \$8.4 million in the Process and Industrial Facilities segment;
- \$7.2 million in the Storage and Terminal Solutions segment; and
- \$2.7 million in the Utility and Power Infrastructure segment.

Income Taxes

We use the asset and liability approach for financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances based on our judgments and estimates are established when necessary to reduce deferred tax assets to the amount expected to be realized in future operating results. We believe that realization of deferred tax assets in excess of the valuation allowance is more likely than not. Our estimates are based on facts and circumstances in existence as well as interpretations of existing tax regulations and laws applied to the facts and circumstances, with the help of professional tax advisors. Therefore, we estimate and provide for amounts of additional income taxes that may be assessed by the various taxing authorities.

Loss Contingencies

Various legal actions, claims and other contingencies arise in the normal course of our business. Contingencies are recorded in the consolidated financial statements, or are otherwise disclosed, in accordance with ASC 450-20, "Loss Contingencies". Specific reserves are provided for loss contingencies to the extent we conclude that a loss is both probable and estimable. We use a case-by-case evaluation of the underlying data and update our evaluation as further information becomes known. We believe that any amounts

exceeding our recorded accruals should not materially affect our financial position, results of operations or liquidity. However, the results of litigation are inherently unpredictable and the possibility exists that the ultimate resolution of one or more of these matters could result in a material effect on our financial position, results of operations or liquidity.

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Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

Our interest rate risk results primarily from our variable rate indebtedness under our ABL Facility, which is influenced by movements in short-term rates. Borrowings under the ABL Facility bear interest through maturity at a variable rate based upon, at our option, an annual rate of either a base rate ("Base Rate"), an Adjusted Term SOFR ("Adjusted Term SOFR"), or at the Canadian Prime Rate, plus an applicable margin. The Adjusted Term SOFR is defined as (i) the SOFR plus (ii) 11.448 basis points for a one-month tenor and 26.161 basis points for a three-month tenor; provided that the Adjusted Term SOFR cannot be below zero. The Base Rate is defined as a fluctuating interest rate equal to the greater of: (i) rate of interest announced by Bank of Montreal from time to time as its prime rate; (ii) the U.S. federal funds rate plus 0.50%; (iii) Adjusted Term SOFR for one month period plus 1.00%; or (iv) 1.00%. Depending on the amount of average availability, the applicable margin is between 1.00% to 1.50% for Base Rate and Canadian Prime Rate borrowings, which includes either U.S. or Canadian prime rate, and between 2.00% and 2.50% for Adjusted Term SOFR borrowings. Interest is payable either (i) monthly for Base Rate or Canadian Prime Rate borrowings or (ii) the last day of the interest period for Adjusted Term SOFR borrowings, as set forth in the ABL Facility. The fee for undrawn amounts is 0.25% per annum and is due quarterly. The interest rate in effect for borrowings outstanding at [June 30, 2022](#) [June 30, 2023](#), including applicable margin, was [6.00%](#) [7.47%](#).

Financial instruments with interest rate risk at [June 30, 2022](#) [June 30, 2023](#) were as follows:

		Fair Value as of June 30, 2022					Fair Value as of June 30, 2023					
		2023	2024	2025	2026	2027	2024	2025	2026	2027	2028	30, 2023
(in thousands)												
Long-term debt:	Long-term debt:											
Variable rate debt	Variable rate debt	\$—	\$—	\$—	\$—	\$15,000	\$—	\$—	\$—	\$10,000	\$—	\$10,000

If the interest in effect for borrowings outstanding at [June 30, 2022](#) [June 30, 2023](#), including applicable margin, increases 1.00%, then our annual interest expense would only increase [\\$0.2 million](#) [\\$0.1 million](#), which would not have a material impact to our business.

Foreign Currency Risk

We have subsidiaries with operations in Canada and South Korea, which use the Canadian Dollar and South Korean Won, respectively, as their functional currencies. We also have a subsidiary with operations in Australia, but its functional currency is the U.S. Dollar since its sales are primarily denominated in U.S. Dollars.

Historically, movements in the Canadian Dollar to U.S. Dollar exchange rate have not significantly impacted our results. Also, we do not expect exchange rate fluctuations in our South Korean and Australian operations to materially impact our financial results since these operations represent an insignificant portion of our consolidated revenue and expenses. However, further growth in our Canadian, South Korean and/or Australian operations and/or significant fluctuations in the Canadian Dollar, South Korean Won and/or Australian Dollar to U.S. Dollar exchange rates could impact our financial results in the future.

Management has not entered into derivative instruments to hedge foreign currency risk, but periodically evaluates the materiality of our foreign currency exposure. To mitigate our risk, on occasion we convert Canadian Dollar balances into U.S. Dollars to settle U.S. Dollar amounts owed by our Canadian operations. A 10% unfavorable change in the Canadian Dollar against the U.S. Dollar would not have had a material impact on our financial results for the fiscal year ended [June 30, 2022](#) [June 30, 2023](#).

Commodity Price Risk

We have no direct commodity exposure, but we do have exposure to materials derived from certain commodities including steel plate, steel pipe, and copper, which are key materials we use. [The COVID-19 Pandemic and the war between Russia and Ukraine has resulted in disruptions](#) [Disruptions](#) to global supply chains [which in recent years](#) have led to higher prices for some of the materials we need to run our business. We mitigate these risks primarily by procuring materials upon contract execution to ensure that our purchase price approximates the costs included in the project estimate, and also by negotiating contract escalation clauses to cover unexpected costs due to fluctuations in materials costs. We have been proactive with managing our procurement processes to help reduce the impacts of rising materials prices on our business and to help ensure we continue to have the materials we need available. However, rising prices and the potential for materials shortages have [interjected](#) [created](#) additional risk [into](#) [in](#) bidding and executing work profitably.

Item 8. Financial Statements and Supplementary Data

Financial Statements of the Company

Management’s Report on Internal Control Over Financial Reporting	43	39
Reports of Independent Registered Public Accounting Firm (PCAOB ID 34)	44	40
Consolidated Statements of Income for the Fiscal Years Ended June 30, 2022 June 30, 2023 , June 30, 2021 June 30, 2022 , and June 30, 2020 June 30, 2021	48	44
Consolidated Statements of Comprehensive Income for the Fiscal Years Ended June 30, 2022 June 30, 2023 , June 30, 2021 June 30, 2022 , and June 30, 2020 June 30, 2021	49	45
Consolidated Balance Sheets as of June 30, 2022 June 30, 2023 and June 30, 2021 June 30, 2022	50	46
Consolidated Statements of Cash Flows for the Fiscal Years Ended June 30, 2022 June 30, 2023 , June 30, 2021 June 30, 2022 , and June 30, 2020 June 30, 2021	52	48
Consolidated Statements of Changes in Stockholders’ Equity for the Fiscal Years Ended June 30, 2022 June 30, 2023 , June 30, 2021 June 30, 2022 , and June 30, 2020 June 30, 2021	54	50
Notes to Consolidated Financial Statements	55	51
Schedule II—Valuation and Qualifying Accounts	81	77

Financial Statement Schedules

The financial statement schedule is filed as a part of this report under Schedule II – Valuation and Qualifying Accounts for the three fiscal years ended [June 30, 2022](#) [June 30, 2023](#), [June 30, 2021](#) [June 30, 2022](#) and [June 30, 2020](#) [June 30, 2021](#) immediately following Notes to Consolidated Financial Statements. All other schedules are omitted because they are not applicable or the required information is shown in the financial statements, or notes thereto, included herein.

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MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Matrix Service Company and its wholly-owned subsidiaries (the “Company”) are responsible for establishing and maintaining adequate internal control over financial reporting. The Company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Internal control over financial reporting includes policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements.

All internal control systems, no matter how well designed, have inherent limitations and cannot provide absolute assurance that all objectives will be met. Internal control over financial reporting is a process that involves diligence and is subject to lapses in judgment and human error. Internal control over financial reporting can also be circumvented by collusion or management override of controls. Because of these limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis.

The Company’s management assessed the effectiveness of the Company’s internal control over financial reporting as of [June 30, 2022](#) [June 30, 2023](#). In making this assessment, the Company’s management used the criteria established in *Internal Control—Integrated Framework (2013)* set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in Internal Control-Integrated Framework.

Management’s assessment included an evaluation of such elements as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, overall control environment and information systems control environment. Based on this assessment, the Company’s management has concluded that the Company’s internal control over financial reporting as of [June 30, 2022](#) [June 30, 2023](#) was effective.

Deloitte & Touche LLP, an independent registered public accounting firm, has issued an attestation report on the effectiveness of the Company’s internal control over financial reporting as of [June 30, 2022](#) [June 30, 2023](#). Deloitte & Touche LLP’s report on the Company’s internal control over financial reporting is included herein.

/s/ John R. Hewitt

John R. Hewitt
President and Chief Executive Officer

/s/ Kevin S. Cavanah

Kevin S. Cavanah
Vice President and Chief Financial Officer

October 11, 2022 September 12, 2023

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of
Matrix Service Company

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Matrix Service Company and subsidiaries (the "Company") as of June 30, 2022 June 30, 2023, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2022 June 30, 2023 based on criteria established in Internal Control - Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended June 30, 2022 June 30, 2023, of the Company and our report dated October 11, 2022 September 12, 2023, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

Tulsa, Oklahoma
October 11, 2022 September 12, 2023

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Matrix Service Company

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Matrix Service Company and subsidiaries (the "Company") as of **June 30, 2022**, **June 30, 2023** and **2021**, **2022**, the related consolidated statements of income, comprehensive income, cash flows, and changes in stockholders' equity for each of the three years in the period ended **June 30, 2022**, **June 30, 2023** and the related notes and the schedule listed in the Index at Item 8 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of **June 30, 2022**, **June 30, 2023** and **2021**, **2022**, and the results of its operations and its cash flows for each of the three years in the period ended **June 30, 2022**, **June 30, 2023**, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of **June 30, 2022**, **June 30, 2023**, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated **October 11, 2022**, **September 12, 2023** expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue – Fixed Price Contracts – Refer to Notes 1 and 2 to the financial statements

Critical Audit Matter Description

The Company enters into contracts with customers to provide engineering, procurement, and fabrication and construction services, usually provided in association with capital projects, which commonly are fixed price contracts and are billed based on project milestones. Revenue on performance obligations associated with fixed-price contracts is recognized over time since these services create or enhance assets the customer controls as they are being created or enhanced. The Company measures progress of satisfying these performance obligations by using the percentage-of-completion method, which is based on costs incurred to date compared to the total estimated costs at completion. Due to the nature of work left to be performed on many of the Company's contracts, the estimation of total cost at completion for fixed price contracts is complex, subject to many variables and requires significant judgment. For the fiscal year ended **June 30, 2022**, **June 30, 2023**, revenue totaled **\$707.8 million**, **\$795.0 million**, of which **\$421.2 million**, **\$419.4 million** related to fixed-price contracts.

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Given the significant judgment necessary to estimate total costs at completion for fixed price contracts, auditing these estimates required extensive audit effort due to the volume and complexity of the fixed price contracts and a high degree of auditor judgment when evaluating the results of audit procedures, including the involvement of our capital projects specialists for **two selected**, **certain** fixed price contracts.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to estimated total costs at completion for fixed price contracts included the following, among others:

- We tested the effectiveness of controls over the recognition of revenue for fixed price contracts, including management's controls over estimates of total costs at completion.
- We evaluated the appropriateness and consistency of the methods and assumptions used by management to estimate total costs on fixed price contracts.

- We evaluated management's ability to accurately estimate contract costs by comparing current gross margin to historical gross margin for certain fixed price contracts open and completed during each quarter.
- We selected a sample of fixed price contracts and performed the following:
 - Evaluated gross margin changes over time for each selected contract from bid date to the testing date to evaluate management's historical and current estimates of total costs at completion.
 - Evaluated management's ability to estimate total costs at completion for each selected contract by performing corroborating inquiries with the Company's project managers and personnel involved with the selected contracts, including inquiries related to the timeline to completion and estimates of future costs to complete the contract.
 - Selected a sample of estimates of future costs to complete for certain selected fixed price contracts and evaluated management's estimates of total costs at completion by performing one of the following:
 - Comparing management's estimates to documents such as management's work plans, customer purchase orders, third-party invoices from suppliers, and subcontractor agreements.
 - Developing independent estimates of total costs to at completion and compared our estimates to management's estimates. Our independent estimates were based on information such as management's work plans, customer purchase orders, third-party invoices from suppliers, subcontractor agreements, and similar historical project experience.
 - For two selected certain fixed price contracts, contract, we used our capital projects specialists to assist us in evaluating (1) management's ability to estimate total costs at completion and (2) management's estimates of total costs at completion.

Goodwill – Certain Reporting Units – Units– Refer to Notes 1 and 4 to the financial statements

Critical Audit Matter Description

The Company's evaluation of goodwill for impairment involves the comparison of management's estimate of the fair value of each reporting unit to its carrying value. The estimated fair value of each reporting unit was derived primarily by utilizing a discounted cash flow analysis based on the Company's operating and capital budgets and strategic plan. Significant judgments and assumptions including the revenue growth rate, forecasted gross margins, and discount rate are inherent in the fair value estimates. The use of alternate judgments and/or assumptions could result in a fair value that differs from management's estimate and could result in the recognition of additional impairment charges in the financial statements.

The Company performed an interim goodwill impairment tests test as of March 31, 2022 and May 31, 2022 December 31, 2022, which resulted in \$18.3 million \$12.3 million of total impairment to goodwill in the third second quarter of fiscal year 2022 2023, and an annual goodwill impairment test as of May 31, 2023, which resulted in no impairment of goodwill in the fourth quarter of fiscal year 2022, respectively. Four 2023. Three reporting units with a combined total of \$33.8 million \$20.9 million of goodwill as of June 30, 2022 June 30, 2023 were at higher risk of future impairment than others and their estimated fair values exceed their carrying values by 4% 11% to 23% 28%. The Company's total goodwill was \$42.1 million \$29.1 million as of June 30, 2022 June 30, 2023.

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We identified goodwill for four three identified reporting units with a combined total of \$33.8 million \$20.9 million of goodwill as a critical audit matter because of the significant judgments made by management to estimate the fair values of these reporting units. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists, when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to the revenue growth rate, forecasted gross margins, and discount rate.

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How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the revenue growth rate, forecasted gross margins, and the discount rate used by management to estimate the fair value of the three identified reporting units included the following, among others:

- We tested the effectiveness of controls over management's goodwill impairment evaluation, including those over the determination of the fair value of the four identified reporting units, such as controls related to management's selection of the revenue growth rate and discount rate and forecasts of gross margins.

- We evaluated management's ability to accurately forecast the revenue growth rate and future gross margins by comparing actual results to management's historical forecasts.
- We evaluated the reasonableness of management's revenue growth rate and forecasted gross margins by comparing the forecasts to:
 - Historical revenue growth and gross margins.
 - Internal communications to management and the Board of Directors, including other forward estimates prepared or used by management for other accounting estimates.
 - Remaining performance obligations.
 - Information included in Company press releases as well as in analyst and industry reports for the Company and certain of its peer companies and in industry outlooks.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the (1) valuation methodology and (2) the discount rate, including testing the source information underlying the determination of the discount rate, testing the mathematical accuracy of the calculation, and developing a range of independent estimates and comparing those to the discount rate selected by management.

/s/ DELOITTE & TOUCHE LLP

Tulsa, Oklahoma

October 11, 2022 September 12, 2023

We have served as the Company's auditor since 2006.

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Matrix Service Company
Consolidated Statements of Income
(In thousands, except per share data)

		Fiscal Years Ended				Fiscal Years Ended		
		June 30, 2022	June 30, 2021	June 30, 2020		June 30, 2023	June 30, 2022	June 30, 2021
Revenue	Revenue	\$707,780	\$673,398	\$1,100,938	Revenue	\$795,020	\$707,780	\$673,398
Cost of revenue	Cost of revenue	708,986	640,633	998,762	Cost of revenue	764,200	708,986	640,633
Gross profit (loss)	Gross profit (loss)	(1,206)	32,765	102,176	Gross profit (loss)	30,820	(1,206)	32,765
Selling, general and administrative expenses	Selling, general and administrative expenses	67,690	69,756	86,276	Selling, general and administrative expenses	68,249	67,690	69,756
Goodwill and other intangible asset impairment		18,312	—	38,515				
Goodwill impairment (Note 4)					Goodwill impairment (Note 4)	12,316	18,312	—
Restructuring costs	Restructuring costs	646	6,756	14,010	Restructuring costs	3,142	646	6,756
Operating loss	Operating loss	(87,854)	(43,747)	(36,625)	Operating loss	(52,887)	(87,854)	(43,747)
Other income (expense):	Other income (expense):				Other income (expense):			
Interest expense	Interest expense	(2,951)	(1,559)	(1,597)	Interest expense	(2,024)	(2,951)	(1,559)

Interest income	Interest income	90	126	1,270	Interest income	290	90	126
Other (Note 3)	Other (Note 3)	32,432	1,917	308	Other (Note 3)	1,860	32,432	1,917
Loss before income tax expense (benefit)	Loss before income tax expense (benefit)	(58,283)	(43,263)	(36,644)	Loss before income tax expense (benefit)	(52,761)	(58,283)	(43,263)
Provision (benefit) for federal, state and foreign income taxes	Provision (benefit) for federal, state and foreign income taxes	5,617	(12,039)	(3,570)	Provision (benefit) for federal, state and foreign income taxes	(400)	5,617	(12,039)
Net loss	Net loss	<u>\$ (63,900)</u>	<u>\$ (31,224)</u>	<u>\$ (33,074)</u>	Net loss	<u>\$ (52,361)</u>	<u>\$ (63,900)</u>	<u>\$ (31,224)</u>
Basic loss per common share	Basic loss per common share	<u>\$ (2.39)</u>	<u>\$ (1.18)</u>	<u>\$ (1.24)</u>	Basic loss per common share	<u>\$ (1.94)</u>	<u>\$ (2.39)</u>	<u>\$ (1.18)</u>
Diluted loss per common share	Diluted loss per common share	<u>\$ (2.39)</u>	<u>\$ (1.18)</u>	<u>\$ (1.24)</u>	Diluted loss per common share	<u>\$ (1.94)</u>	<u>\$ (2.39)</u>	<u>\$ (1.18)</u>
Weighted average common shares outstanding:	Weighted average common shares outstanding:				Weighted average common shares outstanding:			
Basic	Basic	26,733	26,451	26,621	Basic	26,988	26,733	26,451
Diluted	Diluted	26,733	26,451	26,621	Diluted	26,988	26,733	26,451

See accompanying notes

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Matrix Service Company
Consolidated Statements of Comprehensive Income
(In thousands)

		Fiscal Years Ended				Fiscal Years Ended		
		June 30, 2022	June 30, 2021	June 30, 2020		June 30, 2023	June 30, 2022	June 30, 2021
Net loss	Net loss	\$ (63,900)	\$ (31,224)	\$ (33,074)	Net loss	\$ (52,361)	\$ (63,900)	\$ (31,224)
Other comprehensive loss, net of tax:	Other comprehensive loss, net of tax:				Other comprehensive loss, net of tax:			
	Foreign currency translation gain (loss) (net of tax expense (benefit) of \$71, \$223 and \$(88) for the fiscal years ended June 30, 2022, 2021 and 2020, respectively)	(1,426)	1,624	(622)				

Foreign currency translation gain (loss) (net of tax expense of \$0, \$71 and \$223 for the fiscal years ended June 30, 2023, 2022 and 2021, respectively)					Foreign currency translation gain (loss) (net of tax expense of \$0, \$71 and \$223 for the fiscal years ended June 30, 2023, 2022 and 2021, respectively)	(594)	(1,426)	1,624
Comprehensive loss	Comprehensive loss	\$ (65,326)	\$ (29,600)	\$ (33,696)	Comprehensive loss	\$ (52,955)	\$ (65,326)	\$ (29,600)

See accompanying notes

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**Matrix Service Company
Consolidated Balance Sheets
(In thousands)**

		June 30, 2022	June 30, 2021		June 30, 2023	June 30, 2022
Assets	Assets			Assets		
Current assets:	Current assets:			Current assets:		
Cash and cash equivalents	Cash and cash equivalents	\$ 52,371	\$ 83,878	Cash and cash equivalents	\$ 54,812	\$ 52,371
Accounts receivable, less allowances (2022 - \$1,320; 2021 - \$898)		153,879	148,030			
Accounts receivable, less allowances (2023 - \$1,061; 2022 - \$1,320)				Accounts receivable, less allowances (2023 - \$1,061; 2022 - \$1,320)	145,764	153,879
Costs and estimated earnings in excess of billings on uncompleted contracts	Costs and estimated earnings in excess of billings on uncompleted contracts	44,752	30,774	Costs and estimated earnings in excess of billings on uncompleted contracts	44,888	44,752
Inventories	Inventories	9,974	7,342	Inventories	7,437	9,974
Income taxes receivable	Income taxes receivable	13,547	16,965	Income taxes receivable	496	13,547
Prepaid expenses				Prepaid expenses	5,741	4,024
Other current assets	Other current assets	12,889	4,230	Other current assets	3,118	8,865
Total current assets	Total current assets	287,412	291,219	Total current assets	262,256	287,412
Restricted cash	Restricted cash	25,000	—	Restricted cash	25,000	25,000
Property, plant and equipment - net	Property, plant and equipment - net	53,869	69,407	Property, plant and equipment - net	47,545	53,869
Operating lease right-of-use assets	Operating lease right-of-use assets	22,067	22,412	Operating lease right-of-use assets	21,799	22,067
Goodwill	Goodwill	42,135	60,636	Goodwill	29,120	42,135

Other intangible assets, net of accumulated amortization	Other intangible assets, net of accumulated amortization	4,796	6,614	Other intangible assets, net of accumulated amortization	3,066	4,796
Deferred income taxes		—	5,295			
Other assets, non-current	Other assets, non-current	5,514	11,973	Other assets, non-current	11,718	5,514
Total assets	Total assets	\$ 440,793	\$ 467,556	Total assets	\$ 400,504	\$ 440,793

See accompanying notes

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Matrix Service Company
Consolidated Balance Sheets (continued)
(In thousands, except share data)

		June 30, 2022	June 30, 2021		June 30, 2023	June 30, 2022
Liabilities and stockholders' equity	Liabilities and stockholders' equity			Liabilities and stockholders' equity		
Current liabilities:	Current liabilities:			Current liabilities:		
Accounts payable	Accounts payable	\$ 74,886	\$ 60,920	Accounts payable	\$ 76,365	\$ 74,886
Billings on uncompleted contracts in excess of costs and estimated earnings	Billings on uncompleted contracts in excess of costs and estimated earnings	65,106	53,832	Billings on uncompleted contracts in excess of costs and estimated earnings	85,436	65,106
Accrued wages and benefits	Accrued wages and benefits	21,526	21,008	Accrued wages and benefits	13,679	21,526
Accrued insurance	Accrued insurance	6,125	6,568	Accrued insurance	5,579	6,125
Operating lease liabilities	Operating lease liabilities	5,715	5,747	Operating lease liabilities	4,661	5,715
Other accrued expenses	Other accrued expenses	4,427	5,327	Other accrued expenses	1,815	4,427
Total current liabilities	Total current liabilities	177,785	153,402	Total current liabilities	187,535	177,785
Deferred income taxes	Deferred income taxes	26	34	Deferred income taxes	26	26
Operating lease liabilities	Operating lease liabilities	19,904	20,771	Operating lease liabilities	20,660	19,904
Borrowings under asset-backed credit facility	Borrowings under asset-backed credit facility	15,000	—	Borrowings under asset-backed credit facility	10,000	15,000
Other liabilities, non-current	Other liabilities, non-current	372	7,810	Other liabilities, non-current	799	372
Total liabilities	Total liabilities	213,087	182,017	Total liabilities	219,020	213,087
Commitments and contingencies	Commitments and contingencies			Commitments and contingencies		
Stockholders' equity:	Stockholders' equity:			Stockholders' equity:		
Common stock—\$.01 par value; 60,000,000 shares authorized; 27,888,217 shares issued as of June 30, 2022 and June 30, 2021; 26,790,514 and 26,549,438 shares outstanding as of June 30, 2022 and June 30, 2021, respectively		279	279			

Common stock— \$.01 par value; 60,000,000 shares authorized; 27,888,217 shares issued as of June 30, 2023 and June 30, 2022; 27,047,318 and 26,790,514 shares outstanding as of June 30, 2023 and June 30, 2022, respectively				Common stock— \$.01 par value; 60,000,000 shares authorized; 27,888,217 shares issued as of June 30, 2023 and June 30, 2022; 27,047,318 and 26,790,514 shares outstanding as of June 30, 2023 and June 30, 2022, respectively			
						279	279
Additional paid-in capital	Additional paid-in capital	139,854	137,575	Additional paid-in capital	140,810	139,854	
Retained earnings	Retained earnings	111,278	175,178	Retained earnings	58,917	111,278	
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(8,175)	(6,749)	Accumulated other comprehensive loss	(8,769)	(8,175)	
		243,236	306,283		191,237	243,236	
Treasury stock, at cost — 1,097,703 and 1,338,779 shares as of June 30, 2022 and June 30, 2021, respectively		(15,530)	(20,744)				
Treasury stock, at cost — 840,899 and 1,097,703 shares as of June 30, 2023 and June 30, 2022, respectively				Treasury stock, at cost — 840,899 and 1,097,703 shares as of June 30, 2023 and June 30, 2022, respectively		(9,753)	(15,530)
Total stockholders' equity	Total stockholders' equity	227,706	285,539	Total stockholders' equity	181,484	227,706	
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	\$ 440,793	\$ 467,556	Total liabilities and stockholders' equity	\$ 400,504	\$ 440,793	

See accompanying notes

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Matrix Service Company
Consolidated Statements of Cash Flows
(In thousands)

		Fiscal Years Ended				Fiscal Years Ended		
		June 30, 2022	June 30, 2021	June 30, 2020		June 30, 2023	June 30, 2022	June 30, 2021
Operating activities:	Operating activities:				Operating activities:			
Net loss	Net loss	\$ (63,900)	\$ (31,224)	\$ (33,074)	Net loss	\$ (52,361)	\$ (63,900)	\$ (31,224)
Adjustments to reconcile net loss to net cash provided (used) by operating activities	Adjustments to reconcile net loss to net cash provided (used) by operating activities				Adjustments to reconcile net loss to net cash provided (used) by operating activities			
Depreciation and amortization	Depreciation and amortization	15,254	17,858	19,124	Depreciation and amortization	13,694	15,254	17,858
Goodwill and other intangible asset impairment (Note 4)		18,312	—	38,515				

Goodwill impairment (Note 4)					Goodwill impairment (Note 4)	12,316	18,312	—
Stock-based compensation expense	Stock-based compensation expense	7,877	8,156	9,877	Stock-based compensation expense	6,791	7,877	8,156
Operating lease, fixed asset, and other intangible asset impairments due to restructuring (Note 14)		—	454	5,215				
Operating lease, fixed asset, and other intangible asset impairments due to restructuring					Operating lease, fixed asset, and other intangible asset impairments due to restructuring	—	—	454
Deferred income tax	Deferred income tax	5,358	889	(3,630)	Deferred income tax	—	5,358	889
Gain on sale of property, plant and equipment (Note 3)	Gain on sale of property, plant and equipment (Note 3)	(33,114)	(1,201)	(767)	Gain on sale of property, plant and equipment (Note 3)	(2,841)	(33,114)	(1,201)
Provision for uncollectable accounts	Provision for uncollectable accounts	738	85	1,158	Provision for uncollectable accounts	(101)	738	85
Accelerated amortization of deferred debt amendment fees (Note 5)	Accelerated amortization of deferred debt amendment fees (Note 5)	1,518	—	—	Accelerated amortization of deferred debt amendment fees (Note 5)	—	1,518	—
Other	Other	169	460	(7)	Other	248	169	460
Changes in operating assets and liabilities increasing (decreasing) cash:	Changes in operating assets and liabilities increasing (decreasing) cash:				Changes in operating assets and liabilities increasing (decreasing) cash:			
Accounts receivable	Accounts receivable	(6,587)	11,109	56,603	Accounts receivable	8,663	(6,587)	11,109
Costs and estimated earnings in excess of billings on uncompleted contracts	Costs and estimated earnings in excess of billings on uncompleted contracts	(13,978)	28,774	36,535	Costs and estimated earnings in excess of billings on uncompleted contracts	(136)	(13,978)	28,774
Inventories	Inventories	(2,632)	(882)	1,557	Inventories	2,506	(2,632)	(882)
Other assets and liabilities	Other assets and liabilities	(530)	(21,916)	11,029	Other assets and liabilities	10,538	(530)	(21,916)
Accounts payable	Accounts payable	13,654	(12,387)	(38,915)	Accounts payable	1,210	13,654	(12,387)
Billings on uncompleted contracts in excess of costs and estimated earnings	Billings on uncompleted contracts in excess of costs and estimated earnings	11,274	(8,610)	(41,737)	Billings on uncompleted contracts in excess of costs and estimated earnings	20,330	11,274	(8,610)
Accrued expenses	Accrued expenses	(7,609)	5,464	(17,398)	Accrued expenses	(10,610)	(7,609)	5,464

Net cash provided (used) by operating activities	Net cash provided (used) by operating activities	(54,196)	(2,971)	44,085	Net cash provided (used) by operating activities	10,247	(54,196)	(2,971)
Investing activities:	Investing activities:				Investing activities:			
Capital expenditures	Capital expenditures	(3,345)	(4,354)	(18,539)	Capital expenditures	(9,009)	(3,345)	(4,354)
Proceeds from asset sales (Note 3)	Proceeds from asset sales (Note 3)	39,018	2,090	1,423	Proceeds from asset sales (Note 3)	6,466	39,018	2,090
Net cash provided (used) by investing activities	Net cash provided (used) by investing activities	\$ 35,673	\$ (2,264)	\$ (17,116)	Net cash provided (used) by investing activities	\$ (2,543)	\$ 35,673	\$ (2,264)

See accompanying notes

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Matrix Service Company
Consolidated Statements of Cash Flows (continued)
(In thousands)

		Fiscal Years Ended				Fiscal Years Ended		
		June 30, 2022	June 30, 2021	June 30, 2020		June 30, 2023	June 30, 2022	June 30, 2021
Financing activities:	Financing activities:				Financing activities:			
Advances under senior secured revolving credit facility	Advances under senior secured revolving credit facility	\$ —	\$ 1,125	\$ 18,567	Advances under senior secured revolving credit facility	\$ —	\$ —	\$ 1,125
Repayments of advances under senior secured revolving credit facility	Repayments of advances under senior secured revolving credit facility	—	(10,913)	(14,357)	Repayments of advances under senior secured revolving credit facility	—	—	(10,913)
Advances under asset-backed credit facility	Advances under asset-backed credit facility	20,000	—	—	Advances under asset-backed credit facility	10,000	20,000	—
Repayments of advances under asset-backed credit facility	Repayments of advances under asset-backed credit facility	(5,000)	—	—	Repayments of advances under asset-backed credit facility	(15,000)	(5,000)	—
Payment of debt amendment fees	Payment of debt amendment fees	(1,263)	(1,275)	—	Payment of debt amendment fees	—	(1,263)	(1,275)
Open market purchase of treasury shares		—	—	(17,045)				
Issuances of common stock	Issuances of common stock	199	349	—	Issuances of common stock	—	199	349
Proceeds from issuance of common stock under employee stock purchase plan	Proceeds from issuance of common stock under employee stock purchase plan	270	299	320	Proceeds from issuance of common stock under employee stock purchase plan	252	270	299

Repurchase of common stock for payment of statutory taxes due on equity-based compensation	Repurchase of common stock for payment of statutory taxes due on equity-based compensation	(853)	(1,554)	(3,524)	Repurchase of common stock for payment of statutory taxes due on equity-based compensation	(310)	(853)	(1,554)
Other	Other	(654)	(355)	—	Other	—	(654)	(355)
Net cash provided (used) by financing activities	Net cash provided (used) by financing activities	12,699	(12,324)	(16,039)	Net cash provided (used) by financing activities	(5,058)	12,699	(12,324)
Effect of exchange rate changes on cash	Effect of exchange rate changes on cash	(683)	1,401	(609)	Effect of exchange rate changes on cash	(205)	(683)	1,401
Net increase (decrease) in cash and cash equivalents	Net increase (decrease) in cash and cash equivalents	(6,507)	(16,158)	10,321	Net increase (decrease) in cash and cash equivalents	2,441	(6,507)	(16,158)
Cash, cash equivalents, and restricted cash, beginning of period (Note 1)	Cash, cash equivalents, and restricted cash, beginning of period (Note 1)	83,878	100,036	89,715	Cash, cash equivalents, and restricted cash, beginning of period (Note 1)	77,371	83,878	100,036
Cash, cash equivalents, and restricted cash, end of period (Note 1)	Cash, cash equivalents, and restricted cash, end of period (Note 1)	\$ 77,371	\$ 83,878	\$ 100,036	Cash, cash equivalents, and restricted cash, end of period (Note 1)	\$ 79,812	\$ 77,371	\$ 83,878
Supplemental disclosure of cash flow information:	Supplemental disclosure of cash flow information:				Supplemental disclosure of cash flow information:			
Cash paid (received) during the period for:	Cash paid (received) during the period for:				Cash paid (received) during the period for:			
Income taxes	Income taxes	\$ (2,864)	\$ 451	\$ 6,394	Income taxes	\$ (13,337)	\$ (2,864)	\$ 451
Interest	Interest	\$ 2,773	\$ 1,834	\$ 2,148	Interest	\$ 2,093	\$ 2,773	\$ 1,834
Non-cash investing and financing activities:	Non-cash investing and financing activities:				Non-cash investing and financing activities:			
Purchases of property, plant and equipment on account	Purchases of property, plant and equipment on account	\$ 54	\$ 106	\$ 48	Purchases of property, plant and equipment on account	\$ 104	\$ 54	\$ 106

See accompanying notes

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Matrix Service Company
Consolidated Statements of Changes in Stockholders' Equity
(In thousands, except share data)

	Common Stock	Additional Paid-In Capital	Accumulated			Total	Common Stock	Additional Paid-In Capital	Accumulated		
			Retained Earnings	Other Comprehensive Loss	Treasury Stock				Retained Earnings	Other Comprehensive Loss	Treasury Stock

Balances, June 30, 2019		\$	279	\$	137,712	\$	239,476	\$	(7,751)	\$	(17,759)	\$	351,957								
Balances, June 30, 2020													Balances, June 30, 2020	\$	279	\$	138,966	\$	206,402	\$	(8,373)
Net loss	Net loss	—	—	(33,074)	—	—	(33,074)	Net loss	—	—	(31,224)	—	—								
Other comprehensive loss		—	—	—	(622)	—	(622)														
Other comprehensive income								Other comprehensive income	—	—	—	1,624									
Treasury Shares sold to Employee Stock Purchase Plan (20,733 shares)		—	(19)	—	—	339	320														
Treasury Shares sold to Employee Stock Purchase Plan (29,171 shares)								Treasury Shares sold to Employee Stock Purchase Plan (29,171 shares)	—	(207)	—	—									
Exercise of stock options (34,150 shares)								Exercise of stock options (34,150 shares)	—	(257)	—	—									
Issuance of restricted stock (515,218 shares)								Issuance of restricted stock (515,218 shares)	—	(9,083)	—	—									
Issuance of deferred shares (542,279 shares)		—	(8,604)	—	—	8,604	—														
Treasury shares repurchased to satisfy tax withholding obligations (181,081 shares)		—	—	—	—	(3,524)	(3,524)														
Treasury shares repurchased to satisfy tax withholding obligations (170,629 shares)								Treasury shares repurchased to satisfy tax withholding obligations (170,629 shares)	—	—	—	—									
Open market purchases of treasury shares (1,047,606 shares)		—	—	—	—	(17,045)	(17,045)														
Stock-based compensation expense	Stock-based compensation expense	—	9,877	—	—	—	9,877	Stock-based compensation expense	—	8,156	—	—	—								
Balances, June 30, 2020		279	138,966	206,402	(8,373)	(29,385)	307,889														
Balances, June 30, 2021													Balances, June 30, 2021	279	137,575	175,178	(6,749)				
Net loss	Net loss	—	—	(31,224)	—	—	(31,224)	Net loss	—	—	(63,900)	—	—								
Other comprehensive income		—	—	—	1,624	—	1,624														
Treasury Shares sold to Employee Stock Purchase Plan (29,171 shares)		—	(207)	—	—	506	299														
Exercise of stock options (34,150 shares)		—	(257)	—	—	606	349														
Issuance of deferred shares (515,218 shares)		—	(9,083)	—	—	9,083	—														
Treasury shares repurchased to satisfy tax withholding obligations (170,629 shares)		—	—	—	—	(1,554)	(1,554)														
Stock-based compensation expense		—	8,156	—	—	—	8,156														

Balances, June 30, 2021		279	137,575	175,178	(6,749)	(20,744)	285,539						
Net loss		—	—	(63,900)	—	—	(63,900)						
Other comprehensive loss	Other comprehensive loss	—	—	—	(1,426)	—	(1,426)	Other comprehensive loss	—	—	—	(1,426)	—
Treasury Shares Sold to Employee Stock Purchase Plan (29,826 shares)		—	(307)	—	—	577	270						
Treasury Shares sold to Employee Stock Purchase Plan (29,826 shares)								Treasury Shares sold to Employee Stock Purchase Plan (29,826 shares)	—	(307)	—	—	—
Exercise of stock options (19,550 shares)	Exercise of stock options (19,550 shares)	—	(189)	—	—	388	199	Exercise of stock options (19,550 shares)	—	(189)	—	—	388
Issuance of deferred shares (268,403 shares)		—	(5,102)	—	—	5,102	—						
Issuance of restricted stock (268,403 shares)								Issuance of restricted stock (268,403 shares)	—	(5,102)	—	—	—
Treasury shares repurchased to satisfy tax withholding obligations (76,703 shares)	Treasury shares repurchased to satisfy tax withholding obligations (76,703 shares)	—	—	—	—	(853)	(853)	Treasury shares repurchased to satisfy tax withholding obligations (76,703 shares)	—	—	—	—	(853)
Stock-based compensation expense	Stock-based compensation expense	—	7,877	—	—	—	7,877	Stock-based compensation expense	—	7,877	—	—	—
Balances, June 30, 2022	Balances, June 30, 2022	\$ 279	\$ 139,854	\$ 111,278	\$ (8,175)	\$ (15,530)	\$ 227,706	Balances, June 30, 2022	279	139,854	111,278	(8,175)	(15,530)
Net loss								Net loss	—	—	—	(52,361)	—
Other comprehensive loss								Other comprehensive loss	—	—	—	—	(594)
Treasury Shares Sold to Employee Stock Purchase Plan (50,139 shares)								Treasury Shares Sold to Employee Stock Purchase Plan (50,139 shares)	—	(685)	—	—	—
Issuance of restricted stock (259,529 shares)								Issuance of restricted stock (259,529 shares)	—	(5,150)	—	—	—
Treasury shares purchased to satisfy tax withholding obligations (52,864 shares)								Treasury shares purchased to satisfy tax withholding obligations (52,864 shares)	—	—	—	—	—
Stock-based compensation expense								Stock-based compensation expense	—	6,791	—	—	—

Balances, June 30, 2023	Balances, June 30, 2023	\$ 279	\$ 140,810	\$ 58,917	\$ (8,769)
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See accompanying notes

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Matrix Service Company
Notes to Consolidated Financial Statements

Note 1—Summary of Significant Accounting Policies

Organization and Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and include the accounts of Matrix Service Company and its subsidiaries (“Matrix”, the “Company” or “we”, “our”, and “us” are to Matrix Service Company and its subsidiaries), all of which are wholly owned. Intercompany transactions and balances have been eliminated in consolidation.

We operate in the United States, Canada, South Korea and Australia. Our reportable segments are Utility and Power Infrastructure, Process and Industrial Facilities, and Storage and Terminal Solutions.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. We believe the most significant estimates and judgments are associated with revenue recognition, the recoverability tests that must be periodically performed with respect to our goodwill and other intangible assets, deferred tax assets, and the estimation of loss contingencies, including liabilities associated with litigation and with the self-insured retentions on our insurance programs. Actual results could materially differ from those estimates.

Revenue Recognition

General Information about our Contracts with Customers

Our revenue comes from contracts to provide engineering, procurement, fabrication and construction, repair and maintenance and other services. Our engineering, procurement and fabrication and construction services are usually provided in association with capital projects, which are commonly fixed-price contracts that are billed based on project milestones. Our repair and maintenance services typically are cost reimbursable or time and material based contracts and are billed monthly or, for projects of short duration, at the conclusion of the project. The elapsed time from award to completion of performance may exceed one year for capital projects.

Step 1: Contract Identification

We do not recognize revenue unless we have identified a contract with a customer. A contract with a customer exists when it has approval and commitment from both parties, the rights and obligations of the parties are identified, payment terms are identified, the contract has commercial substance, and collectability is probable. We also evaluate whether a contract should be combined with other contracts and accounted for as a single contract. This evaluation requires judgment and could change the timing of the amount of revenue and profit recorded for a given period.

Step 2: Identify Performance Obligations

Next, we identify each performance obligation in the contract. A performance obligation is a promise to provide a distinct good or service or a series of distinct goods or services to the customer. Revenue is recognized separately for each performance obligation in the contract. Many of our contracts have one clearly identifiable performance obligation. However, many of our contracts provide the customer an integrated service that includes two or more of the following services: engineering, procurement, fabrication, construction, repair and maintenance services. For these contracts, we do not consider the integrated services to be distinct within the context of the contract when the separate scopes of work combine into a single commercial objective or capability for the customer. Accordingly, we generally identify one performance obligation in our contracts. The determination of the number of performance obligations in a contract requires significant judgment and could change the timing of the amount of revenue recorded for a given period.

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Matrix Service Company
Notes to Consolidated Financial Statements (continued)

Step 3: Determine Contract Price

After determining the performance obligations in the contract, we determine the contract price. The contract price is the amount of consideration we expect to receive from the customer for completing the performance obligation(s). In a fixed-price contract, the contract price is a single lump-sum amount. In reimbursable and time and materials based contracts, the contract price is determined by the agreed upon rates or reimbursements for time and materials expended in completing the performance obligation(s) in the contract.

A number of our contracts contain various cost and performance incentives and penalties that can either increase or decrease the contract price. These variable consideration amounts are generally earned or incurred based on certain performance metrics, most commonly related to project schedule or cost targets. We estimate variable consideration at the most likely amount of additional consideration to be received (or paid in the case of penalties), provided that meeting the variable condition is probable. We include estimated amounts of variable consideration in the contract price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration and determination of whether to include estimated amounts in the contract price are based largely on an assessment of our anticipated performance and all information (historical, current and forecasted) that is reasonably available to us. We reassess the amount of variable consideration each accounting period until the uncertainty associated with the variable consideration is resolved. Changes in the assessed amount of variable consideration are accounted for prospectively as a cumulative adjustment to revenue recognized in the current period.

Step 4: Assign Contract Price to Performance Obligations

After determining the contract price, we assign such price to the performance obligation(s) in the contract. If a contract has multiple performance obligations, we assign the contract price to each performance obligation based on the stand-alone selling prices of the distinct services that comprise each performance obligation.

Step 5: Recognize Revenue as Performance Obligations are Satisfied

We record revenue for contracts with our customers as we satisfy the contracts' performance obligations. We recognize revenue on performance obligations associated with fixed-price contracts for engineering, procurement, fabrication and construction services over time since these services create or enhance assets the customer controls as they are being created or enhanced. We measure progress of satisfying these performance obligations by using the percentage-of-completion method, which is based on costs incurred to date compared to the total estimated costs at completion, since it best depicts the transfer of control of assets being created or enhanced to the customer.

We recognize revenue over time for reimbursable and time and material based repair and maintenance contracts since the customer simultaneously receives and consumes the benefit of those services as we perform work under the contract. As a practical expedient allowed under the revenue accounting standards, we record revenue for these contracts in the amount to which we have a right to invoice for the services performed provided that we have a right to consideration from the customer in an amount that corresponds directly with the value of the performance completed to date.

Costs incurred may include direct labor, direct materials, subcontractor costs and indirect costs, such as salaries and benefits, supplies and tools, equipment costs and insurance costs. Indirect costs are charged to projects based upon direct costs and overhead allocation rates per dollar of direct costs incurred or direct labor hours worked. Typically, customer contracts will include standard warranties that provide assurance that products and services will function as expected. We do not sell separate warranties.

We have numerous contracts that are in various stages of completion which require estimates to determine the forecasted costs at completion. Due to the nature of the work left to be performed on many of our contracts, the estimation of total cost at completion for fixed-price contracts is complex, subject to many variables and requires significant judgment. Estimates of total cost at completion are made each period and changes in these estimates are accounted for prospectively as cumulative adjustments to revenue recognized in the current period. If estimates of costs to complete fixed-price contracts indicate a loss, a provision is made through a contract write-down for the total loss anticipated.

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Matrix Service Company

Notes to Consolidated Financial Statements (continued)

Change Orders

Contracts are often modified through change orders, which are changes to the agreed upon scope of work. Most of our change orders, which may be priced or unpriced, are for goods or services that are not distinct from the existing contract due to the significant integration of services provided in the context of the contract and are accounted for as if they were part of that existing contract. The effect of a change order on the contract price and our measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue on a cumulative catch-up basis. For unpriced change orders, we estimate the increase or decrease to the contract price using the variable consideration method described in the Step 3: Determine Contract Price paragraph above. Unpriced change orders are more fully discussed in Note 72 - Commitments and Contingencies, Revenue.

Claims

Sometimes we seek claims for amounts in excess of the contract price for delays, errors in specifications and designs, contract terminations, change orders in dispute or other causes of additional costs incurred by us. Recognition of amounts as additional contract price related to claims is appropriate only if there is a legal basis for the claim. The determination of our legal basis for a claim requires significant judgment. We estimate the change to the contract price using the variable consideration method described in the Step 3: Determine Contract Price paragraph above. Claims are more fully discussed in Note 72 - Commitments and Contingencies, Revenue.

Cash, Cash Equivalents and Restricted Cash

We include as cash equivalents all investments with original maturities of three months or less which are readily convertible into cash. We have cash on deposit at **June 30, 2022** **June 30, 2023** with banks in the United States, Canada, South Korea and Australia in excess of Federal Deposit Insurance Corporation ("FDIC"), Canada Deposit Insurance Corporation ("CDIC"), Korea Deposit Insurance Corporation ("KDIC") and Financial Claims Scheme ("FCS") protection limits, respectively. The United States Dollar equivalent of Canadian, South Korean and Australian deposits totaled **\$5.7 million** **\$10.4 million** as of **June 30, 2022** **June 30, 2023**.

The ABL Facility requires us to maintain a minimum of **\$25.0 million** **\$25.0 million** of restricted cash at all times. Since this cash must be restricted through the maturity date of the ABL Facility, which is beyond one year, we have classified this restricted cash as non-current in our Consolidated Balance Sheets. The following table provides a reconciliation of cash, cash equivalents and restricted cash in the Consolidated Balance Sheets to the total cash, cash equivalents and restricted cash shown in the Consolidated Statements of Cash Flows (in thousands):

		June 30, 2022	June 30, 2021		June 30, 2023	June 30, 2022
Cash and cash equivalents	Cash and cash equivalents	\$ 52,371	\$ 83,878	Cash and cash equivalents	\$ 54,812	\$ 52,371
Restricted cash	Restricted cash	\$ 25,000	—	Restricted cash	25,000	25,000
Total cash, cash equivalents and restricted cash shown in the Consolidated Statements of Cash Flows	Total cash, cash equivalents and restricted cash shown in the Consolidated Statements of Cash Flows	\$ 77,371	\$ 83,878	Total cash, cash equivalents and restricted cash shown in the Consolidated Statements of Cash Flows	\$ 79,812	\$ 77,371

Accounts Receivable

Accounts receivable are carried on a gross basis, less the allowance for credit losses. We estimate the allowance for credit losses based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. Our customers consist primarily of major integrated oil companies, independent refiners and marketers, power companies, petrochemical companies, pipeline companies, mining companies, contractors and engineering firms. We are exposed to the risk of individual customer defaults or depressed cycles in our customers' industries. To mitigate this risk, many of our contracts require payment as projects progress or advance payment in some circumstances. In addition, in most cases we can place liens against the property, plant or equipment constructed or terminate the contract if a material contract default occurs. Accounts are written off against the allowance for credit losses only after all reasonable collection attempts have been exhausted.

Retentions

Contract retentions collectable beyond one year are included in Other assets, non-current in the Consolidated Balance Sheets.

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Matrix Service Company

Notes to Consolidated Financial Statements (continued)

Retentions

Contract retentions collectable beyond one year are included in Other assets in the Consolidated Balance Sheets. Accounts payable retentions are generally settled within one year.

Loss Contingencies

Various legal actions, claims and other contingencies arise in the normal course of our business. Contingencies are recorded in the consolidated financial statements, or are otherwise disclosed, in accordance with ASC 450-20, "Loss Contingencies". Specific reserves are provided for loss contingencies to the extent we conclude that a loss is both probable and estimable. We use a case-by-case evaluation of the underlying data and update our evaluation as further information becomes known. We believe that any amounts exceeding our recorded accruals should not materially affect our financial position, results of operations or liquidity. However, the results of litigation are inherently unpredictable, and the possibility exists that the ultimate resolution of one or more of these matters could result in a material effect on our financial position, results of operations or liquidity.

Inventories

Inventories consist primarily of steel plate and pipe and aluminum coil and extrusions. Cost is determined primarily using the average cost method and inventories are stated at the lower of cost or net realizable value.

Depreciation

Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets. Depreciable lives are as follows: buildings—40 years, construction equipment—3 to 15 years, transportation equipment—3 to 5 years, and office equipment and software—3 to 10 years. Leasehold improvements are amortized over the shorter of the useful life of the asset or the lease term.

Leases

We enter into lease arrangements for real estate, construction equipment and information technology equipment in the normal course of business. We determine if an arrangement is or contains a lease at inception of the arrangement. An arrangement is determined to be a lease if it conveys the right to control the use of identified property and equipment for a period of time in exchange for consideration. Operating lease right-of-use assets are recognized as the present value of future lease payments over the lease term as of the commencement date, plus any lease payments made prior to commencement, and less any lease incentives received. Operating lease liabilities are recognized as the present value of the future lease payments over the lease term as of the commencement date. Operating lease expense is recognized based on the undiscounted future lease payments over the remaining lease term on a straight-line basis. Lease expense related to short-term leases is recognized on a straight-line basis over the lease term.

Determinations with respect to lease term (including any renewals and terminations), incremental borrowing rate used to discount lease payments, variable lease expense and future lease payments require the use of judgment based on the facts and circumstances related to each lease. We consider various factors, including economic incentives, intent, past history and business need, to determine the likelihood that a renewal option will be exercised.

Right-of-use assets are evaluated for impairment in accordance with our policy for impairment of long-lived assets.

Impairment of Long-Lived Assets

We evaluate long-lived assets for impairment when events or changes in circumstances indicate, in management's judgment, that the carrying value of such assets used in operations may not be recoverable. The determination of whether an impairment has occurred is based on management's estimate of undiscounted future cash flows attributable to the assets as compared to the carrying value of the assets. If an impairment has occurred, the amount of the impairment recognized is determined by estimating the fair value of the assets and, to the extent the carrying value exceeds the fair value of the assets, recording a loss provision.

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Matrix Service Company

Notes to Consolidated Financial Statements (continued)

For assets identified to be disposed of in the future, the carrying value of the assets are compared to the estimated fair value less the cost of disposal to determine if an impairment has occurred. Until the assets are disposed of, an estimate of the fair value is redetermined when related events or circumstances change.

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Matrix Service Company

Notes to Consolidated Financial Statements (continued)

Goodwill

Goodwill represents the excess of the purchase price of acquisitions over the acquisition date fair value of the net identifiable tangible and intangible assets acquired. In accordance with current accounting guidance, goodwill is not amortized and is tested at least annually for impairment at the reporting unit level, which is a level below our reportable segments.

We perform our annual impairment test in the fourth quarter of each fiscal year, or in between annual tests whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable, to determine whether an impairment exists and to determine the amount of headroom. We define "headroom" as the percentage difference between the fair value of a reporting unit and its carrying value. The goodwill impairment test involves comparing management's estimate of the fair value of a reporting unit with its carrying value, including goodwill. If the fair value of a reporting unit exceeds its carrying value, then goodwill is not impaired. If the fair value of a reporting unit is less than its carrying value, then goodwill is impaired to the extent of the difference, but the impairment may not exceed the balance of goodwill assigned to that reporting unit.

We utilize a discounted cash flow analysis, referred to as an income approach, and market multiples, referred to as a market approach, to determine the estimated fair value of our reporting units. For the income approach, significant judgments and assumptions including forecasted project awards, discount rate, anticipated revenue growth rate, gross margins, operating expenses, working capital needs and capital expenditures are inherent in the fair value estimates, which are based on our operating and capital budgets and on our strategic plan. As a result, actual results may differ from the estimates utilized in our income approach. For the market approach, significant judgments and assumptions include the selection of guideline companies, forecasted guideline company EBITDA and our forecasted EBITDA. The use of alternate judgments and/or assumptions could result in a fair value that differs from our estimate and could result in the recognition of additional impairment charges in the financial statements. As a test for reasonableness, we also consider the combined fair values of our reporting units to our market capitalization.

Other Intangible Assets

Intangible assets that have finite useful lives are amortized by the straight-line method over their useful lives ranging from 6 years to 15 years. A finite intangible asset is considered impaired when its carrying amount is not recoverable and exceeds the asset's fair value. The carrying amount is deemed unrecoverable if it is greater than the sum of undiscounted cash flows expected to result from use and eventual disposition of the asset. An impairment loss is equal to the excess of the carrying amount over the fair value of the asset. If

quoted market prices are not available, the fair values of the intangible assets are based on present values of expected future cash flows or royalties avoided using discount rates commensurate with the risks involved.

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. 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 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 future gains and losses that could be material.

Stock-Based Compensation

We have issued time-based and market-based restricted stock options, nonvested deferred share unit awards and cash-settled restricted share units under our long-term incentive compensation plans. The fair value of these We have issued time-based awards is calculated at grant date, that are equity-settled and time-based awards that are cash-settled. The fair value of time-based nonvested deferred shares and cash-settled restricted share units awards is based on the value of our common stock at the grant date. The fair value of market-based nonvested deferred shares awards is based on several factors, including the probability that the market condition specified in the grant will be achieved, which is calculated using a Monte Carlo model. Cash-settled restricted share units time-based awards must be settled in cash and are accounted for as liability-type awards and are remeasured at the end of each reporting period at fair

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Matrix Service Company

Notes to Consolidated Financial Statements (continued)

value until settlement. For all awards, expense is recognized over the requisite service period with forfeitures recorded as they occur.

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Matrix Service Company

Notes to Consolidated Financial Statements (continued)

Income Taxes

We use the asset and liability approach for financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances based on our judgments and estimates are established when necessary to reduce deferred tax assets to the amount expected to be realized in future operating results. Our estimates are based on facts and circumstances in existence as well as interpretations of existing tax regulations and laws applied to the facts and circumstances, with the help of professional tax advisors. Therefore, we estimate and provide for amounts of additional income taxes that may be assessed by the various taxing authorities.

Foreign Currency

The functional currencies of our operations in Canada, South Korea and Australia are the Canadian Dollar, South Korean Won and U.S. Dollar, respectively. The functional currency of our Australian operations is the U.S. Dollar since its sales are primarily denominated in that currency. For subsidiaries with operations using a foreign functional currency, assets and liabilities are translated at the year-end exchange rates and the income statement accounts are translated at average exchange rates throughout the year. Translation gains and losses are reported in Accumulated Other Comprehensive Loss, net of tax, in the Consolidated Statements of Changes in Stockholders' Equity and in Other Comprehensive Income (Loss) in the Consolidated Statements of Comprehensive Income. Translation gains and losses are reversed from Accumulated Other Comprehensive Income (Loss) and are recognized in current period income in the event we dispose of an entity with accumulated translation gains or losses. Transaction gains and losses are reported as a component of Other income (expense) in the Consolidated Statements of Income.

Note 2 – Revenue

Remaining Performance Obligations

We had \$484.2 million \$459.7 million of remaining performance obligations yet to be satisfied as of June 30, 2022 June 30, 2023. We expect to recognize approximately \$389.9 million \$381.0 million of our remaining performance obligations as revenue within the next twelve months.

Contract Balances

Contract terms with customers include the timing of billing and payment, which usually differs from the timing of revenue recognition. As a result, we carry contract assets and liabilities in our balance sheet. These contract assets and liabilities are calculated on a contract-by-contract basis and reported on a net basis at the end of each period and are

classified as current. We present our contract assets in the balance sheet as Costs and Estimated Earnings in Excess of Billings on Uncompleted Contracts ("CIE"). CIE consists of revenue recognized in excess of billings. We present our contract liabilities in the balance sheet as Billings on Uncompleted Contracts in Excess of Costs and Estimated Earnings ("BIE"). BIE consists of billings in excess of revenue recognized. The following table provides information about CIE and BIE:

		June 30, 2022	June 30, 2021	Change			June 30, 2023	June 30, 2022	Change
		(In thousands)					(In thousands)		
Costs and estimated earnings in excess of billings on uncompleted contracts	Costs and estimated earnings in excess of billings on uncompleted contracts	\$ 44,752	\$ 30,774	\$ 13,978	Costs and estimated earnings in excess of billings on uncompleted contracts	\$ 44,888	\$ 44,752	\$ 136	
Billings on uncompleted contracts in excess of costs and estimated earnings	Billings on uncompleted contracts in excess of costs and estimated earnings	(65,106)	(53,832)	(11,274)	Billings on uncompleted contracts in excess of costs and estimated earnings	(85,436)	(65,106)	(20,330)	
Net contract liabilities	Net contract liabilities	\$ (20,354)	\$ (23,058)	\$ 2,704	Net contract liabilities	\$ (40,548)	\$ (20,354)	\$ (20,194)	

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Matrix Service Company

Notes to Consolidated Financial Statements (continued)

The difference between the beginning and ending balances of our CIE and BIE primarily results from the timing of revenue recognized relative to its billings. The amount of revenue recognized during the fiscal year ended **June 30, 2022** **June 30, 2023** that was included in the prior period BIE balance was **\$49.2 million** **\$57.9 million**. This revenue consists primarily of work performed during the period on contracts with customers that had advance billings.

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Matrix Service Company

Notes to Consolidated Financial Statements (continued)

Progress billings in accounts receivable at **June 30, 2022** **June 30, 2023** and **June 30, 2021** **June 30, 2022** included retentions to be collected within one year of **\$16.1 million** **\$16.3 million** and **\$19.9 million** **\$16.1 million**, respectively. Contract retentions collectable beyond one year are included in **other** Other assets, non-current in the Consolidated Balance Sheets and totaled \$10.0 million as of June 30, 2023 and \$4.0 million as of June 30, 2022.

Unpriced Change Orders and \$3.1 million as Claims

As of **June 30, 2021** **June 30, 2023** and **June 30, 2022**, costs and estimated earnings in excess of billings on uncompleted contracts included revenue for unpriced change orders and claims of \$9.7 million and \$8.9 million, respectively. The amounts ultimately realized may be different than the recorded amounts resulting in adjustments to future earnings. Generally we expect collection of amounts related to unpriced change orders and claims within twelve months. However, customers may not pay these amounts until final resolution of related claims, which may extend beyond one year.

Disaggregated Revenue

Revenue disaggregated by reportable segment is presented in Note 13 - Segment Information. The following series of tables presents revenue disaggregated by geographic area where the work was performed and by contract type:

Geographic Disaggregation:

		Fiscal Years Ended			Fiscal Years Ended			
		June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2023	June 30, 2022	June 30, 2021	
		(In thousands)			(In thousands)			
United States	United States	\$ 640,512	\$ 604,739	\$ 1,020,083	United States	\$ 720,140	\$ 640,512	\$ 604,739
Canada	Canada	63,045	61,703	70,133	Canada	61,691	63,045	61,703
Other international	Other international	4,223	6,956	10,722	Other international	13,189	4,223	6,956
Total	Total	\$ 707,780	\$ 673,398	\$ 1,100,938	Total	\$ 795,020	\$ 707,780	\$ 673,398

Contract Type Disaggregation:

		Fiscal Years Ended		
		June 30, 2022	June 30, 2021	June 30, 2020
		(In thousands)		
Fixed-price contracts		\$ 421,188	\$ 444,042	\$ 685,559
Time and materials and other cost reimbursable contracts		286,592	229,356	415,379
Total		\$ 707,780	\$ 673,398	\$ 1,100,938

Typically, we assume more risk with fixed-price contracts since increases in cost to perform the work may not be recoverable. However, these types of contracts typically offer higher profits than time and materials and other cost reimbursable contracts when completed at or below the costs originally estimated. The profitability of time and materials and other cost reimbursable contracts is typically lower than fixed-price contracts and is usually less volatile than fixed-price contracts since the profit component is factored into the rates charged for labor, equipment and materials, or is expressed in the contract as a percentage of the reimbursable costs incurred.

		Fiscal Years Ended		
		June 30, 2023	June 30, 2022	June 30, 2021
		(In thousands)		
Fixed-price contracts		\$ 419,426	\$ 421,188	\$ 444,042
Time and materials and other cost reimbursable contracts		375,594	286,592	229,356
Total		\$ 795,020	\$ 707,780	\$ 673,398

Revisions in Estimates

Fiscal 2023

During fiscal 2023, unfavorable changes in the estimated recovery of change orders and increased forecasted costs to complete and closeout certain midstream gas processing capital work in the Process and Industrial Facilities segment resulted in a \$12.6 million reduction of gross profit during the fiscal year. These charges were primarily the result of the client not approving adequate compensation to us for the impact that excessive scope changes had on our ability to progress the work according to forecast and for the impacts of global supply chain issues and inflation. We have accrued the full expected loss for the work, which is now mechanically complete.

Matrix Service Company

Notes to Consolidated Financial Statements (continued)

Fiscal 2022

Our results of operations were materially impacted by an increase in the forecasted costs to complete a midstream gas processing project in the Process and Industrial Facilities segment. The project reduced gross profit by \$8.7 million during fiscal 2022. The increase in forecasted costs was primarily due to poor performance of a now terminated subcontractor, which required rework, as well as supply chain and cost escalation issues, in order to meet our client's expectations. We expect to complete the issues. This project during the second quarter of fiscal 2023, has since reached mechanical completion.

Matrix Service Company

Notes to Consolidated Financial Statements (continued)

Our results of operations were materially impacted by changes in the forecasted costs to complete two large capital projects in the Utility and Power Infrastructure segment. Improved project execution on the first project resulted in an increase in gross profit of \$2.2 million during the second half of fiscal 2022. However, increases in the forecasted costs to complete this project during the first half of fiscal 2022, resulted in the project reducing gross profit by \$3.6 million during fiscal 2022. The increase in forecasted costs during the first half of the fiscal year was principally due to unexpected equipment repairs during commissioning that delayed the scheduled completion and increased the estimated costs to complete. We achieved a critical performance milestone during the second quarter of fiscal 2022, which significantly reduced our financial exposure on the project.

Increased forecasted costs to complete the second project resulted in the project reducing gross profit by \$2.2 million during the fourth quarter of fiscal 2022 and \$0.1 million during fiscal 2022. We recognized \$78.1 million of revenue on this project during the year at a near break-even margin as a result of the change in estimate. The increase in forecasted costs was the result of higher than anticipated subcontractor costs and labor costs as the project neared completion. We expect to complete the project during the second quarter of fiscal 2023.

Our results of operations were materially impacted by an increase in the costs required to complete a thermal energy storage tank repair and maintenance project in the Storage and Terminal Solutions segment, which resulted in a decrease in gross profit of \$6.3 million in during the fiscal 2022. The increase in costs was primarily due to changes in repair scope, expanded client weld testing and associated schedule delays, year. We achieved substantial completion on this project in fiscal 2022.

During fiscal 2022, our results of operations were materially impacted by changes in the forecasted costs to complete two large capital projects in the Utility and Power Infrastructure segment and an unfavorable settlement of a claim with a customer in the same segment. Increases in the forecasted costs to complete the first project resulted in the project reducing gross profit by \$3.6 million during fiscal 2022. Increased forecasted costs to complete the second capital project resulted in the project reducing gross profit by \$2.2 million during the fourth quarter of fiscal 2022 and \$0.1 million during fiscal 2022. We recognized \$78.1 million of revenue on this project during fiscal 2022 at a near break-even margin as a result of the change in estimate. Both projects reached substantial completion in fiscal 2023. The unfavorable settlement of a claim with a customer reduced gross profit by \$2.1 million.

Fiscal 2021

Our results of operations in fiscal 2021 were materially impacted by increases in the forecasted costs to complete a large capital project in the Utility and Power Infrastructure segment. The project reduced gross profit by \$5.8 million in fiscal 2021. This project reached substantial completion in fiscal 2023.

During the fourth quarter of fiscal 2021, we reached a settlement on a contract dispute over the construction of a crude oil terminal. The project's financial impact for the fiscal year ended June 30, 2021 was a \$2.9 million reduction to gross profit in the Storage and Terminal Solutions segment. The settlement resulted in a cash receipt of \$8.9 million in the first quarter of fiscal 2022, which enabled us to avoid future legal costs and litigation risk.

During the third quarter of fiscal 2021, we achieved mechanical completion of a large crude oil terminal project, demobilized from the project site and completed its assessment of additional recovery of unpriced change orders. The project's financial impact for the fiscal year ended June 30, 2021 was a \$3.8 million reduction to gross profit in the Storage and Terminal Solutions segment.

Matrix Service Company

Notes to Consolidated Financial Statements (continued)

Note 3—Property, Plant and Equipment

The following table presents the components of our property, plant and equipment - net at June 30, 2022, June 30, 2023 and 2021: 2022:

	June 30, 2022	June 30, 2021
	(In thousands)	
Property, plant and equipment - at cost:		
Land and buildings	\$ 34,788	\$ 41,633

Construction equipment	93,036	94,453
Transportation equipment	48,999	50,510
Office equipment and software	43,823	42,706
Construction in progress	1,646	493
Total property, plant and equipment - at cost	222,292	229,795
Accumulated depreciation	(168,423)	(160,388)
Property, plant and equipment - net	\$ 53,869	\$ 69,407

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	June 30, 2023	June 30, 2022
(In thousands)		
Property, plant and equipment - at cost:		
Land and buildings	\$ 37,263	\$ 34,788
Construction equipment	84,258	93,036
Transportation equipment	40,606	48,999
Office equipment and software	38,178	43,823
Construction in progress	84	1,646
Total property, plant and equipment - at cost	200,389	222,292
Accumulated depreciation	(152,844)	(168,423)
Property, plant and equipment - net	\$ 47,545	\$ 53,869

Notes to Consolidated Financial Statements (continued)

Geographical Disaggregation of Long-Lived Assets

		Long-Lived Assets			Long-Lived Assets			
		June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2023	June 30, 2022	June 30, 2021	
		(In thousands)			(In thousands)			
United States	United States	\$ 137,682	\$ 157,442	\$ 164,056	United States	\$ 122,398	\$ 137,682	\$ 157,442
Canada	Canada	3,436	6,523	5,659	Canada	3,988	3,436	6,523
Other international	Other international	12,263	12,372	12,435	Other international	11,862	12,263	12,372
		\$ 153,381	\$ 176,337	\$ 182,150		\$ 138,248	\$ 153,381	\$ 176,337

Industrial Cleaning Disposal

We sold our industrial cleaning business during the fourth quarter of fiscal 2023 for net proceeds of \$6.3 million in cash and a \$0.4 million receivable for amounts to be paid upon satisfactory transfer of title of certain vehicles and equipment sold. The sale resulted in a \$2.9 million gain, which was included in Other in the Consolidated Statements of Income. The industrial cleaning business was included in our Process and Industrial Facilities segment and was disposed of because its operations were no longer core to our growth strategy.

Sale-leaseback Transaction

We Even though we are fully committed to our operations in southern California, we took advantage of elevated real estate prices and sold our regional office and fabrication and warehouse facilities located in Orange, California during the fourth quarter of fiscal 2022 for net proceeds of \$37.4 million in cash. We cash and recorded a gain of \$32.4 million on the sale, which is included in other income in the Consolidated Statements of Income. In connection with the sale, we also entered into a leaseback agreement for a period up to 24 months while we locate replacement facilities. We are still fully committed

Burlington Office Disposal - Subsequent Event

During the first quarter of fiscal 2024, we sold a regional office facility in Burlington, Ontario for \$2.9 million in cash, which resulted in a gain of approximately \$2.7 million. During the second quarter of fiscal 2023, we closed this underperforming office and ceased its associated operations.

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Notes to our operations in Southern California - we decided to enter into the sale and leaseback transaction to take advantage of the elevated real estate market valuations in Southern California. Consolidated Financial Statements (continued)

Note 4—Goodwill and Other Intangible Assets

Goodwill

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

	Utility and Power Infrastructure	Process and Industrial Facilities	Storage and Terminal Solutions	Total	Storage and Terminal Solutions	Utility and Power Infrastructure	Process and Industrial Facilities	Total		
	(In thousands)				(In thousands)					
Net balance at June 30, 2019	\$ 31,840	\$ 34,842	\$ 26,686	\$ 93,368						
Goodwill impairment	(24,900)	(7,981)	—	(32,881)						
Translation adjustment ⁽¹⁾	(35)	(15)	(68)	(118)						
Net balance at June 30, 2020	6,905	26,846	26,618	60,369	Net balance at June 30, 2020	\$ 26,618	\$ 6,905	\$ 26,846	\$ 60,369	
Translation adjustment ⁽¹⁾	79	32	156	267	Translation adjustment ⁽¹⁾	156	79	32	267	
Net balance at June 30, 2021	6,984	26,878	26,774	60,636	Net balance at June 30, 2021	26,774	6,984	26,878	60,636	
Goodwill impairment	(2,659)	(8,445)	(7,208)	(18,312)	Goodwill impairment	(7,208)	(2,659)	(8,445)	(18,312)	
Translation adjustment ⁽¹⁾	(62)	(6)	(121)	(189)	Translation adjustment ⁽¹⁾	(121)	(62)	(6)	(189)	
Net balance at June 30, 2022	\$ 4,263	\$ 18,427	\$ 19,445	\$ 42,135	Net balance at June 30, 2022	19,445	4,263	18,427	42,135	
Goodwill impairment					Goodwill impairment		—	—	(12,316)	(12,316)
Disposal of business ⁽²⁾					Disposal of business ⁽²⁾		—	—	(627)	(627)
Translation adjustment ⁽¹⁾					Translation adjustment ⁽¹⁾		(48)	(24)	—	(72)
Net balance at June 30, 2023					Net balance at June 30, 2023	\$ 19,397	\$ 4,239	\$ 5,484	\$ 29,120	

(1) The translation adjustments relate to the periodic translation of Canadian Dollar and South Korean Won denominated goodwill recorded as a part of prior acquisitions in Canada and South Korea, in which the local currency was determined to be the functional currency.

(2) We sold our industrial cleaning business during the fourth quarter of fiscal 2023, which resulted in the allocation \$0.6 million of goodwill to net assets sold in the transaction. See Note 3 - Property, Plant and Equipment, Industrial Cleaning Disposal, for more information.

Fiscal 2023

We performed our annual goodwill impairment test as of May 31, 2022 May 31, 2023, which resulted in no impairment. The fiscal 2022 2023 test indicated that four three reporting units with a combined total of \$33.8 \$20.9 million of goodwill as of June 30, 2022 June 30, 2023 were at higher risk of future impairment. If our view of project opportunities or gross margins deteriorates, particularly for the higher risk reporting units, then we may be required to record an impairment of goodwill. Subsequent to the completion of the May 31, 2023 annual impairment test, additional information regarding new project awards became available which would significantly improve the cash flows and fair values of two of the higher risk reporting units, which comprised \$15.4 million of our total goodwill as of June 30, 2023.

The estimated fair value of each segment was derived by utilizing a discounted cash flow analysis and market multiples of projected EBITDA. The key assumptions used are described in Note 1 - Summary of Significant Accounting Policies, and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Critical Accounting Policies, Goodwill.

In the second quarter of fiscal 2023, we concluded that a goodwill impairment indicator existed in the Process and Industrial Facilities segment based on a material adverse change in gross profit on a project. Based on the indicated outcome of this project and our near-term outlook for the reporting unit, we performed an interim impairment test for the unit and concluded that its \$12.3 million of goodwill was fully impaired. The impairment was recognized in operating income during the three and six months ended December 31, 2022.

Fiscal 2022

In the third quarter of fiscal 2022, we concluded that goodwill impairment indicators existed based on the decline in the price of our stock and operating results that have underperformed our forecasts during the year. Accordingly, we performed an interim impairment test as of March 31, 2022 and concluded that there was \$18.3 million of total impairment to goodwill, which was recorded in operating income during the three and nine months ended March 31, 2022 as follows:

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Notes to Consolidated Financial Statements (continued)

- \$8.4 million in the Process and Industrial Facilities segment;
- \$7.2 million in the Storage and Terminal Solutions segment; and
- \$2.7 million in the Utility and Power Infrastructure segment.

In the second quarter of fiscal 2020, we concluded that a goodwill impairment indicator existed in the Utility and Power Infrastructure segment based on the recent history of depressed gross margins and the second quarter's downward acceleration of revenue and gross margin. Accordingly, we performed an interim impairment test as of December 31, 2019, reflecting updated revenue and gross margin assumptions, and concluded that the reporting unit's \$24.9 million of goodwill was fully impaired. Additionally, we concluded that a goodwill impairment indicator existed for a Process and Industrial Facilities segment reporting unit based on several second quarter events. These events included the deterioration of our relationship with a significant customer in the iron and steel industry in the second quarter. As a result, the customer canceled other previously awarded work and we received no subsequent business from this customer. Accordingly, we performed an interim impairment test as of December 31, 2019 and concluded that the reporting unit's \$8.0 million of goodwill was fully impaired.

The estimated fair value of each segment was derived by utilizing a discounted cash flow analysis and market multiples of projected EBITDA. The key assumptions used are described in Note 1 - Summary of Significant Accounting Policies, and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Critical Accounting Policies, Goodwill.

Other Intangible Assets

Information on the carrying value of other intangible assets is as follows:

		At June 30, 2022				At June 30, 2023				
		Useful Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Useful Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	
		(In thousands)				(In thousands)				
Intellectual property	Intellectual property	10 to 15	\$ 2,558	\$ (2,276)	\$ 282	Intellectual property	10 to 15	\$ 2,483	\$ (2,371)	\$ 112
Customer based (1)	Customer based (1)	6 to 15	17,331	(12,817)	4,514	Customer based (1)	6 to 15	13,144	(10,190)	2,954
Total other intangible assets	Total other intangible assets		\$ 19,889	\$ (15,093)	\$ 4,796	Total other intangible assets		\$ 15,627	\$ (12,561)	\$ 3,066

(1) Customer-based intangible assets have been adjusted in fiscal 2023 to remove \$4.2 million of customer relationships that have been fully amortized.

		At June 30, 2021				At June 30, 2022				
		Useful Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Useful Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	
		(In thousands)				(In thousands)				
Intellectual property	Intellectual property	10 to 15	\$ 2,483	\$ (2,031)	\$ 452	Intellectual property	10 to 15	\$ 2,558	\$ (2,276)	\$ 282

Customer based	Customer based	6 to 15	17,354	(11,192)	6,162	Customer based	6 to 15	17,331	(12,817)	4,514
Total other intangible assets	Total other intangible assets		\$ 19,837	\$ (13,223)	\$ 6,614	Total other intangible assets		\$ 19,889	\$ (15,093)	\$ 4,796

Amortization expense totaled \$1.8 million, \$1.7 million, \$2.3 million, \$1.8 million, and \$3.4 million, \$2.3 million in fiscal 2023, 2022, and 2021, and 2020, respectively.

In the fourth quarter of fiscal 2020, we fully impaired a customer relationship intangible asset with a net book value of \$1.2 million. The customer relationship primarily related to services in the Utility and Power Infrastructure segment which were impacted by our performance improvement plan (see Note 14 - Restructuring Costs). As a result, the customer relationship intangible asset was no longer recoverable. As of June 30, 2020, this intangible asset had a remaining useful life of approximately 2 years, a gross carrying amount of \$6.3 million and accumulated amortization of \$5.1 million. The impairment is included in restructuring costs in the Consolidated Statements of Income.

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Notes to Consolidated Financial Statements (continued)

Also in the fourth quarter of fiscal 2020, we fully impaired a customer relationship intangible asset with a net book value of \$0.4 million in connection with the closure of an underperforming operating unit in the Process and Industrial Facilities segment. The closure was part of our performance improvement plan (see Note 14 - Restructuring Costs). As of June 30, 2020, this intangible asset had a remaining useful life of approximately 4 years, a gross carrying amount of \$0.9 million and accumulated amortization of \$0.5 million. The impairment is included in the restructuring costs caption in the Consolidated Statements of Income.

In the second quarter of fiscal 2020, in connection with the factors disclosed for the Process and Industrial Facilities segment goodwill impairment above, we fully impaired a customer relationship with a net book value of \$5.6 million. As of December 31, 2019, this intangible asset had a remaining useful life of 9 years, a gross carrying amount of \$9.4 million and accumulated amortization of \$3.8 million. The impairment is included within the goodwill and other intangible asset impairment caption in the Consolidated Statements of Income.

We estimate that future amortization of other intangible assets will be as follows (in thousands):

For year ending:

June 30, 2023	2024	\$	1,729
June 30, 2024			1,416
June 30, 2025			1,096
June 30, 2026			555
Total estimated amortization expense		\$	4,796

Note 5—Debt

ABL Credit Facility

On October 5, 2022, September 9, 2021, we the Company and our primary U.S. and Canada operating subsidiaries entered into the First Amendment and Waiver to Credit Agreement (the "Amendment"), which amended our asset-backed an asset-based credit agreement, (the which was amended on October 5, 2022 (as amended, the "ABL Facility"), dated as of September 9, 2021 with Bank of Montreal, as Administrative Agent, Swing Line Lender and a Letter of Credit Issuer, and the lenders named therein. The Amendment (i) waives an event of default resulting from our failure to deliver the Administrative Agent and the lenders our audited financial statements for the fiscal year ended June 30, 2022 by September 28, 2022 (the "Audited Financial Statements"), provided we deliver the Audited Financial Statements by October 14, 2022, (ii) reduces the maximum amount of loans under the ABL Facility is limited to \$90.0 million from \$100.0 million and (iii) replaces the London interbank offered rate with the forward term rate based on the secured overnight financing rate (the "SOFR") as the interest rate benchmark.

million. The ABL Facility is guaranteed by substantially all of our remaining U.S. and Canadian subsidiaries. The ABL Facility Facility's available borrowings may be increased by an amount not to exceed \$15.0 million, subject to certain conditions, including obtaining additional commitments. The ABL Facility is intended to be used for working capital, capital expenditures, issuances of letters of credit and other lawful purposes. Our obligations under the ABL Facility are guaranteed by substantially all of our U.S. and Canadian subsidiaries and are secured by a first lien on all our assets and the assets of our co-borrowers and guarantors under the ABL Facility.

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Notes to Consolidated Financial Statements (continued)

The maximum amount that we may borrow under the ABL Facility is subject to a borrowing base, which is based on restricted cash plus a percentage of the value of certain accounts receivable, inventory and equipment, reduced for certain reserves. We are required to maintain a minimum of \$25.0 million of restricted cash at all times, but such amounts are also included in the borrowing base. The ABL Facility matures, and any outstanding amounts become due and payable, on September 9, 2026. At June 30, 2022, June 30, 2023, our borrowing base was \$80.8 \$67.0 million, we had \$15.0 \$10.0 million of outstanding borrowings, and \$23.3 we had \$19.3 million in letters of credit outstanding, which resulted in availability of \$42.5 \$37.7 million under the ABL Facility.

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Notes Our borrowing base has ranged from \$67.0 million to Consolidated Financial Statements (continued)

\$83.2 million during fiscal 2023.

Borrowings under the ABL Facility bear interest through maturity at a variable rate based upon, at our option, an annual rate of either a base rate ("Base Rate"), an Adjusted Term SOFR Secured Overnight Financing Rate ("Adjusted Term SOFR"), or at the Canadian Prime Rate, plus an applicable margin. The Adjusted Term SOFR is defined as (i) the SOFR plus (ii) 11.448 basis points for a one-month tenor and 26.161 basis points for a three-month tenor; provided that the Adjusted Term SOFR cannot be below zero. The Base Rate is defined as a fluctuating interest rate equal to the greater of: (i) rate of interest announced by Bank of Montreal from time to time as its prime rate; (ii) the U.S. federal funds rate plus 0.50%; (iii) Adjusted Term SOFR for one month period plus 1.00%; or (iv) 1.00%. Depending on the amount of average availability, the applicable margin is between 1.00% to 1.50% for Base Rate and Canadian Prime Rate borrowings, which includes either U.S. or Canadian prime rate, and between 2.00% and 2.50% for Adjusted Term SOFR borrowings. Interest is payable either (i) monthly for Base Rate or Canadian Prime Rate borrowings or (ii) the last day of the interest period for Adjusted Term SOFR borrowings, as set forth in the ABL Facility. The fee for undrawn amounts is 0.25% per annum and is due quarterly. The interest rate in effect for borrowings outstanding at June 30, 2022, June 30, 2023, including applicable margin, was 6.00% approximately 7.47%.

The ABL Facility contains customary conditions to borrowings, events of default and covenants, including, but not limited to, covenants that restrict our ability to sell assets, engage in mergers and acquisitions, incur, assume or permit to exist additional indebtedness and guarantees, create or permit to exist liens, pay cash dividends, issue equity instruments, make distribution or redeem or repurchase capital stock. In the event that our availability is less than the greater of (i) \$15.0 million and (ii) 15.00% of the lesser of (1) the current borrowing base and (2) the commitments under the ABL Facility then in effect, a consolidated Fixed Charge Coverage Ratio of at least 1.00 to 1.00 must be maintained. We are were in compliance with all covenants of the ABL Facility as of June 30, 2022, June 30, 2023.

Senior Secured Revolving Credit Facility

The ABL Facility replaced the Fifth Amended and Restated Credit Agreement (the "Prior Credit Agreement"), that was entered into on November 2, 2020, and subsequently amended on May 4, 2021, by and among us and certain foreign subsidiaries, as Borrowers, various subsidiaries of ours, as Guarantors, JPMorgan Chase Bank, N.A., as Administrative Agent, Sole Lead Arranger and Sole Book Runner, and the other Lenders party thereto. The Prior Credit Agreement provided for a three-year senior secured revolving credit facility of \$200.0 million that expired November 2, 2023. We had no borrowings and \$41.3 million of letters of credit outstanding under the Prior Credit Agreement as of June 30, 2021. Interest expense during fiscal 2022 included \$1.5 million of accelerated amortization of deferred debt amendment fees associated with the Prior Credit Agreement.

Note 6—Income Taxes

Sources of Pretax Income (Loss)

		Fiscal Years Ended			Fiscal Years Ended		
		June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2023	June 30, 2022	June 30, 2021
		(In thousands)			(In thousands)		
Domestic	Domestic	\$ (53,258)	\$ (38,867)	\$ (32,660)	Domestic	\$ (52,636)	\$ (38,867)
Foreign	Foreign	(5,025)	(4,396)	(3,984)	Foreign	(125)	(4,396)
Total	Total	\$ (58,283)	\$ (43,263)	\$ (36,644)	Total	\$ (52,761)	\$ (43,263)

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Notes to Consolidated Financial Statements (continued)

Components of the Provision for Income Tax Expense (Benefit)

		Fiscal Years Ended			Fiscal Years Ended		
		June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2023	June 30, 2022	June 30, 2021
		(In thousands)			(In thousands)		
Current:	Current:				Current:		
Federal	Federal	\$ 230	\$ (13,154)	\$ (376)	Federal	\$ (369)	\$ 230
State	State	28	465	412	State	(31)	28
Foreign	Foreign	1	(239)	23	Foreign	—	1
		259	(12,928)	59		(400)	259
Deferred:	Deferred:				Deferred:		
Federal	Federal	2,504	774	(5,000)	Federal	—	2,504
State	State	2,858	(291)	(1,091)	State	—	2,858
Foreign	Foreign	(4)	406	2,462	Foreign	—	(4)
		5,358	889	(3,629)		—	5,358
		\$ 5,617	\$ (12,039)	\$ (3,570)		\$ (400)	\$ 5,617

Reconciliation Between the Expected Income Tax Provision Applying the Domestic Federal Statutory Tax Rate and the Reported Income Tax Provision

		Fiscal Years Ended			Fiscal Years Ended		
		June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2023	June 30, 2022	June 30, 2021
		(In thousands)			(In thousands)		
Expected benefit for federal income taxes at the statutory rate	Expected benefit for federal income taxes at the statutory rate	\$ (12,239)	\$ (9,085)	\$ (7,695)	Expected benefit for federal income taxes at the statutory rate	\$ (11,080)	\$ (12,239)
State income taxes, net of federal benefit	State income taxes, net of federal benefit	(1,971)	(1,240)	(768)	State income taxes, net of federal benefit	(2,320)	(1,971)
Impairment of non-deductible goodwill ⁽¹⁾	Impairment of non-deductible goodwill ⁽¹⁾	1,132	—	1,813	Impairment of non-deductible goodwill ⁽¹⁾	—	1,132
Charges without tax benefit	Charges without tax benefit	265	961	1,707	Charges without tax benefit	358	265
Change in valuation allowance ⁽²⁾	Change in valuation allowance ⁽²⁾	17,943	2,797	3,062	Change in valuation allowance ⁽²⁾	12,595	17,943
Excess tax expense (benefit) on stock-based compensation	Excess tax expense (benefit) on stock-based compensation	1,019	1,826	230	Excess tax expense (benefit) on stock-based compensation	1,216	1,019
Research and development and other tax credits	Research and development and other tax credits	(613)	(1,707)	(1,724)	Research and development and other tax credits	(1,175)	(613)

Foreign tax differential	Foreign tax differential	(232)	(96)	(132)	Foreign tax differential	50	(232)	(96)
Federal rate differential net operating loss carryback ⁽³⁾	Federal rate differential net operating loss carryback ⁽³⁾	141	(5,223)	—	Federal rate differential net operating loss carryback ⁽³⁾	—	141	(5,223)
Change in uncertain tax positions	Change in uncertain tax positions	(120)	(7)	20	Change in uncertain tax positions	(90)	(120)	(7)
Other	Other	292	(265)	(83)	Other	46	292	(265)
Provision (benefit) for federal, state and foreign income taxes	Provision (benefit) for federal, state and foreign income taxes	\$ 5,617	\$ (12,039)	\$ (3,570)	Provision (benefit) for federal, state and foreign income taxes	\$ (400)	\$ 5,617	\$ (12,039)

- (1) In fiscal 2022, we impaired \$18.3 million of goodwill, which included \$5.4 million of non-deductible goodwill. In fiscal 2020, we impaired \$32.9 million of goodwill, which included \$8.6 million of non-deductible goodwill. See Note 4 - Goodwill and Other Intangible Assets for more information about the impairments.
- (2) In fiscal 2022, due to the existence of a cumulative loss over a three-year period, we recorded a full valuation allowance of \$17.9 million against our deferred tax assets. These assets are primarily comprised of federal net operating losses, which have an indefinite carryforward, federal tax credits and state net operating losses. To the extent we generate taxable income in the future, or cumulative losses are no longer present and our future projections for growth or tax planning strategies are demonstrated, we will realize the benefit associated with the net operating losses for which the valuation allowance has been provided. In fiscal 2021, we placed \$2.8 million of valuation allowances, including \$1.5 million on certain state net operating loss carryforwards due to a recent history of cumulative losses for a subsidiary. In fiscal 2020, we placed \$3.1 million of valuation allowances on net operating loss carryforwards and foreign tax credits primarily related to Canada.
- (3) Relates to fiscal 2021 net operating losses carried back under provisions of the CARES Act to fiscal years 2016 and 2017 which had a 35% federal tax rate.

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Notes to Consolidated Financial Statements (continued)

Significant Components of our Deferred Tax Assets and Liabilities

		June 30, 2022	June 30, 2021			June 30, 2023	June 30, 2022
		(In thousands)				(In thousands)	
Deferred tax assets:	Deferred tax assets:			Deferred tax assets:			
Warranty reserve		\$ 206	\$ 206				
Accruals and reserves				Accruals and reserves		\$ 504	\$ 1,534
Bad debt reserve	Bad debt reserve	340	231	Bad debt reserve		273	340
Paid-time-off accrual		315	747				
Insurance reserve	Insurance reserve	1,019	1,229	Insurance reserve		913	1,035
Legal reserve		79	146				
Net operating loss benefit and credit carryforwards	Net operating loss benefit and credit carryforwards	23,717	14,966	Net operating loss benefit and credit carryforwards		26,888	23,717

Accrued compensation and pension	Accrued compensation and pension	736	690	Accrued compensation and pension	964	1,051
Prepaid insurance		16	27			
Stock compensation expense on nonvested deferred shares		1,910	1,895			
Accrued losses		1,089	64			
Restructuring reserve		160	725			
Stock compensation expense on nonvested restricted stock units				Stock compensation expense on nonvested restricted stock units	1,794	1,910
Book over tax amortization	Book over tax amortization	5,449	3,765	Book over tax amortization	7,218	5,449
Deferred FICA	Deferred FICA	1,427	1,920	Deferred FICA	—	1,427
Research and development capitalization				Research and development capitalization	6,592	—
Foreign currency translation and other	Foreign currency translation and other	1,002	665	Foreign currency translation and other	1,608	1,002
Valuation allowance	Valuation allowance	(28,615)	(11,104)	Valuation allowance	(41,060)	(28,615)
Total deferred tax assets	Total deferred tax assets	8,850	16,172	Total deferred tax assets	5,694	8,850
Deferred tax liabilities:	Deferred tax liabilities:			Deferred tax liabilities:		
Tax over book depreciation	Tax over book depreciation	7,842	10,315	Tax over book depreciation	5,472	7,842
Receivable holdbacks and other		1,034	596			
Other				Other	248	1,034
Total deferred tax liabilities	Total deferred tax liabilities	8,876	10,911	Total deferred tax liabilities	5,720	8,876
Net deferred tax asset (liability)		\$ (26)	\$ 5,261			
Net deferred tax liability				Net deferred tax liability	\$ (26)	\$ (26)

As reported in the Consolidated Balance Sheets:

		June 30, 2022	June 30, 2021		June 30, 2023	June 30, 2022
		(In thousands)			(In thousands)	
Deferred income tax assets	Deferred income tax assets	—	5,295	Deferred income tax assets	\$ —	\$ —
Deferred income tax liabilities	Deferred income tax liabilities	(26)	(34)	Deferred income tax liabilities	(26)	(26)
Net deferred tax asset (liability)		(26)	\$ 5,261			
Net deferred tax liability				Net deferred tax liability	\$ (26)	\$ (26)

Valuation Allowance

In We placed a valuation allowance on our deferred tax assets in the second quarter of fiscal 2022 due to the existence of a cumulative loss over a three-year period, we recorded a full period. We will continue to place valuation allowances on newly generated deferred tax assets and will realize the benefit associated with the deferred tax assets for which the valuation allowance of \$17.9 million against our deferred tax assets. These assets are primarily comprised of federal net operating losses, which have an indefinite carryforward, federal tax credits and state net operating losses. To has been provided to the extent we generate taxable income in the future, or cumulative losses are no longer present and our future projections for growth or tax planning strategies are demonstrated, we will realize the benefit associated with the net operating losses for which the valuation allowance has been provided, demonstrated.

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Notes to Consolidated Financial Statements (continued)

Operating Loss Unpriced Change Orders and Tax Credit Carryforwards Claims

We have net operating loss carryforwards As of June 30, 2023 and tax credit carryforwards June 30, 2022, costs and estimated earnings in federal, state excess of billings on uncompleted contracts included revenue for unpriced change orders and foreign jurisdictions, claims of \$9.7 million and \$8.9 million, respectively. The valuation allowance at June 30, 2022 amounts ultimately realized may be different than the recorded amounts resulting in adjustments to future earnings. Generally we expect collection of amounts related to unpriced change orders and June 30, 2021 reduces claims within twelve months. However, customers may not pay these amounts until final resolution of related claims, which may extend beyond one year.

Disaggregated Revenue

Revenue disaggregated by reportable segment is presented in Note 13 - Segment Information. The following series of tables presents revenue disaggregated by geographic area where the recognized tax benefit of these carryforwards to an amount that is more likely than not to be realized. The gross carryforwards will generally expire as shown below for each jurisdiction:

Operating Loss and Tax Credit Carryforwards	Expiration Period	Amount (in thousands)
Federal net operating loss	Indefinite	\$ 27,207
Federal tax credits	June 2041 to June 2042	\$ 1,700
Federal foreign tax credits	June 2023 to June 2025	\$ 655
State net operating losses	June 2025 to indefinite	\$ 73,889
State tax credits	June 2033 to indefinite	\$ 912
Foreign net operating losses	June 2029 to June 2042	\$ 37,379
Foreign tax credits	June 2035 to June 2042	\$ 676

work was performed and by contract type:

Net Operating Loss Carryback Refund Geographic Disaggregation: Through provisions

	Fiscal Years Ended		
	June 30, 2023	June 30, 2022	June 30, 2021
	(In thousands)		
United States	\$ 720,140	\$ 640,512	\$ 604,739
Canada	61,691	63,045	61,703
Other international	13,189	4,223	6,956
Total	\$ 795,020	\$ 707,780	\$ 673,398

Contract Type Disaggregation:

	Fiscal Years Ended		
	June 30, 2023	June 30, 2022	June 30, 2021
	(In thousands)		
Fixed-price contracts	\$ 419,426	\$ 421,188	\$ 444,042

Time and materials and other cost reimbursable contracts	375,594	286,592	229,356
Total	\$ 795,020	\$ 707,780	\$ 673,398

Revisions in Estimates

Fiscal 2023

During fiscal 2023, unfavorable changes in the Coronavirus Aid, Relief, estimated recovery of change orders and Economic Security (CARES) Act (the "CARES Act"), we had an income tax benefit from increased forecasted costs to complete and closeout certain midstream gas processing capital work in the ability to carryback the fiscal 2021 federal net operating loss to a period with a higher statutory federal income tax rate. We estimate that we will receive Process and Industrial Facilities segment resulted in a \$12.6 million tax refund in connection with this carryback, reduction of gross profit during the fiscal year. These charges were primarily the result of the client not approving adequate compensation to us for the impact that excessive scope changes had on our ability to progress the work according to forecast and for the impacts of global supply chain issues and inflation. We have accrued the full expected loss for the work, which is included in income taxes receivable in the Consolidated Balance Sheets, now mechanically complete.

Refund of Overpayment of Estimated Taxes

In January 2022, we received a \$2.4 million tax refund in connection with overpayments of estimated taxes from prior years.

Deferred Payroll Taxes

As of June 30, 2022, we have a balance of \$5.6 million remaining on U.S. payroll taxes we deferred through provisions of the CARES Act. We paid half of the original deferred payroll tax balance during the second quarter of fiscal 2022 and must repay the remaining balance by December 31, 2022. The remaining balance of deferred payroll taxes is included within accrued wages and benefits in the Consolidated Balance Sheets.

Other

In general, it is our practice and intention to reinvest the earnings of our foreign subsidiaries in our foreign operations. We do not provide for outside basis differences under the indefinite reinvestment assertion of ASC 740-30.

We file tax returns in multiple domestic and foreign taxing jurisdictions. With a few exceptions, we are no longer subject to examination by taxing authorities through fiscal 2017. At June 30, 2022, we updated our evaluation of our open tax years in all known jurisdictions. As of June 30, 2022, we have a \$0.3 million liability for unrecognized tax positions and the payment of related interest and penalties. We treat the related interest and penalties as income tax expense. Due to the uncertainties related to these tax matters, we are unable to make a reasonably reliable estimate as to when cash settlement with a taxing authority will occur.

Note 7—Commitments and Contingencies

Insurance Reserves

We maintain insurance coverage for various aspects of our operations. However, exposure to potential losses is retained through the use of deductibles, self-insured retentions and coverage limits.

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Matrix Service Company

Notes to Consolidated Financial Statements (continued)

Typically, Fiscal 2022

Our results of operations were materially impacted by an increase in the forecasted costs to complete a midstream gas processing project in the Process and Industrial Facilities segment. The project reduced gross profit by \$8.7 million during fiscal 2022. The increase in forecasted costs was primarily due to poor performance of a now terminated subcontractor, which required rework, as well as supply chain and cost escalation issues. This project has since reached mechanical completion.

In fiscal 2022, our contracts require results of operations were materially impacted by an increase in the costs required to complete a thermal energy storage tank repair and maintenance project in the Storage and Terminal Solutions segment, which resulted in a decrease in gross profit of \$6.3 million during the fiscal year. We achieved substantial completion on this project in fiscal 2022.

During fiscal 2022, our results of operations were materially impacted by changes in the forecasted costs to complete two large capital projects in the Utility and Power Infrastructure segment and an unfavorable settlement of a claim with a customer in the same segment. Increases in the forecasted costs to complete the first project resulted in the project reducing gross profit by \$3.6 million during fiscal 2022. Increased forecasted costs to complete the second capital project resulted in the project reducing gross profit by \$2.2 million during the fourth quarter of fiscal 2022 and \$0.1 million during fiscal 2022. We recognized \$78.1 million of revenue on this project during fiscal 2022 at a near break-even margin as a result of the change in estimate. Both projects reached substantial completion in fiscal 2023. The unfavorable settlement of a claim with a customer reduced gross profit by \$2.1 million.

Fiscal 2021

Our results of operations in fiscal 2021 were materially impacted by increases in the forecasted costs to complete a large capital project in the Utility and Power Infrastructure segment. The project reduced gross profit by \$5.8 million in fiscal 2021. This project reached substantial completion in fiscal 2023.

During the fourth quarter of fiscal 2021, we reached a settlement on a contract dispute over the construction of a crude oil terminal. The project's financial impact for the fiscal year ended June 30, 2021 was a \$2.9 million reduction to gross profit in the Storage and Terminal Solutions segment. The settlement resulted in a cash receipt of \$8.9 million in the first quarter of fiscal 2022, which enabled us to indemnify our customers for injury, damage or loss arising avoid future legal costs and litigation risk.

During the third quarter of fiscal 2021, we achieved mechanical completion of a large crude oil terminal project, demobilized from the performance project site and completed its assessment of additional recovery of unpriced change orders. The project's financial impact for the fiscal year ended June 30, 2021 was a \$3.8 million reduction to gross profit in the Storage and Terminal Solutions segment.

Matrix Service Company

Notes to Consolidated Financial Statements (continued)

Note 3—Property, Plant and Equipment

The following table presents the components of our services property, plant and provide warranties equipment - net at June 30, 2023 and 2022:

	June 30, 2023	June 30, 2022
	(In thousands)	
Property, plant and equipment - at cost:		
Land and buildings	\$ 37,263	\$ 34,788
Construction equipment	84,258	93,036
Transportation equipment	40,606	48,999
Office equipment and software	38,178	43,823
Construction in progress	84	1,646
Total property, plant and equipment - at cost	200,389	222,292
Accumulated depreciation	(152,844)	(168,423)
Property, plant and equipment - net	\$ 47,545	\$ 53,869

Geographical Disaggregation of Long-Lived Assets

	Long-Lived Assets		
	June 30, 2023	June 30, 2022	June 30, 2021
	(In thousands)		
United States	\$ 122,398	\$ 137,682	\$ 157,442
Canada	3,988	3,436	6,523
Other international	11,862	12,263	12,372
	\$ 138,248	\$ 153,381	\$ 176,337

Industrial Cleaning Disposal

We sold our industrial cleaning business during the fourth quarter of fiscal 2023 for materials net proceeds of \$6.3 million in cash and workmanship. We may a \$0.4 million receivable for amounts to be paid upon satisfactory transfer of title of certain vehicles and equipment sold. The sale resulted in a \$2.9 million gain, which was included in Other in the Consolidated Statements of Income. The industrial cleaning business was included in our Process and Industrial Facilities segment and was disposed of because its operations were no longer core to our growth strategy.

Sale-leaseback Transaction

Even though we are fully committed to our operations in southern California, we took advantage of elevated real estate prices and sold our regional office and fabrication and warehouse facilities located in Orange, California during fiscal 2022 for net proceeds of \$37.4 million in cash and recorded a gain of \$32.4 million on the sale. In connection with the

sale, we also be required to name the customer as an additional insured entered into a leaseback agreement for a period up to 24 months while we locate replacement facilities.

Burlington Office Disposal - Subsequent Event

During the limits first quarter of insurance available, fiscal 2024, we sold a regional office facility in Burlington, Ontario for \$2.9 million in cash, which resulted in a gain of approximately \$2.7 million. During the second quarter of fiscal 2023, we closed this underperforming office and ceased its associated operations.

Matrix Service Company

Notes to Consolidated Financial Statements (continued)

Note 4—Goodwill and Other Intangible Assets

Goodwill

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

	Storage and Terminal Solutions	Utility and Power Infrastructure	Process and Industrial Facilities	Total
(In thousands)				
Net balance at June 30, 2020	\$ 26,618	\$ 6,905	\$ 26,846	\$ 60,369
Translation adjustment ⁽¹⁾	156	79	32	267
Net balance at June 30, 2021	26,774	6,984	26,878	60,636
Goodwill impairment	(7,208)	(2,659)	(8,445)	(18,312)
Translation adjustment ⁽¹⁾	(121)	(62)	(6)	(189)
Net balance at June 30, 2022	19,445	4,263	18,427	42,135
Goodwill impairment	—	—	(12,316)	(12,316)
Disposal of business ⁽²⁾	—	—	(627)	(627)
Translation adjustment ⁽¹⁾	(48)	(24)	—	(72)
Net balance at June 30, 2023	\$ 19,397	\$ 4,239	\$ 5,484	\$ 29,120

(1) The translation adjustments relate to the periodic translation of Canadian Dollar and South Korean Won denominated goodwill recorded as a part of prior acquisitions in Canada and South Korea, in which the local currency was determined to be the functional currency.

(2) We sold our industrial cleaning business during the fourth quarter of fiscal 2023, which resulted in the allocation \$0.6 million of goodwill to net assets sold in the transaction. See Note 3 - Property, Plant and Equipment, Industrial Cleaning Disposal, for more information.

Fiscal 2023

We performed our annual goodwill impairment test as of May 31, 2023, which resulted in no impairment. The fiscal 2023 test indicated that three reporting units with a combined total of \$20.9 million of goodwill as of June 30, 2023 were at higher risk of future impairment. If our view of project opportunities or gross margins deteriorates, particularly for the higher risk reporting units, then we may be required to purchase special insurance policies or surety bonds record an impairment of goodwill. Subsequent to the completion of the May 31, 2023 annual impairment test, additional information regarding new project awards became available which would significantly improve the cash flows and fair values of two of the higher risk reporting units, which comprised \$15.4 million of our total goodwill as of June 30, 2023.

The estimated fair value of each segment was derived by utilizing a discounted cash flow analysis and market multiples of projected EBITDA. The key assumptions used are described in Note 1 - Summary of Significant Accounting Policies, and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Critical Accounting Policies, Goodwill.

In the second quarter of fiscal 2023, we concluded that a goodwill impairment indicator existed in the Process and Industrial Facilities segment based on a material adverse change in gross profit on a project. Based on the indicated outcome of this project and our near-term outlook for specific customers or provide the reporting unit, we performed an interim impairment test for the unit and concluded that its \$12.3 million of goodwill was fully impaired. The impairment was recognized in operating income during the three and six months ended December 31, 2022.

Fiscal 2022

In the third quarter of fiscal 2022, we concluded that goodwill impairment indicators existed based on the decline in the price of our stock and operating results that have underperformed our forecasts during the year. Accordingly, we performed an interim impairment test as of March 31, 2022 and concluded that there was \$18.3 million of total impairment to goodwill, which was recognized in operating income during the three and nine months ended March 31, 2022 as follows:

Matrix Service Company

Notes to Consolidated Financial Statements (continued)

- \$8.4 million in the Process and Industrial Facilities segment;
- \$7.2 million in the Storage and Terminal Solutions segment; and
- \$2.7 million in the Utility and Power Infrastructure segment.

Other Intangible Assets

Information on the carrying value of other intangible assets is as follows:

	Useful Life (Years)	At June 30, 2023		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
		(In thousands)		
Intellectual property	10 to 15	\$ 2,483	\$ (2,371)	\$ 112
Customer based ⁽¹⁾	6 to 15	13,144	(10,190)	2,954
Total other intangible assets		\$ 15,627	\$ (12,561)	\$ 3,066

(1) Customer-based intangible assets have been adjusted in fiscal 2023 to remove \$4.2 million of customer relationships that have been fully amortized.

	Useful Life (Years)	At June 30, 2022		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
		(In thousands)		
Intellectual property	10 to 15	\$ 2,558	\$ (2,276)	\$ 282
Customer based	6 to 15	17,331	(12,817)	4,514
Total other intangible assets		\$ 19,889	\$ (15,093)	\$ 4,796

Amortization expense totaled \$1.7 million, \$1.8 million, and \$2.3 million in fiscal 2023, 2022, and 2021, respectively.

We estimate that future amortization of other intangible assets will be as follows (in thousands):

For year ending:

June 30, 2024	\$ 1,415
June 30, 2025	1,096
June 30, 2026	555
Total estimated amortization expense	\$ 3,066

Note 5—Debt

On September 9, 2021, the Company and our primary U.S. and Canada operating subsidiaries entered into an asset-based credit agreement, which was amended on October 5, 2022 (as amended, the "ABL Facility"), with Bank of Montreal, as Administrative Agent, Swing Line Lender and a Letter of Credit Issuer, and the lenders named therein. The maximum amount of loans under the ABL Facility is limited to \$90.0 million. The ABL Facility's available borrowings may be increased by an amount not to exceed \$15.0 million, subject to certain conditions, including obtaining additional commitments. The ABL Facility is intended to be used for working capital, capital expenditures, issuances of letters of credit **in lieu** and other lawful purposes. Our obligations under the ABL Facility are guaranteed by substantially all of **bonds** our U.S. and Canadian subsidiaries and are secured by a first lien on all our assets and the assets of our co-borrowers and guarantors under the ABL Facility.

Matrix Service Company

Notes to satisfy performance Consolidated Financial Statements (continued)

The maximum amount that we may borrow under the ABL Facility is subject to a borrowing base, which is based on restricted cash plus a percentage of the value of certain accounts receivable, inventory and financial guarantees on some projects, equipment, reduced for certain reserves. We are required to maintain a performance minimum of \$25.0 million of restricted cash at all times, but such amounts are also included in the borrowing base. The ABL Facility matures, and payment bonding line sufficient any outstanding amounts become due and payable, on September 9, 2026. At June 30, 2023, our borrowing base was \$67.0 million, we had \$10.0 million of outstanding borrowings, and we had \$19.3 million in letters of credit outstanding, which resulted in availability of \$37.7 million under the ABL Facility. Our borrowing base has ranged from \$67.0 million to support \$83.2 million during fiscal 2023.

Borrowings under the business ABL Facility bear interest through maturity at a variable rate based upon, at our option, an annual rate of either a base rate ("Base Rate"), an Adjusted Term Secured Overnight Financing Rate ("Adjusted Term SOFR"), or at the Canadian Prime Rate, plus an applicable margin. The Adjusted Term SOFR is defined as (i) the SOFR plus (ii) 11.448 basis points for a one-month tenor and 26.161 basis points for a three-month tenor; provided that the Adjusted Term SOFR cannot be below zero. The Base Rate is defined as a fluctuating interest rate equal to the greater of: (i) rate of interest announced by Bank of Montreal from time to time as its prime rate; (ii) the U.S. federal funds rate plus 0.50%; (iii) Adjusted Term SOFR for one month period plus 1.00%; or (iv) 1.00%. Depending on the amount of average availability, the applicable margin is between 1.00% to 1.50% for Base Rate and Canadian Prime Rate borrowings, which includes either U.S. or Canadian prime rate, and between 2.00% and 2.50% for Adjusted Term SOFR borrowings. Interest is payable either (i) monthly for Base Rate or Canadian Prime Rate borrowings or (ii) the last day of the interest period for Adjusted Term SOFR borrowings, as set forth in the ABL Facility. The fee for undrawn amounts is 0.25% per annum and is due quarterly. The interest rate in effect for borrowings outstanding at June 30, 2023, including applicable margin, was approximately 7.47%.

The ABL Facility contains customary conditions to borrowings, events of default and covenants, including, but not limited to, covenants that restrict our ability to sell assets, engage in mergers and acquisitions, incur, assume or permit to exist additional indebtedness and guarantees, create or permit to exist liens, pay cash dividends, issue equity instruments, make distribution or redeem or repurchase capital stock. In the event that our availability is less than the greater of (i) \$15.0 million and (ii) 15.00% of the commitments under the ABL Facility then in effect, a consolidated Fixed Charge Coverage Ratio of at least 1.00 to 1.00 must be maintained. We generally require were in compliance with all covenants of the ABL Facility as of June 30, 2023.

Note 6—Income Taxes

Sources of Pretax Income (Loss)

	Fiscal Years Ended		
	June 30, 2023	June 30, 2022	June 30, 2021
	(In thousands)		
Domestic	\$ (52,636)	\$ (53,258)	\$ (38,867)
Foreign	(125)	(5,025)	(4,396)
Total	\$ (52,761)	\$ (58,283)	\$ (43,263)

Matrix Service Company

Notes to Consolidated Financial Statements (continued)

Components of the Provision for Income Tax Expense (Benefit)

	Fiscal Years Ended		
	June 30, 2023	June 30, 2022	June 30, 2021
	(In thousands)		

Current:				
Federal	\$	(369)	\$ 230	\$ (13,154)
State		(31)	28	465
Foreign		—	1	(239)
		(400)	259	(12,928)
Deferred:				
Federal		—	2,504	774
State		—	2,858	(291)
Foreign		—	(4)	406
		—	5,358	889
	\$	(400)	\$ 5,617	\$ (12,039)

Reconciliation Between the Expected Income Tax Provision Applying the Domestic Federal Statutory Tax Rate and the Reported Income Tax Provision

	Fiscal Years Ended		
	June 30, 2023	June 30, 2022	June 30, 2021
	(In thousands)		
Expected benefit for federal income taxes at the statutory rate	\$ (11,080)	\$ (12,239)	\$ (9,085)
State income taxes, net of federal benefit	(2,320)	(1,971)	(1,240)
Impairment of non-deductible goodwill ⁽¹⁾	—	1,132	—
Charges without tax benefit	358	265	961
Change in valuation allowance ⁽²⁾	12,595	17,943	2,797
Excess tax expense (benefit) on stock-based compensation	1,216	1,019	1,826
Research and development and other tax credits	(1,175)	(613)	(1,707)
Foreign tax differential	50	(232)	(96)
Federal rate differential net operating loss carryback ⁽³⁾	—	141	(5,223)
Change in uncertain tax positions	(90)	(120)	(7)
Other	46	292	(265)
Provision (benefit) for federal, state and foreign income taxes	\$ (400)	\$ 5,617	\$ (12,039)

(1) In fiscal 2022, we impaired \$18.3 million of goodwill, which included \$5.4 million of non-deductible goodwill. See Note 4 - Goodwill and Other Intangible Assets for more information about the impairments.

(2) Due to the existence of a cumulative loss over a three-year period, we recorded a full valuation allowance against our subcontractors to indemnify us deferred tax assets in fiscal 2022 and recorded additional valuation allowances against newly generated deferred tax assets in fiscal 2023. These assets are primarily comprised of federal net operating losses, which have an indefinite carryforward, federal tax credits and state net operating losses. To the extent we generate taxable income in the future, or cumulative losses are no longer present and our customer and name us as an additional insured future projections for activities arising out growth or tax planning strategies are demonstrated, we will realize the benefit associated with the net operating losses for which the valuation allowance has been provided. In fiscal 2021, we placed \$2.8 million of valuation allowances, including \$1.5 million on certain state net operating loss carryforwards due to a history of cumulative losses for a subsidiary.

(3) Relates to fiscal 2021 net operating losses carried back under provisions of the subcontractors' work. CARES Act to fiscal years 2016 and 2017 which had a 35% federal tax rate.

Matrix Service Company

Notes to Consolidated Financial Statements (continued)

Significant Components of our Deferred Tax Assets and Liabilities

	June 30, 2023	June 30, 2022
	(In thousands)	
Deferred tax assets:		
Accruals and reserves	\$ 504	\$ 1,534
Bad debt reserve	273	340
Insurance reserve	913	1,035
Net operating loss benefit and credit carryforwards	26,888	23,717
Accrued compensation and pension	964	1,051
Stock compensation expense on nonvested restricted stock units	1,794	1,910
Book over tax amortization	7,218	5,449
Deferred FICA	—	1,427
Research and development capitalization	6,592	—
Foreign currency translation and other	1,608	1,002
Valuation allowance	(41,060)	(28,615)
Total deferred tax assets	5,694	8,850
Deferred tax liabilities:		
Tax over book depreciation	5,472	7,842
Other	248	1,034
Total deferred tax liabilities	5,720	8,876
Net deferred tax liability	\$ (26)	\$ (26)

As reported in the Consolidated Balance Sheets:

	June 30, 2023	June 30, 2022
	(In thousands)	
Deferred income tax assets	\$ —	\$ —
Deferred income tax liabilities	(26)	(26)
Net deferred tax liability	\$ (26)	\$ (26)

Valuation Allowance

We also require certain subcontractors placed a valuation allowance on our deferred tax assets in the second quarter of fiscal 2022 due to provide additional insurance policies, including surety bonds the existence of a cumulative loss over a three-year period. We will continue to place valuation allowances on newly generated deferred tax assets and will realize the benefit associated with the deferred tax assets for which the valuation allowance has been provided to the extent we generate taxable income in favor of us, to secure the subcontractors' work future, or as required by the subcontract. cumulative losses are no longer present and our future projections for growth or tax planning strategies are demonstrated.

There can be no assurance that our insurance and the additional insurance coverage provided by our subcontractors will fully protect us against a valid claim or loss under the contracts with our customers.

Unpriced Change Orders and Claims

As of June 30, 2022, June 30, 2023 and June 30, 2021, June 30, 2022, costs and estimated earnings in excess of billings on uncompleted contracts included revenue for unpriced change orders and claims of \$8.9 million, \$9.7 million and \$14.6 million, \$8.9 million, respectively. The amounts ultimately realized may be significantly different than the recorded amounts resulting in a material adjustment adjustments to future earnings. Generally we expect collection of amounts related to unpriced change orders and claims within twelve months. However, customers may not pay these amounts until final resolution of related claims, which may extend beyond one year.

Other Disaggregated Revenue

Revenue disaggregated by reportable segment is presented in Note 13 - Segment Information. The following series of tables presents revenue disaggregated by geographic area where the work was performed and by contract type:

Geographic Disaggregation:

Fiscal Years Ended

	June 30, 2023	June 30, 2022	June 30, 2021
	(In thousands)		
United States	\$ 720,140	\$ 640,512	\$ 604,739
Canada	61,691	63,045	61,703
Other international	13,189	4,223	6,956
Total	<u>\$ 795,020</u>	<u>\$ 707,780</u>	<u>\$ 673,398</u>

Contract Type Disaggregation:

	Fiscal Years Ended		
	June 30, 2023	June 30, 2022	June 30, 2021
	(In thousands)		
Fixed-price contracts	\$ 419,426	\$ 421,188	\$ 444,042
Time and materials and other cost reimbursable contracts	375,594	286,592	229,356
Total	<u>\$ 795,020</u>	<u>\$ 707,780</u>	<u>\$ 673,398</u>

Revisions in Estimates

Fiscal 2023

During fiscal 2023, unfavorable changes in the estimated recovery of change orders and increased forecasted costs to complete and closeout certain midstream gas processing capital work in the Process and Industrial Facilities segment resulted in a \$12.6 million reduction of gross profit during the fiscal year. These charges were primarily the result of the client not approving adequate compensation to us for the impact that excessive scope changes had on our ability to progress the work according to forecast and for the impacts of global supply chain issues and inflation. We have accrued the full expected loss for the work, which is now mechanically complete.

Matrix Service Company

Notes to Consolidated Financial Statements (continued)

Fiscal 2022

Our results of operations were materially impacted by an increase in the forecasted costs to complete a midstream gas processing project in the Process and Industrial Facilities segment. The project reduced gross profit by \$8.7 million during fiscal 2022. The increase in forecasted costs was primarily due to poor performance of a now terminated subcontractor, which required rework, as well as supply chain and cost escalation issues. This project has since reached mechanical completion.

In fiscal 2022, our results of operations were materially impacted by an increase in the costs required to complete a thermal energy storage tank repair and maintenance project in the Storage and Terminal Solutions segment, which resulted in a decrease in gross profit of \$6.3 million during the fiscal year. We achieved substantial completion on this project in fiscal 2022.

During fiscal 2022, our results of operations were materially impacted by changes in the forecasted costs to complete two large capital projects in the Utility and Power Infrastructure segment and an unfavorable settlement of a claim with a customer in the same segment. Increases in the forecasted costs to complete the first project resulted in the project reducing gross profit by \$3.6 million during fiscal 2022. Increased forecasted costs to complete the second capital project resulted in the project reducing gross profit by \$2.2 million during the fourth quarter of fiscal 2022 and \$0.1 million during fiscal 2022. We recognized \$78.1 million of revenue on this project during fiscal 2022 at a near break-even margin as a result of the change in estimate. Both projects reached substantial completion in fiscal 2023. The unfavorable settlement of a claim with a customer reduced gross profit by \$2.1 million.

Fiscal 2021

Our results of operations in fiscal 2021 were materially impacted by increases in the forecasted costs to complete a large capital project in the Utility and Power Infrastructure segment. The project reduced gross profit by \$5.8 million in fiscal 2021. This project reached substantial completion in fiscal 2023.

During the fourth quarter of fiscal 2021, we reached a settlement on a contract dispute over the construction of a crude oil terminal. The project's financial impact for the fiscal year ended June 30, 2021 was a \$2.9 million reduction to gross profit in the Storage and Terminal Solutions segment. The settlement resulted in a cash receipt of \$8.9 million in the first quarter of fiscal 2022, which enabled us to avoid future legal costs and litigation risk.

During the third quarter of fiscal 2020, 2021, we commenced litigation achieved mechanical completion of a large crude oil terminal project, demobilized from the project site and completed its assessment of additional recovery of unpriced change orders. The project's financial impact for the fiscal year ended June 30, 2021 was a \$3.8 million reduction to gross profit in the Storage and Terminal Solutions segment.

Matrix Service Company

Notes to Consolidated Financial Statements (continued)

Note 3—Property, Plant and Equipment

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Burlington Office Disposal - Subsequent Event

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Matrix Service Company

Notes to Consolidated Financial Statements (continued)

Note 4—Goodwill and Other Intangible Assets

Goodwill

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Translation adjustment ⁽¹⁾	(48)	(24)	—	(72)
Net balance at June 30, 2023	\$ 19,397	\$ 4,239	\$ 5,484	\$ 29,120

(1) The translation adjustments relate to the periodic translation of Canadian Dollar and South Korean Won denominated goodwill recorded as a part of prior acquisitions in Canada and South Korea, in which the local currency was determined to be the functional currency.

(2) We sold our industrial cleaning business during the fourth quarter of fiscal 2023, which resulted in the allocation \$0.6 million of goodwill to net assets sold in the transaction. See Note 3 - Property, Plant and Equipment, Industrial Cleaning Disposal, for more information.

Fiscal 2023

We performed our annual goodwill impairment test as of May 31, 2023, which resulted in no impairment. The fiscal 2023 test indicated that three reporting units with a combined total of \$20.9 million of goodwill as of June 30, 2023 were at higher risk of future impairment. If our view of project opportunities or gross margins deteriorates, particularly for the higher risk reporting units, then we may be required to record an effort impairment of goodwill. Subsequent to collect the completion of the May 31, 2023 annual impairment test, additional information regarding new project awards became available which would significantly improve the cash flows and fair values of two of the higher risk reporting units, which comprised \$15.4 million of our total goodwill as of June 30, 2023.

The estimated fair value of each segment was derived by utilizing a discounted cash flow analysis and market multiples of projected EBITDA. The key assumptions used are described in Note 1 - Summary of Significant Accounting Policies, and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Critical Accounting Policies, Goodwill.

In the second quarter of fiscal 2023, we concluded that a goodwill impairment indicator existed in the Process and Industrial Facilities segment based on a material adverse change in gross profit on a project. Based on the indicated outcome of this project and our near-term outlook for the reporting unit, we performed an interim impairment test for the unit and concluded that its \$12.3 million of goodwill was fully impaired. The impairment was recognized in operating income during the three and six months ended December 31, 2022.

Fiscal 2022

In the third quarter of fiscal 2022, we concluded that goodwill impairment indicators existed based on the decline in the price of our stock and operating results that have underperformed our forecasts during the year. Accordingly, we performed an interim impairment test as of March 31, 2022 and concluded that there was \$18.3 million of total impairment to goodwill, which was recognized in operating income during the three and nine months ended March 31, 2022 as follows:

Matrix Service Company

Notes to Consolidated Financial Statements (continued)

- \$8.4 million in the Process and Industrial Facilities segment;
- \$7.2 million in the Storage and Terminal Solutions segment; and
- \$2.7 million in the Utility and Power Infrastructure segment.

Other Intangible Assets

Information on the carrying value of other intangible assets is as follows:

	Useful Life (Years)	At June 30, 2023		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
		(In thousands)		
Intellectual property	10 to 15	\$ 2,483	\$ (2,371)	\$ 112
Customer based ⁽¹⁾	6 to 15	13,144	(10,190)	2,954
Total other intangible assets		\$ 15,627	\$ (12,561)	\$ 3,066

(1) Customer-based intangible assets have been adjusted in fiscal 2023 to remove \$4.2 million of customer relationships that have been fully amortized.

	Useful Life (Years)	At June 30, 2022		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
		(In thousands)		
Intellectual property	10 to 15	\$ 2,558	\$ (2,276)	\$ 282
Customer based	6 to 15	17,331	(12,817)	4,514
Total other intangible assets		\$ 19,889	\$ (15,093)	\$ 4,796

Amortization expense totaled \$1.7 million, \$1.8 million, and \$2.3 million in fiscal 2023, 2022, and 2021, respectively.

We estimate that future amortization of other intangible assets will be as follows (in thousands):

For year ending:

June 30, 2024	\$ 1,415
June 30, 2025	1,096
June 30, 2026	555
Total estimated amortization expense	\$ 3,066

Note 5—Debt

On September 9, 2021, the Company and our primary U.S. and Canada operating subsidiaries entered into an asset-based credit agreement, which was amended on October 5, 2022 (as amended, the "ABL Facility"), with Bank of Montreal, as Administrative Agent, Swing Line Lender and a Letter of Credit Issuer, and the lenders named therein. The maximum amount of loans under the ABL Facility is limited to \$90.0 million. The ABL Facility's available borrowings may be increased by an amount not to exceed \$15.0 million, subject to certain conditions, including obtaining additional commitments. The ABL Facility is intended to be used for working capital, capital expenditures, issuances of letters of credit and other lawful purposes. Our obligations under the ABL Facility are guaranteed by substantially all of our U.S. and Canadian subsidiaries and are secured by a first lien on all our assets and the assets of our co-borrowers and guarantors under the ABL Facility.

The maximum amount that we may borrow under the ABL Facility is subject to a borrowing base, which is based on restricted cash plus a percentage of the value of certain accounts receivable, inventory and equipment, reduced for certain reserves. We are required to maintain a minimum of \$25.0 million of restricted cash at all times, but such amounts are also included in the borrowing base. The ABL Facility matures, and any outstanding amounts become due and payable, on September 9, 2026. At June 30, 2023, our borrowing base was \$67.0 million, we had \$10.0 million of outstanding borrowings, and we had \$19.3 million in letters of credit outstanding, which resulted in availability of \$37.7 million under the ABL Facility. Our borrowing base has ranged from \$67.0 million to \$83.2 million during fiscal 2023.

Borrowings under the ABL Facility bear interest through maturity at a variable rate based upon, at our option, an **iron** annual rate of either a base rate ("Base Rate"), an Adjusted Term Secured Overnight Financing Rate ("Adjusted Term SOFR"), or at the Canadian Prime Rate, plus an applicable margin. The Adjusted Term SOFR is defined as (i) the SOFR plus (ii) 11.448 basis points for a one-month tenor and **steel customer** following 26.161 basis points for a three-month tenor; provided that the **deterioration** Adjusted Term SOFR cannot be below zero. The Base Rate is defined as a fluctuating interest rate equal to the greater of: (i) rate of interest announced by Bank of Montreal from time to time as its prime rate; (ii) the U.S. federal funds rate plus 0.50%; (iii) Adjusted Term SOFR for one month period plus 1.00%; or (iv) 1.00%. Depending on the amount of average availability, the applicable margin is between 1.00% to 1.50% for Base Rate and Canadian Prime Rate borrowings, which includes either U.S. or Canadian prime rate, and between 2.00% and 2.50% for Adjusted Term SOFR borrowings. Interest is payable either (i) monthly for Base Rate or Canadian Prime Rate borrowings or (ii) the last day of the **relationship** interest period for Adjusted Term SOFR borrowings, as set forth in the ABL Facility. The fee for undrawn amounts is 0.25% per annum and is due quarterly. The interest rate in effect for borrowings outstanding at June 30, 2023, including applicable margin, was approximately 7.47%.

The ABL Facility contains customary conditions to borrowings, events of default and covenants, including, but not limited to, covenants that restrict our ability to sell assets, engage in mergers and acquisitions, incur, assume or permit to exist additional indebtedness and guarantees, create or permit to exist liens, pay cash dividends, issue equity instruments, make distribution or redeem or repurchase capital stock. In the event that our availability is less than the greater of (i) \$15.0 million and (ii) 15.00% of the commitments under the ABL Facility then in effect, a consolidated Fixed Charge Coverage Ratio of at least 1.00 to 1.00 must be maintained. We were in compliance with all covenants of the ABL Facility as of June 30, 2023.

Note 6—Income Taxes

Sources of Pretax Income (Loss)

	Fiscal Years Ended		
	June 30, 2023	June 30, 2022	June 30, 2021
	(In thousands)		
Domestic	\$ (52,636)	\$ (53,258)	\$ (38,867)
Foreign	(125)	(5,025)	(4,396)
Total	<u>\$ (52,761)</u>	<u>\$ (58,283)</u>	<u>\$ (43,263)</u>

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Notes to Consolidated Financial Statements (continued)

Components of the Provision for Income Tax Expense (Benefit)

	Fiscal Years Ended		
	June 30, 2023	June 30, 2022	June 30, 2021
	(In thousands)		
Current:			
Federal	\$ (369)	\$ 230	\$ (13,154)
State	(31)	28	465
Foreign	—	1	(239)
	<u>(400)</u>	<u>259</u>	<u>(12,928)</u>
Deferred:			
Federal	—	2,504	774
State	—	2,858	(291)

Foreign	—	(4)	406
	—	5,358	889
	<u>\$ (400)</u>	<u>\$ 5,617</u>	<u>\$ (12,039)</u>

Reconciliation Between the Expected Income Tax Provision Applying the Domestic Federal Statutory Tax Rate and the Reported Income Tax Provision

	Fiscal Years Ended		
	June 30, 2023	June 30, 2022	June 30, 2021
	(In thousands)		
Expected benefit for federal income taxes at the statutory rate	\$ (11,080)	\$ (12,239)	\$ (9,085)
State income taxes, net of federal benefit	(2,320)	(1,971)	(1,240)
Impairment of non-deductible goodwill ⁽¹⁾	—	1,132	—
Charges without tax benefit	358	265	961
Change in valuation allowance ⁽²⁾	12,595	17,943	2,797
Excess tax expense (benefit) on stock-based compensation	1,216	1,019	1,826
Research and development and other tax credits	(1,175)	(613)	(1,707)
Foreign tax differential	50	(232)	(96)
Federal rate differential net operating loss carryback ⁽³⁾	—	141	(5,223)
Change in uncertain tax positions	(90)	(120)	(7)
Other	46	292	(265)
Provision (benefit) for federal, state and foreign income taxes	<u>\$ (400)</u>	<u>\$ 5,617</u>	<u>\$ (12,039)</u>

(1) In fiscal 2022, we impaired \$18.3 million of goodwill, which included \$5.4 million of non-deductible goodwill. See Note 4 - Goodwill and Other Intangible Assets for more information about the impairments.

(2) Due to the existence of a cumulative loss over a three-year period, we recorded a full valuation allowance against our deferred tax assets in fiscal 2022 and recorded additional valuation allowances against newly generated deferred tax assets in fiscal 2023. These assets are primarily comprised of federal net operating losses, which have an indefinite carryforward, federal tax credits and state net operating losses. To the extent we generate taxable income in the future, or cumulative losses are no longer present and our future projections for growth or tax planning strategies are demonstrated, we will realize the benefit associated with the net operating losses for which the valuation allowance has been provided. In fiscal 2021, we placed \$2.8 million of valuation allowances, including \$1.5 million on certain state net operating loss carryforwards due to a history of cumulative losses for a subsidiary.

(3) Relates to fiscal 2021 net operating losses carried back under provisions of the CARES Act to fiscal years 2016 and 2017 which had a 35% federal tax rate.

Matrix Service Company

Notes to Consolidated Financial Statements (continued)

Significant Components of our Deferred Tax Assets and Liabilities

	June 30, 2023	June 30, 2022
	(In thousands)	
Deferred tax assets:		
Accruals and reserves	\$ 504	\$ 1,534
Bad debt reserve	273	340
Insurance reserve	913	1,035

Net operating loss benefit and credit carryforwards	26,888	23,717
Accrued compensation and pension	964	1,051
Stock compensation expense on nonvested restricted stock units	1,794	1,910
Book over tax amortization	7,218	5,449
Deferred FICA	—	1,427
Research and development capitalization	6,592	—
Foreign currency translation and other	1,608	1,002
Valuation allowance	(41,060)	(28,615)
Total deferred tax assets	5,694	8,850
Deferred tax liabilities:		
Tax over book depreciation	5,472	7,842
Other	248	1,034
Total deferred tax liabilities	5,720	8,876
Net deferred tax liability	\$ (26)	\$ (26)

As reported in the Consolidated Balance Sheets:

	June 30, 2023	June 30, 2022
	(In thousands)	
Deferred income tax assets	\$ —	\$ —
Deferred income tax liabilities	(26)	(26)
Net deferred tax liability	\$ (26)	\$ (26)

Valuation Allowance

We placed a valuation allowance on our deferred tax assets in the second quarter of fiscal 2020, 2022 due to the existence of a cumulative loss over a three-year period. We will continue to place valuation allowances on newly generated deferred tax assets and will realize the benefit associated with the deferred tax assets for which the valuation allowance has been provided to the extent we generate taxable income in the future, or cumulative losses are no longer present and our future projections for growth or tax planning strategies are demonstrated.

Operating Loss and Tax Credit Carryforwards

We have net operating loss carryforwards and tax credit carryforwards in federal, state and foreign jurisdictions. The unpaid valuation allowance at June 30, 2023 and June 30, 2022 reduces the recognized tax benefit of these carryforwards to an amount that is more likely than not to be realized. The gross carryforwards will generally expire as shown below for each jurisdiction:

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Notes to Consolidated Financial Statements (continued)

Operating Loss and Tax Credit Carryforwards	Expiration Period	Amount (in thousands)
Federal net operating loss	Indefinite	\$ 38,606
Federal tax credits	June 2041 to June 2043	\$ 3,270
Federal foreign tax credits	June 2024 to June 2025	\$ 548
State net operating losses	June 2025 to indefinite	\$ 95,480
State tax credits	June 2033 to indefinite	\$ 984
Foreign net operating losses	June 2033 to June 2043	\$ 31,453
Foreign tax credits	June 2035 to June 2043	\$ 693

Net Operating Loss Carryback Refund

Through provisions in the Coronavirus Aid, Relief, and Economic Security (CARES) Act (the "CARES Act"), we had an income tax benefit from the ability to carryback the fiscal 2021 federal net operating loss to a period with a higher statutory federal income tax rate. We received a \$13.3 million tax refund in connection with this carryback during fiscal 2023, which was included in income taxes receivable in the Consolidated Balance Sheets as of June 30, 2022.

Deferred Payroll Taxes

During the second quarter of fiscal 2023, we repaid the remaining \$5.6 million of U.S. payroll taxes we deferred through the provisions of the CARES Act. The balance of deferred payroll taxes was included within accrued wages and benefits in the Consolidated Balance Sheets as of June 30, 2022.

Other

In general, it is our practice and intention to reinvest the earnings of our foreign subsidiaries in our foreign operations. We do not provide for outside basis differences under the indefinite reinvestment assertion of ASC 740-30.

We file tax returns in multiple domestic and foreign taxing jurisdictions. With a few exceptions, we are no longer subject to examination by taxing authorities through fiscal 2018. At June 30, 2023, we updated our evaluation of our open tax years in all known jurisdictions. As of June 30, 2023, we have a \$0.2 million liability for unrecognized tax positions and the payment of related interest and penalties. We treat the related interest and penalties as income tax expense. Due to the uncertainties related to these tax matters, we are unable to make a reasonably reliable estimate as to when cash settlement with a taxing authority will occur.

Note 7—Commitments and Contingencies

Insurance Reserves

We maintain insurance coverage for various aspects of our operations. However, exposure to potential losses is retained through the use of deductibles, self-insured retentions and coverage limits.

Typically our contracts require us to indemnify our customers for injury, damage or loss arising from the performance of our services and provide warranties for materials and workmanship. We may also be required to name the customer as an additional insured up to the limits of insurance available, or we may be required to purchase special insurance policies or surety bonds for specific customers or provide letters of credit in lieu of bonds to satisfy performance and financial guarantees on some projects. We maintain a performance and payment bonding line sufficient to support the business. We generally require our subcontractors to indemnify us and our customer and name us as an additional insured for activities arising out of the subcontractors' work. We also require certain subcontractors to provide additional insurance policies, including surety bonds in favor of us, to secure the subcontractors' work or as required by the subcontract.

There can be no assurance that our insurance and the additional insurance coverage provided by our subcontractors will fully protect us against a valid claim or loss under the contracts with our customers.

Matrix Service Company

Notes to Consolidated Financial Statements (continued)

Litigation

During fiscal 2023, we completed cost reimbursable construction services for a customer at June 30, 2022 was \$17.0 a mining and minerals facility. In late fiscal 2023, after numerous attempts to collect outstanding receivables, we filed a notice of default for lack of payment of outstanding balances, and in early fiscal 2024, we filed a lien on the facility. The customer responded by commencing litigation against us, alleging breach of contract and breach of express warranty. We deny all claims and filed a countersuit against the customer for failure to pay outstanding amounts of accounts receivable and CIE, which total \$5.6 million. Litigation is unpredictable, however, based on the terms of the contract with this customer, we believe we are entitled to collect the full amount owed under the contract.

During fiscal 2022, we filed an arbitration demand in an effort to collect outstanding balances of \$32.7 million from a customer for which we completed a crude oil storage terminal project. The customer has filed counterclaims for liquidated damages and miscellaneous warranty items. We deny all claims and believe we are entitled to collect the full amount owed under the contract. Our hearing for this matter is currently scheduled for October 2024.

During fiscal 2020, we commenced litigation in an effort to collect an account receivable from an iron and steel customer on a reimbursable contract following the deterioration of the relationship. The unpaid receivable balance at June 30, 2023 was \$17.0 million. In connection with our suit, the customer filed certain counterclaims against us. We deny all claims and believe we are entitled to collect the full amount owed under the contract. Our trial regarding this matter is scheduled for September 2023.

We believe we have set appropriate reserves for the matters described above based on our evaluation of the possible outcomes of the litigation. We and our subsidiaries are participants in various other legal actions. It is the opinion of management that none of the other known legal actions will have a material impact on our financial position, results of operations or liquidity.

Note 8—Leases

We enter into lease arrangements for real estate, construction equipment and information technology equipment in the normal course of business. Real estate leases accounted for approximately 96% most of all our right-of-use assets as of June 30, 2022, June 30, 2023. Most real estate and information technology equipment leases generally have fixed

payments that follow an agreed upon payment schedule and have remaining lease terms ranging from less than a year to 14.13 years. Construction equipment leases generally have "month-to-month" lease terms that automatically renew as long as the equipment remains in use.

In fiscal 2021 we recorded \$0.5 million of impairments to right-of-use assets related to leased office space that was closed in connection with our restructuring activities, see Note 14 – Restructuring Costs for additional information.

The components of lease expense in the Consolidated Statements of Income are as follows:

Lease expense	Lease expense	Location of Expense in Consolidated Statements of Income	Fiscal Years Ended			Lease expense	Location of Expense in Consolidated Statements of Income	Fiscal Years Ended		
			June 30, 2022	June 30, 2021	June 30, 2020			June 30, 2023	June 30, 2022	June 30, 2021
			(in thousands)					(in thousands)		
Operating lease expense	Operating lease expense	Cost of revenue and selling, general and administrative expenses	\$ 7,511	\$ 8,386	\$ 12,274	Operating lease expense	Cost of revenue and selling, general and administrative expenses	\$ 6,635	\$ 7,511	\$ 8,386
Short-term lease expense ⁽¹⁾	Short-term lease expense ⁽¹⁾	Cost of revenue	24,225	25,912	37,371	Short-term lease expense ⁽¹⁾	Cost of revenue	29,598	24,225	25,912
Total lease expense	Total lease expense		\$ 31,736	\$ 34,298	\$ 49,645	Total lease expense		\$ 36,233	\$ 31,736	\$ 34,298

(1) Primarily represents the lease expense of construction equipment that is subject to month-to-month rental agreements with expected rental durations of less than one year.

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Matrix Service Company

Notes to Consolidated Financial Statements (continued)

The future undiscounted lease payments, as reconciled to the discounted operating lease liabilities presented in our Consolidated Balance Sheets, were as follows:

Maturity Analysis:	June 30, 2022 2023	
	(in thousands)	
Fiscal 2023 2024	\$	6,956
Fiscal 2024		5,654 5,656
Fiscal 2025		3,697 4,283
Fiscal 2026		3,400 4,257
Fiscal 2027		3,288 4,172
Fiscal 2028		3,896
Thereafter		8,681 8,950
Total future operating lease payments		31,676 31,214
Imputed interest		(6,057) (5,893)
Net present value of future lease payments		25,619 25,321
Less: current portion of operating lease liabilities		5,715 4,661
Non-current operating lease liabilities	\$	19,904 20,660

The following is a summary of the weighted average remaining operating lease and finance lease term and weighted average discount rate as of June 30, 2022 June 30, 2023:

Weighted-average remaining lease term (in years)	7.2	6.6	years
Weighted-average discount rate	5.0	6.1	%

Supplemental cash flow information related to leases is as follows:

	Fiscal Year Ended	
	June 30, 2022	
	2023	
	(in thousands)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating lease payments	\$	8,060
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	\$	5,687

Note 9—Stockholders' Equity

Preferred Stock

We have 5.0 million shares of preferred stock authorized, none of which was issued or outstanding at June 30, 2022, June 30, 2023 or June 30, 2021, June 30, 2022.

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Notes to Consolidated Financial Statements (continued)

Stock Repurchase Program

We may repurchase common stock pursuant to the Stock Buyback Program, which was approved by the board of directors in November 2018. Under the program, the aggregate number of shares repurchased may not exceed 2,707,175 shares. We may repurchase our stock from time to time in the open market at prevailing market prices or in privately negotiated transactions and are not obligated to purchase any shares. The program will continue unless and until it is modified or revoked by the Board of Directors. We made no repurchases under the program in fiscal 2022, 2023 and have no current plans to repurchase stock. The terms

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Matrix Service Company

Notes to Consolidated Financial Statements (continued)

of our ABL Facility limit share repurchases to \$2.5 million per fiscal year provided that we meet certain availability thresholds and do not violate our Fixed Charge Coverage Ratio financial covenant. There were 1,349,037 shares available for repurchase under the November 2018 Program as of June 30, 2022, June 30, 2023.

Treasury Shares

In addition to the stock buyback program, we may withhold shares of common stock to satisfy the tax withholding obligations upon vesting of an employee's deferred shares, restricted stock units. We withheld 52,864, 76,703, 170,629, and 181,081, 170,629 shares of common stock during fiscal 2023, 2022, 2021, and 2020, 2021, respectively, to satisfy these obligations. These shares were returned to our pool of treasury shares. We have 1,097,703, 840,899 treasury shares as of June 30, 2022, June 30, 2023 and intend to utilize these treasury shares in connection with equity awards under our incentive plans and for sales to the Employee Stock Purchase Plan.

Note 10—Stock-Based Compensation

Total stock-based compensation expense for the fiscal years ended June 30, 2022, June 30, 2023, June 30, 2021, June 30, 2022, and June 30, 2020, June 30, 2021 was \$7.9 million, \$6.8 million, \$8.2 million, \$7.9 million and \$9.9 million, \$8.2 million, respectively. Measured but unrecognized stock-based compensation expense at June 30, 2022, June 30, 2023 was \$9.0 million, \$6.9 million, all of which related to nonvested deferred shares, restricted stock units which are expected to be recognized as expense over a weighted average period of 1.7, 1.5 years. We recognized excess tax expense of \$1.2 million, \$1.0 million, \$1.8 million, and \$0.2, \$1.8 million related to stock-based compensation vesting for the fiscal years ended June 30, 2022, June 30, 2023, 2021, 2022, and 2020, 2021, respectively.

Plan Information

In November 2020, December 2022, our stockholders approved the First Amendment to the Matrix Service Company 2020 Stock and Incentive Compensation Plan, which amended the Matrix Service Company 2020 Stock and Incentive Compensation Plan (the "2020 Plan"), to increase the maximum authorized shares under the 2020 Plan by 625,000 shares, increasing the total authorized shares under the 2020 Plan from 1,725,000 to 2,350,000 shares. In November 2020, our stockholders approved the 2020 Plan, which provides stock-based and cash-based incentives for officers, directors and other key employees. Stock options, restricted stock, restricted stock units, stock appreciation rights, performance shares and cash-based awards can be issued under this plan. Upon approval of the 2020 Plan, the 2018 Stock and Incentive Compensation Plan ("2018 Plan") was frozen with the exception of normal vesting and other activity associated with awards previously granted under the 2018 Plan. The 2018 Plan was preceded by the 2016 Stock Incentive Plan ("2016 Plan"), which was frozen upon approval of the 2018 Plan with the exception of normal vesting, forfeiture and other activity associated with awards previously granted under the 2016 Plan. Shares awarded under either the 2018 Plan or 2016 Plan that are subsequently forfeited or net settled for tax withholding purposes are returned to the treasury share pool and become available for grant under the 2020 Plan, as amended.

Awards totaling 1,725,000 2,350,000 shares have been authorized under the 2020 Plan, as amended. There were 1,392,706 1,501,880 shares available for grant under the amended 2020 Plan as of June 30, 2022 June 30, 2023.

Equity-settled Restricted Stock Options

We did not award any new stock options in fiscal years 2022, 2021, or 2020. The 19,550 options outstanding as of June 30, 2021 were exercised in the second quarter of fiscal 2022 at a weighted average exercise price of \$10.19 per share. There were no options outstanding at June 30, 2022. The total intrinsic value of stock options exercised were less than \$0.1 million during fiscal 2022 and \$0.1 million during fiscal 2021. No stock options were exercised in fiscal 2020.

Nonvested Deferred Shares Units

We have issued nonvested deferred shares equity-settled restricted stock units under the following types of arrangements:

- Time-based awards—Employee awards generally vest in four equal annual installments beginning one year after the grant date. Beginning in fiscal 2019, the award agreements contain a provision that accelerates the vesting for retirement eligible participants and participants that become retirement eligible during the vesting period and who elect to retire more than one year after the date of the award. The award is forfeited if retirement occurs before the first anniversary of the award. Settlement still occurs on the normal vesting schedules. Director awards vest one year after the grant date.

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Matrix Service Company

Notes to Consolidated Financial Statements (continued)

- Market-based awards—These awards are in the form of performance units which vest 3 years after the grant date only if our common stock achieves certain levels of total shareholder return when compared to the total shareholder return of a peer group of companies as selected by the Compensation Committee of the Board of Directors. The payout can range from zero to 200% of the original award depending on the Company's relative total shareholder return during the performance period. These awards are settled in stock. As of June 30, 2022 June 30, 2023, there were approximately 163,000, 340,000, 329,000, 377,000, and 389,000 431,000 performance units that are scheduled to vest in fiscal 2023 2024, fiscal 2024 2025, and fiscal 2025 2026, respectively, assuming target performance.

All awards under the 2020 Plan vest upon the death or disability of the participant or upon a change of control of the Company, provided that the successor company fails to assume or replace the awards in connection with that change of control event. If the successor company does assume the awards, then vesting of the awards will be accelerated in the event of an involuntary termination or other material adverse event that occurs in connection with or following the change of control. All awards prior to the 2020 Plan vest upon the death or disability of the participant or upon a change of control of the Company.

The grant date fair value of the time-based awards is determined by the market value of our common stock on the grant date. The grant date fair value of the market-based awards is calculated using a Monte Carlo model. For the fiscal 2022 2023 grant, the model estimated the fair value of the award based on approximately 100,000 simulations of the future prices of our common stock compared to the future prices of the common stock of its peer companies based on historical volatilities. The model also took into account the expected dividends over the performance period of those peer companies which pay cash dividends.

Nonvested deferred share Equity-settled restricted stock unit activity for the fiscal year ended June 30, 2022 June 30, 2023 is as follows:

	Shares	Weighted Average Grant Date Fair Value per Share	Shares	Weighted Average Grant Date Fair Value per Share
Nonvested shares at June 30, 2021	1,280,707	\$ 17.07		
Nonvested shares at June 30, 2022			1,465,788	\$ 14.86
Shares granted	696,227	\$ 14.13	782,707	\$ 7.04

Shares vested and released	Shares vested and released	(268,403)	\$	13.92	Shares vested and released	(259,529)	\$	14.19
Shares canceled	Shares canceled	(242,743)	\$	25.50	Shares canceled	(214,017)	\$	21.89
Nonvested shares at June 30, 2022		<u>1,465,788</u>	\$	14.86				
Nonvested shares at June 30, 2023					Nonvested shares at June 30, 2023	<u>1,774,949</u>	\$	10.66

There were 696,227 and 665,597 and 490,322 deferred shares restricted stock units granted in fiscal 2021, 2022 and 2020, 2021 with average grant date fair values of \$10.60, \$14.13 and \$21.79, \$10.60 per share, respectively. There were 268,403 and 515,218 and 542,279 deferred shares restricted stock units that vested and were released in fiscal 2021, 2022 and 2020, 2021 with weighted average fair values of \$16.99, \$13.92 and \$19.43, \$16.99 per share, respectively. There were 242,743 and 119,904 deferred shares restricted stock units cancelled in fiscal 2022 and 2021 with an average grant date fair value of \$20.67. No deferred shares were cancelled in fiscal 2020. \$25.50 and \$20.67 per share, respectively.

Cash-Settled Restricted Share Stock Units

We granted 251,575, 231,219, and 238,848 cash-settled restricted share stock units during fiscal years 2023, 2022 and 2021, respectively; with weighted average fair values of \$1.5 million, \$2.6 million, and \$2.3 million respectively. No cash-settled restricted share units were granted in fiscal year 2020. There were 106,637 and 53,333 shares vested and released in fiscal 2023 and 2022, respectively; with a weighted average fair value values of \$1.1 million and \$0.5 million, million, respectively. There were no cash-settled restricted shares vested or released in fiscal 2021 or 2020, 2021. There were 13,621 and 25,355 shares cancelled in fiscal 2023 and 2022, respectively; with a weighted average fair value values of \$0.1 million and \$0.3 million, million, respectively. There were no cash-settled restricted shares cancelled in fiscal 2021 or 2020, 2021.

The grant date fair value of these awards is based on the price of our common stock and the number of shares awarded on the date of grant. The award must be settled in cash and is accounted for as a liability-type award. The expense is recognized over the requisite service period with remeasurement at the end of each reporting period at fair value until settlement. The requisite service period is based on the vesting provisions of the awards which generally occur in four equal annual installments beginning one year after the grant date. These awards contain the same retirement provisions described for time-based awards in the nonvested deferred shares equity-settled restricted stock units section above.

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Notes to Consolidated Financial Statements (continued)

We recognized \$1.3 million, \$0.6 million, and \$1.0 million of expense in fiscal years 2023, 2022, and 2021, respectively, for cash-settled restricted share stock units, which was included in selling, general and administrative expenses and cost of revenue in the Consolidated Statements of Income. As of June 30, 2022, June 30, 2023, the liability for cash-settled restricted share stock units was \$0.9, \$1.7 million and is included in accrued wages and benefits in the Consolidated Balance Sheets.

Note 11—Earnings per Common Share

Basic earnings per share ("EPS") is calculated based on the weighted average shares outstanding during the period. Diluted earnings per share includes the dilutive effect of employee and director nonvested restricted stock options and nonvested deferred shares. Stock options are considered dilutive whenever the exercise price is less than the average market price of the units. Nonvested restricted stock during the period and antidilutive whenever the exercise price exceeds the average market price of the common stock during the period. Nonvested deferred shares units are considered dilutive (antidilutive) whenever the average market value of the shares during the period exceeds (is less than) the sum of the related average unamortized compensation expense during the period plus the related hypothetical estimated excess tax benefit that will be realized when the shares vest. Stock options and nonvested deferred shares Nonvested restricted stock units are considered antidilutive in the event we report a net loss.

The computation of basic and diluted EPS is as follows:

		Fiscal Years Ended			Fiscal Years Ended		
		June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2023	June 30, 2022	June 30, 2021
		(In thousands, except per share data)			(In thousands, except per share data)		
Basic EPS:	Basic EPS:				Basic EPS:		
Net loss	Net loss	\$ (63,900)	\$ (31,224)	\$ (33,074)	Net loss	\$ (52,361)	\$ (63,900)
Weighted average shares outstanding	Weighted average shares outstanding	26,733	26,451	26,621	Weighted average shares outstanding	26,988	26,733
							26,451

Basic loss per share	Basic loss per share	\$ (2.39)	\$ (1.18)	\$ (1.24)	Basic loss per share	\$ (1.94)	\$ (2.39)	\$ (1.18)
Diluted EPS:	Diluted EPS:				Diluted EPS:			
Weighted average shares outstanding—basic	Weighted average shares outstanding—basic	26,733	26,451	26,621	Weighted average shares outstanding—basic	26,988	26,733	26,451
Diluted weighted average shares	Diluted weighted average shares	26,733	26,451	26,621	Diluted weighted average shares	26,988	26,733	26,451
Diluted loss per share	Diluted loss per share	\$ (2.39)	\$ (1.18)	\$ (1.24)	Diluted loss per share	\$ (1.94)	\$ (2.39)	\$ (1.18)

The following securities are considered antidilutive and have been excluded from the calculation of Diluted EPS:

	Fiscal Years Ended		
	June 30, 2023	June 30, 2022	June 30, 2021
	(In thousands)		
Nonvested restricted stock units	97	110	227

Note 12—Employee Benefit Plans

Defined Contribution Plans

We sponsor defined contribution savings plans for all eligible employees meeting length of service requirements. Under the primary plan, participants may contribute an amount up to 25% of pretax annual compensation subject to certain limitations. We match 100% of the first 3% of employee contributions and 50% of the next 2% of employee contributions. Our matching contributions vest immediately.

Our matching contributions were \$5.3 million, \$5.4 million, and \$6.2 million in each of the fiscal years ended June 30, 2022, 2021, June 30, 2023 and 2020, respectively. 2022, and \$5.4 million in the fiscal year ended June 30, 2021.

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Notes to Consolidated Financial Statements (continued)

Multiemployer Pension Plans

We contribute to a number of multiemployer defined benefit pension plans in the U.S. and Canada under the terms of collective-bargaining agreements that cover our union-represented employees, who are represented by more than 100 local unions. The related collective-bargaining agreements between those organizations and us, which specify the rate at which we must contribute to the multi-employer defined pension plan, expire at different times between 2022-2023 and 2025-2026. Benefits under these plans are generally based on compensation levels and years of service.

For us, the financial risks of participating in multiemployer plans are different from single-employer plans in the following respects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer discontinues contributions to a plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If a participating employer chooses to stop participating in a plan, a withdrawal liability may be created based on the unfunded vested benefits for all employees in the plan.

Under federal legislation regarding multiemployer pension plans, in the event of a withdrawal from a plan or plan termination, companies are required to continue funding their proportionate share of such plan's unfunded vested benefits. We are a participant in multiple union sponsored multiemployer plans, and, as a plan participant, our potential obligation could be significant. The amount of the potential obligation is not currently ascertainable because the information required to determine such amount is not identifiable or readily available.

Our participation in significant plans for the fiscal year ended **June 30, 2022** **June 30, 2023** is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employer Identification Number ("EIN") and the three digit plan number. The zone status is based on the latest information that the Company received from the plan and is certified by the plan's actuary. Plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are generally less than 80 percent funded, and plans in the green zone are generally at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented. The "Surcharge Imposed" column includes plans in a red zone status that require a payment of a surcharge in excess of regular contributions. The last column lists the expiration date of the collective-bargaining agreement to which the plan is subject.

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Notes to Consolidated Financial Statements (continued)

Pension Fund	Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending or Implemented	Company Contributions Fiscal Year			Surcharge Imposed	Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending or Implemented	Company Contributions Fiscal Year			Surcharge Imposed
			2022	2021		2022	2021	2020				2023	2022		2023	2022	2021	
(In thousands)																		
Boilermaker-Blacksmith National Pension Trust	Boilermaker-Blacksmith National Pension Trust	48-6168020/001	Yellow		Implemented	\$ 5,208	\$ 4,003	\$ 6,634	No	Boilermaker-Blacksmith National Pension Trust	48-6168020/001	Red	Yellow	Implemented	\$ 5,284	\$ 5,208	\$ 4,003	Yes
National Electrical Benefit Fund, IBEW locals 71, 126, 488, and 1319	National Electrical Benefit Fund, IBEW locals 71, 126, 488, and 1319	53-0181657/001	Described below (1)	Green	NA	2,973	1,865	2,674	No	National Electrical Benefit Fund, IBEW locals 71, 126, 488, and 1319	53-0181657/001	Described below (1)	Green	NA	3,437	2,973	1,865	No
Pipefitters Local 460 Pension Plan	Pipefitters Local 460 Pension Plan	51-6108443/001	Described below (1)	Green	NA	2,479	111	—	No	Pipefitters Local 460 Pension Plan	51-6108443/001	Described below (1)	Green	NA	2,479	111	—	No
Joint Pension Fund Local Union 164 IBEW	Joint Pension Fund Local Union 164 IBEW	22-6031199/001	Described below (1)	Implemented		1,514	1,958	1,560	No	Joint Pension Fund Local Union 164 IBEW	22-6031199/001	Green		NA	1,724	1,514	1,958	No
IBEW Local 654 Pension Plan	IBEW Local 654 Pension Plan	23-6538183/001								IBEW Local 654 Pension Plan	23-6538183/001	Green		NA	1,242	857	818	No
Joint Pension Fund of Local Union No 102 IBEW	Joint Pension Fund of Local Union No 102 IBEW	22-1615726/001	Described below (1)	Green	NA	906	1,341	1,227	No	Joint Pension Fund of Local Union No 102 IBEW	22-1615726/001	Green		NA	1,143	906	1,341	No
IBEW Local 456 Pension Plan	IBEW Local 456 Pension Plan	22-6238995/001	Green		NA	734	595	427	No	IBEW Local 456 Pension Plan	22-6238995/001	Green		NA	1,180	734	595	No
Local 351 IBEW Pension Plan	Local 351 IBEW Pension Plan	22-3417366/001	Green		NA	395	479	1,709	No	Local 351 IBEW Pension Plan	22-3417366/001	Described below (1)	Green	NA	1,033	395	479	No
Steamfitters Local Union No 420 Pension Plan	Steamfitters Local Union No 420 Pension Plan	23-2004424/001	Described below (1)	Red	Implemented	498	442	1,523	Yes	Steamfitters Local Union No 420 Pension Plan	23-2004424/001	Red	Yellow	Implemented	656	498	442	Yes
IBEW Local 654 Pension Plan	IBEW Local 654 Pension Plan	23-6538183/001	Green		NA	857	818	1,021	No									

Ohio Carpenters' Pension Fund, Locals 1090 and 351	34-6574360/001	Described below (1)	Red	Implemented	—	—	3,042	Yes									
Iron Workers Pension Plan, Local 55	34-6682351/001	Described below (1)	Green	NA	—	—	2,951	No									
Northwestern Ohio Plumbers and Pipefitters Pension, Local 50	34-6502487/001	Described below (1)	Green	NA	—	—	2,504	No									
Indiana Laborers Pension Fund	35-6027150/001	Described below (1)	Green	NA	—	20	1,604	No									
Iron Workers Mid-America Pension Plan, Local 395	36-6488227/001	Green		NA	—	—	840	No									
Pipefitters Retirement Fund, Local 597	62-6105084/001	Described below (1)	Green	NA	4	—	835	No									
Iron Workers Pension Plan of Western Pennsylvania, Local 3	25-1283169/001	Green		NA	—	—	500	No									
Pipefitters Local 342 Pension Plan									Pipefitters Local 342 Pension Plan	94-3190386/001	Green	NA	498	345	101	No	
IBEW Local 98 Pension Plan									IBEW Local 98 Pension Plan	23-6583334/001	Yellow	Red	Implemented	484	143	318	No
Laborers Local 220 Pension Plan									Laborers Local 220 Pension Plan	43-6159056/001	Described below (1)	Green	NA	427	24	—	No
		Contributions to other multiemployer plans			3,729	3,848	8,352							3,969	3,110	3,449	
		Total contributions made			\$16,818	\$15,369	\$37,403							\$23,556	\$16,818	\$15,369	

(1) For the National Electrical Benefit Fund for Locals 71/126/488/1319, Pipefitters Local 164 460 Pension Plan, Local 351 IBEW Pension Plan, and Laborers Local IBEW 102 IBEW Pension Plan, Steamfitters Local Union No. 420 Pension Plan, Locals 1090 and 351 of the Ohio Carpenters' Pension Fund, Iron Workers Pension Plan Local 55, Northwestern Ohio Plumbers and Pipefitters Pension Local 50, Indiana Laborers Pension Fund, and Pipefitters Retirement Fund Local 597, we have not received a funding notification that covers our fiscal year 2022 during the preparation of this Form 10-K. For Local 164 IBEW 220 Pension Plan, we have not received a funding notification that covers our fiscal year 2021 either, 2023 during the preparation of this Form 10-K. Under Federal pension law, if a multiemployer pension plan is determined to be in critical or endangered status, the plan must provide notice of this status to participants, beneficiaries, the bargaining parties, the Pension Benefit Guaranty Corporation, and the Department of Labor. We also observed that these plans have not submitted any Critical or Endangered Status Notices to the Department of Labor for calendar years that we have not received notification. The Critical or Endangered Status Notices can be accessed at <https://www.dol.gov/agencies/ebsa/about-ebsa/our-activities/public-disclosure/2022-funding-status-notices#2020-c-and-d>, [2023-funding-status-notices#2023-c-and-d](https://www.dol.gov/agencies/ebsa/about-ebsa/our-activities/public-disclosure/2023-funding-status-notices#2023-c-and-d).

Employee Stock Purchase Plan

The Matrix Service Company 2011 Employee Stock Purchase Plan ("ESPP") was effective January 1, 2011. The ESPP allows employees to purchase shares through payroll deductions and members of the Board of Directors to purchase shares from amounts withheld from their cash retainers. Share purchases are limited to an aggregate market value of no greater than \$60,000 per calendar year per participant and are purchased from us at the current market value with no discount to the participant. Contributions are with after tax earnings and are accumulated in non-interest bearing accounts for quarterly purchases of company stock. Upon the purchase of shares, the participants receive all stockholder rights including dividend and voting rights and are permitted to sell their shares at any time. We have made 1,000,000 shares available under the ESPP. The ESPP can be terminated at any time at the discretion of the Board of Directors and will automatically terminate once the plan shares are exhausted. Shares are issued from Treasury Stock under the ESPP. There were 29,826 50,139 shares issued in fiscal 2023, 29,826 shares in fiscal 2022, and 29,171 shares in fiscal 2021, and 20,733 shares in fiscal 2020, 2021.

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Matrix Service Company

Notes to Consolidated Financial Statements (continued)

Note 13—Segment Information

In fiscal 2022, 2023, we operated our business through three reportable segments:

- Utility and Power Infrastructure:** consists of power delivery services provided to investor-owned utilities, including construction of new substations, upgrades of existing substations, transmission and distribution line installations, upgrades and maintenance, as well as emergency and storm restoration services. We also provide engineering, fabrication, and construction services for LNG utility peak shaving facilities, and construction and maintenance services to a variety of power generation facilities, including natural gas fired facilities, in simple or combined cycle configuration.
- Process and Industrial Facilities:** primarily serves customers in the downstream and midstream petroleum industries who are engaged in refining crude oil and processing, fractionating, and marketing of natural gas and natural gas liquids. We also serve customers in various other industries such as petrochemical, sulfur, mining and minerals companies engaged primarily in the extraction of non-ferrous metals, aerospace and defense, cement, agriculture, and other industrial customers. Our services include plant maintenance, turnarounds, industrial cleaning services, engineering, fabrication, and capital construction.
- Storage and Terminal Solutions:** primarily consists of work related to aboveground storage tanks engineering, procurement, fabrication, and terminals. We also include work construction services related to cryogenic and other specialty storage tanks and terminals including for LNG, NGLs, hydrogen, ammonia, propane, butane, liquid nitrogen/liquid oxygen, and liquid petroleum, hydrogen and other specialty vessels such as spheres in this segment, as well petroleum. Also includes work related to marine structures traditional aboveground crude oil and refined product storage tanks and terminals. This segment also includes terminal balance of plant work, truck and rail loading/offloading facilities. Our services include engineering, fabrication, construction, facilities, and marine structures as well as storage tank and terminal maintenance and repair, which includes planned and emergency services for both tanks and full terminals, repair. Finally, we offer manufacture and sell precision engineered specialty tank products, including geodesic domes, aluminum internal floating roofs, floating suction and skimmer systems, roof drain systems and floating roof seals.
- Utility and Power Infrastructure:** primarily consists of engineering, procurement, fabrication, and construction services to support growing demand for LNG utility peak shaving facilities. We also perform traditional electrical work for public and private utilities, including construction of new substations, upgrades of existing substations, transmission and distribution line installations, and upgrades and maintenance including live wire work. Work may also include emergency and storm restoration services. We also provide construction services to a variety of power generation facilities, including natural gas fired facilities in simple or combined cycle configurations.
- Process and Industrial Facilities:** primarily consists of plant maintenance, repair, and turnarounds in the downstream and midstream markets for energy clients including refining and processing of crude oil, fractionating, and marketing of natural gas and natural gas liquids. Also includes engineering, procurement, fabrication, and construction for refinery upgrades and retrofits for renewable fuels. We also construct thermal vacuum test chambers for aerospace and defense industries and other infrastructure for industries including petrochemical, sulfur, mining and minerals primarily in the extraction of non-ferrous metals, cement, agriculture, wastewater treatment facilities and other industrial customers.

We evaluate performance and allocate resources based on operating income. We eliminate intersegment sales; therefore, no intercompany profit or loss is recognized. Corporate selling, general and administrative expenses, including corporate salaries and facilities costs, are excluded from our three reportable segments in order to better align controllable costs with the responsibility of segment management, and to be consistent with how our chief operating decision-maker assesses segment performance and allocates resources.

Segment assets consist primarily of accounts receivable, costs and estimated earnings in excess of billings on uncompleted contracts, property, plant and equipment, right-of-use lease assets, goodwill and other intangible assets.

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Matrix Service Company

Notes to Consolidated Financial Statements (continued)

**Results of Operations
(In thousands)**

	Fiscal year ended June 30, 2023					Fiscal year ended June 30, 2023				
	Utility and Power Infrastructure	Process and Industrial Facilities	Storage and Terminal Solutions	Corporate	Total	Storage and Terminal Solutions	Utility and Power Infrastructure	Process and Industrial Facilities	Corporate	Total
Gross revenue						\$ 261,244	\$ 169,558	\$ 370,076	\$ —	\$ 800,878

Less: inter-segment revenue							Less: inter-segment revenue	5,551	54	253	—	5,858
Consolidated revenue							Consolidated revenue	255,693	169,504	369,823	—	795,020
Gross profit (loss)							Gross profit (loss)	10,470	10,699	10,756	(1,105)	30,820
Selling, general and administrative expenses							Selling, general and administrative expenses	20,054	7,045	14,909	26,241	68,249
Goodwill impairment and restructuring costs							Goodwill impairment and restructuring costs	969	37	13,288	1,164	15,458
Operating income (loss)							Operating income (loss)	(10,553)	3,617	(17,441)	(28,510)	(52,887)
Segment assets							Segment assets	139,333	67,630	90,514	103,027	400,504
Capital expenditures							Capital expenditures	1,406	4,501	2,775	327	9,009
Depreciation and amortization							Depreciation and amortization	3,281	3,465	4,783	2,165	13,694
Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2022						Fiscal year ended June 30, 2022					
Gross revenue	Gross revenue	\$ 220,093	\$ 258,497	\$ 236,260	\$ —	\$ 714,850	Gross revenue	\$ 236,260	\$ 220,093	\$ 258,497	\$ —	\$ 714,850
Less: inter-segment revenue	Less: inter-segment revenue	—	3,649	3,421	—	7,070	Less: inter-segment revenue	3,421	—	3,649	—	7,070
Consolidated revenue	Consolidated revenue	220,093	254,848	232,839	—	707,780	Consolidated revenue	232,839	220,093	254,848	—	707,780
Gross profit (loss)	Gross profit (loss)	(8,586)	9,270	262	(2,152)	(1,206)	Gross profit (loss)	262	(8,586)	9,270	(2,152)	(1,206)
Selling, general and administrative expenses	Selling, general and administrative expenses	11,771	12,506	17,284	26,129	67,690	Selling, general and administrative expenses	17,284	11,771	12,506	26,129	67,690
Goodwill impairment and restructuring costs	Goodwill impairment and restructuring costs	2,746	6,867	7,330	2,015	18,958	Goodwill impairment and restructuring costs	7,330	2,746	6,867	2,015	18,958
Operating loss	Operating loss	(23,103)	(10,103)	(24,352)	(30,296)	(87,854)	Operating loss	(24,352)	(23,103)	(10,103)	(30,296)	(87,854)
Segment assets	Segment assets	94,059	104,078	141,084	101,572	440,793	Segment assets	141,084	94,059	104,078	101,572	440,793
Capital expenditures	Capital expenditures	29	254	338	2,724	3,345	Capital expenditures	338	29	254	2,724	3,345
Depreciation and amortization	Depreciation and amortization	3,812	5,659	5,540	243	15,254	Depreciation and amortization	5,540	3,812	5,659	243	15,254
Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2021						Fiscal year ended June 30, 2021					
Gross revenue	Gross revenue	\$ 210,052	\$ 201,472	\$ 267,982	\$ —	\$ 679,506	Gross revenue	\$ 267,982	\$ 210,052	\$ 201,472	\$ —	\$ 679,506

Less: inter-segment revenue	Less: inter-segment revenue	—	1,555	4,553	—	6,108	Less: inter-segment revenue	4,553	—	1,555	—	6,108
Consolidated revenue	Consolidated revenue	210,052	199,917	263,429	—	673,398	Consolidated revenue	263,429	210,052	199,917	—	673,398
Gross profit	Gross profit	1,506	17,642	13,617	—	32,765	Gross profit	13,617	1,506	17,642	—	32,765
Selling, general and administrative expenses	Selling, general and administrative expenses	9,882	14,756	18,644	26,474	69,756	Selling, general and administrative expenses	18,644	9,882	14,756	26,474	69,756
Restructuring costs	Restructuring costs	1,312	3,807	1,391	246	6,756	Restructuring costs	1,391	1,312	3,807	246	6,756
Operating loss	Operating loss	(9,688)	(921)	(6,418)	(26,720)	(43,747)	Operating loss	(6,418)	(9,688)	(921)	(26,720)	(43,747)
Segment assets	Segment assets	81,717	106,619	160,782	118,438	467,556	Segment assets	160,782	81,717	106,619	118,438	467,556
Capital expenditures	Capital expenditures	1,183	834	1,136	1,201	4,354	Capital expenditures	1,136	1,183	834	1,201	4,354
Depreciation and amortization	Depreciation and amortization	4,127	6,018	7,456	257	17,858	Depreciation and amortization	7,456	4,127	6,018	257	17,858
Fiscal year ended June 30, 2020												
Gross revenue		\$ 212,001	\$ 424,710	\$ 470,871	\$ —	\$ 1,107,582						
Less: inter-segment revenue		—	2,839	3,805	—	6,644						
Consolidated revenue		212,001	421,871	467,066	—	1,100,938						
Gross profit (loss)		7,081	36,349	61,413	(2,667)	102,176						
Selling, general and administrative expenses		10,047	24,266	26,386	25,577	86,276						
Intangible asset impairments and restructuring costs		27,625	22,914	1,066	920	52,525						
Operating income (loss)		(30,591)	(10,831)	33,961	(29,164)	(36,625)						
Segment assets		67,398	138,734	187,167	124,011	517,310						
Capital expenditures		3,285	7,523	4,921	2,810	18,539						
Depreciation and amortization		3,054	8,014	7,743	313	19,124						

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Matrix Service Company

Notes to Consolidated Financial Statements (continued)

Information about Significant Customers:

	Significant Customers as a Percentage of Segment Revenue				Significant Customers as a Percentage of Segment Revenue			
	Consolidated	Utility and Power Infrastructure	Process and Industrial Facilities	Storage and Terminal Solutions	Consolidated	Storage and Terminal Solutions	Utility and Power Infrastructure	Process and Industrial Facilities
Fiscal Year ended June 30, 2023					Fiscal Year ended June 30, 2023			
Customer one					Customer one	10.7 %	— %	— % 22.9 %

Matrix Service Company

Notes to Consolidated Financial Statements (continued)

Restructuring costs incurred are classified as follows:

	Fiscal Year Ended June 30, 2022	Fiscal Year Ended June 30, 2021	Fiscal Year Ended June 30, 2020	Since Inception of Business Improvement Plan
(in thousands)				
Utility and Power Infrastructure				
Severance and other personnel-related costs	\$ 45	\$ 1,199	\$ 1,340	\$ 2,584
Facility costs	—	113	235	348
Other intangible asset impairments	—	—	1,150	1,150
Other costs	1	—	—	1
Total Utility and Power Infrastructure	\$ 46	\$ 1,312	\$ 2,725	\$ 4,083
Process and Industrial Facilities				
Severance and other personnel-related costs	\$ (22)	\$ 2,951	\$ 6,167	\$ 9,096
Facility costs	17	431	2,757	3,205
Other intangible asset impairments	—	—	375	375
Other costs ⁽¹⁾	(1,597)	426	—	(1,171)
Total Process and Industrial Facilities	\$ (1,602)	\$ 3,808	\$ 9,299	\$ 11,505
Storage and Terminal Solutions				
Severance and other personnel-related costs	\$ 69	\$ 1,231	\$ 347	\$ 1,647
Facility costs	—	159	720	879
Other costs	28	—	—	28
Total Storage and Terminal Solutions	\$ 97	\$ 1,390	\$ 1,067	\$ 2,554
Corporate				
Severance and other personnel-related costs	\$ 504	\$ 164	\$ 919	\$ 1,587
Facility costs	16	82	—	98
Other costs	1,585	—	—	1,585
Total Corporate	\$ 2,105	\$ 246	\$ 919	\$ 3,270
Total restructuring costs	\$ 646	\$ 6,756	\$ 14,010	\$ 21,412
Restructuring Costs by Type:				
Severance and other personnel-related costs	\$ 596	\$ 5,545	\$ 8,773	\$ 14,914
Total facility costs	33	785	3,712	4,530
Total other intangible asset impairments	—	—	1,525	1,525
Other costs	17	426	—	443
Total restructuring costs	\$ 646	\$ 6,756	\$ 14,010	\$ 21,412

	Fiscal Year Ended June 30, 2023	Fiscal Year Ended June 30, 2022	Fiscal Year Ended June 30, 2021	Since Inception of Business Improvement Plan
(in thousands)				
Restructuring Costs by Type:				
Severance and other personnel-related costs	\$ 2,787	\$ 596	\$ 5,545	\$ 17,701
Total facility costs	216	33	785	4,746
Total other intangible asset impairments	—	—	—	1,525
Other costs	139	17	426	582
Total restructuring costs	\$ 3,142	\$ 646	\$ 6,756	\$ 24,554

(1) Other costs in the Process and Industrial Facilities segment consisted of a \$1.6 million credit in the third quarter of fiscal 2022. The credit was due to a favorable settlement of a restructuring obligation related to our exit from the domestic iron and steel industry in fiscal 2020.

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Matrix Service Company
Schedule II—Valuation and Qualifying Accounts
June 30, 2022, June 30, 2021 2023, June 30, 2022, and June 30, 2020 June 30, 2021
(In thousands)

COL. A	COL. A	COL. B	COL. C ADDITIONS	COL. D	COL. E	COL. A	COL. B	COL. C ADDITIONS	COL. D	COL. E		
		Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts —Describe	Deductions —Describe	Balance at End of Period		Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts — Describe	Deductions —Describe	Balance at End of Period
Fiscal Year 2023						Fiscal Year 2023						
Deducted from asset accounts:						Deducted from asset accounts:						
Allowance for doubtful accounts						Allowance for doubtful accounts	\$ 1,320	\$ (88)	\$ —	\$ (171) (A)		\$ 1,061
Valuation reserve for deferred tax assets						Valuation reserve for deferred tax assets	28,615	12,595	—	(150) (B)		41,060
Total						Total	\$ 29,935	\$ 12,507	\$ —	\$ (321)		\$ 42,121
Fiscal Year 2022	Fiscal Year 2022					Fiscal Year 2022						
Deducted from asset accounts:	Deducted from asset accounts:					Deducted from asset accounts:						
Allowance for doubtful accounts	Allowance for doubtful accounts	\$ 898	\$ 738	\$ —	\$ (316) (A)	\$ 1,320	Allowance for doubtful accounts	\$ 898	\$ 738	\$ —	\$ (316) (C)	\$ 1,320
Valuation reserve for deferred tax assets	Valuation reserve for deferred tax assets	11,104	17,943	—	(432) (B)	28,615	Valuation reserve for deferred tax assets	11,104	17,943	—	(432) (B)	28,615
Total	Total	\$ 12,002	\$ 18,681	\$ —	\$ (748)	\$ 29,935	Total	\$ 12,002	\$ 18,681	\$ —	\$ (748)	\$ 29,935
Fiscal Year 2021	Fiscal Year 2021					Fiscal Year 2021						
Deducted from asset accounts:	Deducted from asset accounts:					Deducted from asset accounts:						

Allowance for doubtful accounts	Allowance for doubtful accounts	905	85	—	(92) (C)	898	Allowance for doubtful accounts	\$ 905	\$ 85	\$ —	\$ (92) (D)	\$ 898
Valuation reserve for deferred tax assets	Valuation reserve for deferred tax assets	7,763	2,797	—	544 (D)	11,104	Valuation reserve for deferred tax assets	7,763	2,797	—	544 (E)	11,104
Total	Total	8,668	2,882	—	452	12,002	Total	\$ 8,668	\$ 2,882	\$ —	\$ 452	\$ 12,002
Fiscal Year 2020												
Deducted from asset accounts:												
Allowance for doubtful accounts		923	1,158	—	(1,176) (E)	905						
Valuation reserve for deferred tax assets		4,959	3,062	—	(258) (B)	7,763						
Total		5,882	4,220	—	(1,434)	8,668						

(A) Relates to the write off various write-offs and cash receipts of a \$0.3 million account receivable that was fully previously reserved in a accounts from prior period. periods.

(B) Relates to foreign currency translation for the portion of the valuation allowance on net operating loss and tax credit carryforwards in foreign jurisdictions.

(C) Relates to the write off of a \$0.3 million account receivable that was fully reserved in a prior period.

(D) Primarily relates to a \$0.1 million reserve that was recognized as a credit loss and ultimately written off within fiscal 2021.

(D)(E) Relates to \$1.1 million of foreign currency translation for the portion of the valuation allowance on net operating loss and tax credit carryforwards in foreign jurisdictions, partially offset by \$0.6 million of fully reserved tax credits that expired in fiscal 2021.

(E) Primarily relates to a \$0.6 million reserve that was recognized as a credit loss and ultimately settled and written off within fiscal 2020 and \$0.3 million of payments received on a balance that was fully reserved.

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure 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).

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 June 30, 2022, June 30, 2023. 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 June 30, 2022.

On September 12, 2022, we filed a form 12b-25 with the SEC to notify the Commission that we were not in a position to file this Form 10-K in a timely manner without unreasonable effort or expense for reasons described below. In the course of preparing our financial statements, we discovered that employee support and oversight time for a certain project was allocated to our general overhead expense category rather than to the specific project to which it should have been allocated. We conducted an internal review and determined the amount of misallocated time was immaterial. As a result of this issue, our Audit Committee engaged third-party advisors to conduct a review of the Company's internal control over financial reporting and findings of the investigation. The review confirmed our internal conclusion that the misallocated time was immaterial and the review supported management's conclusion that no material weakness in our internal control over financial reporting exists and that our internal control over financial reporting was effective at a reasonable assurance level at June 30, 2022, June 30, 2023.

Management's Report on Internal Control over Financial Reporting

See “Management’s Report on Internal Control over Financial Reporting” set forth in Item 8, Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There have been no changes during the fourth quarter of fiscal 2022 2023 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item with respect to our directors and corporate governance is incorporated herein by reference to the sections entitled “Proposal Number 1: Election of Directors” and “Corporate Governance and Board Matters” in our definitive Proxy Statement for the 2022 2023 Annual Meeting of Stockholders (“Proxy Statement”). The information required by this item with respect to our executive officers is incorporated herein by reference to the section entitled “Executive Officer Information” in the Proxy Statement.

We have adopted a Code of Business Conduct and Ethics applicable to all our directors, officers and employees, including the principal executive officer, principal financial officer and principal accounting officer. In addition, we have adopted Corporate Governance Guidelines for the Board of Directors and Charters for the Audit, Compensation and Nominating and Corporate Governance Committees of the Board of Directors. The current version of these corporate governance documents is publicly available in the “Investors” section of our website at matrixservicecompany.com under “Corporate Governance.” If we make any substantive amendments to the Code of Business Conduct and Ethics, or grant any waivers, including implicit waivers, from the Code of Business Conduct and Ethics applicable to the principal executive officer, principal financial officer or principal accounting officer, or any person performing similar functions, we will disclose such amendment or waiver on our website or in a report on Form 8-K.

Item 11. Executive Compensation

The information required by this item is incorporated herein by reference to the sections entitled “Director Compensation,” “Compensation Discussion and Analysis” and “Executive Officer Compensation” in the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated herein by reference to the sections entitled “Securities Authorized for Issuance Under Executive Compensation Plans” and “Security Ownership of Certain Beneficial Owners and Management” in the Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated herein by reference to the section entitled “Corporate Governance and Board Matters” and “Certain Relationships and Related Transactions” in the Proxy Statement.

Item 14. Principal Accounting Fees and Services

The information required by this item is incorporated herein by reference to the sections entitled “Fees of Independent Registered Public Accounting Firm” and “Audit Committee Pre-Approval Policy” in the Proxy Statement.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) (1) Financial Statements of the Company

The following financial statements and supplementary data are filed as a part of this report under "Item 8—Financial Statements and Supplementary Data" in this Annual Report on Form 10-K:

Financial Statements of the Company

Management's Report on Internal Control Over Financial Reporting	43
Reports of Independent Registered Public Accounting Firm (Deloitte & Touche LLP)	44
Consolidated Statements of Income for the Fiscal Years Ended June 30, 2022, June 30, 2023, June 30, 2021, June 30, 2022 and June 30, 2020	48
Consolidated Statements of Comprehensive Income for the Fiscal Years Ended June 30, 2022, June 30, 2023, June 30, 2021, June 30, 2022 and June 30, 2020	49
Consolidated Balance Sheets as of June 30, 2022, June 30, 2023 and June 30, 2021	50
Consolidated Statements of Cash Flows for the Fiscal Years Ended June 30, 2022, June 30, 2023, June 30, 2021, June 30, 2022 and June 30, 2020	52
Consolidated Statements of Changes in Stockholders' Equity for the Fiscal Years Ended June 30, 2022, June 30, 2023, June 30, 2021, June 30, 2022 and June 30, 2020	54
Notes to Consolidated Financial Statements	55
Schedule II—Valuation and Qualifying Accounts	81

(2) Financial Statement Schedules

The financial statement schedule is filed as a part of this report under Schedule II—Valuation and Qualifying Accounts [June 30, 2022](#), [June 30, 2023](#), [June 30, 2021](#), [June 30, 2022](#) and [June 30, 2020](#), immediately following Notes to Consolidated Financial Statements. All other schedules are omitted because they are not applicable or the required information is shown in the financial statements, or notes thereto, included herein.

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(3) The following documents are included as exhibits to this Annual Report on Form 10-K. The exhibits below incorporated by reference herein are indicated as such by the information supplied in the parenthetical hereafter.

- 3.1 [Amended and Restated Certificate of Incorporation of Matrix Service Company \(Appendix A \(Exhibit 3.1 to the Company's Proxy Statement Current Report on Form 8-K filed October 7, 2016 December 7, 2022\)\).](#)
- 3.2 [Second Third Amended and Restated Bylaws, effective as of May 4, 2017 May 2, 2023 \(Exhibit 3.1 to the Company's Quarterly Current Report on Form 10-Q 8-K filed May 10, 2017 May 8, 2023\).](#)
- 4.1 [Description of the Company's Common Stock \(Exhibit 4.2 to the Company's Annual Report on Form 10-K filed September 4, 2019\).](#)
- +10.1 [Matrix Service Company 2004 Stock Incentive Plan \(Appendix B to the Company's Proxy Statement filed September 15, 2006\).](#)
- +10.2 [Amendment 1 to Matrix Service Company 2004 Stock Incentive Plan \(Exhibit 10 to Amended Schedule 14A filed October 4, 2006\).](#)
- +10.3 [Amendment 2 to Matrix Service Company 2004 Stock Incentive Plan \(Exhibit 10.6 to the Company's Annual Report on Form 10-K filed August 5, 2008\).](#)
- +10.4 [Amendment 3 to Matrix Service Company 2004 Stock Incentive Plan \(Exhibit A to the Company's Proxy Statement filed September 11, 2009\).](#)
- +10.5 [Matrix Service Company 2016 Stock and Incentive Compensation Plan \(Appendix B to the Company's Proxy Statement, filed October 7, 2016\).](#)
- +10.6 [Form of Restricted Stock Unit Award Agreement for Directors \(2016 Stock and Incentive Compensation Plan\) \(Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q, filed February 9, 2017\).](#)
- +10.7 [Form of Long-Term Incentive Award Agreement \(2016 Stock and Incentive Compensation Plan\) \(Exhibit 10.11 to the Company's Annual Report on Form 10-K/A, filed September 19, 2018\).](#)
- +10.8 [Matrix Service Company 2018 Stock and Incentive Compensation Plan \(Appendix A to the Company's Proxy Statement, filed September 21, 2018\).](#)
- +10.9 10.2 [Form of Restricted Stock Unit Award Agreement for Directors \(2018 Stock and Incentive Compensation Plan\) \(Exhibit 10 to the Company's Quarterly Report on Form 10-Q, filed November 8, 2018\).](#)
- +10.10 10.3 [Form of Restricted Stock Unit Agreement for Employees \(2018 Stock and Incentive Compensation Plan\) \(Exhibit 10.14 to the Company's Annual Report on Form 10-K, filed September 3, 2020\).](#)
- +10.11 10.4 [Form of Long-Term Incentive Award Agreement \(2018 Stock and Incentive Compensation Plan\) \(Exhibit 10.15 to the Company's Annual Report on Form 10-K, filed September 3, 2020\).](#)
- +10.12 10.5 [Form of Amended and Restated Severance Agreement \(Exhibit 10 to the Company's Current Report on Form 8-K filed November 15, 2016\).](#)
- +10.13 10.6 [Amended and Restated Deferred Compensation Plan for Members of the Board of Directors \(Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q, filed January 8, 2009\).](#)
- +10.14 10.7 [Amendment 1 to Amended and Restated Deferred Compensation Plan for Members of the Board of Directors \(Exhibit 10 to the Company's Quarterly Report on Form 10-Q, filed November 9, 2012\).](#)
- +10.15 10.8 [Matrix Service Company 2020 Stock and Incentive Compensation Plan \(Appendix A to the Company's Proxy Statement filed on September 24, 2020\).](#)
- +10.16 10.9 [Form of Long-Term Incentive Award Agreement \(2020 Stock and Incentive Compensation Plan\) \(Exhibit 10.16 to the Company's Annual Report on Form 10-K filed September 13, 2021\).](#)
- +10.17 10.10 [Form of Restricted Stock Unit Award Agreement \(2020 Stock and Incentive Compensation Plan\) \(Exhibit 10.17 to the Company's Annual Report on Form 10-K filed September 13, 2021\).](#)
- +10.18 10.11 [Form of Indemnification Agreement \(Exhibit 10 to the Company's Quarterly Report on Form 10-Q filed November 7, 2019\).](#)
- 10.19 10.12 [Credit Agreement dated as of September 9, 2021 by and among, Matrix Service Company and certain subsidiaries thereof, certain financial institutions as lenders, and Bank of Montreal, as administrative agent \(Exhibit 10.19 to the Company's Annual Report on Form 10-K filed September 13, 2021\).](#)
- 10.13 [First Amendment and Waiver to Credit Agreement dated October 5, 2020 by and among Matrix Service Company and certain subsidiaries thereof, certain financial institutions as lenders, and Bank of Montreal, as administrative agent \(Exhibit 10.1 to the Company's Current Report on Form 8-K filed October 7, 2022\).](#)
- +10.20 10.14 [Amended and Restated Matrix Service Company 2021 Severance Plan for Executives \(Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed May 10, 2022\).](#)

*10.21 [Purchase and Sale Agreement dated June 9, 2022 by and between Matrix Service, Inc. and Pisces Logistics](#)

[Acquisition LLC](#)

- *21 [Subsidiaries.](#)
- *23 [Consent of Independent Registered Public Accounting Firm —Deloitte & Touche LLP.](#)
- *31.1 [Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002— CEO.](#)
- *31.2 [Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002— CFO.](#)
- *32.1 [Certification Pursuant to 18 U.S.C. 1350 \(section 906 of Sarbanes-Oxley Act of 2002\)— CEO.](#)
- *32.2 [Certification Pursuant to 18 U.S.C. 1350 \(section 906 of Sarbanes-Oxley Act of 2002\)— CFO.](#)
- *95 [Mine Safety Disclosure.](#)
- *101.INS XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- *101.SCH XBRL Taxonomy Schema Document.
- *101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.
- *101.DEF XBRL Taxonomy Extension

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Jim W. Mogg</u> Jim W. Mogg	Chairman of the Board of Directors	October 11, 2022 September 12, 2023
<u>/s/ John R. Hewitt</u> John R. Hewitt	President, Chief Executive Officer and Director (Principal Executive Officer)	October 11, 2022 September 12, 2023
<u>/s/ Kevin S. Cavanah</u> Kevin S. Cavanah	Vice President and Chief Financial Officer (Principal Accounting and Principal Financial Officer)	October 11, 2022 September 12, 2023
<u>/s/ Jose L. Bustamante</u> Jose L. Bustamante	Director	October 11, 2022 September 12, 2023
<u>/s/ Martha Z. Carnes</u> Martha Z. Carnes	Director	October 11, 2022 September 12, 2023
<u>/s/ John D. Chandler</u> John D. Chandler	Director	October 11, 2022 September 12, 2023
<u>/s/ Carlin G. Conner</u> Carlin G. Conner	Director	October 11, 2022 September 12, 2023
<u>/s/ Liane K. Hinrichs</u> Liane K. Hinrichs	Director	October 11, 2022 September 12, 2023
<u>/s/ James H. Miller</u> James H. Miller	Director	October 11, 2022 September 12, 2023

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (this "Agreement"), dated as of June 9, 2022 (the "Effective Date"), is made by and between MATRIX SERVICE INC., an Oklahoma corporation ("Seller"), and PISCES LOGISTICS ACQUISITION LLC, a Delaware limited liability company ("Purchaser").

RECITALS:

- A. Seller is the owner of certain real property and the improvements thereon located in Orange County, California; and
- B. Seller desires to sell to Purchaser, and Purchaser desires to purchase from Seller, the Property (as defined in Section 1) upon the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing, of the covenants, promises, and undertakings set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Seller and Purchaser agree as follows:

1. **Sale.** Subject to the terms and conditions of this Agreement, Seller shall sell, and Purchaser shall purchase the following:

1.1 that certain real property located in Orange County, California, which is more particularly described on Exhibit A, together with all improvements and rights thereto (the "Land");

1.2 all right, title and interest of Seller in and to all streets, alleys easements and rights of way in, on, across, in front of, abutting or adjoining the Land and any other appurtenances belonging thereto, including without limitation all oil, gas and other minerals located in, on or under the Land, if any (collectively the "Appurtenances");

1.3 all right, title and interest of Seller in and to all buildings, canopies, fixtures, structures, sidewalks, access ways, landscaping and other improvements including mechanical, electrical, and plumbing systems located on the Land (the "Improvements"); and

1.4 all of Seller's right, title and interest, if any, in all (a) warranties and guaranties relating to the Land or the Improvements, (b) all licenses, permits and approvals relating to the Land or the Improvements (but not any licenses, permits or approvals relating to Seller's operations on the Land), and (c) all plans and specifications relating to the Land and the, Improvements, in each case to the extent that Seller may legally transfer the same (the "Intangible Property").

The Land, Appurtenances, Improvements, and Intangible Property are hereinafter collectively called the "Property." For purposes of clarification, Seller and Purchaser acknowledge and agree that all personal property including bridge cranes and other trade fixtures located on the Property is being retained by Seller. Seller shall have the right to keep the personal property on the Property after Closing, provided that, as a covenant that survives the Closing, the same shall be removed prior to the expiration of the term of the Lease.

2. Price and Payment.

2.1 Purchase Price. The purchase price for the Property is THIRTY-SEVEN MILLION, SIX HUNDRED SEVENTY-FOUR THOUSAND, TWO HUNDRED SEVENTY-ONE AND 53/100 DOLLARS (\$37,674,271.53) (the "Purchase Price").

2.2 Payment. Subject to the terms of this Agreement, payment of the Purchase Price shall be made as follows:

2.2.1 Within three (3) business days of the Effective Date, an earnest money deposit of \$1,500,000.00 (the "Deposit"), by wire transfer of immediately available funds to the Title Company (as defined in Section 2.3); and

2.2.2 Upon Closing (as defined in Section 2.3), an amount equal to the Purchase Price less the sum of the Deposit, subject to adjustment for the prorations as provided herein, by wire transfer of immediately available funds to a bank account or accounts designated by the Title Company for further disbursement to Seller in connection with the Closing.

2.3 Closing. The closing of the purchase and sale hereunder (the "Closing") shall take place on or before June 22, 2022 (the "Closing Date"), through the exchange of documents and funds at the offices of Chicago Title Company at 725 South Figueroa Street, Suite 200, Los Angeles, California 90017, Attention: Michael Slinger (the "Title Company"), or at such other time and place as may be agreed upon in writing by Seller and Purchaser.

2.4 Title Company. The Title Company hereby agrees to accept and hold the Deposit in escrow and dispose of the Deposit in accordance with the following provisions:

2.4.1 The Title Company shall place the Deposit in a bank account in the continental United States. Except as otherwise provided in this Agreement, the Deposit shall be applied to the Purchase Price at Closing. The Title Company is not required to place the Deposit into an interest-bearing account.

2.4.2 The Title Company shall deliver the Deposit to Seller or to Purchaser, as the case may be, under the following conditions:

(a) To Seller on the date of and upon the consummation of the Closing.

(b) To Seller upon receipt of written demand therefor ("Seller's Demand for Deposit") stating that Purchaser has defaulted in the performance of Purchaser's obligation to close under this Agreement and the facts and circumstances underlying such default; provided, however, that the Title Company shall not honor such demand until more than five (5) business days after the Title Company shall have sent a copy of such demand to Purchaser in accordance with the provisions of Section 2.4.3 or thereafter if the Title Company shall have received a "Notice of Objection" (as defined in Section 2.4.3) from Purchaser within such five (5) business day period.

(c) To Purchaser upon receipt of written demand therefor ("Purchaser's Demand for Deposit") stating that this Agreement has been terminated in accordance with the provisions hereof, or that Seller has defaulted in the performance of any of Seller's obligations under this Agreement, and the facts and circumstances underlying the same; provided, however, that the Title

Company shall not honor such demand until more than five (5) business days after the Title Company shall have sent a copy of such demand to Seller in accordance with the provisions of Section 2.4.3 or thereafter if the Title Company shall have received a Notice of Objection from Seller within such five (5) business day period.

(d) Notwithstanding anything in this Agreement to the contrary, the Title Company shall immediately return the Deposit to Purchaser, without further instruction from either party in the event that the Title Company receives written notice from Purchaser on or before 5:00 p.m. PT on the Inspection Expiration Date (as defined in Section 3.1.2) of Purchaser's election to terminate this

Agreement, without any requirement that the Title Company retain the Deposit pending receipt of a Notice of Objection from Seller. The foregoing sentence shall only be in effect until 5:00 p.m. PT on the Inspection Expiration Date, and thereafter shall no longer govern the handling of the Deposit by the Title Company.

2.4.3 Subject to [Section 2.4.2\(d\)](#), within one business day of the receipt by the Title Company of a Seller's Demand for Deposit or a Purchaser's Demand for Deposit, the Title Company shall send a copy thereof to the other party by email transmission (with telephonic confirmation of receipt) and otherwise as provided in [Section 14](#). The other party shall have the right to object to the delivery of the Deposit by sending written notice (a "Notice of Objection") of such objection to the Title Company by email transmission (with telephonic confirmation of receipt) and otherwise as provided in [Section 14](#), which Notice of Objection shall be deemed null and void and ineffective if such Notice of Objection is not received by the Title Company within the time periods prescribed in [Section 2.4.2](#). Such notice shall set forth the basis for objecting to the delivery of the Deposit. Upon receipt of a Notice of Objection, the Title Company shall promptly send a copy thereof to the party who sent the written demand for deposit.

2.4.4 Subject to [Section 2.4.2\(d\)](#), in the event the Title Company shall have received the Notice of Objection within the time periods prescribed in [Section 2.4.2](#), the Title Company shall continue to hold the Deposit until (a) the Title Company receives joint written direction from Seller and Purchaser directing the disbursement of the Deposit, in which case the Title Company shall then disburse the Deposit in accordance with such direction, (b) in the event of litigation between Seller and Purchaser, the Title Company shall deliver the Deposit to the clerk of the court in which the litigation is pending, or (c) the Title Company takes such affirmative steps as the Title Company may, at the Title Company's option, elect in order to terminate the Title Company's duties including, but not limited to, depositing the Deposit in any court which the Title Company shall select in the State of California in an action for interpleader, with the costs thereof to be borne by whichever of Seller or Purchaser is the losing party.

2.4.5 The Title Company may act upon any instrument or other writing believed by the Title Company in good faith to be genuine and to be signed and presented by the proper person, and shall not be liable in connection with the performance of any duties imposed upon the Title Company by the provisions of this Agreement, except for the Title Company's willful misconduct or gross negligence. The Title Company shall have no duties or responsibilities except those set forth in this Agreement. The Title Company shall not be bound by any modification of this Agreement, unless (a) the same is in

writing and signed by Purchaser and Seller, and delivered to the Title Company and, (b) if the Title Company's duties hereunder are affected, the Title Company shall have given prior written consent thereto. In the event that the Title Company shall be uncertain as to the Title Company's duties or rights hereunder, or shall receive instructions from Purchaser or Seller which, in the Title Company's opinion, are in conflict with any of the provisions hereof, the Title Company shall be entitled to hold and apply the Deposit pursuant to [Section 2.4.4](#) and may decline to take any other action.

2.4.6 It is agreed that the escrow made herein is for the accommodation of Purchaser and Seller. Purchaser and Seller jointly and severally agree to indemnify and hold harmless the Title Company from the payment of any expenses or disbursements incurred by reason hereof, including, without limitation, reasonable attorneys' fees and costs, including all such fees and costs incurred in any trial or appellate proceedings except in the event of a direct action by the Parties against the Title Company for the Title Company's own breach of contract, negligence or willful or intentional misconduct, in which situation the Parties would have no such duties to indemnify and/or hold the Title Company harmless.

3. [Review Documents; Inspections; Title and Survey.](#)

3.1 [Inspections.](#)

3.1.1 Purchaser or Purchaser's agents or representatives shall have access to the Property from time to time upon not less than one (1) full business day prior to the intended date of entry (which notice may be done via email (with read receipt confirmation) or telephone to Justin Sheets at, jsheets@matrixservicecompany.com or mobile telephone number: (484) 201-5828. Each such request shall specify the intended date of entry and shall provide a detailed description of the proposed investigations, including, without limitation, a list of contractors who will be performing the proposed investigation, a copy, if applicable, of the Purchaser's testing plan as described in [Section 3.1.2](#) and such other information as Seller reasonably requires in connection with such proposed inspection. Neither Purchaser nor any of Purchaser's agents or representatives shall enter the Property until Seller has given written approval of both the request and any testing plan. Purchaser acknowledges that prior to the Effective Date, Purchaser received a Phase I Environmental Site Assessment (the "ESA"). Prior to the Effective Date and no later than within three (3) Business Days from the Effective Date, Seller shall, and shall direct its agents and employees to, promptly cooperate with the reasonable requests of the Purchaser to obtain information concerning the Property, including any material documentation concerning the Property to the extent in Seller's or its agents and employees possession or control.

3.1.2 During the term of this Agreement and subject to Purchaser's compliance with [Section 3.1.1](#), Purchaser shall have the right to conduct such due diligence, review such information and conduct such inspections with respect to the Property, including, without limitation, appraisals, engineering studies, soil tests, environmental studies, inquiry of governmental officials, and underwriting analyses as Purchaser shall deem necessary or desirable to evaluate the Property including, without limitation, the physical condition thereof; provided, that without the prior written consent of Seller as to the timing and scope (which may be withheld in Seller's sole discretion), Purchaser shall not be entitled to conduct any invasive physical or environmental inspection of the Property, including without limitation, any core sampling and any environmental testing other than a Phase I Environmental Site Assessment. If Purchaser wishes to obtain Seller's consent to conduct

tests or inspections at the Property, Purchaser shall deliver a written request to Seller setting forth in reasonable detail the nature and scope of the proposed work and the party who is to conduct the work. A representative of Seller shall have the right, but not the obligation, to be present during any such test or inspection; provided that if Seller is not present at the agreed upon time for such investigation, Seller's absence shall not prohibit Purchaser from conducting such investigation.

3.1.3 Purchaser shall not make any contact with anyone at the Property without the prior written consent of Seller, which may be given or withheld in Seller's sole discretion; *provided*, that Purchaser shall have the right to coordinate with Seller's employees with respect to any inspection or investigations.

3.1.4 If at any time on or before 5:00 p.m. PT on June 15, 2022 (the "Inspection Expiration Date") Purchaser is not satisfied with any matter relating to the Property in its sole and absolute discretion and desires to terminate this Agreement, Purchaser may terminate this Agreement by giving Seller and the Title Company written notice on or before the Inspection Expiration Date of Purchaser's election to terminate this Agreement (a "Termination Notice"), whereupon the Deposit shall be returned to Purchaser, and neither party shall have any further obligation or liability hereunder, except those expressly stated to survive termination of this Agreement. Upon receipt of a Termination Notice prior to the Inspection Expiration Date, the Title Company shall immediately deliver the Deposit to Purchaser, and the parties agree that no mutual written consent or approval from Seller shall be required to authorize the return of the Deposit. If Purchaser has not given Seller a Termination Notice on or before the Inspection Expiration Date, this Agreement shall continue in full force and effect and be binding upon the parties, and the Deposit shall immediately become non-refundable and payable to Seller upon Closing or upon default by Purchaser as provided herein, except as otherwise expressly provided in this Agreement.

3.1.5 Purchaser agrees that, in making any inspections of, or conducting any testing of, on, or under the Property, Purchaser or Purchaser's agents will not unreasonably interfere with the operation of the Property, and will restore promptly any physical damage caused by such inspections or tests to substantially the same condition as existed prior to such inspections or tests (excluding any preexisting adverse conditions). Seller reserves the right to have a representative present at any such physical inspections or tests at the Property, but Seller's failure to have such a representative present shall not in and of itself prevent such inspections and tests from going forward. Any such inspections and testing shall be at Purchaser's sole cost and expense.

3.1.6 Purchaser agrees that, in making any inspections of, or conducting any testing of, on or under the Property, Purchaser or Purchaser's agents will carry not less than \$2,000,000.00 commercial general liability insurance and auto insurance, and upon request of Seller, will provide Seller with written evidence of such insurance. Purchaser will also carry Workers Compensation insurance at statutory levels with Employers Liability with at least \$1,000,000.00 in limits.

3.1.7 Purchaser shall not reveal to any third party not approved by Seller (other than as required by any governmental authority or court order or law, and/or to Purchaser's inspectors, advisors, contractors, employees, attorneys, counsel, consultants and other professionals, lenders, investors and prospective lenders and investors that need to know such information in order for Purchaser to consummate the transaction contemplated in this Agreement, provided that Purchaser advises such persons of the confidential nature of such material and uses reasonable efforts to cause such person to comply with the nondisclosure provisions of this Section) the results of its inspections or tests, provided such obligation of confidentiality will terminate as of the Closing. Purchaser agrees to provide Seller, without any representations or warranties, with a copy of any inspection or test report upon Seller's written request, except any third party report which by its terms prohibits such dissemination.

3.1.8 Purchaser shall indemnify, defend, and hold Seller free and harmless from any loss, injury, damage, claim, lien, cost or expense, including attorneys' fees and costs, arising out of Purchaser's inspection and testing of the Property, or otherwise from the exercise by Purchaser or its agents or representatives of the right of access under Section 3.1; provided; however, that such indemnity shall not include any costs or damages caused by (x) the gross negligence or willful misconduct of Seller or its agents, (y) any claims of diminution in the value of the Property as a consequence of the results revealed by such tests and inspections or (z) any pre-existing condition of the Property, which indemnity shall survive the Closing or termination of this Agreement.

3.2 Title and Survey.

3.2.1 Purchaser acknowledges that prior to the Effective Date, Purchaser received that certain (a) Preliminary Report (Order No. 00177683-984-LT2-JC) prepared by the Title Company and issued by Chicago Title Insurance Company (the "Title Report") and (b) survey of the Property prepared by Richtig Inc. and dated May 8, 2022 (the "Survey"). [Purchaser represents that Purchaser has reviewed the Title Report and Survey, and with the exception of that certain Deed of Trust, dated March 7, 2003 (as amended and restated) identified in Item No. 3 of the "Exceptions" of the Title Report (the "Deed of Trust"), which Seller shall cause to be released in connection with the Closing, Purchaser agrees that any encumbrance or defect shown in the Title Report or Survey as affecting the Property is acceptable and shall be deemed "Permitted Exceptions." For the avoidance of doubt, in no event shall Permitted Exceptions include, and Seller shall have the obligation to remove or cure on or before the Closing Date, (a) any exceptions to title which would be removed upon Seller's delivery of its Title Affidavit (as defined below) to the Title Company, (b) any exceptions to title which are mortgages or liens evidencing monetary encumbrances, including without limitation the Deed of Trust, granted by, through or under Seller, (c) the lien of ad valorem real or personal property taxes, assessments and governmental charges affecting all or any portion of the Property that are delinquent or that will be delinquent on the Closing Date, (d) title matters disclosed on or after the Inspection Expiration Date, except for New Title Matters approved by Purchaser pursuant to Section 3.2.3 below, or (e) any exception to title that Seller has specifically agreed in writing to remove pursuant to this Agreement (collectively, the "Mandatory Cure Items").

3.2.2 At the Closing, Seller shall convey or cause to be conveyed to Purchaser, and Purchaser agrees to accept, title to the Property, subject only to the Permitted Exceptions.

3.2.3 Pursuant to Section 13.3, Purchaser may, prior to the Closing Date, notify Seller in writing of any objection to title or survey (excluding objections to title or survey which have been waived by Purchaser as hereinabove provided or that are or are deemed to be Permitted Exceptions) arising after the Inspection Expiration Date ("New Title Matters").

3.3 Natural Hazards Disclosures. As used herein, the term "Natural Hazard Area" shall mean those areas identified as natural hazard areas or natural hazards in the Natural Hazard Disclosure Act, California Government Code Sections 8589.3, 8589.4, 8589.5, 8875.6, 8875.9, 8893.2, 8893.3, and 51183.5, and California Public Resources Code Sections 2621, et. seq., 2621.9, 2694, and 4125, 4136, California Civil Code section 1103 et. seq. and 2079.9, Business and Professions Code section 10147 and any successor statutes or laws (the "Natural Hazard Disclosure Act"). Seller shall have the Title Company prepare and provide to Purchaser a Natural Hazard Disclosure Statement (the "Natural Hazard Disclosure Statement") in a form required by the Natural Hazard Disclosure Act prior to the Inspection Expiration Date. Purchaser acknowledges that Seller shall retain the services of the Title Company to examine the maps and other information made available to the public by government agencies for the purpose of enabling Seller to fulfill its disclosure obligations with respect to the Natural Hazard Disclosure Act and to prepare the written report of the result of its examination (the "Natural Hazard Report"). Purchaser acknowledges that Purchaser's receipt of the Natural Hazard Disclosure Statement and the Natural Hazard Report fully and completely discharges Seller from its disclosure obligations under the Natural Hazard Disclosure Act, and, for the purposes of this Agreement, the provisions of California Civil Code Section 1102.4, 1103.4, and 1103, et. seq. and 42 U.S.C. section 5154a regarding the non-liability of Seller for errors and/or omissions not within its personal knowledge shall be deemed to apply with respect to the Natural Hazard Disclosure Act, and the preparer of such Natural Hazard Report shall be deemed to be an expert dealing with matters within the scope of its expertise with respect to the examination and written report regarding the natural hazards referred to above. Purchaser acknowledges and agrees that the matters set forth in the Natural Hazard Disclosure Statement may change on or prior to the Closing and that Seller has no obligation to update, modify, or supplement the Natural Hazard Disclosure Statement.

3.4 California Health & Safety Code Section 25359.7 and 25400.28 Disclosure. Section 25359.7 of the California Health & Safety Code requires owners of nonresidential real property who know, or have reasonable cause to believe, that any release of hazardous substance has come to be located on or beneath the real property to provide written notice of such to a purchaser of the real property. Likewise, section 25400.28 requires a disclosure of any release of controlled substance clean-up orders. Not in limitation of any express representations or warranties of Seller under this Agreement, Purchaser acknowledges and agrees that the sole inquiry and investigation Seller has conducted in connection with the environmental condition of the Property is to obtain and/or review those certain environmental reports, assessments, and studies of the Property delivered to Purchaser pursuant to this Agreement. Not in limitation of any express representations or warranties of Seller under this Agreement or any obligation of Seller to deliver the Property materials in accordance with Section 3.1.1, Purchaser: (a) acknowledges Purchaser's receipt of the foregoing notice given pursuant to Sections 25359.7 and 25400.28 of the California Health and Safety Code; and (b) after receiving advice of Purchaser's legal counsel, waives any and all rights Purchaser may have to assert that Seller has not complied with the requirements of Section 25359.7 and/or 25400.28 of the California Health and Safety Code. This Section 3.4 shall survive the Closing.

3.5 Appraisal Discrimination Disclosure. Pursuant to California Civil code section 1102.6g, the following Appraisal Discrimination is made: "Any appraisal of the property is required to be

unbiased, objective, and not influenced by improper or illegal considerations, including, but not limited to, any of the following: race, color, religion (including religious dress, grooming practices, or both), gender (including, but not limited to, pregnancy, childbirth, breastfeeding, and related conditions, and gender identity and gender expression), sexual orientation, marital status, medical condition, military or veteran status, national origin (including language use and possession of a driver's license issued to persons unable to provide their presence in the United States is authorized under federal law), source of income, ancestry, disability (mental and physical, including, but not limited to, HIV/AIDS status, cancer diagnosis, and genetic characteristics), genetic information, or age. If a buyer or seller believes that the appraisal has been influenced by any of the above factors, the seller or buyer can report this information to the lender or mortgage broker that retained the appraiser and may also file a complaint with the Bureau of Real Estate Appraisers at <https://www2.brea.ca.gov/complaint/> or call (916) 552-9000 for further information on how to file a complaint."

3.6 Death Disclosure. There has been no death on the Property in the three years preceding the Effective Date that is known by Seller that would be otherwise required to be disclosed pursuant to California Civil Code section 1710.2.

3.7 Discriminatory Covenants. There are no known Discriminatory Covenants associated with the Property that would otherwise be required to be disclosed by the Seller pursuant to California Government Code section 12956.2.

3.8 Memorandum of Purchase Agreement.

3.8.1 Concurrently with the execution of this Agreement, Purchaser and Seller shall execute, acknowledge and deliver to Escrow a recordable *Memorandum of Agreement* (the "**Memorandum**") in the form attached hereto as Exhibit G-1 together with a *Termination and Release of Memorandum of Agreement* (the "**Termination Agreement**") in the form attached hereto as Exhibit G-2.

3.8.2 Escrow is irrevocably instructed to immediately (i) insert the date in the preamble of the Memorandum and (ii) record the Memorandum in the Official Records of Orange County (the "**Official Records**") and provide Purchaser and Seller with a recorded copy thereof.

3.8.3 If the Close of Escrow does not occur by the scheduled Closing Date (defined below), as same may be extended, for any reason other than Seller's default, then Escrow shall record the Termination Agreement in the Official Records upon the earlier of (a) Purchaser's election to terminate this Agreement pursuant to a provision in this Agreement permitting Purchaser to terminate; or (b) Seller's termination of this Agreement pursuant to [Section 13.1](#).

4. [Lease; Adjacent Property](#). In connection with and upon the Closing, Seller and Purchaser shall enter into a lease in the form of [Exhibit B](#) (the "[Lease](#)"), pursuant to which Purchaser will lease to Seller, and Seller will lease from Purchaser, the Property after Closing for a period of fifteen (15) months subject to renewal options. Purchaser and Seller acknowledge that Purchaser intends to acquire that certain real property located in Orange County, California that is adjacent to the Property and which is more particularly described on [Exhibit C](#) (the "[Adjacent Property](#)"). In the event Purchaser or any of its affiliates acquires the Adjacent Property, Purchaser and Seller shall include the Adjacent Property as part of the property leased by Seller pursuant to the Lease, and if the Adjacent Property is acquired subsequent to the Closing, Purchaser and Seller shall enter into

any amendment to the Lease necessary to include the Adjacent Property as part of the property leased pursuant to the Lease. This [Section 4](#) shall survive the Closing.

5. [Representations, Warranties and Covenants of Seller](#). Seller represents, warrants and covenants to Purchaser as follows:

5.1 [Authority](#). Seller is a duly organized and validly existing corporation in good standing under the laws of the state of its formation. Seller has full capacity, right, power and authority to execute and deliver this Agreement and all required action and approvals therefor have been duly taken and obtained. The individual signing this Agreement on behalf of Seller is duly authorized to sign the same on Seller's behalf and to bind Seller hereto. On or before the Closing Date, the individuals signing all other documents executed or to be executed pursuant hereto shall be duly authorized to sign the same on Seller's behalf and to bind Seller thereto. This Agreement shall be binding upon and enforceable against Seller in accordance with its terms. No authorization, consent, or approval of any third party or governmental authority (including courts) is required for the execution and delivery by Seller of this Agreement or the performance of its obligations hereunder. On the Closing Date, all documents to be executed pursuant hereto shall be binding upon and enforceable against Seller in accordance with their respective terms. Neither the execution, delivery or performance of this Agreement by Seller, nor the consummation of the transactions contemplated hereby will (a) violate or conflict with any provision of the organizational documents of Seller or contracts to which it is a party, or (b) violate any order, judgment, injunction, award or decree of any court or arbitration body, by or to which Seller or the Property are or may be bound or subject.

5.2 [Actions](#). There are no actions, suits or proceedings pending or, to the knowledge of Seller, threatened, against or affecting Seller which, if determined adversely to Seller, would adversely affect its ability to perform its obligations hereunder. Seller has not (a) made a general assignment for the benefit of creditors, (b) filed any voluntary petition in bankruptcy or suffered the filing of an involuntary petition of Seller's creditors, (c) suffered the appointment of a receiver to take possession of all, or substantially all, of Seller's assets, (d) suffered the attachment or other judicial seizure of all, or substantially all, of Seller's assets, (e) admitted in writing its inability to pay its debts as they come due, or (f) made an offer of settlement, extension or composition to its creditors generally.

5.3 [Foreign Person](#). Seller is not a "foreign person" or "disregarded" entity" as defined in Section 1445 of the Code; Seller's taxpayer identification number is 73-1213383.

5.4 [Anti-Terrorism](#). Neither Seller nor, to Seller's actual knowledge, any of its affiliates, is in violation of the Anti-Money Laundering and Anti-Terrorism Laws. Neither Seller nor, to Seller's actual knowledge, any of its affiliates, is acting, directly or indirectly, on behalf of terrorists, terrorist organizations or narcotics traffickers, including those persons or entities that appear on the Annex to Executive Order No. 13224, 66 Fed. Reg. 49079 (Sept. 25, 2001) (the "[Executive Order](#)"), or are included on any relevant lists maintained by the Office of Foreign Assets Control of U.S. Department of Treasury, U.S. Department of State, or other U.S. government agencies, all as may be amended from time to time (each, a "[Government List](#)"). Neither Seller nor, to Seller's actual knowledge, any of its affiliates, or, without inquiry, any of its brokers or other agents, in any capacity in connection with the sale of the Property (A) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any person included in a Government List, (B) deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked pursuant to the Executive

Order, or (C) engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Money Laundering and Anti-Terrorism Laws. Neither Seller, nor any person controlling or controlled by Seller, is a country, territory, individual or entity named on a Government List, and the monies used by Seller in connection with this Agreement and amounts committed with respect hereto, were not and are not derived from any activities that contravene any applicable anti-money laundering, anti-terrorism or anti-bribery laws, rules, guidelines and regulations, including, without limitation, (i) the U.S. Foreign Corrupt Practices Act of 1977, (ii) the Bank Secrecy Act of 1970, as amended, (iii) applicable provisions of the USA PATRIOT Act of 2001, including all amendments thereto and regulations promulgated thereunder, (iv) the Executive Order, (v) the Money Laundering Control Act of 1986 and (v) Title 18 of the United States Code, Section 1956(c)(7) (collectively, the "Anti-Money Laundering and Anti-Terrorism Laws").

5.5 [Anti-Bribery](#). Seller (a) has not offered, promised, given or agreed to give to any person or entity any bribe on behalf of Purchaser or its affiliates or otherwise with the object of obtaining a business advantage for Purchaser or its affiliates or otherwise; and (b) has not engaged in any activity or practice which would constitute an offense under any applicable anti-bribery and/or anti-corruption laws, including but not limited to the United States Foreign Corrupt Practices Act of 1977 with respect to the transactions contemplated by this Agreement.

5.6 [No Leases](#). The Property is not subject to any leases or other occupancy Agreements (other than the Lease to be entered into as of Closing).

5.7 Legal Requirements. To Seller's Knowledge, Seller has not received any written notice of violation of any applicable law or regulation.

5.8 Takings. To Seller's Knowledge, Seller has not received any written notice of any condemnation or eminent domain proceedings.

5.9 Litigation. There are no pending, or to Seller's Knowledge, threatened, judicial or administrative proceedings or investigations affecting or relating to the development, construction, use, operation or ownership of the Property.

5.10 Hazardous Materials. Except as disclosed in writing to Purchaser before the date hereof, to Seller's Knowledge, (a) Seller has not received any written notice that (i) the Property is in violation of any Environmental Law or (ii) there has occurred any release of Hazardous Materials on, in, beneath the surface of or about the Property in violation of any Environmental Law and (b) Seller has not been required by any governmental agency to undertake any remediation activity with respect to Hazardous Materials on, in, beneath the surface of or about the Property. Except as disclosed in writing to Purchaser before the date hereof, to the Seller's Knowledge, there are no storage tanks or wells (whether existing or abandoned) located on, under or about the Property.

5.11 Accuracy of Representations and Warranties. All representations and warranties of Seller contained in this Agreement are true and correct as of the Effective Date of this Agreement and shall be true and correct as of the Closing Date. All representations and warranties of Seller set forth herein shall survive the Closing for a period of nine (9) months. If, prior to Closing, upon Seller's notice or otherwise, Purchaser becomes actually aware (as opposed to constructively aware) of the untruth or inaccuracy of, or facts or circumstances that would change materially, any representation or warranty of Seller in this Agreement, then Purchaser shall have the option of: (i) waiving such breach of representation or warranty and completing its purchase of the Real

Property pursuant to this Agreement; or (ii) terminating this Agreement and proceeding in accordance with Section 13.2.

For purposes of this Agreement, (a) "Hazardous Materials" shall mean any substance or material which is or contains: (i) any substance, waste or material now or hereafter defined in and/or regulated under any Environmental Law; (ii) gasoline, diesel fuel or other petroleum hydrocarbons; (iii) asbestos and asbestos containing materials, in any form, whether friable or nonfriable; (iv) polychlorinated biphenyls; (v) radon gas; or (vi) mold, mildew or other biological agents, (b) "Environmental Law" shall mean any federal, state, local or administrative agency ordinance, law, rule, regulation, order or requirement relating to environmental conditions, human health or Hazardous Material, and the regulations promulgated pursuant to such laws, all as amended from time to time, and (c) "Seller's Knowledge" shall mean the actual knowledge of Justin Sheets.

6. Representations and Warranties of Purchaser. Purchaser represents and warrants to Seller as follows:

6.1 Authority. Purchaser is a duly organized and validly existing limited liability company in good standing under the laws of the state of its organization. Purchaser has full capacity, right, power and authority to execute, deliver and perform this Agreement and all documents to be executed by Purchaser pursuant hereto, and all required action and approvals therefor have been duly taken and obtained. The individuals signing this Agreement and all other documents executed or to be executed pursuant hereto on behalf of Purchaser are and shall be duly authorized to sign the same on Purchaser's behalf and to bind Purchaser thereto. This Agreement and all documents to be executed pursuant hereto by Purchaser are and shall be binding upon and enforceable against Purchaser in accordance with their respective terms. Neither the execution, delivery or performance of this Agreement by Purchaser, nor the consummation of the transactions contemplated hereby will (a) violate or conflict with any provision of the organizational documents of Purchaser, or (b) violate any order, judgment, injunction, award or decree of any court or arbitration body, by or to which Purchaser is or may be bound or subject.

6.2 Accuracy of Representations and Warranties. All representations and warranties of Purchaser contained in this Agreement are true and correct as of the Effective Date of this Agreement and shall be true and correct as of the Closing Date. All representations and warranties of Purchaser set forth herein shall survive the Closing for a period of nine (9) months.

6.3 As-Is. **EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, PURCHASER ACKNOWLEDGES AND AGREES THAT SELLER HAS NOT MADE AND DOES NOT MAKE ANY REPRESENTATIONS, WARRANTIES, PROMISES, COVENANTS, AGREEMENTS OR GUARANTIES OF ANY KIND OR CHARACTER WHATSOEVER, WHETHER EXPRESS OR IMPLIED, ORAL OR WRITTEN, PAST, PRESENT OR FUTURE, OF, AS TO, CONCERNING OR WITH RESPECT TO THE PROPERTY OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT INCLUDING, WITHOUT LIMITATION, ANY REPRESENTATION OR WARRANTY CONCERNING THE PHYSICAL CONDITION OF THE PROPERTY (INCLUDING THE CONDITION OF THE SOIL), THE ENVIRONMENTAL CONDITION OF THE REAL PROPERTY (INCLUDING THE PRESENCE OR ABSENCE OF HAZARDOUS SUBSTANCES ON OR AFFECTING THE REAL PROPERTY), THE COMPLIANCE OF THE PROPERTY WITH APPLICABLE LAW OR ANY OTHER REPRESENTATION OR WARRANTY RESPECTING ANY INCOME, EXPENSES, CHARGES, LIENS OR ENCUMBRANCES, RIGHT OR CLAIMS ON, AFFECTING OR PERTAINING TO THE**

PROPERTY OR ANY PART THEREOF. PURCHASER FURTHER ACKNOWLEDGES AND AGREES THAT ANY DOCUMENTS OR INFORMATION PROVIDED BY SELLER TO PURCHASER ARE BEING MADE AVAILABLE TO PURCHASER FOR INFORMATIONAL PURPOSES ONLY, AND SELLER IS MAKING NO REPRESENTATIONS OR WARRANTIES REGARDING SUCH DOCUMENTS OR OTHER INFORMATION, INCLUDING THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED THEREIN. PURCHASER ACKNOWLEDGES THAT EFFECTIVE AS OF CLOSING, PURCHASER SHALL BE DEEMED TO HAVE EXAMINED, REVIEWED AND INSPECTED ALL MATTERS WHICH IN PURCHASER'S JUDGMENT BEAR UPON THE PROPERTY AND ITS VALUE AND SUITABILITY FOR PURCHASER'S PURPOSES. EXCEPT AS TO THE REPRESENTATIONS, WARRANTIES, AGREEMENTS AND OTHER MATTERS SPECIFICALLY SET FORTH IN THIS AGREEMENT, THE SALE OF THE PROPERTY AS PROVIDED FOR HEREIN IS MADE ON AN "AS IS/WHERE IS," "WITH ALL FAULTS" CONDITION AND BASIS.

SELLER'S INITIALS: PURCHASER'S INITIALS:

6.4 **Release.** Except for the Excluded Matters (as defined below), Purchaser, on Purchaser's own behalf and on behalf of Purchaser's agents, members, partners, shareholders, employees, representatives, related and affiliated entities, successors and assigns (collectively, the "Purchaser Parties") hereby, as of the Closing, releases, waives, discharges, and covenants not to sue Seller, and its shareholder(s), partners, members, managers, directors, officers, employees, representatives, property managers, asset managers, agents, attorneys, affiliated and related entities, heirs, successors and assigns (collectively, the "Released Parties"), and each of them, from and against any and all Losses (as defined in Section 12 below) arising from, related to the Property, including, without limitation, with respect to (a) any and all statements or opinions heretofore or hereafter made, or information furnished, by Seller to Purchaser or any of the Purchaser Parties; and (b) any and all losses, costs, claims, liabilities, expenses, demands or obligations of any kind or nature whatsoever attributable to the Property, whether arising or accruing before, on or after the date hereof and whether attributable to events or circumstances which have heretofore or may hereafter occur, including, without limitation, (i) all Losses with respect to the structural, physical, or environmental condition of the Property; and (ii) all Losses relating to the release of or the presence, discovery or removal of any Hazardous Materials in, at, about or under the Property, or for, connected with or arising out of any and all claims or causes of action based upon CERCLA (Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. §§9601 et seq., as amended by SARA (Superfund Amendment and Reauthorization Act of 1986) and as may be further amended from time to time), the Resource Conservation and Recovery Act of 1976, 42 U.S.C. §§6901 et seq., or any related claims or causes of action or any other federal, state or municipal based statutory or regulatory causes of action for environmental contamination at, in, about or under the Property. Purchaser agrees that the above waiver and release extends to all Losses of any nature and kind whatsoever, known or unknown, suspected or unsuspected, and Purchaser, for itself and for the Purchaser Parties, waives the benefits of California Civil Code Section 1542, which provides as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

and all similar provisions or rules of law. Excluding the Excluded Matters, from and after the Closing, Purchaser elects to and does assume all risk for such Losses against the Released Parties which may be brought by Purchaser or Purchaser Parties heretofore and hereafter arising, whether now known or unknown by Purchaser. In connection therewith and to the greatest extent permitted by law, excluding the Excluded Matters, from and after the Closing, Purchaser hereby agrees, represents and warrants that Purchaser realizes and acknowledges that factual matters now unknown to Purchaser may have given or may hereafter give rise to Losses which are presently unknown, unanticipated and unsuspected, and Purchaser further agrees, represents and warrants that the waivers and releases herein have been negotiated and agreed upon in light of that realization and that Purchaser nevertheless hereby intends to release Seller from any such unknown Losses which might in any way be included as a material portion of the consideration given to Seller by Purchaser in exchange for Seller's performance hereunder.

Notwithstanding anything in this Agreement, including without limitation, this Section 6.4 to the contrary, the releases contained in this Section 6.4 are not intended to and do not include (i) any claims arising from a breach of Seller's express representations or warranties in Sections 5 and 7 (subject to the limitations, disclaimers and other provisions of this Agreement), (ii) any obligation or other covenant of Seller under this Agreement which by its express terms survives the Closing or any document delivered by Seller to Purchaser at Closing, (iii) any tort claims for personal injury or property damage arising from events that occurred prior to the Closing, expressly including without limitation any such claims arising in connection with the Adjacent Property to the extent of Seller's liability therefor as tenant under the lease agreement with the owner of the Adjacent Property, as landlord, or (iv) any claims arising in connection with the Lease (the matters in the foregoing clauses (i) through (iv), the "**Excluded Matters**").

Seller has given Purchaser material concessions regarding this transaction in exchange for Purchaser agreeing to the provisions of this Section 6.4. Seller and Purchaser have each initialed this Section 6.4 to further indicate their awareness and acceptance of each and every provision hereof. The provisions of this Section 6.4 shall survive the Closing.

SELLER'S INITIALS: PURCHASER'S INITIALS:

7. **Brokers.** Each party hereby represents and warrants to the other that such party has not dealt with any broker or finder in respect to the transaction contemplated hereby other than Cushman & Wakefield ("**Seller's Broker**"). The parties agree that the brokerage commission of Seller's Broker shall be paid by the Seller at the Closing. In the event of any claim for a broker's or finder's fee or commission in connection with the transactions contemplated by this Agreement, (a) Seller shall indemnify and defend Purchaser from the claim, if such claim is based upon any agreement alleged to have been made by Seller and (b) Purchaser shall indemnify and defend Seller from the claim, if such claim is based upon any agreement alleged to have been made by Purchaser. The provisions of this Section 7 shall survive the Closing or termination of this Agreement.

8. **Costs; Prorations.**

8.1 **Purchaser's Costs.** Purchaser shall pay the following costs of closing the transactions contemplated by this Agreement:

8.1.1 Any title insurance charges and premiums incurred in connection with the issuance of the ALTA extended coverage portion of any title insurance policy (and endorsements thereto) to Purchaser;

8.1.2 One-half (1/2) of the closing costs or fees of the Title Company;

8.1.3 Any recording fees incurred in connection with the recording of any of the conveyance instruments required to be delivered by Seller under this Agreement; and

8.1.4 Any other expense(s) incurred by Purchaser or its representative(s) in inspecting or evaluating the Property, including, without limitation, Purchaser's inspecting architect and engineer.

8.2 Seller's Costs. Seller shall pay the following costs of closing the transaction contemplated by this Agreement:

8.2.1 Any deed, documentary stamp and/or transfer taxes related to the sale of the Property;

8.2.2 Any title insurance charges and premiums incurred in connection with issuance of any title insurance policy (and endorsements thereto) to Purchaser;

8.2.3 Any charges incurred in connection with issuance of the Title Report;

8.2.4 All costs incurred in connection with obtaining the Survey;

8.2.5 All costs incurred in connection with obtaining the ESA; and

8.2.6 any costs related to the releases or satisfaction of the Deed of Trust.

all of which may be funded out of the Purchase Price.

8.3 Prorations. All ad valorem taxes assessed against Seller and the Property for any year prior to the year in which the Closing occurs, and any matured and unmatured installments of special assessments with respect to the Property due as of the Closing Date, shall be paid by Seller. Seller shall be solely responsible for any delinquent taxes. The real property taxes for the year in which the Closing occurs shall be prorated on a calendar year and per diem basis as of the Closing Date (based on actual prior year ad valorem taxes), and Purchaser agrees to accept as a credit against the Purchase Price the portion attributable to the period prior to the Closing Date. Purchaser agrees to pay (i) any supplemental assessments resulting from the sale of the Property to Purchaser, and (ii) all real and personal property taxes for all years subsequent to the Closing.

9. Condemnation.

9.1 Condemnation Event. If, prior to Closing, any portion thereof is taken under power of eminent domain, such that, in Purchaser's reasonable determination the Property is rendered unsuitable for Purchaser's intended purposes, then Purchaser may elect to terminate this Agreement by giving written notice of its election to Seller within ten (10) days after receiving notice of such taking. If Purchaser does not give such written notice to terminate this Agreement within such ten (10) day period, the transactions contemplated by this Agreement shall be consummated on the date and at the Purchase Price provided for in Section 2, and Seller will assign to Purchaser the physical damage proceeds of any insurance policy(ies) payable to Seller, or Seller's portion of any condemnation award.

9.2 Termination and Return of Deposit. If Purchaser elects to terminate this Agreement pursuant to this Section 9, Seller shall promptly direct the Title Company to return the Deposit to Purchaser.

10. Conditions Precedent.

10.1 Conditions Precedent to Purchaser's Obligations. In addition to any other conditions precedent in favor of Purchaser set forth elsewhere in this Agreement, the obligations of Purchaser to consummate the transactions contemplated by this Agreement are subject to the satisfaction or waiver by Purchaser (if permitted by Applicable Law) at or prior to the Closing of each of the following conditions:

10.1.1 The representations and warranties of Seller set forth in this Agreement must be true and correct in all material respects as of the Closing Date as though made on and as of the Closing Date;

10.1.2 Seller must have performed and complied in all material respects with all material covenants and obligations required to be performed or complied with by it under this Agreement at or prior to the Closing; and

10.1.3 Seller must have delivered or caused to be delivered to Seller the items required by Section 11.1.

10.1.4 On the Closing Date, title to the Property shall be conveyed to Purchaser subject only to the Permitted Exceptions and the Title Company shall be irrevocably committed to issue to Purchaser an ALTA extended coverage owner's title insurance policy (on the current ALTA Form), in the form approved by Purchaser pursuant to Section 3.2.1, in the amount of the Purchase Price, together with the endorsements for Purchaser's owner's title insurance policy, insuring good and indefeasible fee simple title to the Property in Purchaser, subject only to the Permitted Exceptions.

10.2 Conditions Precedent to Seller's Obligations. The obligations of Seller to consummate the transactions contemplated by this Agreement are subject to the satisfaction or waiver by Seller (if permitted by Applicable Law) at or prior to the Closing of each of the following conditions:

10.2.1 The representations and warranties of Purchaser set forth in this Agreement must be true and correct in all material respects as of the Closing Date as though made on and as of the Closing Date;

10.2.2 Purchaser must have performed and complied in all material respects with all covenants and obligations required to be performed or complied with by it under this Agreement at or prior to the Closing; and

10.2.3 Purchaser must have delivered or caused to be delivered to Seller the items required by [Section 11.2](#).

10.3 Satisfaction of Conditions.

10.3.1 **Non-Performance by Purchaser.** If the conditions precedent to Purchaser's obligations set forth in [Section 10.1](#) have been satisfied and Purchaser fails to consummate the transactions contemplated by this Agreement, such failure shall constitute a default (unless Purchaser has otherwise terminated this Agreement for another reason in accordance with the terms of this Agreement) and Seller shall be entitled to exercise the remedies set forth in [Section 13.1](#). If the sale of the Property is not consummated because of the failure of any condition precedent to Purchaser's

obligations expressly set forth in this Agreement or for any other reason except a default by Purchaser in its obligation to purchase the Property in accordance with the provisions of this Agreement (which shall be governed by [Section 13.1](#)) or any default by Seller of its obligations under this Agreement (which shall be governed by [Section 13.2](#)), the Deposit shall promptly be returned to Purchaser and neither party shall have any further obligations hereunder.

10.3.2 **Non-Performance by Seller.** If the conditions precedent to Seller's obligations set forth in [Section 10.2](#) have been satisfied and Seller fails to consummate the transactions contemplated by this Agreement, such failure shall constitute a default and Purchaser shall be entitled to exercise the remedies set forth in [Section 13.2](#).

11. Closing:

11.1 **Seller's Deliveries.** Seller shall deliver, or cause to be delivered, at the Closing the following original documents, each executed and, if required, acknowledged:

11.1.1 A grant deed in the form attached hereto as [Exhibit D](#), subject to the Permitted Exceptions (the "[Deed](#)").

11.1.2 A certificate from Seller pursuant to the Foreign Investment and Real Property Tax Act stating that Seller is not a "Foreign Person" within the meaning of Section 1445(f)(3) of the Internal Revenue Code of 1986, as amended (the "[Code](#)").

11.1.3 a California Form 593.

11.1.4 A counterpart of a closing statement reflecting all credits, prorations, apportionments, and adjustments contemplated hereunder (the "[Closing Statement](#)").

11.1.5 A counterpart of the Lease.

11.1.6 A counterpart of the Bill of Sale, Blanket Conveyance and Assignment ("[Bill of Sale](#)") in the form attached hereto as [Exhibit E](#).

11.1.7 Such other agreements, certificates, and instruments as may be reasonably required by the Title Company to effectuate the intent and purpose of this Agreement, including any affidavits or other documents required by the Title Company (including, without limitation a title affidavit in the form attached hereto as [Exhibit F](#) (the "[Title Affidavit](#)"), executed by Seller relating to: (i) mechanics' or materialmen's liens; (ii) parties in possession; (iii) the status and capacity of Seller and the authority of the person or persons who are executing the various documents on behalf of Seller in connection with the sale of the Property, and all other entities in such executing entity's chain of authority; and (iv) gap indemnity coverage.

11.2 **Purchaser's Deliveries.** At the Closing, Purchaser shall deliver, or cause to be delivered, the following original documents, as applicable, each executed and, if required, acknowledged:

11.2.1 The Purchase Price.

11.2.2 A duly executed Preliminary Change of Ownership Report.

11.2.3 A counterpart of the Closing Statement.

11.2.4 A counterpart of the Lease.

11.2.5 A counterpart of the Bill of Sale.

11.2.6 Such other agreements, certificates, and instruments as may be reasonably required by the Title Company to effectuate the intent and purpose of this Agreement.

11.3 At Closing, Seller shall deliver to Purchaser possession of the Property subject only to the Lease.

12. Casualty; Condemnation.

12.1 **Casualty.** Unless and until the Closing is completed, the risk of loss to the Property from casualty or condemnation shall be borne by Seller. If all or a portion of the Property is damaged or destroyed by fire or other casualty prior to Closing such that: (1) Purchaser's reasonable estimate of

the cost to repair or restore the same exceeds an amount equal to two percent (2%) of the Purchase Price; or (2) access to or egress from the Property (or any Improvement located thereon) is materially impaired (any such fire or other casualty, a "Material Casualty"), Purchaser may, at Purchaser's sole option, elect to either:

12.1.1 terminate this Agreement, upon which neither Purchaser nor Seller shall have any further obligation under this Agreement, except for the obligations which expressly survive the termination of this Agreement, and the Purchaser shall immediately receive the Deposit from the Title Company; or

12.1.2 purchase the Property subject to and in accordance with the terms of this Agreement.

Purchaser shall be deemed to have elected not to terminate this Agreement under Section 12.1.1 unless, within fifteen (15) Business Days from reasonably detailed written notice to Purchaser of such casualty, Purchaser provides Seller with written notice that Purchaser elects to terminate this Agreement pursuant to Section 12.1.1. If the Closing Date would otherwise occur sooner, it shall automatically be extended to the date that is twenty (20) Business Days after written notice to Purchaser of the casualty.

In the event of a fire or other casualty that is not a Material Casualty, and in connection with any Material Casualty as to which Purchaser elects to proceed pursuant to Section 12.1.2, Purchaser shall purchase the Property in accordance with the terms hereof and Purchaser shall receive a credit against the Purchase Price in an amount equal to the amount of (A) insurance proceeds actually paid or payable to Seller on account of such damage (including any rental or business interruption insurance payable with respect to the period following Closing) and (B) any applicable deductible that will reduce the insurance proceeds paid or payable to Seller; provided, however, in the event that Seller fails to maintain insurance as required by Section 15.2 and Purchaser does not elect to exercise its right to terminate the Agreement as a result of such default, in lieu of the credit described in provisions (A) and (B) above, Purchaser shall receive a credit against the Purchase Price in an amount equal to the amount of the cost to repair the damage caused by such fire or other casualty as estimated by a third party consultant selected by Purchaser and reasonably approved by Seller. Notwithstanding the foregoing, to the extent that there is a fire or other casualty for which Purchaser is to proceed pursuant to Section 12.1.2 and (i) Seller satisfies its obligation to maintain insurance as required herein, and (ii) Seller, with commercially reasonable cooperation from Purchaser, is able to effectuate a binding assignment of the insurance proceeds paid or payable on account of such damage prior to Closing (including any rental or business interruption insurance payable with respect to the period following

Closing), Purchaser shall purchase the Property in accordance with the terms hereof without reduction in the Purchase Price (except for any applicable deductible that will reduce the insurance proceeds assigned to Purchaser at Closing, which Seller shall credit Purchaser for at Closing). For the avoidance of doubt, in the event that Seller does not effectuate a binding assignment of the insurance proceeds paid or payable on account of such damage prior to Closing, Seller shall retain all rights to receipt of such insurance proceeds from and after Closing.

12.2 Condemnation. If, at any time before completion of the Closing, a taking or condemnation (or proceeding in lieu thereof) is commenced or threatened in writing: (i) of all or substantially all of the Property; or (ii) of less than all or substantially all of the Property that: (1) Purchaser's reasonable estimate of the cost to restore the value of the Property to the value prior to such condemnation exceeds an amount equal to two percent (2%) of the Purchase Price; or (2) access to or egress from the Property (or any Improvement located thereon) is materially impaired (any of the foregoing, a "Material Taking"), Purchaser may, at Purchaser's sole option, elect either to:

12.2.1 terminate this Agreement, upon which neither Purchaser nor Seller shall have any further obligation under this Agreement, except for the obligations which expressly survive the termination of this Agreement, and the Purchaser shall immediately receive the Deposit from the Title Company; or

12.2.2 purchase the Property subject to and in accordance with this Agreement.

Purchaser shall be deemed to have elected not to terminate this Agreement under Section 12.2.1 unless, within fifteen (15) Business Days from written notice to Purchaser of the condemnation, Purchaser provides Seller with written notice that Purchaser elects to terminate this Agreement pursuant to Section 12.2.1. If the Closing Date would otherwise occur sooner, it shall automatically be extended to the date that is twenty (20) Business Days after written notice to Purchaser of the Material Taking.

In the event of condemnation or taking that does not constitute a Material Taking, or if there is a Material Taking but Purchaser elects to proceed under Section 12.2.2, (1) Purchaser shall purchase the Property in accordance with the terms hereof (without reduction in the Purchase Price), (2) Seller shall assign to Purchaser at Closing all condemnation proceeds and rental interruption insurance paid or payable from and after the Closing as a result of such condemnation and, in the event Seller fails to effectuate such assignment, Seller shall be obligated to provide Purchaser a credit at Closing in the amount of such condemnation and insurance proceeds, (3) Purchaser shall have the right to be present with Seller at any hearings or negotiations with respect thereto, and (4) Seller shall not settle or compromise and such matter without Purchaser's prior written consent.

13. Default; Failure of Condition.

13.1 Purchaser Default. If the Closing fails to occur due to a default of Purchaser under this Agreement and Seller has satisfied all of Purchaser's conditions precedent to Closing and is not otherwise in default hereunder, then Seller may terminate the Agreement and receive the Deposit as liquidated damages as Seller's sole and exclusive remedy. **SELLER AND PURCHASER AGREE THAT IT WOULD BE IMPRACTICAL AND EXTREMELY DIFFICULT TO ESTIMATE THE DAMAGES WHICH SELLER MAY SUFFER UPON A PURCHASER DEFAULT AND THAT THE DEPOSIT AND ANY INTEREST EARNED THEREON, AS THE CASE MAY BE, REPRESENTS A REASONABLE ESTIMATE OF THE TOTAL**

NET DETRIMENT THAT SELLER WOULD SUFFER UPON A PURCHASER DEFAULT. SUCH LIQUIDATED AND AGREED DAMAGES ARE NOT INTENDED AS A FORFEITURE OR A PENALTY WITHIN THE MEANING OF APPLICABLE LAW, BUT ARE INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO SELLER PURSUANT TO CALIFORNIA CIVIL CODE SECTIONS 1671 through 1681. BY PLACING ITS INITIALS BELOW, EACH PARTY SPECIFICALLY CONFIRMS THE ACCURACY OF THE STATEMENTS MADE ABOVE AND THE FACT THAT EACH PARTY WAS REPRESENTED BY LEGAL COUNSEL WHO EXPLAINED, AT THE TIME THIS AGREEMENT WAS MADE, THE MEANING, THE EFFECT, AND THE CONSEQUENCES OF THIS LIQUIDATED DAMAGES PROVISION. PURCHASER AND SELLER AGREE THAT SELLER'S RIGHT TO RETAIN THE DEPOSIT SHALL BE SELLER'S SOLE AND EXCLUSIVE REMEDY, AT LAW AND IN EQUITY, FOR PURCHASER'S FAILURE TO PURCHASE THE PROPERTY IN ACCORDANCE WITH THE TERMS OF THIS AGREEMENT. ACCORDINGLY, SELLER HEREBY WAIVES THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 3389 AND ANY RIGHT TO AN ACTION FOR SPECIFIC PERFORMANCE OF ANY PROVISIONS OF THIS AGREEMENT. NOTWITHSTANDING ANYTHING HEREIN THE CONTRARY, NOTHING IN THIS SECTION 13.1 SHALL LIMIT PURCHASER'S INDEMNIFICATION OBLIGATIONS SET FORTH IN THIS AGREEMENT.

SELLER'S INITIALS: PURCHASER'S INITIALS:

13.2 **Seller Default.** If the Closing fails to occur due to a default of Seller under this Agreement, then Purchaser shall elect as its sole remedy hereunder either: (a) terminate this Agreement by giving written notice thereof to Seller, in which event the Deposit will promptly be returned to Purchaser, Seller promptly shall reimburse Purchaser for the actual out-of-pocket third party costs that Purchaser has incurred in connection with this Agreement and the transaction contemplated hereby in an amount not to exceed \$150,000; (b) waive such default and consummate the transactions contemplated hereby in accordance with the terms of this Agreement; or (c) specifically enforce this Agreement to take the actions and to execute and deliver the documents required to convey the Property to the Purchaser in accordance with this Agreement pursuant to California Civil Code Section 1680 and Sections 3384 through 3395. Purchaser hereby irrevocably waives any other right or remedy for such default; provided, however, that if, in breach of this Agreement, Seller intentionally or willfully by selling or entering into a binding agreement to otherwise convey the Property (or any portion thereof) to someone other than Purchaser which renders the remedy of specific performance impossible or impractical to obtain, Seller shall be liable for any damages suffered by Purchaser as a result of such breach, and Purchaser may seek any additional remedies from Seller in law or in equity. If Purchaser brings an action for specific performance, the Deposit shall be returned to Purchaser pending the outcome of such action. Nothing in this Section 13.2 shall limit Purchaser's rights under Sections 7 or 16.7.

13.3 **Subsequent Title Matters.** If prior to Closing Seller discloses to Purchaser or Purchaser discovers any New Title Matter, then Purchaser shall promptly give Seller written notice of its objection thereto (a "Purchaser's Notice"). In such event, Seller shall deliver a written notice (a "Seller's Notice") to Purchaser within ten (10) days following delivery of such Purchaser's Notice notifying Purchaser as to whether Seller shall attempt to cure such objection. In addition, Seller may, pursuant to the Seller's Notice, elect to postpone the Closing for the time reasonably necessary, but in no case longer than fifteen (15) days following delivery of the Seller's Notice, to cure such objection in order to attempt to remove such objection or cure such objection by

sufficient means such that the Title Company will provide affirmative title insurance coverage for such objection. If Seller fails to timely deliver a Seller's Notice or timely cure the objection, Seller shall be deemed to have elected not to attempt to cure such objection. If Purchaser fails to waive any objection within ten (10) days after (a) notice from Seller that Seller will not cure the objection or (b) a deemed election by Seller not to cure the objection, Purchaser may elect to terminate this Agreement by written notice to Seller, and, if Purchaser makes such election, Seller shall promptly return the Deposit to Purchaser, and this Agreement shall be deemed null and void, and neither party shall have any further obligation or liability hereunder, except those expressly stated to survive termination of this Agreement. Notwithstanding anything in this Agreement to the contrary, Purchaser shall have no obligation to object to any New Title Matter which constitutes a Mandatory Cure Item.

14. **Notices.** Any notice, request, instruction, or other communication to be given hereunder by either party to the other shall be given by hand delivery, certified or registered mail (return receipt requested), email transmission, or by nationally recognized overnight courier service, addressed to the respective party or parties at the following addresses:

If to Seller:

Matrix Service Inc.
5100 E. Skelly Drive, Suite 100
Tulsa, Oklahoma 74135
Attention: Justin Sheets
Email: jsheets@matrixservicecompany.com with copy to (which shall not constitute notice);

McAfee & Taft A Professional Corporation
Two W. Second Street, Suite 1100
Tulsa, Oklahoma 74103
Attention: Stephen M. Hetrick
Email: stephen.hetrick@mcafeetaft.com

If to Purchaser:

Pisces Logistics Acquisition LLC
c/o Brookfield Property Group
Brookfield Place
250 Vesey Street
New York, New York 10281-1023
Attn: Andy Smith
Email: andy.smith@brookfield.com with a copy to (which shall not constitute notice):

Pisces Logistics Acquisition LLC
c/o Brookfield Property Group
Brookfield Place
250 Vesey Street
New York, New York 10281-1023
Attn: Legal Department
Email: realestatenotices@brookfield.com with a copy to (which shall not constitute notice):

Brookfield Properties
1180 Peachtree Street NE, Suite 3380
Atlanta, Georgia 30309
Attn: Gautam Huded
Email: Gautam.huded@brookfieldproperties.com with a copy to (which shall not constitute notice):

Cox, Castle & Nicholson LLP
2029 Century Park East, Suite 2100
Los Angeles, California
Attn: David P. Lari
Email: dlari@coxcastle.com

If to Title Company:
Chicago Title Company
725 South Figueroa Street, Suite 200
Los Angeles, California 90017
Attention: Michael Slinger
Email: Mike.Slinger@CTT.com or to such other address or addresses as any party may designate to the others by like notice. Any notice given hereunder shall be deemed given and received on the date of hand delivery, three (3) business days after deposit with the United States Postal Service, on the date on which confirmation of email transmission is received if such receipt occurs during regular business hours and on the next business day if it does not occur during regular business hours, or one (1) business day after delivery to a nationally recognized overnight courier service for next day delivery, as the case may be. The inability to deliver notice because of a changed address of which no notice was given as provided above, or because of rejection or other refusal to accept any notice, shall be deemed to be the receipt of the notice as of the date of such inability to deliver or rejection or refusal to accept. Any notice to be given by any party hereto may be given by the counsel for such party.

15. **Covenants of Seller.** Seller hereby covenants from and after the Effective Date and through the Closing Date as follows

15.1 **Operations.** To operate the Property from and after the date hereof in substantially the same manner as prior thereto.

15.2 **Maintenance.** To perform all normal maintenance (if any) from and after the Effective Date in the same fashion as prior to the Effective Date.

15.3 **Obligations.** To fully and timely comply with all obligations to be performed by it under all of the licenses, approvals and laws, regulations and orders applicable to the Property.

15.4 **Agreements.** To not, without Buyer's written approval, enter into any agreement affecting the Property that would survive the Closing except for such agreements that may be cancelled or terminated by Seller, without penalty, by notice of thirty (30) days or less.

15.5 **Seller Insurance.** To cause to be in force insurance on the Property in at least such amounts, and with the same deductibles, as are maintained by Seller on the date hereof.

15.6 **Liens.** To not sell, assign, or convey any right, title, or interest whatsoever in or to the Property, or create or permit to attach any lien, security interest, easement, encumbrance, charge, or condition affecting the Property (other than the Permitted Exceptions).

16. **Miscellaneous.**

16.1 **Severability.** If any provision of this Agreement or application to any party or circumstances shall be determined by any court of competent jurisdiction to be invalid and unenforceable to any extent, the remainder of this Agreement or the application of such provision to such person or

circumstances, other than those as to which it is so determined invalid or unenforceable, shall not be affected thereby, and each provision hereof shall be valid and shall be enforced to the fullest extent permitted by law.

16.2 Applicable Law. This Agreement shall be construed and enforced in accordance with the laws of the State of California. By the execution and delivery of this Agreement, each of the parties hereto hereby irrevocably and unconditionally agrees for itself that any legal action, suit, or proceeding against it with respect to any matter arising under or out of or in connection with this Agreement or for recognition or enforcement of any judgment rendered in any such action, suit, or proceeding may be brought in either a state or federal court of competent jurisdiction in Orange County, California. By the execution and delivery of this Agreement, each of the parties hereto hereby irrevocably accepts and submits itself to the exclusive jurisdiction of each such court, generally and unconditionally, with respect to any such action, suit, or proceeding. By executing and delivering this Agreement, each of the parties hereto irrevocably and unconditionally submits to the personal jurisdiction of each such court described in this Section 16.2, solely for purposes of any action, suit, or proceeding arising out of or relating to this Agreement or for the recognition or enforcement of any judgment rendered or order entered in any such action, suit, or proceeding. EACH PARTY HERETO UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING REFERRED TO ABOVE. Each party (a) certifies that no representative, agent, or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver and (b) acknowledges that it and the other parties have been induced to enter into this Agreement by, among other things, the mutual waivers and certifications in this Section 16.2.

16.3 Assignability. Purchaser shall not, by operation of law or otherwise, directly or indirectly, assign, sell or otherwise transfer this Agreement (collectively, a "Transfer"), to any party, without first obtaining Seller's written consent, which consent shall not be unreasonably withheld, conditioned or delayed; provided, however, Purchaser may Transfer this Agreement to any person or entity that controls, is controlled by, or under common control with Purchaser. No Transfer shall release Purchaser from any obligation or liability under this Agreement. Any Transfer in contravention of this provision shall be void.

16.4 Successors Bound. This Agreement shall be binding upon and inure to the benefit of Purchaser and Seller and their successors and permitted assigns.

16.5 No Public Disclosure. Purchaser and Seller each agrees that it shall not issue (or cause to be issued on its behalf) any press release, advertisement, or other public communication regarding this Agreement, the Property, or the transactions contemplated by this Agreement prior to Closing, without the prior approval of the other party, which approval may be withheld in such other party's sole and reasonable discretion, except where a legal requirement to do so exists.

16.6 Captions. The captions in this Agreement are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope of this Agreement or the scope or content of any of its provisions.

16.7 Attorneys' Fees. In the event either party shall default in the performance of any of the terms and conditions of this Agreement, the prevailing party shall be entitled to recover all costs, charges, and expenses of enforcement, including reasonable attorneys' fees and costs, including all such fees and costs incurred in any trial or appellate proceedings. This Section 16.7 shall survive the Closing or earlier termination of this Agreement.

16.8 No Partnership. Nothing contained in this Agreement shall be construed to create a partnership or joint venture between the parties or their successors or permitted assigns.

16.9 Counterparts. This Agreement may be executed and delivered in any number of counterparts, each of which so executed and delivered shall be deemed to be an original and all of which shall constitute one and the same instrument. The exchange of executed counterparts of this Agreement or of signature pages by facsimile or other electronic transmission shall constitute effective execution and delivery of this Agreement and may be used in lieu of the original for all purposes.

16.10 Time of the Essence. Time is of the essence of this Agreement.

16.11 Proper Execution. The submission by Purchaser to Seller of this Agreement in unsigned form shall be deemed to be a submission solely for Seller's consideration and not for acceptance and execution. Such submission shall have no binding force and effect, shall not constitute an option, and shall not confer any rights upon Purchaser or impose any obligations upon Seller irrespective of any reliance thereon, change of position or partial performance. This Agreement shall not be binding and effective until fully executed by Seller and Purchaser.

16.12 Like Kind Exchange. Seller and Purchaser acknowledge that one or both of them may elect to include the Property in a tax deferred exchange transaction pursuant to Section 1031 of the Code (a "1031 Exchange"). Each party (the "Cooperating Party") agrees, at the request of the other party (the "Requesting Party"), to cooperate with the Requesting Party and third parties in achieving a 1031 Exchange, including consenting to the assignment of this Agreement in connection with a 1031 Exchange. The Requesting Party shall not be relieved from any

obligations hereunder due to a 1031 Exchange and shall indemnify and hold the Cooperating Party harmless from any additional closing expenses which may result from participation in a 1031 Exchange. The Cooperating Party shall not be required to hold title to any property (other than the Property) in connection with a 1031 Exchange, nor shall the Requesting Party be entitled to delay the Closing in order to accommodate a 1031 Exchange.

16.13 **Construction.** In the construction and interpretation of the terms of this Agreement, the rule of construction that a document is to be construed most strictly against the party who prepared it shall not be applied because both parties have participated in the preparation of this Agreement. If the last day of any time period stated herein shall fall on a Saturday, Sunday, or legal holiday in Orange County, California, such time period shall be extended so that it shall end on the next succeeding day that is not a Saturday, Sunday or legal holiday in Orange County, California.

16.14 **Entire Agreement.** This Agreement, together with the Exhibits attached hereto, all of which are incorporated by reference, is the fully integrated entire agreement between the parties with respect to the subject matter hereof. Any oral terms by the Parties discussed either before execution of this Agreement or thereafter, as well as any prior writings not incorporated into this Agreement shall not be considered to be a part of this agreement. No alteration, modification, or interpretation hereof shall be binding unless in writing and signed by both parties.

16.15 **Independent Consideration.** Contemporaneously with the execution and delivery of this Agreement, Purchaser has paid to the Seller as further consideration for this Agreement, the amount of ONE HUNDRED DOLLARS (\$100) ("Independent Consideration") in addition to the Deposit and independent of any other consideration provided for hereunder, which Independent Consideration is fully earned by Seller and is not refundable under any circumstances.

[Signature Page Follows]

IN WITNESS WHEREOF, Purchaser and Seller have executed this Agreement as of the day and year first above written.

SELLER:

MATRIX SERVICE INC.

By: /s/ Kevin S. Cavanah

Name: Kevin S. Cavanah

Title: Vice President and Chief Financial Officer

PURCHASER:

PISCES LOGISTICS ACQUISITION LLC

By: /s/ Andrew Smith

Name: Andrew Smith

Title: Global Head of Investments

The undersigned hereby acknowledges receipt of the Deposit and agrees to hold and dispose of the Deposit in accordance with the provisions of the foregoing Agreement.

TITLE COMPANY:

CHICAGO TITLE COMPANY

By: /s/ Michael Slinger

Name: Michael Slinger

Title: Senior Vice President

EXHIBIT A

Legal Description

THE FOLLOWING DESCRIBED REAL PROPERTY IN THE CITY OF ORANGE, COUNTY OF ORANGE, STATE OF CALIFORNIA:

PARCEL 1 OF PARCEL MAP NO. 2007-130, IN THE CITY OF ORANGE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 363, PAGES 6 AND 7 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 386-581-18

EXHIBIT B

Lease

[Attached]

EXHIBIT C
Adjacent Property

THE FOLLOWING DESCRIBED REAL PROPERTY IN THE CITY OF ORANGE, COUNTY OF ORANGE, STATE OF CALIFORNIA:

PARCEL 2 OF PARCEL MAP NO. 2007-130, IN THE CITY OF ORANGE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 363, PAGES 6 AND 7 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 386-561-02

EXHIBIT D
Form of Grant Deed

RECORDING REQUESTED BY AND

WHEN RECORDED RETURN TO:

AND MAIL TAX STATEMENTS TO:

APN:

DOCUMENTARY TRANSFER TAX \$ _____

Computed on the consideration or value of property conveyed;

OR

Computed on the consideration or value less liens or encumbrances remaining at time of sale.

The tax has been determined by the undersigned grantor

GRANT DEED

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, _____, a Delaware _____, does hereby GRANT to _____, a _____, all of Grantor's right, title and interest in and to that certain real property in the City of _____, County of _____, State of California, as more particularly described in Exhibit "A" attached hereto and made a part hereof, excepting any matters set forth in said Title Report prepared by _____ on _____ identified as report no. _____.

IN WITNESS WHEREOF, Grantor has caused this instrument to be executed on this ___ day of _____, 20__.

"GRANTOR"

MATRIX SERVICE INC.

By:

Name:

Title:

State of)

) ss:

County of)

On _____, before me, _____, a Notary Public, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and

acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

(Seal)

Exhibit A
(to Grant Deed)

LEGAL DESCRIPTION

EXHIBIT E
Form of Bill of Sale

BILL OF SALE, BLANKET CONVEYANCE
AND ASSIGNMENT

This Bill of Sale, Blanket Conveyance and Assignment (this "Assignment") is executed by MATRIX SERVICE INC., an Oklahoma corporation ("Assignor") to and for the benefit of _____, a _____ ("Assignee").

RECITALS

WHEREAS, concurrently herewith Assignor is conveying to Assignee that certain real property (the "Property") more particularly described on Exhibit A attached hereto and incorporated herein for all purposes pursuant to that certain Purchase and Sale Agreement dated June __, 2022 (the "Purchase Agreement"); and

WHEREAS, in connection with the conveyance of the Property pursuant to the Purchase Agreement, Assignor intends to sell, assign and convey unto Assignee the Assigned Properties (defined below).

NOW, THEREFORE, in consideration of the foregoing and Ten and No/100 Dollars (\$10.00) and other good and valuable consideration in hand paid by Assignee to Assignor, the receipt and sufficiency of which are hereby acknowledged and confessed by Assignor, Assignor and Assignee hereby act and agree as follows:

1. **Conveyance**. Assignor does hereby **ASSIGN, TRANSFER, CONVEY, SET OVER** and **DELIVER** to Assignee, its successors and assigns, the following properties (collectively, the "Assigned Properties"): all of Seller's right, title and interest, if any, in all (a) warranties and guaranties relating to the Land or the Improvements, (b) all licenses, permits and approvals relating to the Land or the Improvements (but not any licenses, permits or approvals relating to Seller's operations on the Land), and (c) all plans and specifications relating to the Land and the, Improvements, in each case to the extent that Seller may legally transfer the same.

TO HAVE AND TO HOLD the Assigned Properties unto Assignee, and Assignee's successors and assigns forever, and Assignor does hereby bind Assignor, and Assignor's successors and assigns, to **WARRANT** and **FOREVER DEFEND**, all and singular the Assigned Properties unto Assignee, and Assignee's successors and assigns, against every person whomsoever lawfully claiming or to claim the same, or any part thereof by, through and under Assignor but not otherwise.

2. **Counterparts; Governing Law; Successors and Assigns; Authority**. This Assignment may be executed in any number of counterparts (including PDF and facsimile signatures), and each counterpart hereof shall be deemed to be an original instrument, but all such counterparts shall constitute but one instrument. This Assignment shall be construed and enforced in accordance with and governed by the internal laws of the State of California. This

Assignment shall bind and inure to the benefit of Assignor and Assignee and their respective successors and assigns.

3. **Further Assurances**. The parties agree to take all such further actions and execute, acknowledge and deliver all such further documents that are reasonably necessary or useful in carrying out the purposes of this Assignment.

[The balance of this page is intentionally left blank]

IN WITNESS WHEREOF, this Assignment is executed as of this ___ day of _____, 2022.

ASSIGNOR:

MATRIX SERVICE INC.

By:

Name:

Title:

ASSIGNEE:

By:

Name:

Title:

EXHIBIT A

(to Bill of Sale)

Property Description

EXHIBIT F

Form of Title Affidavit

EXHIBIT G-1

Form of Memorandum of Purchase Agreement

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

Pisces Logistics Acquisition LLC
c/o Brookfield Property Group
Brookfield Place
250 Vesey Street
New York, New York 10281-1023
Attn: Legal Department

(Above Space for Recorder's Use Only)

APN: 386-581-18

MEMORANDUM OF PURCHASE AGREEMENT

This MEMORANDUM OF PURCHASE AGREEMENT (this "Memorandum") is made as of ____, 2022, by and between MATRIX SERVICE INC., an Oklahoma corporation ("Seller"), and PISCES LOGISTICS ACQUISITION LLC, a Delaware limited liability company ("Purchaser")

RECITALS

A. Seller is the owner of certain real property located at 500 West Collins in the City of Orange, County of Orange ("County"), State of California, more particularly described on Exhibit A attached hereto (the "Property").

B. Seller and Purchaser have entered into that certain unrecorded *Purchase and Sale Agreement* dated as of June __, 2022 (as may be amended, modified or supplemented from time to time, the "Purchase Agreement") pursuant to which Seller has agreed to sell the Property to Purchaser upon the terms and conditions set forth therein.

C. Seller and Purchaser desire to execute this Memorandum and cause the same to be recorded in the Official Records of the County for the purpose of memorializing the Purchase Agreement and to provide third parties with notice of the Purchase Agreement.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Purchaser hereby acknowledge and agree as follows:

AGREEMENT

1. Pursuant to the Purchase Agreement and this Memorandum, while the Purchase Agreement is in force and effect, Purchaser has the right to purchase the Property from Seller upon the terms and conditions set forth in the Purchase Agreement.

2. The sole purpose of this Memorandum is to give notice of the Purchase Agreement and all of its terms, covenants and conditions to the same extent as if the Purchase Agreement were fully set forth herein, and this Memorandum is subject to all of the terms, conditions and provisions of the Purchase Agreement.

3. This Memorandum may be executed in counterparts, each of which will be deemed to be an original, but all of which together will constitute one instrument.

4. In the event of any conflict between this Memorandum and the Purchase Agreement, the provisions and conditions of the Purchase Agreement shall prevail.

[Remainder of page intentionally blank]

*Signature Page to
Memorandum of Purchase Agreement*

IN WITNESS WHEREOF, the parties have executed this Memorandum as of the date first above written.

SELLER:
MATRIX SERVICE INC.
By:
Name:
Title:

PURCHASER:
PISCES LOGISTICS ACQUISITION LLC
By:
Name:

Title:

Form of Termination and Release of Memorandum of Purchase Agreement

RECORDING REQUESTED BY AND WHEN RECORDED RETURN TO: Pisces Logistics Acquisition LLC c/o Brookfield Investment Group Brookfield Place 250 Vesey Street New York, NY 10281-1023 Attn: Legal Department	
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APN: 386-581-18

TERMINATION AND RELEASE OF MEMORANDUM OF AGREEMENT

THIS TERMINATION AND RELEASE OF MEMORANDUM OF AGREEMENT (this "Termination") is entered into as of the ___ day of April, 2022, by and between MATRIX SERVICE INC., an Oklahoma corporation ("Seller"), and PISCES LOGISTICS ACQUISITION LLC, a Delaware limited liability

company (“**Purchaser**”).

RECITALS

- A. Seller and Purchaser entered into that certain *Purchase and Sale Agreement*, dated as of June __, 2022 (as may be amended from time to time, the “**Purchase Agreement**”) concerning the real property described on Exhibit A attached hereto and made a part of hereof, and all improvements located thereon (collectively, the “Property”).
- A. To give notice of the existence of the Purchase Agreement and the rights and agreements described therein, Seller and Purchaser entered into that certain *Memorandum of Agreement* dated as of ____, 2022 (the “**Memorandum**”), and recorded on ____, 2022, as Document # _____, in the Official Records of Orange County, California.
- A. The parties now desire to terminate and release the Memorandum.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Purchaser hereby agree that the Memorandum is hereby terminated and released as an encumbrance on title for the Property; *provided*, however, this Termination does not release, waive, excuse, obviate or otherwise affect any of the rights or obligations of Seller and Purchaser under the Purchase Agreement.

[Signatures appear on the following page]

*Signature Page to
Termination of Memorandum of Agreement*

IN WITNESS WHEREOF, the undersigned has executed this instrument as of the date first above written.

SELLER:

MATRIX SERVICE INC.,
an Oklahoma corporation

By:
Name:
Title:

PURCHASER:

PISCES LOGISTICS ACQUISITION LLC,
a Delaware limited liability company

By:
Name:
Title:

LEASE AGREEMENT

THIS LEASE AGREEMENT (this “**Lease**”) is made and effective as of June __ 2022, by and between PISCES 500 W COLLINS AVE LLC, a Delaware limited liability company (“**Landlord**”), and MATRIX SERVICE INC., an Oklahoma corporation (“**Tenant**”), with respect to the following circumstances:

- A. Landlord owns a tract of real property located in Orange County, California, which is more particularly described on Exhibit A (together with the improvements thereon and appurtenances thereto, the “**Leased Premises**”).
- B. Landlord desires to lease to Tenant, and Tenant desires to lease from Landlord, the Leased Premises on the terms provided in this Lease.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Landlord hereby leases the Leased Premises to Tenant on the following terms and conditions:

ARTICLE I.

Definitions

The following terms when used in this Lease shall have the meanings indicated:

1.1 **"Additional Rent"** - shall have the meaning set forth in Section 3.3.

1.2 **"Affiliates"** - shall mean (a) with respect to any Person, any Person directly or indirectly controlling, controlled by or under direct or indirect common control with such other Person and (b) with respect to any Person who is an individual, any Person who is a sibling, lineal descendent or spouse of such individual and of any other Person who is otherwise an Affiliate (as defined in subsection (a)) of such individual or sibling, lineal descendent or spouse of such individual.

1.3 **"Applicable Law"** - shall mean with respect to any event, circumstance or activity, any federal, state or local statute, law, ordinance, rule, regulation, order, writ, injunction, legally binding directive, judgment, decree or other legally binding requirement of any Governmental Authority and the common law applicable to such event, circumstance or activity.

1.4 **"Commencement Date"** - shall mean the date of this Lease.

1.5 **"Condemnation"** - shall mean any partial or complete taking of the Leased Premises as a result of a Condemnation Proceeding.

1.6 **"Condemnation Proceeding"** - shall mean any proceeding instituted by a Governmental Authority to take all, or any portion, of the Leased Premises for public use or purpose under a power of eminent domain.

1.7 **"Disassembly Option"** - shall have the meaning set forth in Section 2.6.1.

1.8 **"Environmental Claim"** - shall mean any claim, action, cause of action, investigation or notice by any Person alleging potential liability (including potential liability for investigatory tests, cleanup costs, governmental response costs, natural resources damages, property damages, personal injuries or penalties) arising out of, based on or resulting from (a) the presence, or release into the environment, of any Hazardous Materials at any location, (b) any Environmental

Condition or (c) any other circumstance forming the basis of any violation, or alleged violation, of any Environmental Law.

1.9 **"Environmental Condition"** - shall mean a condition of the soil, surface waters, groundwater, stream sediments, air and/or similar environmental media including any release or threatened release of Hazardous Materials, either on or off a property resulting from any activity, inactivity or operations occurring on such property, that (a) by virtue of Environmental Laws, (i) requires investigatory, corrective or remedial measures, (ii) comprises a basis for claims against, demands of and/or liabilities of Landlord or Tenant or in respect of the Leased Premises, or (iii) requires reporting to a Governmental Authority; or (b) involves the presence of any Hazardous Materials in concentrations or quantities exceeding applicable Environmental Laws.

1.10 **"Environmental Laws"** - shall mean any and all federal, state, local or municipal laws, rules, orders, regulations, statutes, ordinances, codes, guidelines, policies or requirements of any Governmental Authority regulating or imposing standards of liability or of conduct (including common law) concerning air, water, solid waste, Hazardous Materials, worker and community right-to-know, hazard communication, noise, resource protection, subdivision, inland wetlands and watercourses, health protection or other environmental, health, safety, building and land use concerns as might now or at any time hereafter be in effect.

1.11 **"Event of Default"** - shall have the meaning set forth in Section 11.1.

1.12 **"Event of Destruction"** - shall mean any event that damages or destroys the Leased Premises, including without limitation, fires, earthquakes, the elements, riots, acts of God or the public enemy, or other casualties.

1.13 **"Fabrication Building"** - shall mean the metal building on the Leased Premises where Tenant's fabrication shop is located.

1.14 **"Governmental Authority"** - shall mean any federal, territorial, state or local governmental authority, quasi-governmental authority, instrumentality, court, government or self-regulatory organization, commission, tribunal or organization or any regulatory, administrative or other agency, or any political or other subdivision, department or branch of any of the foregoing.

1.15 **"Hazardous Materials"** - shall mean any petroleum, petroleum products, fuel oil, derivatives of petroleum products or fuel oil, explosives, reactive materials, ignitable materials, corrosive materials, pollutants, contaminants, hazardous chemicals, hazardous wastes, hazardous substances, extremely hazardous substances, toxic substances, toxic chemicals, radioactive materials, asbestos-containing materials, black mold stachybotrys chartarum (toxic mold)-containing materials, urea formaldehyde foam insulation, transformers or other equipment that contain polychlorinated biphenyls or radon gas, medical waste, biomedical waste, infectious materials and any other element, compound, mixture, solution or substance that might pose a present or potential hazard to human health or safety or to the environment, including any material regulated by or subject to regulation under any Environmental Law.

1.16 **"Landlord Indemnified Persons"** - shall have the meaning set forth in Section 9.1.

1.17 **"Late Charge"** - shall have the meaning set forth in Section 3.3.

1.18 **"Lease Term"** - shall mean the entire term of this Lease, including the Primary Term, any Renewal Terms exercised in accordance with this Lease, and any extensions thereof, whether caused holding over on the Leased Premises or otherwise.

1.19 **"Leased Premises"** - shall have the meaning set forth in Recital A of this Lease.

1.20 **"Liability Insurance"** - shall mean (a) a public liability insurance policy, with comprehensive liability insurance, including a contractual liability endorsement against bodily injury liability and (b) a property damage liability insurance policy, with a combined single limit of not less than \$1,000,000 per accident or occurrence insuring against any and all liability of the insured with respect to the Leased Premises or arising out of the maintenance, use or occupancy thereof.

1.21 **"Liens"** - shall mean, with respect to any asset, any mortgage, deed of trust, title defect, lien, pledge, security interest, hypothecation, lease, restriction, encumbrance or charge of any kind in respect of such asset.

1.22 **"Losses"** - shall mean all injuries, losses, expenses, fees, penalties, demands, claims, actions, causes of action, judgments, assessments, damages, obligations, liabilities and reasonable costs, including all costs incurred in connection with any claim for indemnification hereunder (e.g., reasonable legal fees, accounting fees, and all other costs of investigation), of every nature and description.

1.23 **"Major Repair"** - shall mean (a) any needed repair or replacement to the roof, foundation or structural integrity of any of the buildings or improvements to the Leased Premises necessary to maintain such buildings and improvements in a safe condition fit for occupancy or prohibit excess moisture from entering the buildings, (b) any needed repair or replacement of the HVAC system, septic system, electrical systems and wiring and sewer system which service the Leased Premises, and (c) any necessary repairs or replacements to the Leased Premises occasioned by, or attributable to, a single incident or occurrence, or series of incidents which are part of a single occurrence, in which the cost of the necessary repairs or replacements are in excess of \$100,000.

1.24 **"Permitted Liens"** - shall mean (a) Liens for taxes or governmental assessments, charges or claims the payment of which is not yet due; (b) Liens of carriers, warehousemen, mechanics, materialmen and other similar Persons and other Liens imposed by applicable law incurred in the ordinary course of business for sums not yet delinquent; and (c) Liens relating to deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security or to secure the performance of trade contracts or other similar agreements.

1.25 **"Permitted Exceptions"** - shall have the meaning set forth in Section 2.1.

1.26 **"Permitted Use"** - shall have the meaning set forth in Section 5.1.

1.27 **"Person"** - shall mean any individual, corporation, partnership, association, limited liability company, joint venture, trust or other entity, including a Governmental Authority.

1.28 **"Personal Property and Trade Fixtures"** - shall mean any personal property, trade fixtures, and equipment, (i) belonging to Tenant and located on the Leased Premises prior to the commencement of the Primary Term, or (ii) brought onto or installed on or in the Leased Premises by Tenant, whether as part of a Tenant Addition or otherwise.

1.29 **"Primary Term"** - shall mean a period beginning on the Commencement Date and ending at 11:59 p.m. on the day prior to the fifteen (15) month anniversary of the Commencement Date.

1.30 **"Property Insurance"** - shall mean a policy insuring the building(s) and other improvements located on the Leased Premises against loss or damage by fire, with an extended all-risk coverage endorsement in the amount of \$3,000,000.

1.31 **"Renewal Term"** - shall mean the three (3) month periods beginning at the end of the Primary Term or the then current Renewal Term, as applicable, and ending at 11:59 p.m. on the date that is three (3) months after the end of the Primary Term or the then current Renewal Term, as applicable.

1.32 **"Rent"** - shall mean all sums payable by Tenant to Landlord pursuant to ARTICLE III of this Lease, if any, as well as all other amounts as are required to be paid pursuant to the terms of this Lease.

1.33 **"Required Major Repair"** - shall have the meaning set forth in Section 12.2.2.

1.34 **"Routine Maintenance"** - shall mean normal repair and maintenance of the Leased Premises, including without limitation, repair and maintenance of: (a) lighting and plumbing; (b) electrical, mechanical, and electromotive equipment and fixtures; (c) signs, placards, decorations, and advertising media of any type; (d) interior walls and ceilings (including painting or other treatments) and floors (including floor coverings); and (e) utility ducts, conduits, pipes and wiring. Provided, the term "Routine Maintenance" shall not include any necessary repair or maintenance to the extent such repair or maintenance constitutes a Major Repair.

1.35 **"Signage"** - shall have the meaning set forth in Section 14.11.

1.36 **"Taxes"** - shall have the meaning set forth in Section 12.3.

1.37 **"Tenant Additions"** - shall mean any structural additions, improvements, alterations, or changes made by Tenant in or to the building or real estate, of which the Leased Premises form a part.

ARTICLE II.

Lease of Premises; Lease Term

2.1 Grant of Lease. In consideration of the rents and covenants herein stipulated to be paid and performed, Landlord hereby demises and lets to Tenant, and Tenant hereby lets from Landlord, for the term herein described, the Leased Premises. The Leased Premises are demised and let subject to (a) the rights of any parties in possession and the existing state of the title as of the commencement of the Term of this Lease (the "Permitted Exceptions"), (b) any state of facts which an accurate survey or physical inspection thereof might show, (c) all zoning regulations, restrictions, rules and ordinances, building restrictions and other laws and regulations now in effect or hereafter adopted by any governmental authority having jurisdiction, and (d) the condition of any buildings, structures and other improvements located thereon, as of the commencement of the Term of this Lease, without representation or warranty by Landlord, express or implied. **Without limiting the foregoing, Tenant accepts the Leased Premises in "AS IS" condition, with all faults.** Tenant represents that it has been in possession of the Leased Premises prior to the commencement of the Term of this Lease, has thoroughly familiarized itself with the Leased Premises in all respects, and has examined the title to, zoning and other restrictions applicable to and the condition of the Leased Premises and has found the same to be satisfactory to it. **To the maximum extent permitted by law, Tenant waives (i) any implied warranty of suitability OF the Leased Premises, and (ii) any implied warranty of**

fitness for a particular purpose or merchantability or design or quality of the Leased Premises.

2.2 Lease Term. This Lease shall commence on the Commencement Date and shall continue for the Primary Term, unless sooner terminated pursuant to the terms of this Lease.

2.3 Option to Renew. Tenant shall have the right, at its option, to extend the Lease Term for the Renewal Terms, on the same conditions and terms as this Lease. The Base Rent for the Renewal Term shall be the same monthly rate as the Base Rent of the expiring Lease Term. To exercise its option to renew, Tenant shall give Landlord notice of such election at least thirty (30) days before the expiration of the Primary Term or the then current Renewal Term, as applicable.

2.4 Surrender of Leased Premises. Upon the expiration or other termination of the Lease Term, Tenant shall quit and surrender the Leased Premises to Landlord in good condition, ordinary wear and tear, damage by casualty and permitted Tenant Additions excepted. Prior to or at the end of the Lease Term, Tenant shall remove any of its Personal Property and Trade Fixtures. Tenant shall be responsible for and repair any damage caused by the removal of such Personal Property and Trade Fixtures. Any such Personal Property or Trade Fixtures not so removed shall, at Landlord's election, be deemed abandoned by Tenant and may be disposed of by Landlord in accordance with California Civil Code Sections 1980 through 1991 and California Code of Civil Procedure Section 1174, or in accordance with any laws or judicial decisions which may supplement or supplant those provisions from time to time.

2.5 Holding Over. If Tenant shall fail to vacate and surrender the Leased Premises in accordance with the terms of this Lease upon the expiration or earlier termination of this Lease, then until such time as Tenant so vacates and surrenders the Leased Premises, Tenant shall pay Base Rent at a rate of one hundred seventy-five percent (175%) of the Base Rent for the last year of the Lease Term. Nothing in the previous sentence shall be construed or operate as a waiver of Landlord's right of re-entry or any other right of Landlord resulting from such holding over.

2.6 Option to Acquire Fabrication Building.

2.6.1 Subject to the terms of this **Section 2.6**, Landlord hereby grants Tenant the option to disassemble the Fabrication Building and acquire the building materials used to construct the Fabrication Building (the "**Disassembly Option**").

2.6.2 Tenant may exercise the Disassembly Option by providing notice to Landlord at least three (3) months prior to the expiration of the Lease Term. If Tenant exercises the Disassembly Option, Tenant shall be responsible for all cost and expense associated with disassembling the Fabrication Building and transporting the building materials used to construct the Fabrication Building from the Leased Premises.

2.6.3 Upon completion of such disassembly and removal, Landlord shall be deemed to have quitclaimed the building materials used to construct the Fabrication Building in as-is, where-is condition, without representation or warranty, but in any event free of any of Landlord's financing liens secured by the Premises.

2.6.4 If Tenant exercises the Disassembly Option, Tenant shall complete the disassembly of the Fabrication Building and the removal of the building materials used in construction of the Fabrication Building from the Leased Premises by the expiration of the Lease Term.

ARTICLE III.

Obligation to Pay Rent

3.1 Obligation and Time of Payment. The monthly Rent for the Lease Term shall be \$118,283.00 (the "**Base Rent**"). The Base Rent shall increase by three percent (3%) on the thirteenth month of the Lease Term. Tenant shall pay the Base Rent in advance on the first day of each calendar month during the Lease Term. Landlord directs Tenant to make all Rent and other payments due Landlord under this Lease to Landlord at the address for Landlord set forth in Section 14.12. The monthly installment of Rent payable with respect to the first month of this Lease shall be paid on the Commencement Date.

3.2 Fractional Month. If the Lease Term commences or ends on a day other than the first day of a calendar month, the Rent payable for such calendar month shall be the amount payable for a full month times a fraction the numerator of which is the number of days of the Lease Term during such month and the denominator of which is the total number of days in such month.

3.3 **Additional Rent; Late Charges.** Tenant covenants that all other amounts, liabilities and obligations which Tenant assumes or agrees to pay or discharge pursuant to this Lease, together with every fine, penalty, interest and cost which may be added for nonpayment or late payment thereof or of Base Rent, shall constitute additional rent hereunder (herein called "**Additional Rent**"). The Base Rent and Additional Rent shall constitute "Rent" within the meaning of California Civil Code Section 1951(a). In the event of any failure by Tenant to pay or discharge any Additional Rent, Landlord shall have all rights, powers and remedies provided herein or by law in the case of nonpayment of Base Rent. Tenant also covenants to pay to Landlord on demand an amount (the "**Late Charge**") equal to five percent (5%) of the payment amount then due on all installments of Base Rent or Additional Rent which are more than ten (10) days overdue, to cover Landlord's administrative expenses. The actual amount of Landlord's administrative expenses arising by reason of a late payment will be difficult to ascertain, and the parties agree that the Late Charge as calculated above is a reasonable estimate thereof.

ARTICLE IV.

Representations and Warranties; Covenants

4.1 **Landlord's Representations and Warranties.** To induce Tenant to enter into this Lease, Landlord represents and warrants to Tenant as follows:

4.1.1 **Due Organization; Power and Authority.** Landlord is a limited liability company duly organized, validly existing and in good standing under the laws its organization, and has full and requisite limited liability company power and authority to execute and deliver this Lease and to carry out its obligations hereunder.

4.1.2 **Authority Relative to this Lease.** The execution, delivery, and performance of this Lease by Landlord have been duly and effectively authorized by all necessary action on behalf of Landlord.

4.1.3 **Enforceability of this Lease.** This Lease is, and all instruments and documents executed in connection herewith will be, valid, binding, and enforceable against Landlord in accordance with their respective terms, subject to applicable bankruptcy, reorganization, insolvency, or other similar laws affecting the enforcement of creditors' rights generally.

4.1.4 **No Conflicts.** The execution, delivery, and performance of this Lease by Landlord does not (a) violate any judicial or governmental decree, order, or judgment; (b) violate any Applicable Law; (c) conflict with the organizational documents of Landlord; or (d) result in a breach of, or constitute a default under, any agreement or instrument to which Landlord is a party or by which it or the Leased Premises is bound.

4.2 **Tenant's Representations and Warranties.** To induce Landlord to enter into this Lease, Tenant represents and warrants to Landlord as follows:

4.2.1 **Due Organization; Power and Authority.** Tenant is a corporation duly organized, validly existing and in good standing under the laws of the State of Oklahoma and has full and requisite corporate power and authority to execute and deliver this Lease and to carry out its obligations hereunder.

4.2.2 **Authority Relative to this Lease.** The execution, delivery, and performance of this Lease by Tenant have been duly and effectively authorized by all necessary corporate action.

4.2.3 **Enforceability of this Lease.** This Lease is, and all instruments and documents executed in connection herewith will be, valid, binding, and enforceable against Tenant in accordance with their respective terms, subject to applicable bankruptcy, reorganization, insolvency, or other similar laws affecting the enforcement of creditors' rights generally.

4.2.4 **No Conflicts.** The execution, delivery, and performance of this Lease by Tenant does not (a) violate any judicial or governmental decree, order, or judgment; (b) violate any Applicable Law; (c) conflict with the organizational documents of Tenant; or (d) result in a breach of, or constitute a default under, any agreement or instrument to which Tenant is a party or by which it is bound.

ARTICLE V.

Use and Occupancy of Leased Premises

5.1 **Permitted Use of Leased Premises.** Tenant may use the Leased Premises for general office uses, fabrication, manufacturing, storage and other purposes incident thereto ("**Permitted Use**"), and for no other purpose.

5.2 **Compliance With Laws and Regulations; Permits.** Tenant's use of the Leased Premises shall comply with all Applicable Laws.

5.3 **Certified Access Specialist.** Pursuant to California Civil Code Section 1938, Landlord hereby advises Tenant that as of the date of this Lease neither the Leased Premises nor the Facility has undergone inspection by a Certified Access Specialist (CASp). Further, pursuant to California Civil Code Section 1938, Landlord notifies Tenant of the following: "A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state

law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the

payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises.”

5.4 Energy Disclosure. Tenant agrees to reasonably cooperate, at Landlord’s cost and expense, with Landlord to the extent necessary to comply with California Public Resources Code Section 25402.10 including, without limitation, providing or consenting to any utility company providing Tenant’s energy consumption information for the Leased Premises to Landlord.

5.5 Tenant Indemnity Obligation. Tenant agrees to pay, and to protect, defend (with counsel reasonably acceptable to Landlord), indemnify and hold harmless Landlord and the other Landlord Indemnified Persons from and against any and all Losses whatsoever arising from (a) any use, condition or event occurring on or at the Leased Premises during the Term, (b) any injury to, or the death of, any person or damage to property on or at the Leased Premises during the Term, (c) any injury to, or the death of, any person or damage to property upon adjoining sidewalks, streets or rights of way or in any manner growing out of or connected with the use, non-use, condition or occupation or operation of the Leased Premises, adjoining sidewalks, streets or rights of way during the Term, (d) any violation by Tenant of any agreement or condition of this Lease, or any contract or agreement to which Tenant is a party or which pertains to the Leased Premises or any part thereof or the ownership, occupancy or use thereof, (e) any violation by Tenant of any Applicable Law, or (e) any negligence or willful misconduct of Tenant or Tenant’s employees, agents, representatives, contractors, invitees or licensees in, on or about the Leased Premises; provided, however, the foregoing indemnity shall not apply as to any Landlord Indemnified Persons with respect to claims arising solely from the gross negligence or willful misconduct of such Landlord Indemnified Persons.

ARTICLE VI.

Destruction Of Leased Premises

6.1 Notice of Occurrence. Tenant shall give Landlord notice within ten (10) days of the occurrence of an Event of Destruction that damages or destroys, in whole or in part, the Leased Premises.

6.2 Restoration of Premises. Upon an Event of Destruction, Landlord shall, subject to Section 6.3, with reasonable dispatch and continuity, perform all work necessary to repair, restore, replace and rebuild the Leased Premises or the damaged portion thereof. Landlord shall keep and hold the Leased Premises free, clear and harmless of and from all Liens (other than Permitted Liens) that could arise by reason of Landlord’s restoration. Landlord’s restoration shall be sufficient (a) to return the Leased Premises to substantially the condition immediately prior to the occurrence of the Event of Destruction and (b) to meet all applicable building codes and regulations.

6.3 Termination Option. If an Event of Destruction occurs such that the Leased Premises cannot reasonably be restored or repaired, such that Tenant may resume operation of its business substantially in the ordinary course, within ninety (90) days of such damage or destruction as determined by Landlord in its reasonable discretion, then Landlord or Tenant may, at its option, terminate this Lease by giving written notice to the other party within forty-five (45) days after the date of such Event of Destruction. Landlord may also terminate this Lease if the Event of Destruction occurs during the last six (6) months of the Term.

6.4 Notice of Restoration Time. Landlord shall use commercially reasonable efforts to notify Tenant within thirty (30) days of receiving notice of the Event of Destruction with respect to whether such restoration can be completed within ninety (90) days.

ARTICLE VII.

Improvements to Leased Premises

7.1 Right to Make Tenant Additions. Tenant shall not make Tenant Additions to the Leased Premises without Landlord’s prior written consent, which consent may not be unreasonably withheld, conditioned or delayed by Landlord, except that prior consent shall not be required for Tenant Additions costing \$50,000.00 or less that do not affect the roof or structure of the improvements. Tenant shall maintain Tenant Additions in good order and repair. With the exception of Personal Property and Trade Fixtures installed by Tenant as part of any Tenant Additions, Tenant Additions shall become part of the Leased Premises and shall be surrendered to the Landlord with the Leased Premises at the end of the Lease Term. Tenant shall promptly pay for all labor costs incurred and materials purchased in connection with any Tenant Additions and shall keep and hold the Leased Premises free, clear, and harmless of and from all Liens (other than Permitted Liens) that could arise by reason of the Tenant Additions.

7.2 Notice of Non-Responsibility. Without limiting the foregoing, upon Landlord’s obtaining knowledge of the commencement of any Tenant Additions, Landlord shall be permitted to post a timely Notice of Non-Responsibility at the Leased Premises, which shall also be recorded in the office of the Recorder of the County in which the Leased Premises is located, all in accordance with the terms of California Civil Code Sections 8444 and 8060. Upon the completion of any Tenant Additions, Tenant shall cause a timely Notice of Completion to be recorded in the office of the Recorder of the County in which the Leased Premises is located in accordance with the terms of California Civil Code Section 8182, and Tenant shall deliver to Landlord a conformed copy of such Notice of Completion.

ARTICLE VIII.

Condemnation

8.1 **Complete Taking.** If substantially all the Leased Premises is taken in a Condemnation Proceeding, this Lease shall terminate on the earlier of (a) the date the Condemnation becomes final or (b) the date the condemning authority takes possession of the Leased Premises. "Substantially all" of the Leased Premises shall be deemed taken if Tenant is unable to conduct any significant aspect of its business operations after the Condemnation.

8.2 **Partial Taking.** If any portion of the Leased Premises is taken in a Condemnation Proceeding, and such taking materially interferes with any aspect of Tenant's business operations thereon, Tenant may elect to either (a) surrender the Leased Premises and immediately terminate

the Lease or (b) continue in possession of the remainder of the Leased Premises under the terms of the Lease.

8.3 **Notice.** Tenant shall give Landlord notice of its election within thirty (30) days after the Condemnation becomes final.

8.4 **Condemnation Award.** In the event of a Condemnation, any Condemnation award shall be allocated between the Landlord and the Tenant as follows:

8.4.1 Landlord shall be entitled to that portion of the Condemnation award representing compensation for the value of the portion of the Leased Premises taken, except to the extent it is attributable to the items described in Section 8.4.2; and

8.4.2 Tenant shall be entitled to receive any portion of the Condemnation award, attributable to any damages to the Tenant's Personal Property and Trade Fixtures and any Tenant Additions.

8.5 **Waiver of Other Rights.** Tenant hereby waives any and all provisions of applicable law that provide alternative rights for the parties in the event of Event of Destruction or Condemnation (including, without limitation, California Civil Code Section 1932(2), California Civil Code Section 1933(4), California Code of Civil Procedure Section 1265.130, and any successor statute or laws of a similar nature) and agrees that the provisions hereof shall govern the parties' rights in the event of any Event of Destruction or Condemnation.

ARTICLE IX.

Environmental Provisions

9.1 **Tenant.** Tenant shall indemnify and hold harmless Landlord, its Affiliates and their respective officers, directors, stockholders, managers, members, partners, employees, agents and representatives ("**Landlord Indemnified Persons**") from and against any and all Losses incurred or suffered by Landlord Indemnified Persons and shall pay or reimburse, on demand, each Landlord Indemnified Person for the full amount of any such Losses relating to, arising out of or resulting from any Environmental Condition or Environmental Claim relating to the Leased Premises to the extent caused by Tenant or its invitees during the Lease Term. Tenant's obligations under this section shall survive termination of this Lease.

9.2 **Landlord.** Landlord shall indemnify and hold harmless Tenant, its affiliates and their respective officers, directors, stockholders, partners, members, managers, employees, agents and representatives ("**Tenant Indemnified Persons**") from and against any and all Losses incurred or suffered by Tenant Indemnified Persons and shall pay or reimburse, on demand, each Tenant Indemnified Person for the full amount of such Losses relating to, arising out of or resulting from any Environmental Condition or Environmental Claim relating to the Leased Premises to the extent caused by Landlord during the Lease Term. Notwithstanding the foregoing to the contrary, nothing in this Lease (a) obligates Landlord to indemnify Tenant or the **Tenant Indemnified Persons** with respect to any Environmental Conditions or Environmental Claims arising before the Lease Term or caused by third-parties, or (b) releases Tenant from any liability or obligations related to Environmental Conditions or Environmental Claims that may be expressly provided for in the purchase agreement pursuant to which Landlord acquired the Premises from Tenant. The provisions of this Section shall survive termination of this Lease.

9.3 **Restriction on Hazardous Materials and Compliance with Environmental Laws.** Except for Hazardous Materials used, stored or maintained by Tenant in the normal course of the conduct of the Permitted Use of the Leased Premises, and which Tenant handles and disposes in accordance with all Environmental Laws, Tenant shall not use, generate, manufacture, store, transport, release, or dispose of Hazardous Materials in, on, or about the Leased Premises or transport Hazardous Materials from the Leased Premises. Tenant shall not cause or permit the release or disposal of Hazardous Materials from the Leased Premises except in compliance with applicable Environmental Laws.

9.4 **Tenant Obligations.** If the presence of any Hazardous Materials on, under or about the Leased Premises caused or permitted by Tenant or its agents, officers, directors, shareholders, members, managers, partners, employees, subtenants, assignees, licensees, contractors or invitees (collectively, "**Tenant's Parties**") during the Lease Term results in (a) injury to any person, (b) injury to or contamination of the Leased Premises, or (c) injury to or contamination of any real or personal property wherever situated, Tenant, at its sole cost and expense, shall promptly take all actions necessary to return the Leased Premises to the condition existing prior to the introduction of such Hazardous Materials to the Leased Premises and to remedy or repair any such injury or contamination. Without limiting any other rights or remedies of Landlord under this Lease, Tenant shall pay the cost of any cleanup work performed on, under or about the Leased Premises as required by this Lease or any Environmental Laws in connection with the removal, disposal, neutralization or other treatment of such Hazardous Materials caused or permitted by Tenant or Tenant's Parties.

9.5 **Inspection; Compliance.** Landlord shall have the right, but not the obligation, to inspect, investigate, sample and/or monitor the Leased Premises, including any air, soil, water, groundwater or other sampling, and any other testing, digging, drilling or analyses, at any time to determine whether Tenant is complying with the terms of this **Section 9**, and in connection therewith, Tenant shall provide Landlord with access to all relevant facilities, records and personnel. If Tenant is not in compliance with any of the provisions of this **Section 9**, or in the event of a release of any Hazardous Materials on, under, from or about the Leased Premises, Landlord shall have the right, but not the obligation, without limitation on any of Landlord's other rights and remedies under this Lease, to immediately enter upon the Leased Premises and to discharge Tenant's obligations under this **Section 9** at Tenant's expense, including without limitation the taking of emergency or long term remedial action. Landlord and Landlord Parties shall not interference with Tenant's business in exercising such right. In addition, Landlord, at Tenant's sole cost and expense, shall have the right, but not the obligation, to join and participate in any legal proceedings or actions initiated in connection with any claims or causes of action arising out of the storage, generation, use or disposal by Tenant or Tenant's Parties of Hazardous Materials on, under, from or about the Leased Premises. All sums reasonably disbursed, deposited or incurred by Landlord in connection herewith, including, but not limited to, all costs, expenses and actual attorneys' fees, shall be due and payable by Tenant to Landlord, as an item of Additional Rent, on demand by Landlord, together with interest thereon at the Interest Rate from the date of such demand until paid by Tenant.

9.6 **Environmental Questionnaire.** To the extent requested by any of Tenant's lenders that have, or will have, loans secured by a mortgage on the Leased Premises, but in no event more

than once in any 12-month period, Tenant shall complete, execute and deliver to Landlord an Environmental Questionnaire and Disclosure Statement (the "**Environmental Questionnaire**") in the form of **Exhibit "C"**, and Tenant shall certify to Landlord all information contained in the Environmental Questionnaire as true and correct to the best of Tenant's knowledge and belief.

ARTICLE X.

Liability and Property Insurance

10.1 **Insurance.** During the Lease Term, (a) Tenant shall maintain Liability Insurance and property insurance on its Personal Property and Trade Fixtures, and (b) Landlord shall maintain Property Insurance. The Liability Insurance policy of Tenant shall name Landlord and any persons, firms, lenders, associations, corporations or other legal entities at any time designated by Landlord as additional named insureds, as their interests may appear. In the event of an insured loss, proceeds from the Property Insurance shall be paid to Landlord. Tenant shall reimburse Landlord upon demand for all Property Insurance premiums and costs paid by Landlord up to an amount not to exceed \$1,500.

10.2 **Certificates Of Insurance.** Tenant shall deliver to Landlord certificates evidencing the existence of the insurance required by this Lease and evidence of premium payments within ten (10) days after the Commencement Date. Tenant shall notify Landlord thirty (30) days prior to the expiration or cancellation of such insurance policies and shall procure and maintain renewal or additional policies.

10.3 **Waiver Of Rights To Extent Of Insurance.** Each of Tenant and Landlord waives its rights of recovery or subrogation against the other, or its agents or representatives, for Losses to such party, its property, or the property of others under its control, to the extent that such Losses are covered under any insurance policy in force at the time of such Losses or which should have been in force in accordance with the terms of this Lease. Landlord and Tenant shall each notify their respective insurance carriers that this mutual waiver of subrogation is in this Lease.

ARTICLE XI.

Default and Remedies

11.1 **Events of Default.** Each of the following shall be considered for all purposes to be an event of default by Tenant under this Lease (an "**Event of Default**"): (a) any failure of Tenant to pay any Rent or other amount when due hereunder and the continuance of such failure for five (5) days after notice from Landlord; (b) any failure by Tenant to perform or observe any other of the terms, provisions, conditions and covenants of this Lease for more than thirty (30) days after written notice of such failure is given by Landlord, or, in the event the act required to cure the non-performance cannot be accomplished within 30 days, to preclude a default, Tenant must commence the accomplishment of the necessary act within said period and thereafter proceed with diligence and good faith to accomplish the same; (c) the bankruptcy or insolvency of Tenant or the filing by or against Tenant of a petition in bankruptcy or for reorganization or arrangement or for the appointment of a receiver or trustee of all or a portion of Tenant's property, or Tenant makes an assignment for the benefit of creditors; or (d) this Lease or Tenant's interest herein or in the Leased Premises or any improvements thereon or any property of Tenant located at the Leased Premises are executed upon or attached. Any notice given by Landlord above shall be in

lieu of, and not in addition to, any notice required under Section 1161 of the Code of Civil Procedure of California or any similar, superseding statute.

11.2 **Remedies.** In the event of an Event of Default by Tenant, Landlord shall have, in its sole discretion, and in addition to any other remedies available to Landlord under this Lease, at law or in equity, the following rights:

11.2.1 To cure any breach or perform any obligations of Tenant under this Lease and Tenant shall pay Landlord the cost thereof upon demand.

11.2.2 To (a) re-enter and repossess the Leased Premises or any part thereof by due process, summary proceedings, ejections or otherwise and (b) remove all persons and property therefrom, whether or not the Lease has been terminated, Tenant hereby expressly waiving any and all notices to quit, cure or vacate provided by current or any future law. Landlord shall have no liability by reason of any such re-entry, repossession or removal, provided that any property shall be removed, stored and/or disposed of by Landlord in accordance with applicable law. No such re-entry or taking of possession of the Leased Premises by Landlord shall be construed as an election on Landlord's part to terminate the Lease Term unless a written notice of such intention be given to Tenant. No notice from Landlord or notice given under a forcible entry and detainer statute or similar laws will constitute an election by Landlord to terminate the Lease Term unless such notice specifically so states.

11.2.3 To terminate this Lease by reason of the occurrence of an Event of Default and Landlord shall be entitled to recover from Tenant, (a) the worth at the time of award of the unpaid rent which has been earned at the time of such termination; plus (b) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus (c) the worth at the time of award of the amount by which the unpaid rent for the balance of the Term after the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus (d) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom; plus (e) at Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable law. The term "rent" as used in this Section shall be deemed to be and to mean all sums of every nature required to be paid by Tenant pursuant to the terms of this Lease, whether to Landlord or to others. As used in Sections 11.2.3(a) and (b), above, the "worth at the time of award" shall be computed by allowing interest at the Default Rate, but in no case greater than the maximum amount of such interest permitted by law. As used in Section 11.2.3(c) above, the "worth at the time of award" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

11.2.4 To assert the remedy described in California Civil Code Section 1951.4 (lessor may continue lease in effect after lessee's breach and abandonment and recover rent as it becomes due, if lessee has the right to sublet or assign, subject only to reasonable limitations).

No termination of this Lease pursuant to Sections 11.2.3, by operation of law or otherwise, and no repossession of the Leased Premises or any part thereof, and no reletting of the Leased Premises or any part thereof, and no payment of any amounts by Tenant under Sections 11.2 or the exercise by Landlord of any of its other rights under Sections 11.2 shall relieve Tenant of either (i) its liabilities and obligations hereunder, all of which shall survive such expiration, termination, repossession, or reletting or (ii) any liabilities under this Lease which by express provision of this Lease survive such expiration, termination, repossession, or reletting.

11.3 **Default By Landlord.** If Landlord defaults in the performance of any term, covenant or condition required to be performed by Landlord under this Lease, Landlord shall have thirty (30) days following written notice from Tenant specifying such default in which to cure such default, or, in the event the act required to cure the non-performance cannot be accomplished within 30 days, to preclude a default, Landlord must commence the accomplishment of the necessary act within said period and thereafter proceed with diligence and good faith to accomplish the same. Tenant shall be entitled to all rights and remedies available at law or in equity upon Landlord's failure to cure such default.

11.4 **Attorneys' Fees.** Should either party commence any legal action or proceeding against the other based upon this Lease, the prevailing party shall be entitled to an award of reasonable attorneys' fees and other costs of litigation.

11.5 **Tenant Waivers.** Tenant hereby waives and surrenders for itself and all those claiming under it, including creditors of all kinds, (a) any right or privilege which it or any of them may have under any present or future constitution, statute or rule of law, including, without limitation, any rights under California Code of Civil Procedure Section 1174, California Code of Civil Procedure Section 1179, and California Civil Code Section 1950.7, to redeem the Leased Premises or to have a continuance of this Lease for the Term hereby demised or for a lesser period after termination of Tenant's right of occupancy by order or judgment of any court or by any legal process or writ, or under the terms of this Lease or after the termination of the Term of this Lease as herein provided, and (b) the benefits of any present or future constitution, statute or rule of law which exempts property from liability for debt or for distress for rent.

11.6 **Exculpatory Clause.** Notwithstanding any provision of this Lease to the contrary, the liability of Landlord under and with respect to this Lease shall be limited to the interest of Landlord in the Leased Premises, and any judgment in favor of Tenant or any party claiming by, through or under Tenant against Landlord shall be collectible only out of Landlord's interest in the Leased Premises, and in no event shall any judgment for damages be entered against Landlord which is in excess of the value of such interest. Neither Landlord nor Tenant shall in any event be liable to the other party or any other person or entity for any consequential, special, or punitive damages or loss of business, revenue, income or profits and each party hereby waives any and all claims for any such damages. No individual who is Landlord or any member or partner of any joint venture, tenancy in common, firm, partnership or other form of joint ownership that is Landlord, or their heirs, personal representatives, executors, successors and assigns, shall have any personal liability to Tenant, or to any person claiming under or through Tenant, for any amount or in any capacity.

ARTICLE XII.

Utilities; Repairs and Maintenance; Taxes

12.1 **Utilities.** Tenant shall pay all costs incurred for water, gas, electricity, telephone, and similar utilities and services provided to the Leased Premises during the Lease Term, provided that such utility costs and services incurred during the last month of the Lease Term shall be prorated between Landlord and Tenant based on the number of days during such month that each party was in possession of the Leased Premises.

12.2 **Repairs and Maintenance.**

12.2.1 During the Lease Term, Tenant, at Tenant's sole expense, shall be responsible for Routine Maintenance of the Leased Premises and landscaping, lawn services and all other grounds or similar maintenance of the grounds on the Leased Premises. If, during the Lease Term, Tenant's failure to perform its obligations under this Section 12.2.1 is reasonably likely to result in criminal or civil liability to Landlord or additional damage to the Leased Premises, then Landlord may make any repairs and alterations required to limit such liability or damage, and in such case, Tenant shall promptly reimburse Landlord for any costs and expenses that Landlord may incur in making such repairs and alterations in and to the Leased Premises.

12.2.2 Except as specifically set forth in this Section 12.2.2, neither Landlord nor Tenant shall be responsible for any Major Repairs during the Lease Term. However, if any Major Repairs are required to remedy any condition posing an imminent threat to human health or safety or otherwise reasonably likely to result in criminal or civil liability to Landlord (a "Required Major Repair"), Tenant may elect to perform such Required Major Repair within ten (10) days after receipt of notice from Landlord of the need for such Required Major Repair. If Tenant promptly commences and diligently pursues the Required Major Repair within such ten (10) day period, Landlord shall reimburse Tenant for fifty percent (50%) of the cost of such Required Major Repair, which reimbursement shall be made within thirty (30) days after the completion of such work and delivery of lien waivers reasonably satisfactory to Landlord. If Tenant does not promptly commence and diligently pursue such Required Major Repair within such ten (10) day period, this Lease shall automatically terminate upon the expiration of such ten (10) day period. As of the date of this Lease, Landlord and Tenant acknowledge that no condition requiring a Required Major Repair exists. Tenant shall give Landlord prompt notice of any condition requiring a Required Major Repair. For the avoidance of doubt, Tenant (at Tenant's sole cost and expense) shall be responsible for remedying any condition posing an imminent threat to human health or safety or otherwise reasonably likely to result in criminal or civil liability to Landlord, in which the cost of the necessary repairs or replacements are less than \$100,000.

12.3 Tenant shall pay all real estate ad valorem taxes, assessments, license fees and public charges ("**Taxes**") levied, assessed or imposed with respect to the Lease Term on the Leased Premises. Any such Taxes attributable to part of a fiscal year of a taxing authority which is included within the Lease Term and a part of which is included within a period of time or after the end of the Lease Term shall be adjusted by Landlord and Tenant as of the commencement or end of the Lease Term so that Tenant shall only pay that portion of Taxes accruing with respect to the Lease Term and Landlord shall pay the remainder. Tenant shall also pay all personal property

ad valorem taxes, assessments, license fees imposed, charges levied, assessed or imposed during the Lease Term on Tenant's Personal Property and Fixtures.

12.4 **Other Taxes.** Tenant shall pay all sales, excise, use or other similar taxes imposed during the Lease Term arising out of Tenant's use of the Leased Premises.

ARTICLE XIII.

Subordination; Estoppel Certificates; Landlord's Lien

13.1 **Subordination.** Tenant accepts this Lease subject and subordinate to any mortgage, deed of trust, ground lease or other lien presently existing or hereafter arising upon the Leased Premises (each, a "**Superior Lien**"), and to any renewals and extensions thereof. Landlord shall use good faith efforts to request the holder of such Superior Lien to execute and deliver to Tenant such holder's written nondisturbance agreement (in form and substance reasonably acceptable to Tenant) that (a) provided there is no uncured default hereunder, in the event of a foreclosure, or if Landlord conveys the Leased Premises in lieu of a foreclosure, the Lease will continue between Tenant and Landlord's successors, who shall assume Landlord's obligations under this Lease, and (b) Tenant will not be made a party to any foreclosure action except as may be necessary by law, and Tenant's possession of the Premises will not be disturbed.

13.2 **Estoppel Certificates.** Each party shall, from time to time, within ten (10) days after request from the other party, or from any mortgagee of Landlord, execute, acknowledge and deliver in recordable form a certificate certifying, to the extent true, that this Lease is in full force and effect and unmodified (or, if there have been modifications, that the same is in full force and effect as modified and stating the modifications); that the Lease Term has commenced and setting forth the full amount of the Rent then accruing hereunder; the dates to which the Rent has been paid; that Tenant has accepted possession of the Leased Premises; that the address for notices to be sent to Tenant is as set forth in this Lease (or has been changed by notice duly given and is as set forth in the certificate); that Tenant, as of the date of such certificate, has no charge, lien, or claim of offset under this Lease or otherwise against Rent or other charges due or to become due hereunder; that, to the knowledge of the party issuing the certificate, that the other party is not then in default under this Lease; and such other matters as may be reasonably requested by Tenant, Landlord or any mortgagee of Landlord. Any such certificate may be relied upon by Landlord or any mortgagee of Landlord.

13.3 **Landlord's Lien.** Landlord waives any liens or security interests, whether created by statute or otherwise, on Tenant's Personal Property and Trade Fixtures. Upon Tenant's request, Landlord agrees to promptly execute and deliver from time to time a landlord consent and waiver, in favor of Tenant's lender, in a form acceptable to Tenant. The current form of Tenant's required landlord consent and waiver is attached hereto as **Exhibit B**, which Landlord shall execute and deliver to Tenant on the date hereof.

ARTICLE IV.

Miscellaneous Provisions

14.1 **Controlling Law; Venue; Waiver of Jury Trial.** The terms and provisions of this Lease shall be construed in accordance with the internal laws of the State of California. By the execution and delivery of this Lease, each of the parties hereto hereby irrevocably and unconditionally agrees for itself that any legal action, suit, or proceeding against it with respect to any matter arising under or out of or in connection with this Lease or for recognition or

enforcement of any judgment rendered in any such action, suit, or proceeding may be brought in either a state or federal court of competent jurisdiction in the Orange County, California. By the execution and delivery of this Agreement, each of the parties hereto hereby irrevocably accepts and submits itself to the exclusive jurisdiction of each such court, generally and unconditionally, with respect to any such action, suit, or proceeding. By executing and delivering this Lease, each of the parties hereto irrevocably and unconditionally submits to the personal jurisdiction of each such court described in this Section 14.1, solely for purposes of any action, suit, or proceeding arising out of or relating to this Lease or for the recognition or enforcement of any judgment rendered or order entered in any such action, suit, or proceeding. TO THE MAXIMUM EXTENT PERMITTED BY LAW, EACH PARTY HERETO UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING REFERRED TO ABOVE. Each party (a) certifies that no representative, agent, or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver and (b) acknowledges that it and the other parties have been induced to enter into this Lease by, among other things, the mutual waivers and certifications in this Section 14.1.

14.2 **No Memorandum.** No memorandum of this Lease shall be recorded.

14.3 **Cumulative Remedies.** Except as specifically otherwise provided in this Lease, no remedy or election in this Lease shall be deemed exclusive, but shall, wherever possible, be cumulative with all other remedies in law or equity.

14.4 **Partial Invalidity.** If any term, covenant, condition, or provision of this Lease is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

14.5 **Entire Agreement.** This Lease and the Purchase and Sale Agreement between Landlord and Tenant, dated June 9, 2022 constitute the entire agreement between the parties, and there are no other agreements or understandings regarding the Leased Premises. This is a fully integrated Agreement and any oral terms discussed by the parties either before execution of this Lease or thereafter, as well as any prior writings not expressly incorporated into this Lease shall not be considered to be a part of this agreement.

14.6 **Amendment and Waiver.** This Lease may be amended at any time, but only by an instrument in writing executed by Landlord and Tenant. Either party to the Lease may, by giving notice, waive any requirement to be performed by the other under this Lease.

14.7 **Time Of Essence.** Time is of the essence of this Lease and every provision hereof.

14.8 **Successors and Assigns.** Each and all of the covenants, conditions, and restrictions in this Lease shall inure to the benefit of, and shall be binding upon, the successors in interest and permitted assigns. Tenant may assign this Lease or sublease any portion of the Leased Premises to its Affiliates without Landlord's consent, but may not otherwise assign (by operation of law or otherwise) this Lease or sublease any portion of the Leased Premises without the written consent of Landlord, which consent shall not be unreasonably withheld or delayed. Any attempted assignment of this Lease or sublease of any portion of the Leased Premises in violation of this Section 14.8 shall be void and constitute an Event of Default for Tenant. Tenant hereby waives (for itself and all persons claiming under Tenant) the provisions of California Civil Code Section 1995.310.

14.9 **Relationship Of Parties.** Nothing contained in this Lease shall be deemed or construed by the parties or any third person, to create a relationship of principal and agent, or a partnership, joint venture, or association between Landlord and Tenant.

14.10 **Captions; Construction.** The captions in this Lease are for convenience only, and shall not limit or amplify or otherwise constitute a part of the provisions of the Lease. In the construction and interpretation of this Lease, the rule of construction in that documents can be construed most strictly against the party who prepared it shall not be applied because both parties have participated in the preparation of this Lease. Accordingly, the parties waive the effect of California Civil Code Section 1654 which interprets uncertainties in a contract against the party who drafted the contract.

14.11 **Signage.** Tenant is entitled to maintain the signage, placards, pictures, names, notices, letterings, door signs, window coverings, awnings, or other projections ("Signage") on the Leased Premises as exist as of the Commencement Date. The installation of any additional signage will be subject to Landlord's reasonable prior approval. Tenant shall remove all Signage at the termination of this Lease. The cost and installation of all Signage shall be at the sole expense of Tenant.

14.12 **Counterparts.** This Lease may be executed simultaneously in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The exchange of copies of this Lease and of signature pages by electronic means, including PDF e-mail shall constitute effective execution and delivery of this Lease as to the parties and may be used in lieu of the original Lease for all purposes. Signatures of the parties transmitted by electronic means, including PDF, shall be deemed to be their original signatures for all purposes.

14.13 **Notices.** All notices or other communications required or contemplated by this Lease shall be in writing and shall be deemed to have been given when (a) personally delivered in return for a receipt, (b) mailed by registered or certified mail, return receipt requested, (c) sent by a recognized overnight courier service, or (d) sent by electronic means as follows:

To Tenant: Matrix Service Inc.
5100 E. Skelly Drive, Suite 100
Tulsa, Oklahoma 74135
Attention: Justin Sheets
Email: jsheets@matrixservicecompany.com

To Landlord: PISCES 500 W COLLINS AVE LLC
c/o Brookfield Property Group
Brookfield Place
250 Vesey Street
New York, New York 10281-1023

Attention:

Email:

or to such other person or address as either party shall hereafter designate from time to time by similar notice. Such notices or communications shall be deemed given on personal delivery in return for a receipt, on the third (3rd) business day after depositing with the U.S. mail, on the next business day after being deposited with the recognized overnight courier service, or on the date sent by electronic transmission during normal business hours (otherwise on the next business day).

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties have executed this Lease to be delivered and effective as of the date and year first above written.

TENANT:

MATRIX SERVICE INC.,
an Oklahoma corporation

By:

Kevin S. Cavanah, CFO

LANDLORD:

PISCES 500 W COLLINS AVE LLC,
a Delaware limited liability company

By:

Name:

Title:

Exhibit "A"

DESCRIPTION OF LEASED PREMISES

THE FOLLOWING DESCRIBED REAL PROPERTY IN THE CITY OF ORANGE, COUNTY OF ORANGE, STATE OF CALIFORNIA:

PARCEL 1 OF PARCEL MAP NO. 2007-130, IN THE CITY OF ORANGE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 363, PAGES 6 AND 7 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 386-581-18

PARCEL 2 OF PARCEL MAP NO. 2007-130, IN THE CITY OF ORANGE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 363, PAGES 6 AND 7 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 386-561-02

Exhibit "B"

LANDLORD CONSENT AND WAIVER

This Landlord Waiver (this "Waiver") is entered into as of _____, 2022 between PISCES LOGISTICS ACQUISITION LLC, a Delaware limited liability company (together with its successors and assigns, "Landlord"), MATRIX SERVICE INC., an Oklahoma corporation (together with its successors and assigns, "Company"), and BANK OF MONTREAL, as agent for itself and certain other lenders party to the Loan Documents (as defined below) (together with its successors and assigns, in such capacity, the "Agent").

Landlord is the owner of the real property known by APN 386-581-18, in the City of Orange, County of Orange, State of California, as more particularly described in the Lease (the "Leased Premises").

Landlord has entered into that certain Lease Agreement dated substantially concurrently herewith (together with any renewals, extensions, amendments, modifications, substitutions or replacements thereof, the "Lease") with the Company, with respect to the Leased Premises.

The Company and certain of its affiliates have entered, and may from time to time enter, into a loan agreement and other documents (collectively, the "Loan Documents") evidencing a financing arrangement with Agent. The Company has also agreed to secure its obligations and liabilities under the Loan Documents (the "Obligations") by granting a security interest to Agent, for the benefit of the lenders, in all of the Company's property and all products and proceeds of the foregoing, as more fully described in the Loan Documents (collectively, the "Collateral").

As an inducement to enter into the Loan Documents, Agent has required that the Company obtain this Waiver from Landlord in connection with its lease of the Leased Premises, and Landlord and Company hereby agree and covenant with Agent as follows:

1. Company and Landlord acknowledge that the Lease is in full force and effect and is not aware of any existing material default under the Lease.
2. Landlord acknowledges the validity of Agent's lien on the Collateral and, subject to the terms of this Waiver, subordinates to Agent any interest (statutory, common law or otherwise) in the Collateral and agrees not to levy or distraint upon any Collateral or to claim or assert any lien, right or other claim against any Collateral for any reason at any time. Notwithstanding the preceding sentence, Landlord does not hereby disclaim any interest in fixtures and tenant improvements which are necessary for the operation of the Leased Premises as opposed to the operation of the Company's business.
3. Landlord agrees to give notice to Agent of the occurrence of any default by the Company under the Lease resulting in termination of the Lease (a "Default Notice") and agrees to permit Agent to cure any such default within fifteen (15) days of Agent's receipt of such Default Notice, but Agent shall not be under any obligation to cure any default by the Company under the Lease. No action by Agent pursuant to this Waiver shall be deemed to be an assumption by Agent of any obligation under the Lease, except as expressly provided herein.
4. Subject to the provisions of this Waiver, Landlord agrees that the Collateral may be inspected and evaluated by Agent or its designee, without necessity of court order, at any time during normal business hours without payment of any fee.
5. In the event of default by the Company in the payment or performance of the Obligations or if Landlord takes possession of the Leased Premises for any reason, including because of termination of the Company's lease (each a "Disposition Event"), Landlord agrees that, at Agent's option, the Collateral may remain upon the Leased Premises for a period not to exceed one hundred twenty (120) days (the "Disposition Period") after (a) the occurrence of a Disposition Event or (b) receipt by Agent of a Default Notice; provided that Agent pays rent on a per diem basis for the period of time Agent remains on the Premises, based upon the amount of rent set forth in the Lease. If any injunction or stay is issued (including an automatic stay due to a bankruptcy proceeding) that prohibits Agent from removing the Collateral, commencement of the Disposition Period shall be deferred until such injunction or stay is lifted or removed.
6. During any Disposition Period, Agent (a) or its designee may, without necessity of court order, enter upon the Premises at any time to inspect or remove all or any Collateral from the Premises without interference by Landlord, and Agent or its designee may sell, transfer, or otherwise dispose of that Collateral free of all liens, claims, demands, rights and interests that Landlord may have in that Collateral by law or agreement, and (b) shall make the Leased Premises available for inspection by Landlord and prospective tenants and shall cooperate in Landlord's reasonable efforts to re-lease the Leased Premises. Notwithstanding anything to the contrary contained in this Waiver, all rights of Agent to enter upon the Leased Premises and remove the Collateral shall be expressly subject to and conditioned upon the following:
 - a. Agent shall provide Landlord with reasonable notice prior to any entry upon the Leased Premises;

- b. Agent shall repair any and all damage to the Leased Premises caused by the entry upon the Leased Premises by Agent (or any agent of Agent) and/or the removal of any Collateral from the Leased Premises by Agent (or any agent of Agent) and shall restore the Leased Premises to the condition existing prior to such removal;
 - c. Neither Agent nor any agent of Agent shall conduct a public or private sale of any of the Collateral at the Leased Premises without first obtaining Landlord's written consent, which may be given or withheld in Landlord's sole discretion, and without Landlord being present at the time of sale, if any; and
 - d. Agent agrees to indemnify, defend, protect and hold Landlord and the Leased Premises free and harmless from any claims, damages, liabilities, losses, costs, and expenses (including, without limitation, reasonable attorneys' fees) arising out of the exercise by Agent of any of its rights under this Waiver.
7. Agent shall not (a) be liable to Landlord for any diminution in value caused by the absence of any removed Collateral or for any other matter except as specifically set forth herein or (b) have any duty or obligation to remove or dispose of any Collateral or other property left on the Leased Premises by the Company.
8. Without affecting the validity of this Waiver, any of the Obligations under the Loan Documents may be extended, amended, or otherwise modified without the consent of Landlord and without giving notice thereof to Landlord. This Waiver shall inure to the benefit of the successors and

assigns of Agent, Landlord, and Company and shall be binding upon the heirs, personal representatives, successors and assigns of Agent, Landlord, and Company. The person signing this Waiver on behalf of each party represents that he/she has the authority to do so on behalf of the respective party.

9. All notices hereunder shall be in writing and sent by certified mail (return receipt requested), overnight mail or facsimile (with a copy to be sent by certified or overnight mail), to the other party at the address set forth on the signature page hereto or at such other address as such other party shall otherwise designate in accordance with this paragraph.
10. This Waiver may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. Delivery of an executed counterpart of this Waiver by facsimile or other electronic method of transmission shall be equally as effective as delivery of an original executed counterpart of this Waiver. Any party delivering an executed counterpart of this Waiver by facsimile or other electronic method of transmission shall also deliver an original executed counterpart of this Waiver, but the failure to do so shall not affect the validity, enforceability or binding effect of this Waiver.
11. This Waiver is governed by the laws of the State of Oklahoma. Agent, Landlord, and Company agree that any legal action or proceeding with respect to any of its obligations under this Waiver may be brought in any state or federal court located in the State of Oklahoma. By its execution and delivery of this Waiver, the parties each submit to and accept, for itself and in respect of its property, generally and unconditionally, the non-exclusive jurisdiction of those courts.
12. **WAIVER OF SPECIAL DAMAGES.** AGENT, LANDLORD, AND COMPANY EACH WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT SUCH PARTY MAY HAVE TO CLAIM OR RECOVER IN ANY LEGAL ACTION OR PROCEEDING ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES.
13. **JURY WAIVER.** TO THE MAXIMUM EXTENT PERMITTED BY LAW, AGENT, LANDLORD, AND COMPANY EACH HEREBY VOLUNTARILY, KNOWINGLY, IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE IN ANY WAY RELATED TO THIS WAIVER.
14. This Waiver shall continue in full force and affect until the earlier to occur of (a) the expiration of the Disposition Period or (b) indefeasible payment in full of all Obligations and termination of the Loan Documents.
15. If any party hereto should bring suit against another party with respect to this agreement, then all costs and expenses, including without limitation, actual professional fees and costs such as appraisers', accountants' and attorneys' fees and costs, incurred by the party which prevails in such action, whether by final judgment or out of court settlement, shall be paid by the other parties, which obligation on the part of the other parties shall be deemed to have accrued on the date of the commencement of such action and shall be enforceable whether or not the action is prosecuted to judgment. As used herein, attorneys' fees and costs shall include, without limitation, attorneys' fees, costs and expenses incurred in connection with any (i) post-judgment motions; (ii) contempt proceedings; (iii) garnishment, levy, and debtor and third party examination; (iv) discovery; and (v) bankruptcy litigation.

[Signature Page Follows]

This Waiver is executed and delivered by Landlord as of the date first written above.

LANDLORD:

PISCES 500 W COLLINS AVE LLC,
a Delaware limited liability company

By:
Name:

Title:

c/o Brookfield Property Group

Brookfield Place
250 Vesey Street
New York, New York 10281-1023

COMPANY:

MATRIX SERVICE INC.,
an Oklahoma corporation

By:
Name:
Title:

5100 E. Skelly Drive, Suite 100

Tulsa, Oklahoma 74135

BANK OF MONTREAL

By:
Name:
Title:

EXHIBIT "C"

ENVIRONMENTAL QUESTIONNAIRE AND DISCLOSURE STATEMENT

The purpose of this form is to obtain information regarding the use or proposed use of hazardous materials at the premises. Prospective tenants should answer the questions in light of their proposed operations at the premises. Existing tenants should answer the questions as they relate to ongoing operations at the premises and should update any information previously submitted. If additional space is needed to answer the questions, you may attach separate sheets of paper to this form.

Your cooperation in this matter is appreciated.

1. GENERAL INFORMATION

Name of Responding Company:

Check the Applicable Status: Prospective Tenant Existing Tenant

Mailing Address:

Contact Person and Title:

Telephone Number: (____) _____

Address of Leased Premises:

Length of Term:

Describe the proposed operations to take place on the premises, including principal products manufactured or services to be conducted. Existing tenants should describe any proposed changes to ongoing operations.

2. STORAGE OF HAZARDOUS MATERIALS

2.1 Will any hazardous materials be used or stored on-site?

Wastes Yes ____ No ____

Chemical Products Yes ____ No ____

2.2 Attach a list of any hazardous materials to be used or stored, the quantities that will be on-site at any given time, and the location and method of storage (e.g., 55-gallon drums on concrete pad).

3. STORAGE TANKS AND SUMPS

3.1 Is any above or below ground storage of gasoline, diesel or other hazardous substances in tanks or sumps proposed or currently conducted at the premises?

Yes ____ No ____

If yes, describe the materials to be stored, and the type, size and construction of the sump or tank. Attach copies of any permits obtained for the storage of such substances.

3.2 Have any of the tanks or sumps been inspected or tested for leakage?

Yes ____ No ____

If so, attach the results.

3.3 Have any spills or leaks occurred from such tanks or sumps?

Yes ____ No ____

If so, describe.

3.4 Were any regulatory agencies notified of the spill or leak?

Yes ____ No ____

If so, attach copies of any spill reports filed, any clearance letters or other correspondence from regulatory agencies relating to the spill or leak.

3.5 Have any underground storage tanks or sumps been taken out of service or removed?

Yes ____ No ____

If yes, attach copies of any closure permits and clearance obtained from regulatory agencies relating to closure and removal of such tanks.

4. SPILLS

4.1 During the past year, have any spills occurred at the premises?

Yes ____ No ____

If yes, please describe the location of the spill.

4.2 Were any agencies notified in connection with such spills?

Yes ____ No ____

If yes, attach copies of any spill reports or other correspondence with regulatory agencies.

4.3 Were any clean-up actions undertaken in connection with the spills?

Yes No

Attach copies of any clearance letters obtained from any regulatory agencies involved and the results of any final soil or groundwater sampling done upon completion of the clean-up work.

5. WASTE MANAGEMENT

5.1 Has your company been issued an EPA Hazardous Waste Generator I.D. Number?

Yes No

5.2 Has your company filed a biennial report as a hazardous waste generator?

Yes No

If so, attach a copy of the most recent report filed.

5.3 Attach a list of the hazardous wastes, if any, generated or to be generated at the premises, its hazard class and the quantity generated on a monthly basis.

5.4 Describe the method(s) of disposal for each waste. Indicate where and how often disposal will take place.

On-site treatment or recovery

Discharged to sewer

Transported and disposed of off-site

Incinerator

5.5 Indicate the name of the person(s) responsible for maintaining copies of hazardous waste manifests completed for off-site shipments of hazardous waste.

5.6 Is any treatment or processing of hazardous wastes currently conducted or proposed to be conducted at the premises:

Yes No

If yes, please describe any existing or proposed treatment methods.

5.7 Attach copies of any hazardous waste permits or licenses issued to your company with respect to its operations at the premises.

6. WASTEWATER TREATMENT/DISCHARGE

6.1 Do you discharge wastewater to:

storm drain? sewer?

surface water? no industrial discharge

6.2 Is your wastewater treated before discharge?

Yes No

If yes, describe the type of treatment conducted.

6.3 Attach copies of any wastewater discharge permits issued to your company with respect to its operations at the premises.

7. AIR DISCHARGES

7.1 Do you have any filtration systems or stacks that discharge into the air?

Yes No

7.2 Do you operate any of the following types of equipment or any other equipment requiring an air emissions permit?

Spray booth

Dip tank

Drying oven

Incinerator

Other (please describe)

No equipment requiring air permits

7.3 Are air emissions from your operations monitored?

Yes No

If so, indicate the frequency of monitoring and a description of the monitoring results.

7.4 Attach copies of any air emissions permits pertaining to your operations at the premises.

8. HAZARDOUS MATERIALS DISCLOSURES

8.1 Does your company handle hazardous materials in a quantity equal to or exceeding an aggregate of 500 pounds, 55 gallons, or 200 cubic feet per month?

Yes No

8.2 Has your company prepared a hazardous materials management plan pursuant to any applicable requirements of a local fire department or governmental agency?

Yes No

If so, attach a copy of the business plan.

8.3 Has your company adopted any voluntary environmental, health or safety program?

Yes No

If so, attach a copy of the program.

9. ENFORCEMENT ACTIONS, COMPLAINTS

9.1 Has your company ever been subject to any agency enforcement actions, administrative orders, or consent decrees?

Yes No

If so, describe the actions and any continuing compliance obligations imposed as a result of these actions.

9.2 Has your company ever received requests for information, notice or demand letters, or any other inquiries regarding its operations?

Yes No

9.3 Have there ever been, or are there now pending, any lawsuits against the company regarding any environmental or health and safety concerns?

Yes No

9.4 Has an environmental audit ever been conducted at your company's current facility?

Yes No

If so, identify who conducted the audit and when it was conducted.

Tenant:

By:

Its:

3283

Matrix Service Company
Subsidiaries

Matrix Service Inc., an Oklahoma corporation
 Matrix Service Canada ULC, an Alberta, Canada unlimited liability corporation
 Matrix North American Construction, Inc., an Oklahoma corporation
 Matrix North American Construction, Ltd., a Canadian corporation
 Matrix North American Construction, LLC, a Delaware limited liability company
 Matrix SME Canada, Inc., a Delaware corporation
 Matrix SME Canada ULC, a Nova Scotia, Canada unlimited liability corporation
 Matrix PDM Engineering, Inc., a Delaware corporation
 Matrix PDM, LLC, an Oklahoma limited liability company
 Matrix Applied Technologies, Inc., a Delaware corporation
 Matrix International Holding Company, Ltd., a British corporation
 Matrix Applied Technologies, Ltd., a South Korean corporation
 Matrix Applied Technologies, Pty. Ltd., an Australian corporation
 River Consulting, LLC, a Louisiana limited liability company
 Matrix Products and Services S. de R.L. de C.V., a Mexican limited liability variable stock corporation
 Matrix Service VI, LLC, a U.S. Virgin Island limited liability company
 Mobile Aquatic Solutions, Inc., an Oklahoma corporation
 MSI Federal Contracting, LLC, a Delaware limited liability company
 Devco USA, LLC, an Oklahoma limited liability company
 Houston Dynamics, LLC, a Qatar limited liability company
 Matrix Service International, LLC, a Delaware limited liability company
 Matrix Applied Technologies FZ-LLC, a UAE free zone company
 Matrix Applied Technologies Pte Ltd, a Singapore limited company
 Matrix PDM Engineering Ltd., a Nova Scotia limited company
 Matrix Engineering & Technical Solutions, LLC, a Delaware limited liability company
 Matrix Project Services, LLC, a Delaware limited liability company

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements on Form S-8:

Registration Statement on Form S-8 (File No. 333-268828) related to the Matrix Service Company 2020 Stock and Incentive Compensation Plan

Registration Statement on Form S-8 (File No. 333-249818) related to the Matrix Service Company 2020 Stock and Incentive Compensation Plan

Registration Statement on Form S-8 (File No. 333-228052) related to the Matrix Service Company 2018 Stock and Incentive Compensation Plan

Registration Statement on Form S-8 (File No. 333-214590) related to the Matrix Service Company 2016 Stock and Incentive Compensation Plan

Registration Statement on Form S-8 (File No. 333-171247) related to the Matrix Service Company 2011 Employee Stock Purchase Plan

of our reports dated October 11, 2022 September 12, 2023, relating to the financial statements of Matrix Service Company, and the effectiveness of Matrix Service Company's internal control over financial reporting appearing in this Annual Report on Form 10-K for the year ended June 30, 2022 June 30, 2023.

/s/ DELOITTE & TOUCHE LLP

Tulsa, Oklahoma

October 11, 2022 September 12, 2023

CERTIFICATIONS

I, John R. Hewitt, certify that:

1. I have reviewed this Annual Report on Form 10-K of Matrix Service Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 11, 2022 September 12, 2023

/s/ John R. Hewitt

John R. Hewitt

President and Chief Executive Officer

CERTIFICATIONS

I, Kevin S. Cavanah, certify that:

1. I have reviewed this Annual Report on Form 10-K of Matrix Service Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: ~~October 11, 2022~~ September 12, 2023

/s/ Kevin S. Cavanah

Kevin S. Cavanah

Vice President and Chief Financial Officer

EXHIBIT 32.1

Certification Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant
Section 906 of Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Matrix Service Company (the "Company") on Form 10-K for the period ending ~~June 30, 2022~~ June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John R. Hewitt, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: ~~October 11, 2022~~ September 12, 2023

/s/ John R. Hewitt

John R. Hewitt

President and Chief Executive Officer

EXHIBIT 32.2

Certification Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant
Section 906 of Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Matrix Service Company (the "Company") on Form 10-K for the period ending ~~June 30, 2022~~ **June 30, 2023** as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kevin S. Cavanah, Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: ~~October 11, 2022~~ **September 12, 2023**

/s/ Kevin S. Cavanah

Kevin S. Cavanah

Vice President and Chief Financial Officer

Exhibit 95

Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") requires domestic mine operators to disclose violations and orders issued under the Federal Mine Safety and Health Act of 1977 (the "Mine Act") by the federal Mine Safety and Health Administration ("MSHA"). We do not act as the owner of any mines, but as a result of our performing services or construction at mine sites as an independent contractor, we are considered an "operator" within the meaning of the Mine Act. The mine data retrieval system maintained by MSHA may show information that is different than what is provided herein. Any such difference may be attributed to the need to update that information on MSHA's system and/or other factors.

The following table provides information for the twelve months ended ~~June 30, 2022~~ **June 30, 2023**:

Mine or Operating Name/MSHA Identification Number	Section 104 S&S Citations ⁽¹⁾	Section 104(b) Orders ⁽²⁾	Section 104(d) Citations and Orders ⁽³⁾	Section 110(b)(2) Violations ⁽⁴⁾	Section 107(a) Orders ⁽⁵⁾	Total Dollar Value of MSHA Assessments Proposed (\$)	Total Number of Mining Related Fatalities	Received Notice of Pattern of Violations Under Section 104(e) ⁽⁶⁾ (yes/no)	Received Notice of Potential to Have Pattern of Violations Under Section 104(e) ⁽⁷⁾ (yes/no)	Total Number of Legal Actions Pending as of Last Day of Period	Total Number of Legal Actions Initiated During Period	Total Number of Legal Actions Resolved During Period
Freeport-McMoran Safford Mine, 02-03131	—	—	—	—	—	—	—	No	No	—	—	—
Freeport-McMoran Bagdad Mine, 02-00137	—	—	—	—	—	—	—	No	No	—	—	—

- (1) The total number of citations issued under section 104 of the Mine Act for violations of mandatory health or safety standards that could significantly and substantially contribute to a serious injury if left unabated.
- (2) The total number of orders issued under section 104(b) of the Mine Act, which represents a failure to abate a citation under section 104(a) within the period of time prescribed by MSHA.
- (3) The total number of citations and orders issued by MSHA under section 104(d) of the Mine Act for unwarrantable failure to comply with mandatory health or safety standards.
- (4) The total number of flagrant violations identified under section 110(b)(2) of the Mine Act.
- (5) The total number of orders issued under section 107(a) of the Mine Act for situations in which MSHA determined an imminent danger existed.
- (6) A written notice from the MSHA regarding a pattern of violations under section 104(e) of the Mine Act.
- (7) A written notice from the MSHA regarding a potential to have a pattern of violations under section 104(e) of the Mine Act.

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

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