MATRIX SERVICE CO
Form DEF 14A
October 07, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No.)
Filed by the Registrant Filed by a Party other than the Registrant
Check the appropriate box:

Preliminary Proxy Statement
Confidential, For Use of the Commission Only (as permitted by Rule 14a-(e)(2)
Definitive Proxy Statement
Definitive Additional Materials
Soliciting Material Under Rule 14a-12

Matrix Service Company
(Name of Registrant as Specified in Its Charter)
N/A
(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)
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MATRIX SERVICE COMPANY
5100 East Skelly Drive, Suite 500
Tulsa, Oklahoma 74135

NOTICE OF 2016 ANNUAL MEETING OF STOCKHOLDERS

Notice is hereby given that the Annual Meeting of the Stockholders of Matrix Service Company, a Delaware corporation, (the "Company" or "Matrix"), will be held at the Company's Corporate Headquarters, 5100 East Skelly Drive, Tulsa, Oklahoma, on the 11th day of November 2016, at 10:00 a.m., Central time, for the following purposes:

1. To elect seven persons to serve as members of the Board of Directors of the Company until the 2017 annual stockholders meeting or until their successors have been elected and qualified;
2. To consider and act upon a proposal to ratify the engagement of Deloitte & Touche LLP as the Company's independent registered public accounting firm for fiscal 2017;
3. To conduct an advisory vote on executive compensation;
4. To consider approval of an amendment to the Company's Restated Certificate of Incorporation to allow for the removal of directors with or without cause by a majority vote of the stockholders;
5. To consider and act upon a proposal to approve the Matrix Service Company 2016 Stock and Incentive Compensation Plan; and
6. To transact such other business as may properly come before the meeting or any adjournments thereof.

The Board of Directors has fixed the close of business on September 30, 2016 as the record date for the meeting (the "Record Date"), and only holders of record of the Company's common stock at such time are entitled to notice of and to vote at the meeting and any adjournment thereof.

By Order of the Board of Directors

Kevin S. Cavanah
Secretary

October 7, 2016
Tulsa, Oklahoma

IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE ANNUAL MEETING REGARDLESS OF WHETHER YOU PLAN TO ATTEND. WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, WE HOPE YOU WILL TAKE THE TIME TO VOTE YOUR SHARES. THEREFORE PLEASE MARK, SIGN, DATE AND RETURN THE ENCLOSED PROXY PROMPTLY. YOU ALSO HAVE THE OPTION OF VOTING YOUR SHARES ON THE INTERNET OR BY TELEPHONE. VOTING INSTRUCTIONS ARE PRINTED ON YOUR PROXY. IF YOU VOTE BY INTERNET OR BY TELEPHONE, YOU DO NOT NEED TO MAIL BACK YOUR PROXY. IF YOU ARE PRESENT AT THE MEETING AND WISH TO DO SO, YOU MAY REVOKE THE PROXY AND VOTE IN PERSON.

Important Notice Regarding the Availability of Proxy Materials for the Stockholders Meeting to be held on November 11, 2016. Stockholders may view this proxy statement, our form of proxy and our 2016 Annual Report to Stockholders over the Internet by accessing our website at matrixservicecompany.com.

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MATRIX SERVICE COMPANY
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PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS
To Be Held on November 11, 2016

SOLICITATION AND REVOCATION OF PROXIES

The accompanying proxy is solicited by the Board of Directors of Matrix Service Company ("Matrix", the "Company", "we", "our" or "us") for use at the Annual Meeting of Stockholders to be held on November 11, 2016, and at any adjournments thereof for the purposes set forth in the accompanying Notice of 2016 Annual Meeting of Stockholders. The Annual Meeting will be held at 10:00 a.m., Central time, at the Company's Corporate Headquarters, 5100 East Skelly Drive, Tulsa, Oklahoma. This proxy statement and accompanying proxy were first sent on or about October 7, 2016 to stockholders of record on September 30, 2016. The annual report of the Company on Form 10-K for the fiscal year ended June 30, 2016 accompanies this proxy statement.

If the accompanying proxy is properly executed and returned or a stockholder votes his or her proxy by Internet or telephone, the shares represented by the proxy will be voted at the meeting in accordance with the directions noted thereon or, if no direction is indicated, that stockholder's shares will be voted in favor of the proposals described in this proxy statement. In addition, the proxy confers authority on the persons named in the proxy to vote, in their discretion, on any other matters properly presented at the Annual Meeting. The Board of Directors is not currently aware of any other such matters. Any stockholder who has given a proxy, whether by mail, Internet or telephone, has the power to revoke it at any time before it is voted by executing a subsequent proxy and sending it to Kevin S. Cavanah, Secretary, Matrix Service Company, 5100 East Skelly Drive, Suite 500, Tulsa, Oklahoma, 74135, or by a later dated vote by Internet or by telephone. The proxy also may be revoked if the stockholder is present at the meeting and elects to vote in person.

The expenses of this proxy solicitation, including the cost of preparing and mailing this proxy statement and accompanying proxy, will be borne by the Company. Such expenses will also include the charges and expenses of banks, brokerage firms and other custodians, nominees or fiduciaries for forwarding solicitation material regarding the Annual Meeting to beneficial owners of the Company's common stock. In addition to solicitation by mail, certain directors, officers and regular employees of the Company may solicit proxies in person or by telephone, electronic transmission and facsimile transmission. Any such directors, officers or employees will not be additionally compensated, but may be reimbursed for their out-of-pocket expenses in connection therewith.

STOCKHOLDERS ENTITLED TO VOTE

At the close of business on the record date of September 30, 2016 there were 26,528,060xx,xxx,xxx shares of the Company's common stock, par value $0.01 per share (the "Common Stock"), outstanding. Each outstanding share of Common Stock is entitled to one vote upon each of the matters to be voted on at the meeting. There is no cumulative voting with respect to the election of directors. The presence, in person or by proxy, of at least a majority of the outstanding shares of common stock is required for a quorum for the transaction of business.

If you hold your shares through an account with a bank or broker, the bank or broker may vote your shares on some matters even if you do not provide voting instructions. Brokerage firms have the authority to vote shares on certain matters (such as the ratification of auditors) when their customers do not provide voting instructions. However, on other matters (such as the election of directors), when the brokerage firm has not received voting instructions from its customers, the brokerage firm cannot vote the shares on that matter and a "broker non-vote" occurs. Please note that an uncontested election of directors is no longer considered a routine matter. This means that brokers may not vote your shares on the election of directors if you have not given your broker specific instructions as to how to vote. Please be sure to give specific voting instructions to your broker so that your vote can be counted.

Votes withheld from nominees for directors, abstentions and broker non-votes will be counted for purposes of determining whether a quorum has been reached. Votes will be tabulated by an inspector of election appointed by the

Board of Directors of the Company. Abstentions may be specified on all proposals, except the election of directors. The following vote is needed in order for the various proposals to be adopted:

Proposal 1-Election of Directors. Votes may be cast in favor of or withheld from each nominee. The affirmative vote of a plurality of the votes cast at the meeting is required for the election of directors. Votes that are withheld will have no effect on the vote.

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Proposal 2-Ratification of Independent Registered Public Accounting Firm. The appointment of Deloitte & Touche LLP as our independent registered public accounting firm for fiscal 2017 will be ratified if a majority of the shares of common stock present or represented by proxy and entitled to vote thereon at the Annual Meeting vote in favor. Abstentions will have the effect of a vote against the proposal.

Proposal 3-Advisory Vote on Executive Compensation. The approval, on an advisory basis, of the compensation paid to our executive officers named in this proxy statement requires the affirmative vote of a majority of the shares of common stock present or represented by proxy and entitled to vote thereon at the Annual Meeting. Abstentions will have the effect of a vote against the proposal.

Proposal 4-Approval of Amendment to our Restated Certificate of Incorporation. The approval of the amendment to our Restated Certificate of Incorporation requires the affirmative vote of the holders of 66-2/3% or more of our outstanding shares of common stock. Abstentions will have the effect of a vote against the proposal.

Proposal 5-Approval of the Matrix Service Company 2016 Stock and Incentive Compensation Plan. The approval of the Matrix Service Company 2016 Stock and Incentive Compensation Plan requires the affirmative vote of a majority of the shares of common stock present or represented by proxy and entitled to vote thereon at the Annual Meeting. Abstentions will have the effect of a vote against the proposal.

A “broker non-vote” will have no effect on the outcome of the election of directors or proposals 2, 3 and 5. A broker non-vote will have the effect of a vote against Proposal 4.

PROPOSAL NUMBER 1:

Election of Directors

The Company’s Certificate of Incorporation and Bylaws provide that the number of directors on the Board shall be fixed from time to time by the Board of Directors but shall not be less than three nor more than 15 persons. The number of directors is currently fixed at eight, but will be reduced to seven as of the date of the Annual Meeting. Directors hold office until the next annual meeting of the stockholders of the Company or until their successors have been elected and qualified. Vacancies may be filled by a majority vote of the remaining directors based on the recommendations of the Nominating and Corporate Governance Committee.

In accordance with the recommendation of the Nominating and Corporate Governance Committee, the Board of Directors has nominated and recommends that you vote “For” the election of the seven nominees identified below who have been nominated to serve as directors until the next annual meeting of stockholders or until their successors are duly elected and qualified. Proxies solicited hereby will be voted “For” all seven nominees unless stockholders specify otherwise in their proxies. The seven nominees who receive the highest number of affirmative votes of the shares voting shall be elected as directors. Paul K. Lackey is not seeking re-election as a director, as he has elected to retire from the Board of Directors as of the date of the Annual Meeting in accordance with the Board’s retirement policy. Mr. Lackey has served as a director since October 2000. The Board appreciates Mr. Lackey’s 16 years of service to the Company as well as his valuable insight and business advice over the years.

If, at the time of the 2016 Annual Meeting of Stockholders, any of the nominees should be unable or decline to serve, the discretionary authority provided in the proxy may be used to vote for a substitute or substitutes who may be recommended by the Nominating and Corporate Governance Committee and who the Board of Directors may propose to replace such nominee. The Board of Directors has no reason to believe that any substitute nominee or nominees will be required.

Each of our directors possesses a combination of attributes that qualifies him for service on the Board of Directors. The directors were specifically recruited for these attributes, which include business experience specifically related to the industries in which we operate, knowledge based on specialized education or training such as accounting and finance, and senior executive management experience that demonstrates leadership qualities and a practical understanding of organizations, processes, business strategies, risk management and how to drive change and growth.

We believe that the qualifications, skills and experiences of the directors, individually and collectively, have resulted in the Board of Directors being effective.

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Nominated Director Biographies

The nominees for director, and certain additional information with respect to each of them, are as follows:

Michael J. Hall, age 72, was first elected as a director of the Company effective October 1998 and was elected Chairman of the Board in November 2006. Mr. Hall previously served as President and Chief Executive Officer of the Company from March 2005 until his retirement in November 2006. Mr. Hall also served as Vice President, Finance and Chief Financial Officer of the Company from November 1998 until his initial retirement in May 2004. Prior to working for Matrix Service Company, Mr. Hall was Vice President and Chief Financial Officer for Pexco Holdings, Inc. from 1994 to 1997 and Vice President, Finance and Chief Financial Officer for Worldwide Sports & Recreation, Inc., an affiliate of Pexco Holding, from 1996 to 1997. From 1984 to 1994, Mr. Hall worked for T.D. Williamson, Inc., as Senior Vice President, Chief Financial and Administrative Officer and Director of Operations, Europe, Africa and Middle East Region. Mr. Hall graduated Summa Cum Laude from Boston College with a degree in Accounting and earned his Masters of Business Administration degree with honors from Stanford Graduate School of Business. Mr. Hall is a former member of the Board of Directors of Alliance G.P., LLC (the general partner of Alliance Holdings, G.P., L.P.); a former member of the Board of Directors of Alliance Resource Management G.P., LLC (the managing general partner of Alliance Resources Partners, L.P.); former director and Chairman of the Board of Integrated Electrical Services, Inc.; and a former Independent Trustee and Chairman of the Board of Trustees for American Performance Funds.

The specific experience, qualifications, attributes or skills that led to the conclusion Mr. Hall should serve as a Director include his long history of service in senior corporate leadership positions, his significant knowledge of the construction and energy industries, and his extensive experience and expertise in complex financial and operational matters gained from his service as a Chief Financial Officer and a Chief Executive Officer.

John R. Hewitt, age 58, was appointed as President and Chief Executive Officer and as a director of the Company in May 2011. Mr. Hewitt has spent his entire career in the engineering, procurement, and construction industry. Prior to joining Matrix in May 2011, Mr. Hewitt worked for approximately 25 years for various operating businesses of Aker Solutions ASA (“Aker”) and its predecessor companies, which provide engineering and construction services, technology products, and integrated solutions to the energy and process industries worldwide. Up until his appointment with the Company, Mr. Hewitt served as Vice President of Aker Solutions, where he was responsible for providing executive oversight on major capital projects in the power and liquefied natural gas industries. He also served as President, United States Operations, Aker Solutions E&C US, Inc. from 2007 to 2009 where he was responsible for managing all construction services in North America. Prior to that, he served as President, Aker Construction Inc. where he had full profit and loss responsibility for a multi-disciplined direct hire industrial construction business operating throughout North America. Mr. Hewitt is a member of the board of directors of Junior Achievement of Oklahoma, the Tulsa Area United Way, the Tulsa Area Salvation Army and the Philbrook Museum of Art. Mr. Hewitt also serves as an executive board member of the Tulsa Regional Chamber of Commerce and as Chairman of Visit Tulsa.

As the current President and CEO of the Company, Mr. Hewitt provides a management representative on the Board of Directors with extensive knowledge of day-to-day operations. As a result, he can facilitate the Board of Directors’ access to timely and relevant information and its oversight of management’s strategy, planning and performance. In addition, Mr. Hewitt brings to the Board of Directors considerable management and leadership experience, extensive knowledge of the energy industry and our business, and significant experience with mergers and acquisitions.

John W. Gibson, age 64, has served as a director of the Company since April 2016. Mr. Gibson is currently the non-executive Chairman of the Board of ONEOK, Inc. and ONEOK Partners GP, L.L.C., the general partner of ONEOK Partners, L.P. He served as ONEOK, Inc. Chief Executive Officer from January 1, 2007, to January 31, 2014. He was appointed Chairman of the Board of ONEOK Partners GP, L.L.C. in 2007 and of ONEOK, Inc. in May 2011, and served as ONEOK, Inc. President from 2010 through 2011. He also served as Chief Executive Officer of ONEOK Partners GP, L.L.C. from 2007 until January 31, 2014, and served as President from 2010 through 2011. From 2005 until May 2006, he was President of ONEOK Energy Companies, which included natural gas gathering and processing, natural gas liquids, pipelines and storage and energy services business segments. Prior to that, he was

ONEOK, Inc. President, Energy, from May 2000 to 2005. Mr. Gibson joined ONEOK in May 2000 from Koch Energy, Inc., a subsidiary of Koch Industries, where he was an Executive Vice President. His career in the energy industry began in 1974 as a refinery engineer with Exxon USA. He spent 18 years with Phillips Petroleum Company in a variety of domestic and international positions in its natural gas, natural gas liquids and exploration and production businesses. He holds an engineering degree from Missouri University of Science and Technology, formerly known as the University of Missouri at Rolla. Mr. Gibson also serves as the non-executive Chairman of the Board of ONE Gas, Inc. and as a member of the Board of Directors of BOK Financial Corporation and is a member of the Board of Trustees of Missouri University of Science and Technology.

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The specific experience, qualifications, attributes or skills that led to the conclusion that Mr. Gibson should serve as a director include his service in a variety of roles of continually increasing responsibility at ONEOK, ONEOK Partners GP, L.L.C., Koch Energy, Inc., Exxon USA and Phillips Petroleum. In these roles, Mr. Gibson had direct responsibility for and extensive experience in strategic and financial planning, acquisitions and divestitures, operations, management supervision and development, and compliance. As the executive responsible for numerous merger and acquisition transactions over the course of his career, Mr. Gibson has significant experience in assessing acquisition opportunities and in structuring, financing and completing merger and acquisition transactions. Over the course of his lengthy career in a variety of sectors of the oil and gas industry, Mr. Gibson has gained extensive management and operational experience and has demonstrated a strong track record of leadership, strategic vision and risk management.

I. Edgar (Ed) Hendrix, age 72, was first elected as a director of the Company effective October 2000 and served as Chairman of the Board of Directors from March 2005 until November 2006. Mr. Hendrix served as President of Patriot Energy Resources, LLC from 2005 to 2012. Mr. Hendrix served as Executive Vice President and Chief Financial Officer of Loudfire, Inc. from 2002 to 2004. Prior to 2002, Mr. Hendrix served as Executive Vice President and Chief Financial Officer of Spectrum Field Services, Inc., and as Vice President-Treasurer for Parker Drilling, a New York Stock Exchange company engaged in worldwide oil and gas drilling and equipment services. He also was a management consultant with Ernst & Young LLP. Mr. Hendrix has an undergraduate degree from Oklahoma Christian University and a Masters of Business Administration degree from the University of Oklahoma. Mr. Hendrix is a former member of the Board of Trustees for American Performance Funds and former Chairman of the Board of Red River Energy, Inc.

The specific experience, qualifications, attributes or skills that led to the conclusion Mr. Hendrix should serve as a Director include his long history of service in senior corporate leadership positions, his significant knowledge of the energy industry, and his extensive experience and expertise in complex financial matters gained from his service as Treasurer of a public company.

Tom E. Maxwell, age 71, was first elected as a director of the Company effective May 2003. Mr. Maxwell was Chairman of Flintco LLC ("Flintco") from January 2013 until his retirement in December of 2014. Prior to the assuming the Chairman role, he was President and CEO and a Director of Flintco for 26 years. Prior to his election as President and Chief Executive Officer, Mr. Maxwell was the Chief Financial Officer and Division President of Flintco for four years. Mr. Maxwell began his career with five years at Deloitte & Touche and was the Chief Financial Officer of a public company, Kinark Corporation, for seven years. Mr. Maxwell earned Undergraduate and Masters Degrees in Accounting at the University of Oklahoma and is a Certified Public Accountant (inactive). Mr. Maxwell is an advisory director of Commerce Bank in Tulsa, Oklahoma. In addition, Mr. Maxwell serves as a director for the Tulsa Metro Chamber of Commerce and Hillcrest Hospital, as an advisory director to Commerce Bank, and is a member of the State of Oklahoma Bond Oversight Council.

The specific experience, qualifications, attributes or skills that led to the conclusion Mr. Maxwell should serve as a Director include his long history of service in senior corporate leadership positions and his extensive experience in the construction and energy industries, including his experience as both a CEO and CFO of a leading commercial construction contractor.

James H. Miller, age 61, has served as a director of the Company since since May 2014. Mr. Miller is currently Executive Vice President - Americas of Kvaerner U.S., a position he has held since June 2011. He is also a Director and Officer for all Kvaerner U.S. based legal and operating entities. From June 2008 through June 2011, Mr. Miller served as Chief Executive Officer & President of Aker Philadelphia Shipyard. From June 2011 to April 2014, Mr. Miller also served as Chairman of the Board for Aker Philadelphia Shipyard ASA and reassumed that position in February 2016. Before going to the shipyard, Mr. Miller was President of Aker Solutions Process & Construction Americas, where he was responsible for financial operations of seven business units which generated in excess of $1.0 billion in revenues per year. Prior to joining Aker Solutions Process & Construction Americas, Mr. Miller held the position of President of Aker Construction, Inc., which was one of the largest union construction companies in North America. Mr. Miller graduated from the University of Edinboro in Pennsylvania with a Bachelors of Arts degree.

Mr. Miller's extensive progressive leadership positions with a large multi-national industrial construction contractor have led to the conclusion that Mr. Miller should serve as a Director. Mr. Miller has significant operational experience and a thorough understanding of the challenges and risks that face industrial construction contractors. He is experienced with merger and acquisition activity, partnering with other companies, and the management of large multi-year construction projects. Mr. Miller is also knowledgeable in many of the Company's key markets including power generation and iron and steel.

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Jim W. Mogg, age 67, has served as a director since August 2013. Mr. Mogg has also served on the Board of Directors of ONEOK, Inc., a publicly traded diversified energy company since July 2007 and ONEOK Partners, L.P., a publicly traded master limited partnership that operates natural gas and natural gas liquids gathering, processing, pipelines, and fractionation assets, since August 2009. Mr. Mogg served as Chairman of the Board of DCP Midstream GP, LLC, the general partner of DCP Midstream Partners, L.P., ("DCP Midstream") from August 2005 to April 2007. From January 2004 to September 2006, Mr. Mogg served as Group Vice President, Chief Development Officer and advisor to the Chairman of Duke Energy Corporation. Additionally, Duke Energy affiliates, Crescent Resources and TEPPCO Partners, LP ("TEPPCO") reported to Mr. Mogg. Mr. Mogg served as President and Chief Executive Officer of DCP Midstream, LLC from December 1994 to March 2000, and as Chairman, President and Chief Executive Officer from April 2000 through December 2003. DCP Midstream was the general partner of TEPPCO and, as a result, Mr. Mogg was Vice Chairman of TEPPCO from April 2000 to May 2002 and Chairman from May 2002 to February 2005. Mr. Mogg also serves on the Board of Directors of Bill Barrett Corporation, an exploration and production company, where he is currently the non-executive Chairman. Finally, Mr. Mogg serves on the Board of the Southwestern Oklahoma State University Foundation.

The specific experience, qualifications, attributes or skills that led to the conclusion Mr. Mogg should serve as a Director include his long history of service in senior executive leadership positions, including as a chief executive officer and his significant knowledge of the energy industry. Mr. Mogg also brings financial expertise to the Board, including through his previous supervision of principal accounting officers, involvement in financing transactions, and his service on the audit committees of other companies. His current and previous directorships also provide Mr. Mogg with extensive corporate governance experience.

The Board of Directors recommends that the stockholders vote “For” the election of each of the above named nominees.

CORPORATE GOVERNANCE AND BOARD MATTERS

The Board of Directors and corporate management use their best efforts to adopt and implement sound corporate governance practices and believe strongly that effective corporate governance practices are an important component of their efforts to focus the entire organization on generating long-term stockholder value through conscientious, safe and ethical operations.

The Board of Directors has adopted and implemented Corporate Governance Guidelines and a Code of Business Conduct and Ethics. The Code of Business Conduct and Ethics applies to all of the Company’s directors, officers (including its Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Controller and any person performing similar functions) and employees. The Corporate Governance Guidelines and Code of Business Conduct and Ethics are available on the Corporate Governance page included in the “Investor Relations” section of the Company’s website at matrixservicecompany.com.

Director Independence Guidelines

Pursuant to the applicable rules for companies traded on the NASDAQ Global Market System (“NASDAQ”) and the rules and regulations of the Securities and Exchange Commission (“SEC”), the Board of Directors has adopted director independence guidelines. In accordance with these guidelines, each independent director must be determined to have no relationship with the Company which, in the opinion of the Company’s Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The guidelines specify criteria by which the independence of the Company’s directors will be determined, including strict guidelines for directors and their immediate families with respect to past employment or affiliation with the Company or its independent registered public accounting firm.

The Board of Directors has affirmatively determined that each of Mr. Hall, Mr. Gibson, Mr. Hendrix, Mr. Maxwell, Mr. Miller and Mr. Mogg are “independent” under the guidelines. The Board also affirmatively determined that Mr. Lackey, who is retiring from the Board at the Annual Meeting, is independent. Mr. Hewitt is not considered to be independent because of his current employment as President and Chief Executive Officer of the Company. In evaluating Mr. Miller's independence, the Board considered his indirect interest, as an executive officer of the seller, in the December 2013 acquisition of Kvaerner North American Construction. The acquisition is described in the Company's fiscal 2016 Annual Report on Form 10-K. The Board concluded that his independence was not impaired since Mr. Miller joined the Board approximately five months after the transaction closed and, subsequent to the acquisition, the companies have had no client/customer, vendor/supplier, contractor/subcontractor or other relationship that could potentially impair Mr. Miller's independent judgment.

The Board also considered Mr. Miller's familial relationships in assessing his independence. Mr. Miller's son and son-in-law are employees of Matrix North American Construction. The Board concluded that these relationships do not impair Mr. Miller's independence as neither his son nor his son-in-law hold executive officer positions within Matrix North American Construction and are several levels below the level of executive officers of Matrix Service Company.

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Lastly, the Board considered Mr. Gibson's membership on the Board of Directors of BOK Financial Corporation ("BOK"). BOK serves as the Company's investment advisor on its 401(k) defined contribution plan, is a participant in the Company's senior credit facility and performs other insignificant financial services for the Company. The Company has also invested a portion of its excess cash with BOK. The Board concluded that Mr. Gibson's relationship did not impair his independence as BOK's relationship with the Company predates Mr. Gibson's appointment to the Board, Mr. Gibson played no role in BOK's engagement and plays no role in the on-going relationship.

The full text of the Company’s director independence guidelines is included in the Company’s Corporate Governance Guidelines, which is available on the Corporate Governance page included in the “Investor Relations” section of the Company’s website at matrixservicecompany.com.

Board Leadership Structure and Role in Risk Oversight

The Board of Directors has no policy mandating the separation of the offices of Chairman of the Board and Chief Executive Officer. However, as the oversight responsibilities of directors continues to increase, we believe it is beneficial to have an independent chairman whose sole job for the Company is leading the Board. We believe the separation of the Chairman and Chief Executive Officer roles provides strong leadership for our board, while positioning our Chief Executive Officer as the leader of the Company in the eyes of our customers, employees and other stakeholders.

If, in the future, the Chief Executive Officer is serving as Chairman of the Board, then the Board of Directors will name a lead director who would, among other specified responsibilities, serve as the leader of the independent directors and facilitate communication between the Chairman/CEO and the other directors.

In March of 2016, the Board of Directors, upon the recommendation of the Nominating and Corporate Governance Committee, temporarily increased the size of the Board from seven to eight members and appointed John W. Gibson to serve as a Board member to fill the resulting vacancy. Mr. Gibson's term commenced on April 1, 2016 and expires at the 2016 Annual Meeting. The size of the Board will revert to seven coincident with the Annual Meeting when Paul K. Lackey retires from the Board at the end of his term in accordance with the Board's retirement policy. The Board continues to have one non-independent member, the Chief Executive Officer of the Company. A number of our independent board members have served as members of senior management or as directors of other public companies. Our Audit, Compensation and Nominating and Corporate Governance Committees are comprised solely of independent directors, each with a different independent director serving as chair of the committee. We believe that the number of independent, experienced directors that make up our Board of Directors, along with the independent oversight of the board by the non-executive Chairman, benefits our Company and our stockholders.

The Audit Committee and full Board jointly oversee the Company’s risk management processes. The Audit Committee receives regular reports from management regarding the Company’s assessment of risks. In addition, the Audit Committee and the full Board of Directors focus on the most significant risks facing the Company and the Company’s general risk management strategy, and also ensure that risks undertaken by the Company are consistent with the Board of Directors’ appetite for risk. While the Board of Directors oversees the Company’s risk management, Company management is responsible for day-to-day risk management processes. We believe this division of responsibilities is the most effective approach for addressing the risks facing our Company and that our Board leadership structure supports this approach.

Meetings and Committees of the Board of Directors

The Company’s Board of Directors met seven times during fiscal year 2016. The Board has three standing committees – the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee. Each of the members of each of the committees qualifies as an “independent director” under the NASDAQ listing standards. During fiscal 2016, each director attended a minimum of 75% of the total number of meetings of the Board and of the total number of meetings held by all committees of which he was a member.

The Company’s Corporate Governance Guidelines provide that each director is expected to attend the annual meetings of stockholders of the Company. All of the members of the Company’s Board of Directors attended the 2015 annual meeting.

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Audit Committee

Director	Fiscal 2016 Committee Service
I. Edgar Hendrix, Chairman	Served all of fiscal 2016
Paul K. Lackey, Member	Served all of fiscal 2016
Tom. E. Maxwell, Member	Served all of fiscal 2016
Jim W. Mogg, Member	Served all of fiscal 2016
John W. Gibson	Served in the fourth quarter of fiscal 2016 (a)

(a) John W. Gibson was appointed to the Board of Directors and Audit Committee effective April 1, 2016.

The Audit Committee assists the Board of Directors in monitoring the integrity of the financial statements of the Company, the independent registered public accounting firm's qualifications and independence, the performance of the Company's internal audit function and independent registered public accounting firm and the Company's compliance with legal and regulatory requirements. In carrying out these purposes, the Audit Committee, among other things, appoints, evaluates and approves the compensation of the Company's independent registered public accounting firm, reviews and approves the scope of the annual audit and the audit fee, pre-approves all auditing services and permitted non-audit services, annually considers the qualifications and independence of the independent registered public accounting firm, reviews the results of internal audits, compliance with certain of the Company's written policies and procedures and the adequacy of the Company's system of internal accounting controls, prepares the Audit Committee report for inclusion in the annual proxy statement and annually reviews the Audit Committee charter and the committee's performance. The Audit Committee has also established procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of the Company of concerns regarding accounting or auditing matters. The Audit Committee operates under a written charter. A copy of the Audit Committee Charter is available on the Corporate Governance page included in the "Investor Relations" section of the Company's website at matrixservicecompany.com. The Audit Committee held five meetings during fiscal 2016.

Compensation Committee

Director	Fiscal 2016 Committee Service
Paul K. Lackey, Chairman	Served all of fiscal 2016
I. Edgar Hendrix, Member	Served all of fiscal 2016
Tom E. Maxwell, Member	Served all of fiscal 2016
Jim W. Mogg, Member	Served all of fiscal 2016
John W. Gibson	Served in the fourth quarter of fiscal 2016 (a)

(a) John W. Gibson was appointed to the Board of Directors and Compensation Committee effective April 1, 2016.

The Compensation Committee's functions include reviewing and approving executive salary, bonus, long-term incentive awards and other benefits. In addition, the Compensation Committee, in conjunction with the Board of Directors, reviews the Company's strategic and financial plans to determine their relationship to the Company's compensation program. Additional information describing the Compensation Committee's processes and procedures for considering and determining executive compensation, including the role of our Chief Executive Officer and consultants in determining or recommending the amount or form of executive compensation, is included in the Compensation Discussion and Analysis below.

The Compensation Committee operates under a written charter. The Company has made a copy of its Compensation Committee Charter available on the Corporate Governance page included in the "Investor Relations" section of the Company's website at matrixservicecompany.com. The Compensation Committee held five meetings during fiscal 2016. The Compensation Committee has no authority under its charter to delegate some or all of its authority to subcommittees or other persons and it has no current plans to do so.

Compensation Committee Interlocks and Insider Participation

During fiscal 2016, the Compensation Committee was composed of I. Edgar Hendrix, Paul K. Lackey, Tom E. Maxwell, Jim W. Mogg, and John W. Gibson, all of whom are non-employee directors of the Company. During fiscal 2016, none of the Company’s executive officers served on the Board of Directors or on the Compensation Committee of any other entity who had an executive officer that served either on the Company’s Board of Directors or on its Compensation Committee.

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Nominating and Corporate Governance Committee

Director	Fiscal 2016 Committee Service
Tom E. Maxwell, Chairman	Served all of fiscal 2016
I. Edgar Hendrix, Member	Served all of fiscal 2016
Paul K. Lackey, Member	Served all of fiscal 2016
Jim W. Mogg, Member	Served all of fiscal 2016
John W. Gibson	Served in the fourth quarter of fiscal 2016 (a)

(a) John W. Gibson was appointed to the Board of Directors and Nominating and Corporate Governance Committee effective April 1, 2016.

The Nominating and Corporate Governance Committee was established to assist the Board in identifying qualified individuals to become directors of the Company, recommend to the Board qualified director nominees for election by the stockholders or to fill vacancies on the Board, recommend to the Board membership on Board committees, recommend to the Board proposed Corporate Governance Guidelines and report annually to the Board on the status of the CEO succession plan. The Nominating and Corporate Governance Committee operates under a written charter. The Company has made a copy of its Nominating and Corporate Governance Committee Charter available on the Corporate Governance page included in the "Investor Relations" section of the Company's website at matrixservicecompany.com. The Nominating and Corporate Governance Committee has the authority under its charter to retain a professional search firm to identify candidates. The Nominating and Corporate Governance Committee held four meetings during fiscal 2016.

Director Nomination Process

The Nominating and Corporate Governance Committee will consider director candidates submitted to it by other directors, employees and stockholders. In evaluating such nominations, the Nominating and Corporate Governance Committee seeks to achieve a balance of knowledge, experience and capability to address the director qualifications discussed below.

The Nominating and Corporate Governance Committee regularly assesses the appropriate size of the Board of Directors and whether any vacancies on the Board are expected due to retirement or otherwise. In the event that vacancies are anticipated or otherwise arise, the Committee considers various potential candidates. Candidates may come to the attention of the Committee through current directors, senior management, professional search firms, stockholders or other persons.

Once a prospective nominee has been identified, the Committee makes an initial determination as to whether to conduct a full evaluation of the candidate. The initial determination involves an evaluation of the candidate against the qualifications set forth in the Corporate Governance Guidelines, which require broad experience, wisdom, integrity, the ability to make independent analytical inquiries, an understanding of the Company's business environment and a willingness to devote adequate time to Board duties, including service on no more than four other public company boards.

The Committee does not assign specific weights to particular criteria and no particular criterion is a prerequisite for each prospective nominee. Our Board of Directors believes that the backgrounds and qualifications of its directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will allow it to fulfill its responsibilities. Although the Committee may also consider other aspects of diversity, including geographic, gender, age and ethnic diversity, these factors are not a prerequisite for any prospective nominee. Consequently, while the Committee evaluates the mix of experience and skills of the Board of Directors as a group, the Committee does not monitor the effectiveness of its policies with respect to geographic, gender, age or ethnic diversity.

The Committee also assesses the candidate's qualifications as an "independent director" under the NASDAQ's current director independence standards and the Company's director independence guidelines. If the Committee determines that additional consideration is warranted, it may request a professional search firm to gather additional information about the candidate. The Committee designates, after consultation with the CEO, which candidates are to be interviewed. After completing its evaluation, the Committee makes a recommendation to the full Board of Directors as to the persons who should be nominated by the Board and the Board determines the nominees after considering the recommendation of the Committee.

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Holders of common stock wishing to recommend a person for consideration as a nominee for election to the Board can do so in accordance with the Company's Bylaws by giving timely written notice to Kevin S. Cavanah, Secretary of Matrix Service Company, at 5100 East Skelly Drive, Suite 500, Tulsa, Oklahoma 74135. In order to be considered timely, a stockholder's notice of proposal must be delivered not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or if the first public announcement of the date of such annual meeting is less than 100 days prior to the date of such annual meeting, the close of business on the 10th day following the day on which public announcement of the date of such meeting is first made by the Company. The written notice should give each such nominee's name, address, appropriate biographical information, a description of all arrangements or understandings between the stockholder and each such nominee and any other person or persons (naming such person or persons), relating to such nominee's service on the Board of Directors, if elected, as well as any other information that would be required in a proxy statement. Any such recommendation should be accompanied by a written statement from the person recommended, giving his or her consent to be named as a nominee and, if nominated and elected, to serve as a director. The written notice should also be accompanied by a completed and signed written representation and agreement (executed by the nominee in the form provided by the Secretary of the Company upon written request) that such person:

- is not and will not become a party to any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person, if elected as a director of the Company, will act or vote on any issue or question (a "Voting Commitment") that has not been disclosed to the Company or any Voting Commitment that could limit or interfere with such person's ability to comply, if elected as a director, with such person's fiduciary duties under applicable law;
- is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the Company with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director that has not been disclosed to the Company; and
- would be in compliance, if elected as a director, and will comply with, applicable law and all applicable publicly disclosed corporate governance, conflict of interest, corporate opportunities, confidentiality and stock ownership and trading policies and guidelines of the Company.

The written notice must also set forth, as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made:

- the name and address of such stockholder, as they appear on the Company's books, and of such beneficial owner;
- the class and number of shares of capital stock of the Company that are owned beneficially and held of record by such stockholder and such beneficial owner; and
- the disclosure of any short positions or other derivative positions relating to the Company's shares of such stockholder and such beneficial owner, such information to be updated to reflect any material change in such positions through the time of the annual meeting.

Executive Sessions

Executive sessions of the Board of Directors are held periodically. The sessions are chaired by the independent, non-executive Chairman of the Board. Any non-management director may request that an additional executive session be scheduled. Executive sessions of the independent directors are held on an as needed basis.

Communications with the Board of Directors

The Board of Directors provides a process by which stockholders and other interested parties may communicate with the Board or any of the directors. Stockholders and other interested parties may send written communications to the Board of Directors or any of the directors at the following address: Board of Directors of Matrix Service Company c/o Matrix Service Company, 5100 East Skelly Drive, Suite 500, Tulsa, Oklahoma 74135. Stockholders and other interested parties may also contact the Board or any of the directors via the Company’s online submission form by clicking on the “Contact the Board” link included on the Corporate Governance page included in the “Investor Relations” section of the Company’s website at matrixservicecompany.com. All communications will be compiled by the Company’s Corporate Secretary and submitted to the Board or the individual director on a periodic basis.

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Equity Ownership Guidelines for Directors

Each non-employee director is strongly encouraged to have a significant investment in the Company. The Company’s Stock Ownership Guidelines for Directors, which were revised in August 2014, require each non-employee director own a number shares of our common stock equal to five times the annual cash retainer. For purposes of determining the guideline, the cash retainer does not include fees earned as Chairman of the Board or as Chairman of the Audit, Compensation or Nominating and Corporate Governance committees. The following types of equity can be used to satisfy the stock ownership requirements:

(1) shares owned separately by the director or owned either jointly with, or separately by, immediate family members residing in the same household;
(2) shares held in trust for the benefit of the director or his immediate family members;
(3) shares purchased in the open market;
(4) shares purchased through the Company’s Employee Stock Purchase Plan;
(5) vested and unvested time-based restricted stock or restricted stock units;
(6) unvested performance or market based restricted stock or restricted stock units but only to the extent that the Company recognizes compensation expense with respect to such restricted stock or restricted stock units;
(7) in-the-money vested unexercised stock options; and
(8) any phantom shares held on behalf of a director under the Board’s deferred compensation plan.

Existing directors have five years from the August 2014 date of adoption or revision of the guidelines to attain this level of ownership. Directors elected or appointed after the date of the adoption of the Stock Ownership Guidelines will have five years from the date of their election or appointment to the Board to attain this level of ownership. Furthermore, once the guidelines are met, the directors will remain in compliance with the stock ownership guidelines if a drop in the Company's stock price causes the director's ownership level to drop below five times the annual retainer so long as the director has not sold any shares subsequent to passing the ownership test. All of the non-employee directors with the exception of Mr. Jim W. Mogg, who was appointed in August 2013, Mr. James H. Miller, who was appointed in May 2014, and Mr. John W. Gibson, who was appointed in April 2016, currently satisfy the requirements.

Since Mr. Hewitt is the Chief Executive Officer of the Company, he must comply with the Equity Ownership Guidelines for Executive Officers, which are discussed in this proxy statement under the caption “Equity Ownership Guidelines.”

DIRECTOR COMPENSATION

General

Management directors receive no additional compensation for service on the Board of Directors or any committee thereof. Directors of the Company are reimbursed for out-of-pocket expenses incurred in attending the Board of Directors and committee meetings.

The elements of our non-employee director compensation consist of cash and equity. Our objective with director compensation is to position ourselves to attract and retain individuals with relevant business and leadership backgrounds and experience by providing a competitive package of cash and equity compensation.

Total compensation for the Company’s non-employee directors is determined in a manner similar to that for executives, which is described under the caption “Compensation Discussion and Analysis.” The Compensation Committee of the Board of Directors (the “Committee”) engages a third party compensation consultant to periodically review director compensation and make recommendations. The Committee reviews comparative data from the outside consultant and makes recommendations to the full Board for approval.

Director compensation is generally reviewed on a bi-annual basis. In August 2014, the Committee engaged a third party compensation consultant, Meridian Compensation Partners, LLC (“Meridian”), to conduct a market study of director compensation. Meridian obtained comparative data using published compensation surveys and proxy analysis of selected companies similar in size, location and industry. The companies included in the survey are consistent with those that we use to review executive compensation.

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Based on the consultant's findings and recommendations, the Committee concluded that total annual compensation of $150,000 for directors, exclusive of retainers for services as a committee chair or Chairman of the Board, was slightly below the median amount. Since the compensation was below the median and is reviewed only on a bi-annual basis, the Compensation Committee approved an increase of the annual compensation to $170,000. The Committee reiterated that the objective of director compensation is to provide both a short-term cash component and a long-term equity component that aligns the interests of directors with those of our stockholders through stock ownership. Therefore, the Committee recommended that the relative values of the equity component and cash component should continue to be equal. The Committee also concluded that the form of equity compensation remain unchanged and should continue to be time-based restricted stock units ("RSUs") that cliff vest on the earlier of three years after the grant date or the directors' departure from the Board for any reason. The Committee also concluded that retainers for other Board duties are appropriate and should remain at the following amounts:

Retainer	Amount ($)
Audit Committee Chair	15,000
Compensation Committee Chair	10,000
Nominating and Corporate Governance Committee Chair	7,500
Chairman of the Board	50,000

The Board of Directors also has a Deferred Fee Plan which allows directors to defer all or a portion of their cash compensation with interest. The effective interest rate for the subsequent calendar year is researched and approved by the Committee at the regularly-scheduled meeting each November. For fiscal 2016, the average interest rate was 5.0%. Non-employee directors are also permitted to invest their cash retainer in Company common stock through the Company's 2011 Employee Stock Purchase Plan ("ESPP"). Investment through the ESPP is limited to $60,000 per calendar year.

Director Compensation

The compensation earned by each director in fiscal 2016 is summarized in the table below:

Name (1)	Fees Earned or Paid in Cash ($) (2)	Restricted Stock Awards ($) (3)	Stock Option Awards ($) (4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (5)	All Other Compensation ($)	Total ($)
Michael J. Hall	135,000	82,189	—	10,477	—	227,666
I. Edgar Hendrix	100,000	82,189	—	7,041	—	189,230
Paul K. Lackey	95,000	82,189	—	10,183	—	187,372
Tom E. Maxwell	92,500	82,189	—	9,962	—	184,651
Jim W. Mogg	85,000	82,189	—	4,378	—	171,567
James H. Miller	85,000	82,189	—	385	—	167,574
John W. Gibson	21,250 (6)	—	—	—	—	21,250

(1) John R. Hewitt is not included in this table since he is a current employee and thus received no compensation for his service as a director. The compensation received by Mr. Hewitt as an employee is shown in the Summary Compensation Table for our Named Executive Officers.

(2) Includes retainer fees earned in the fiscal year but paid subsequent to the completion of the fiscal year and fees earned in the fiscal year but deferred under the Deferred Fee Plan for members of the Board of Directors of Matrix Service Company. Mr. Hall deferred $135,000 in fees, Mr. Hendrix deferred $70,000 in fees, Mr. Lackey deferred $95,000 in fees, Mr. Maxwell deferred $92,500 in fees, Mr. Mogg deferred $85,000 in fees, and Mr. Miller

deferred $63,750 in fees. Mr. Gibson did not defer any fees and received 25% of his full year fee of $85,000 since he was appointed to the Board of Directors effective April 1, 2016. The Deferred Fee Plan is discussed in note (5) below.

(3) The amounts shown represent the grant date fair value for awards granted during the period determined in accordance with the applicable accounting guidance for equity-based awards. For further information on the valuation of these awards, see Notes 1 and 10 to the Consolidated Financial Statements included in our fiscal 2016 Annual Report on Form 10-K. The shares granted was determined by dividing the target value of $85,000 by the average share price over 20 days ending five days prior to the grant date. For services provided as a member of the Board of Directors, each non-employee director received an award of 3,661 RSUs with a grant date fair value of $82,189. As of June 30, 2016, Mr. Hall, Mr. Hendrix, Mr. Lackey, Mr. Maxwell and Mr. Mogg each had 11,990 unvested RSUs and Mr. Miller had 9,105 unvested RSUs.

(4) There were no stock option awards granted to non-employee directors in fiscal 2016 and no options outstanding at June 30, 2016.

(5) A non-employee director may defer all or part of director fees earned into the Deferred Fee Plan for Members of the Board of Directors of Matrix Service Company (the “Deferred Fee Plan”). Under the Deferred Fee Plan, directors are allowed to defer fees and earn interest. The amounts shown represent interest earned under the plan in excess of a market rate. For fiscal 2016, the market rate for the deferrals was 2.58% as compared to the actual average rate paid of 5.0%.

(6) Mr. Gibson's fees were earned beginning on April 1, 2016, the effective date of his appointment, through the Company's fiscal year end of June 30, 2016.

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AUDIT COMMITTEE MATTERS

Report of the Audit Committee of the Board of Directors

The Audit Committee oversees the Company’s financial reporting process, including the system of internal controls, on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the associated system of internal controls. The Company’s independent registered public accounting firm is responsible for performing an independent audit of the Company’s financial statements and internal control over financial reporting in accordance with the Public Company Accounting Oversight Board standards and to issue a report thereon. The Audit Committee monitors these processes. The Audit Committee’s role does not provide any special assurance with regard to the Company’s financial statements, nor does it involve a professional evaluation of the quality of the audits performed by the independent registered public accounting firm. As part of its oversight responsibilities, the Audit Committee has:

- reviewed and discussed with the Company’s internal auditors and independent registered public accounting firm, with and without management present, their evaluations of the Company’s internal accounting controls and the overall quality of the Company’s financial reporting;
- reviewed and discussed with management and the independent registered public accounting firm the Company’s audited financial statements as of and for the year ended June 30, 2016;
- discussed with the independent registered public accounting firm the matters required to be discussed by Auditing Standard No. 16 of the Public Company Accounting Oversight Board; and
- received and reviewed the written disclosures and the letter from the independent registered public accounting firm required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm’s communications with the Audit Committee concerning independence, and has discussed with the independent registered public accounting firm its independence.

Based on the reviews and discussions above, the Audit Committee recommended to the Board of Directors that the audited financial statements referred to above be included in the Company’s Annual Report on Form 10-K for the year ended June 30, 2016 for filing with the Securities and Exchange Commission. The Audit Committee, subject to ratification by the stockholders, has selected Deloitte & Touche LLP as the Company’s independent registered public accounting firm for the year ending June 30, 2017.

The Audit Committee is governed by a written charter. The Board of Directors has determined that the members of the Audit Committee are independent and financially literate as defined by the applicable standards. The Board has also determined that I. Edgar Hendrix qualifies as a financial expert as defined by the SEC rules adopted pursuant to the Sarbanes-Oxley Act of 2002.

Members of the Audit Committee:
I. Edgar Hendrix, Audit Committee Chairman
Paul K. Lackey, Audit Committee Member
Tom E. Maxwell, Audit Committee Member
Jim W. Mogg, Audit Committee Member
John W. Gibson, Audit Committee Member

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Fees of Independent Registered Public Accounting Firm

Fees billed for audit services in fiscal 2016 and 2015 include fees associated with the annual audit, the reviews of our quarterly reports on Form 10-Q, the audit of our internal controls, and services performed in connection with other filings with the SEC.

	Deloitte & Touche LLP	
	Fiscal 2016	Fiscal 2015
Audit Services	$1,330,387	$1,600,478
Other Services	—	—
Total	$1,330,387	$1,600,478

Audit Committee Pre-Approval Policy

The Audit Committee's policy is to pre-approve all audit, audit-related, tax and permissible non-audit services provided by the independent registered public accounting firm on a periodic basis up to a specified dollar amount in order to assure that the provision of such services does not impair the auditor's independence. If the dollar amount of any anticipated services is expected to exceed the predetermined limit, pre-approval of the Audit Committee is required.

PROPOSAL NUMBER 2:

Ratification of Selection of Independent Registered Public Accounting Firm

Pursuant to the Sarbanes-Oxley Act of 2002, the Audit Committee of the Board of Directors of the Company has been charged with the exclusive power and authority to engage or terminate the independent registered public accounting firm. The Audit Committee of the Board of Directors has engaged the firm of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending June 30, 2017. Deloitte & Touche LLP has served as independent auditors for the Company since January 2006.

A proposal will be presented at the annual meeting asking the stockholders to ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm. If the stockholders do not ratify the appointment of Deloitte & Touche LLP, the Audit Committee will reconsider the appointment.

The affirmative vote of holders of a majority of the shares of common stock present in person or represented by proxy at the annual meeting is required for the adoption of this proposal. The Board of Directors recommends that the stockholders vote "For" ratification of Deloitte & Touche LLP's engagement.

A representative of Deloitte & Touche LLP is expected to be present at the Annual Meeting of Stockholders and will have an opportunity to make a statement, if he or she desires to do so, and to respond to appropriate questions from those attending the meeting.

EXECUTIVE OFFICER INFORMATION

Executive Officer Biographies

In addition to Mr. Hewitt, the Company's President and Chief Executive Officer, who serves on the Board of Directors and whose biographical information is set forth under the caption, "Nominated Director Biographies," the executive officers of the Company are:

Joseph F. Montalbano, age 67, has served as Vice President and Chief Operating Officer since May 2008. From 2002 to 2008, Mr. Montalbano served as Senior Vice President – Senior Project Director Energy Sector of Black & Veatch, where he was responsible for all construction projects under his direction. Prior to working at Black & Veatch, from 1972 to 2002 Mr. Montalbano served numerous project management roles with a national construction firm serving the energy sector. Mr. Montalbano holds a Bachelor of Science degree in Electrical Engineering and a Masters of Science degree in Electrical Engineering from Polytechnic Institute of Brooklyn. He earned a Masters in Business Administration degree from New York Institute of Technology and is registered as a Professional Engineer in multiple states.

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Kevin S. Cavanah, age 52, has served as Vice President – Finance, Chief Financial Officer and Secretary for the Company since December 2010. Mr. Cavanah served as Vice President, Accounting and Financial Reporting for the Company from August 2007 to December 2010 and as Controller from April 2003 to December 2010. Prior to joining the Company, Mr. Cavanah served as an Accounting Manager for Williams Communications from 2001 to 2003 and as an Accounting Manager for The Williams Companies, Inc. from 1998 to 2001. Prior to joining The Williams Companies, Inc., Mr. Cavanah served as an Audit Manager for Ernst & Young, LLP. Mr. Cavanah has a Bachelor of Science in Business Administration degree in Accounting from the University of Arkansas.

James P. Ryan, age 61, has served as President, Matrix Service Inc., one of the Company's principal operating subsidiaries, since August 2005. He previously served the Company as Chief Operating Officer from October 2004 to August 2005 and as Vice President of Matrix Service Inc. from October 1999 to October 2004. Prior to joining the Company, Mr. Ryan worked for Gibraltar Construction Company from January 1993 to September 1999 providing construction management services. Previous employers include MW Kellogg, Kiewit Industrial Company and Hoffman Construction Company. Mr. Ryan also previously provided independent consulting services to the power industry. Mr. Ryan graduated from Purdue University with a degree in Civil Engineering.

Jason W. Turner, age 45, has served as President, Matrix North American Construction, since December 2013. He previously served as Vice President, Corporate Development and Treasurer for Matrix Service Company from August of 2012 to December 2013 and as Vice President and Treasurer from May 2010 to August 2012. Prior to that, Mr. Turner served as Director of Finance for Matrix Service Company from March 2006 to May 2010. Prior to joining the Company, Mr. Turner served as Vice President Credit Products Officer for Bank of America. From May 1996 to February 2005, Mr. Turner held various positions with Gemstar-TV Guide including Vice President of Finance for TV Guide Networks. Prior to 1996, Mr. Turner worked for the Federal Reserve Bank and in commercial banking. Mr. Turner has a Bachelor of Science Degree in Finance from Oklahoma State University and an MBA from the University of Tulsa. Mr. Turner is a member of the YPO and is currently serving on the Jenks Public School Foundation Board.

Nancy E. Austin, age 49, has served as Vice President, Strategic Services and Administration for the Company since August 2016 and Vice President, Human Resources from January 2006 to August 2016. Mrs. Austin served as Director of Human Resources from September 2000 to January 2006. Prior to joining the Company, Mrs. Austin worked for TV Guide, Samson Resources and Villareal & Associates specializing in human resource management, employee relations, and consulting. Mrs. Austin holds a Bachelor of Science degree in Political Science from Oklahoma State University and is a certified Professional in Human Resources. She is also a member of the Society for Human Resource Management and World-at-Work.

Rick J. Bennett, age 51, joined the Company as Vice President and Chief Information Officer in October 2014. Prior to joining Matrix, Rick served ten years as the Chief Information Officer at T.D. Williamson based in Tulsa, Oklahoma. Prior to that, he held leadership positions in information technology at Blue Cross Blue Shield of Oklahoma, Blakely Crop Hail Insurance, National Farmers Organization, Taylor Ball Construction Management and The Principal Financial Group. Mr. Bennett holds an Executive Certificate from the Massachusetts Institute of Technology (MIT) Sloan School of Management, a Bachelor of Business degree with emphasis in Management Information Systems from Western Illinois University, and is currently pursuing his Masters of Energy Business degree at the University of Tulsa. Early in his career he served in the United States Navy as an Interior Communications Electrician.

Justin D. Sheets, age 38, has served as Vice President, Legal and Risk Management since October of 2014. Mr. Sheets has also served as the Corporate Compliance Officer since September of 2015. From July 2013 to October 2014, Mr. Sheets served as Senior Director, Legal and Risk Management. Between November 2011 and July of 2013, Mr. Sheets served as Director, Risk Management and from June 2010 until November of 2011, Mr. Sheets served as Staff Counsel. Mr. Sheets began his career with Matrix Service Company in 2002. From 2002 to 2008 and since 2010, Mr. Sheets served in a variety capacities of increasing responsibility. Mr. Sheets provided consulting services to the Company between 2008 and 2010 while he also consulted with Conway, McKenzie and Dunleavy representing construction clients with a primary focus on mergers and acquisitions, restructuring and liquidations. Mr. Sheets holds a Bachelor of Science Degree in Environmental Health and Safety Sciences from Indiana State University and a Juris Doctorate from the University of Tulsa and is licensed to practice law in the State of New Jersey.

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COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

This Compensation Discussion and Analysis explains our compensation philosophy, objectives and practices in place for our President and Chief Executive Officer (“CEO”), our Chief Financial Officer (“CFO”) and our other named executive officers (collectively, the “Named Executive Officers”) during fiscal 2016. Compensation for our Named Executive Officers is determined by the Compensation Committee of the Board of Directors (the “Committee”) and is supported by market data and advice from their independent compensation consultant, Meridian Compensation Partners, LLC (“Meridian”).

There were no changes to the Company's Named Executive Officers in fiscal 2016. They continue to be the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer and the presidents of the Company's two major operating companies.

Fiscal 2015 operating results were adversely affected by recorded charges on an acquired EPC joint venture project that reduced operating income by $53.4 million and after tax income attributable to Matrix Service Company by $18.3 million. The charges were recorded in the second fiscal quarter ended December 31, 2014 and the third fiscal quarter ended March 31, 2015 and are more fully discussed in Note 3 - Customer Contracts, included in the Company's fiscal 2015 Annual Report on Form 10-K. These charges had a direct negative impact on the fiscal 2016 adjustments to base salaries of the Named Executive Officers and also had a significant impact on the amount earned with respect to the fiscal 2015 cash-based long-term incentive award, which was based on the Company's Average Return on Invested Capital for fiscal 2015 and 2016.

Summarized below are the highlights of key decisions and actions taken regarding the compensation of our Named Executive Officers in fiscal 2016. These actions were approved by the Compensation Committee, with advice from Meridian and are consistent with our stated compensation philosophy.

- Base Salaries: Consistent with normal practice, the Committee reviewed Named Executive Officer compensation at the August 2015 meeting. In determining base salary adjustments, the Committee considered many factors including market data previously provided by Meridian and the Company' financial performance in fiscal 2015 caused by the acquired EPC joint venture project charges discussed above. Based on these factors, the Committee chose not to provide base salary increases for the CEO, CFO, COO and one operating company president. The Committee approved a 7% base salary increase for the other operating company president whose operating company achieved record fiscal 2015 financial results.

- Fiscal 2016 Short-Term Incentive Summary: The Committee made no changes to the target bonus opportunity as a percentage of base compensation for the Named Executive Officers. The fiscal 2016 plan metrics were based on the achievement of various financial and safety goals. The achievement of the financial goals determine 85% of the payout while the achievement of the safety goals determine the remaining 15%. In addition, the Company must earn 50% of its budgeted pre-tax operating income before any bonuses are paid with respect to financial targets. The Company did achieve in excess of 50% of budgeted pre-tax operating income but did not achieve threshold performance at either the operating company or consolidated level. Therefore, no financial bonuses were earned. Based on established safety criteria, each Named Executive Officer earned safety based short-term incentives between Target and Maximum levels.

- Fiscal 2015 Cash-Based Long-Term Incentive Award Payout: The cash-based portion of the fiscal 2015 long-term incentive award was based on the Return on Average Invested Capital for fiscal 2015 and fiscal 2016. The acquired EPC joint venture project charges reduced the fiscal 2015 Return on Invested Capital to 8.3% and the fiscal 2016 Return on Invested Capital was 13.0%. This financial performance resulted in an average Return on Invested Capital of 10.7% which is below the threshold level; therefore, no payout was earned.

- The long-term incentive, or LTI, awards for fiscal 2016 were comprised of the following:

One-third of the award consisted of service-based restricted stock units (“RSUs”). Restrictions on the RSUs lapse in four equal annual installments;

One-third of the award consisted of performance units. Award recipients may receive anywhere from zero to two shares of our common stock for each performance unit on the third anniversary of the date of the award depending on the Company’s relative Total Shareholder Return in comparison to the performance of a peer group of companies.

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One-third of the award consisted of a cash-based long-term incentive award. The payout for the cash-based LTI award will range from zero to 150% of the target payout and is based on the Company's Average Return on Invested Capital for fiscal years 2016 and 2017.

Compensation Philosophy and Objectives

We are focused on building and maintaining a sustainable business model that consistently delivers superior returns to our stockholders. To be successful, we must attract, retain and motivate key talent to provide the needed leadership capabilities to develop and execute our business strategy. Our compensation philosophy and approach is designed to support these objectives.

Our compensation philosophy is to provide the opportunity for outstanding compensation when superior performance is demonstrated. This pay-for-performance philosophy is reflected in each aspect of the compensation package for executive officers and other management team members. All components of compensation for executive officers and key management are reviewed periodically to ensure consistency with our compensation philosophy and to verify that the overall level of compensation is competitive. We use the following principles in the design and administration of our executive compensation program:

- Competitiveness – Our compensation programs are designed to ensure we can attract, motivate and retain the talent needed to lead and grow the business. Targets for base salary, short-term and long-term compensation are generally based on median (50^{th} percentile) market levels.

- Support Business Objectives, Strategy and Values – Ultimately our compensation program is designed to drive the achievement of short and long-term business objectives, support the creation of long-term value for our stockholders, and promote and encourage behavior consistent with our core values and guiding principles.

- Pay for Performance – While we establish target pay levels at or near the median or 50^{th} percentile market levels for target level performance, our plans provide the opportunity for significantly greater rewards for outstanding performance. At the same time, performance that does not meet expectations is not rewarded.

- Individual Performance – In addition to company-wide, business unit and operating unit measures, our programs emphasize individual performance and the achievement of personal objectives.

- Integrated Approach – We look at compensation in total and strive to achieve an appropriate balance of immediate, annual and long-term compensation components, with the ultimate goal of aligning executive compensation with the creation of long-term stockholder value.

Our executive compensation program is administered by the Committee. The role of the Committee is to provide oversight and direction to ensure the establishment of executive compensation programs that are competitive in nature, enable us to attract top talent, and align the interests of our executive officers and our stockholders.

The Committee is supported by our Vice President, Strategic Services and Administration in the design, review and administration of our executive compensation programs. The Committee engaged Meridian to evaluate executive officer compensation and Company practices in relation to other companies and to provide associated recommendations.

The CEO considers all relevant information and provides recommendations to the Committee regarding compensation for review, discussion and approval for all executive officers with the exception of himself. The Committee establishes CEO compensation. The Committee reviews the performance and approves the compensation of the executive officers based on the CEO's recommendations, and then reviews the performance and establishes appropriate compensation for the CEO in executive session without the CEO present.

In implementing our compensation philosophy, the Committee also compares our CEO's total compensation to the total compensation of the other Named Executive Officers. However, the Committee has not established a targeted level of difference between the total compensation of the CEO and the median total compensation level for the next lower tier of management. The Committee also considers internal pay equity among the other Named Executive Officers, and in relation to the next lower tier of management, in order to maintain compensation levels that are consistent with the individual contributions and responsibilities of those officers.

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Committee Consideration of the 2015 Stockholder Vote on Executive Compensation

We conducted our advisory vote on executive compensation last year at our 2015 annual meeting. While this vote was not binding on us, we believe that it is important for our stockholders to have an opportunity to vote on this proposal on an annual basis as a means of expressing their views regarding our executive compensation philosophy, our compensation policies and programs, and our decisions regarding executive compensation, all as disclosed in our proxy statement. The Committee values the opinions of our stockholders and, to the extent there is any significant vote against the compensation of our Named Executive Officers, we will consider our stockholders' concerns, and the Committee will evaluate whether any actions are necessary to address those concerns.

The Committee has reviewed the voting results from the advisory vote on executive compensation (commonly known as a say-on-pay proposal) conducted at our 2015 annual meeting of stockholders. At this meeting, more than 96% of the votes cast on the say-on-pay proposal were in favor of our Named Executive Officers' compensation as disclosed in the proxy statement for that meeting. The Committee determined that, given the high level of support, no changes to our executive compensation policies and decisions were necessary based on last year's voting results. The Committee intends to continue making executive compensation decisions with a focus on aligning pay with performance and promoting stockholder value.

Key Elements of Executive Compensation

The primary elements of our executive compensation program include:

- Base Pay;
- Annual/Short-Term Cash Incentive Compensation;
- Long-Term Incentive Compensation;
- Other Benefits; and
- Change of Control Agreements.

The Compensation Committee engages a compensation consultant on a bi-annual basis to ensure that the Company's compensation package is consistent with that of its competitors. The Committee engaged Meridian in August of 2014 to evaluate the mix of targeted compensation and the other types of programs that we offer. Meridian was engaged exclusively by the Committee and does not provide other services to the Company or senior management. The Committee has assessed the independence of Meridian pursuant to SEC rules and concluded that Meridian's work for the Committee does not raise any conflict of interest.

In fiscal 2015, the Committee evaluated the competitiveness of the compensation package offered to our executives in both form and structure. Meridian's executive compensation practices analysis included a review of general industry survey data and of proxy information for the following companies:

Quanta Services Inc.	Aegion Corp.
Emcor Group Inc.	Layne Christensen Co.
MasTec Inc.	MYR Group Inc.
Tutor Perini Corp.	Pike Electric Corp.
Babcock & Wilcox Co.	Team Inc.
McDermott International Inc.	Hill International, Inc.
Granite Construction, Inc.	Mistras Group Inc.
Willbros Group, Inc.	Sterling Construction Co. Inc.
Primoris Services Corporation	Furmanite Corp.
Dycom Industries Inc.	

Base Pay

Base pay is the foundation of our executive compensation package. Our practice in establishing executive base pay, and that for other managers and employees, is to determine the market median or "50th percentile" among comparable companies. This data was obtained through Meridian. Base pay is then established based on the Named Executive

Officer's responsibilities, role in the organization, level and type of work experience, and individual and business performance. We expect to continue to engage a compensation consultant to review and provide competitive market pay data on no less than a bi-annual basis.

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We utilize a market-based job evaluation system to establish and ensure equitable, competitive pay levels throughout the organization. Salary grades and ranges are established by evaluating positions based on the external market data and internal equity. All of our employees, including the Named Executive Officers, are assigned to a salary grade. Broad ranges of salary are associated with each grade.

Base pay and salary grade also play a factor in determining other short- and long-term incentive compensation awards. Short-term target incentive awards are a percentage of base salary and long-term incentives are based on a Named Executive Officer's salary grade.

Consistent with the Committee's normal practice of reviewing executive compensation, Meridian's observations and recommendations regarding the competitiveness of executive compensation were presented to the Committee at the August 2014 meeting. The Committee made salary adjustments, which were based on the Company's compensation philosophy of competitiveness and individual and business performance. A study was not performed in connection with the August 2015 meeting. Accordingly, salary adjustments were based primarily on the Company's 2015 financial performance, which was adversely impacted by recorded charges on an acquired EPC joint venture project that reduced operating income by $53.4 million and after tax income attributable to Matrix Service Company by $18.3 million. The charges were recorded in the second fiscal quarter ended December 31, 2014 and the third fiscal quarter ended March 31, 2015 and are more fully discussed in Note 3 - Customer Contracts, included in the Company's fiscal 2015 Annual Report on Form 10-K.

Based on the Company's fiscal 2015 financial performance, which was negatively impacted by the project charges discussed above, the Committee provided for no increase to the base salaries of Messrs. Hewitt, Montalbano, Cavanah and Turner. Their fiscal 2016 base salaries were as follows:

- John R. Hewitt - Chief Executive Officer: $750,000
- Joseph F. Montalbano - Chief Operating Officer: $472,500
- Kevin S. Cavanah - Chief Financial Officer: $417,450
- Jason W. Turner - President Matrix North American Construction: $344,100

In light of the record financial performance of Matrix Service Inc., the operating subsidiary for which Mr. Ryan serves as President, Mr. Hewitt recommended and the Committee approved a salary increase of 7%, to $383,226, effective September 1, 2016.

Annual/Short-Term Incentive Compensation

Our annual/short-term incentive compensation plan is designed to offer the opportunity for substantial annual cash incentive awards for delivering outstanding performance. Rewards under our short-term incentive compensation plan are based on overall company, business unit and individual performance, as compared to pre-established objectives that are tied to enhancement of stockholder value. Our short-term incentive compensation objectives are designed to:

- support and drive performance toward achieving our strategic objectives;
- emphasize overall company and business unit performance in the structuring of reward opportunities;
- motivate and reward superior performance; and
- provide incentive compensation opportunities that are competitive with the industry.

The base calculation of incentives is generally tied to objective measures for financial and safety performance. Incentives for executive officers below the CEO in the form of targeted percentages of base salary are recommended by the CEO and reviewed and approved by the Committee, which is free to reject or revise the CEO's recommendations. The targeted incentive compensation percentage of base salary for the CEO is determined solely by the Committee in executive session, without the CEO present.

For fiscal year 2016, the Committee approved, at the August 2015 meeting, the following key provisions of the annual/short-term incentive compensation plan:

- If 50% of budgeted fiscal 2016 pre-tax operating income is not achieved, the Committee is not obligated to make any payments relating to financial metrics under the plan. Payouts relating to safety metrics may be earned regardless of financial performance.

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- Incentives would be weighted at 85% for performance against financial metrics and 15% for performance against safety metrics.
- Safety incentives would be based on the following:
Total Recordable Incident Rate, or “TRIR”;
quality and depth of the investigation of safety incidents; and
implementation of corrective actions identified in safety audits.

- Financial incentives would be based on the following:
operating income; and
Return on Invested Capital, or “ROIC”.

- Payout of short-term incentives for Messrs. Hewitt, Montalbano and Cavanah in respect to all of the safety and financial metrics would be based solely on the Company’s consolidated performance.

- Payout of short-term incentives for Messrs. Ryan and Turner are based on a combination of the Company's consolidated performance and the performance of the applicable operating company.
- Once the Committee approved the incentive metrics, Threshold, Target and Maximum levels of performance were defined.
- Target short-term payouts for fiscal 2016 were established for each of the Named Executive Officers and were unchanged from fiscal 2015. Mr. Hewitt's target remained at 100% of his base salary, Messrs. Montalbano's and Cavanah's targets remained at 65% of their respective base salaries and Messrs. Ryan's and Turner's targets remained at 60% of their respective base salaries.

Incentive targets for the Named Executive Officers are as follows:

- Safety performance targets, which represent 15% of the total incentive opportunity, were established based on the safety criteria discussed above. The specific criteria were as follows:

	Threshold	Target	Maximum
TRIR	0.70	0.60	0.37
Quality and depth of the investigation of safety incidents	70.0%	80.0%	90.0%
Safety audit corrective action implementation	70.0%	80.0%	90.0%

- The financial incentive tied to pre-tax operating income represents 75% of the total bonus opportunity for the Named Executive officers. The specific pre-tax operating income criteria at the consolidated level were as follows: Threshold - $54.1 million, Target - $70.3 million, Maximum - $84.4 million. Incentives for Mr. Ryan and Mr. Turner were tied in part to the Company's consolidated pre-tax operating income and in part to the pre-tax operating income of their respective operating companies.
- Ten percent of the total bonus opportunity is tied to the achievement of ROIC. The specific criteria are as follows: Threshold - 16.0%; Target - 18.0%; and Maximum - 20.0%. The incentive attributable to ROIC is measured at the consolidated level for all Named Executive Officers.

The Committee evaluated actual results in each category against the safety and performance goals:

Safety: In fiscal 2016, we achieved a TRIR of 0.55, 77% on the quality and depth of safety incident investigations, and 99% on the implementation of corrective actions identified in safety audits. These levels of performance are between target and maximum on TRIR, between threshold and target on the quality and depth of safety incident investigations and maximum on safety audit corrective action implementation.

Financial: In fiscal 2016, we achieved pre-tax operating income of $40.9 million. This level of pre-tax operating income is greater than the 50% necessary to trigger payments under the plan, but less than the threshold performance level for consolidated pre-tax operating income described above. Fiscal 2016 pre-tax operating income for each of the operating subsidiaries was also below the threshold level of performance. The fiscal 2016 ROIC was 13.0%, which was also below threshold.

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- Performance measures are established shortly after the beginning of the fiscal year and do not include the impact of any acquisitions, positive or negative, completed within the fiscal year. However, it is anticipated that the Committee would evaluate any acquisitions which may be completed during the fiscal year on a case-by-case basis to determine their impact on the plan and adjust performance measures appropriately.

Actual incentive payouts for fiscal 2016 to the Named Executive Officers were approved by the Committee at the August 2016 Compensation Committee Meeting and are as follows:

- Messrs. Hewitt, Montalbano and Cavanah: The Company achieved at least threshold performance under all consolidated safety metrics, which resulted in a safety incentive payout of $129,701, $53,111 and $46,925 to Messrs. Hewitt, Montalbano and Cavanah, respectively.
- Messrs Ryan and Turner: The respective operating subsidiaries achieved at least threshold performance under all safety metrics, which resulted in a safety incentive payout of $39,389 to Mr. Ryan and $33,550 to Mr. Turner.

The Annual/Short-Term Incentive Compensation Plan is reviewed and evaluated periodically to ensure that it meets our objectives and may be modified, discontinued or replaced based on our changing objectives and requirements.

Long-Term Incentive Compensation

The purpose for providing long-term incentive compensation to executive officers is to tie executive rewards directly to the enhancement of long-term stockholder value and Company profitability. Offering the opportunity for executive officers and other key members of management to earn an ownership position in the Company along with a long-term cash incentive enables us to remain competitive and attract, retain and motivate top executive and management talent. We believe that long-term incentive awards help to create and maintain a long-term perspective among executive officers and provide a direct link to our long-term growth and profitability. However, we also understand that equity awards create dilution in our earnings per share and therefore, believe that a portion of our long-term incentive compensation should be in the form of cash.

The Committee believes that a combination of time-based RSUs and performance units are the most appropriate forms of equity awards to achieve our stated objectives. RSUs strongly and directly link management and stockholder interests. As a full value award, RSUs are less dilutive to stockholders than stock options, since we are able to issue fewer shares in order to attain the desired level of equity compensation for our executive officers and managers. Under the long-term incentive program, all awards are issued on an annual basis. A portion of the annual award is in the form of service-based RSUs that vest over a specified period of time. Service-based shares are an excellent tool to promote executive officer/management retention. The second portion of the award is in the form of performance units with performance criteria that link the equity reward to achievement of stockholder value. Finally, the remaining portion of the award is cash-based and includes performance incentives tied to achievement of important strategic goals. Specific, individual grants vary by level/role in the organization. The amount of each award corresponds to the respective salary grade for each executive officer and manager.

Based on the Meridian study, trends of our peer companies, compensation objectives of retention and value creation, and the objective of conserving shares available for grant under our equity incentive plan and reducing earnings dilution, the Committee approved the following structure for the fiscal 2016 long-term incentive grant:

- One third of the grant consisted of service-based RSUs. Vesting will occur evenly over a four-year period beginning on the first anniversary of the grant date.
- One third of the grant is in the form of performance units. The performance units cliff vest on the third anniversary of the grant. The shares of Company common stock received can vary from zero to two for each performance unit based on the relative Total Shareholder Return of the Company's common stock when compared to the Total Shareholder Return of a group of peer companies over the vesting period. The potential award levels are as follows:

Shareholder Return Goal	Total Shareholder Return	Shares of Common Stock for Each Performance Unit
Threshold	25th percentile of Peer Group	0.25
Above Threshold	35th percentile of Peer Group	0.50
Target	50th percentile of Peer Group	1.00
Above Target	75th percentile of Peer Group	1.50
Maximum	90th percentile of Peer Group	2.00

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The peer group for the fiscal 2016 performance unit award was as follows:

AECOM Technology Corporation	MasTec, Inc.
Aegion Corp.	McDermott International Inc.
AMEC Foster Wheeler	Mistras Group Inc.
Chicago Bridge & Iron Company N.V.	MYR Group Inc.
Emcor Group, Inc.	Primoris Services Corporation
Fluor Corporation	Quanta Services Inc.
Furmanite Corp.	Team Inc.
Jacobs Engineering Group Inc.	Willbros Group Inc.
KBR Inc.	

- The remaining one-third of the grant was a performance-based award to be paid in the form of cash. The award cliff vests after two years and is based on the Average Return on Invested Capital ("AROIC") achieved by the Company over fiscal years 2016 and 2017. The threshold AROIC goal is 16%, the target AROIC goal is 18% and the maximum AROIC goal is 20%. At these performance levels, the payouts would be 50%, 100% and 150% of the target award.

Long-term incentive awards are reviewed and evaluated periodically to ensure that they meet our objectives and may be modified, discontinued or replaced based on the changing objectives and requirements of the Company. The Committee reviewed the long-term incentive plan in August 2016 in connection with the grant of fiscal 2017 long-term incentive awards and recommended no significant changes.

Grants made during fiscal 2016 to our Named Executive Officers are shown in the Grants of Plan-Based Awards table.

Perquisites and Other Benefits

Our executive officers do not receive significant compensation in the form of perquisites or supplemental benefits. In general, our executive officers are eligible to participate in the same retirement and health and welfare plans as all of our other eligible employees. We offer the following benefits to executive officers.

- We sponsor a 401(k) Savings Plan which allowed executive officers and other employees to contribute up to 25% of their salary (up to the annual IRS maximum) prior to January 1, 2016, and, going forward, up to 100% of their salary (up to the annual IRS maximum). The Company’s Safe Harbor Matching Contribution is a 100% matching contribution on salary deferrals up to the first 3% of compensation and 50% on the next 2% of salary deferrals. All matching contributions are 100% vested. Executive officers participate and receive benefits under the plan in the same manner as all other eligible participants. We do not sponsor or maintain any other pension, deferred compensation or other supplemental retirement plans for executive officers.
- In addition to the group term life policy offered to all eligible employees, we provide additional life insurance to our executive officers, at no cost to the officer. Specifically, the Company provides a term life insurance policy equal to 2 times base salary to a maximum of $1.5 million. For the CEO, additional corporate term life insurance policies of $500,000 with the Company as the beneficiary and $500,000 with a designee of the CEO as the beneficiary are provided.
- The Company provides long-term disability to all administrative employees. Under this plan, the employee may receive disability payments of up to 60% of their base compensation subject to a maximum of $12,000 per month. The Company also provides a supplemental executive long-term disability plan to the NEOs. Under the plan, the NEOs may receive disability payments of up to 60% of the sum of their base compensation and the average of their prior two years short-term incentive cash bonuses. The supplemental plan also increases the benefit up to maximum of $20,000 per month.

In addition to the company-provided life insurance policies described above, all executive officers, along with other eligible employees and managers, have the option to purchase supplemental life insurance for themselves, their spouses and dependents.

Change of Control/Severance Agreements

We have entered into Change of Control/Severance Agreements with each of our Named Executive Officers. These agreements are designed to promote stability, continuity and focus for key members of leadership during periods of uncertainty that may be created by change of control situations. Additionally, the use of such agreements is a competitive practice that enhances our ability to attract and retain leadership talent. For further details regarding our Change of Control/Severance Agreements, see the discussion under the caption "Potential Payments Upon Termination or Change of Control."

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Clawback Policy

Consistent with the principles of responsible oversight, the Company's Board of Directors has adopted a clawback policy, and the Company's equity award agreements also include a clawback provision. The clawback policy provides that, to the extent permitted by law, if the Board of Directors, with the recommendation of the Committee, determines that:

- any bonus, equity award, equity equivalent award or other incentive compensation has been awarded or received by an executive officer, and such compensation was based on the achievement of any financial results that were subsequently the subject of any material restatement of our financial statements filed with the SEC;
- the executive officer engaged in grossly negligent or intentional misconduct that caused or substantially caused the material restatement; and
- the amount of the compensation would have been less had the financial statements been correct,

we will seek to recover from the executive officer such compensation, in whole or in part, as we deem appropriate under the circumstances. The Board of Directors has sole discretion in determining whether an officer's conduct has or has not met any particular standard of conduct under law or Company policy.

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, which was signed into law on July 21, 2010, the SEC was directed to issue rules requiring the national securities exchanges to amend their listing standards to require listed companies to adopt mandatory clawback policies. The Company anticipates that it will modify its clawback policy to conform to the requirements of any such rules or listing requirements upon their adoption.

Policy on Hedging and Pledging of Company Securities

Hedging transactions may permit a director, officer or employee to continue to own our securities obtained through employee benefit plans or otherwise, but without the full risks and rewards of ownership. When that occurs, the director, officer or employee may no longer have the same objectives as our other stockholders. Our Insider Trading Policy specifically prohibits our directors, Named Executive Officers and other employees from engaging in any hedging activities with respect to our securities.

Securities held in a margin account as collateral for a margin loan may be sold by the broker without the customer's consent if the customer fails to meet a margin call. Similarly, securities pledged as collateral for a loan may be sold in foreclosure if the borrower defaults on the loan. Because a margin sale or foreclosure sale may occur at a time when the pledgor is aware of material non-public information or otherwise is not permitted to trade in the Company's securities, our Insider Trading Policy prohibits directors, Named Executive Officers and other employees from holding our securities in a margin account or otherwise pledging our securities.

Compensation Program as it Relates to Risk

We have reviewed our compensation policies and practices for both executives and non-executives as they relate to risk and have determined that they are not reasonably likely to have a material adverse effect on the Company. In reaching this conclusion, we considered the various elements of our compensation program that are designed to help mitigate excessive risk taking, including:

- Components of Compensation: We use a mix of compensation elements including base salary, short-term incentives and long-term incentives to avoid placing too much emphasis on any one component of compensation.
- Short-term Incentive: Our short-term incentive compensation plan does not allow for unlimited payouts. For fiscal 2016 short-term incentive payments cannot exceed 150% of target levels.
- Long-term Incentive Awards: Our long-term incentive awards drive a long-term perspective and vest over periods of two to four years. Our performance-based long-term incentive awards are capped and cannot exceed 200% of target levels.
- Committee Oversight: The Committee reviews and administers all awards under short- and long-term incentive plans.
- Performance Measures: Our performance goal setting process is aligned with our business strategy and the interests of our stockholders.

- Clawback Policy: We have the ability to recover any excess incentive-based compensation awarded to any of our executive officers as a result of an accounting restatement due to material non-compliance with the reporting requirements under federal securities laws.
- Stock Ownership Guidelines: Our stock ownership guidelines require our senior management to maintain a significant portion of their personal wealth in our common stock for the duration of their employment with our Company.

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Our compensation program is designed to motivate our Named Executive Officers and other Company officers to achieve business objectives that generate strong stockholder returns and to encourage ethical behaviors.

Equity Ownership Guidelines

The Board of Directors believes that our executive officers should demonstrate their commitment to, and belief in, the Company's long-term profitability. Stock ownership more closely aligns our executive officers' interests and actions with the interests of the Company's stockholders. Accordingly, each officer is expected to maintain a significant investment in the Company through the ownership of our common stock. See the discussion under the caption "Equity Ownership Guidelines" for a description of our guidelines.

Report of the Compensation Committee of the Board of Directors

The Compensation Committee of the Board of Directors has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

Members of the Compensation Committee:

Paul K. Lackey, Compensation Committee Chairman
I. Edgar Hendrix, Compensation Committee Member
Tom E. Maxwell, Compensation Committee Member
Jim W. Mogg, Compensation Committee Member
John W. Gibson, Compensation Committee Member

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EXECUTIVE OFFICER COMPENSATION

The following tables set forth certain information regarding compensation of the Chief Executive Officer, the Chief Financial Officer, and each of the Company's three other most highly compensated executive officers who were serving as executive officers at June 30, 2016 for services in all capacities to the Company and its subsidiaries. Each of the executive officers listed below are referred to collectively as the Named Executive Officers, or "NEOs".

Summary Compensation Table

The following table sets forth information with respect to the total compensation of the Named Executive Officers in fiscal 2016, 2015, and 2014:

Name and Principal Position	Year	Salary ($)		Bonus ($)		Stock Awards ($) (1)	Option Awards ($) (1)	Non-Equity Incentive Plan Compensation ($) (2)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)		Total ($)
John R. Hewitt Chief Executive Officer	2016	750,000	(3)	—		1,352,411	—	129,701	—	27,111	(4)	2,259,223
	2015	729,904	(3)	—		1,406,665	—	203,379	—	25,276		2,365,224
	2014	644,423		—		871,472	—	1,050,545	—	26,258		2,592,698
Joseph F. Montalbano Chief Operating Officer	2016	472,500	(3)	—		426,020	—	53,111	—	29,537	(4)	981,168
	2015	467,740	(3)	—		443,085	—	73,417	—	31,689		1,015,931
	2014	443,665		—		314,806	—	517,227	—	29,711		1,305,409
Kevin S. Cavanah Chief Financial Officer	2016	417,450	(3)	—		376,381	—	46,925	—	23,127	(4)	863,883
	2015	405,932	(3)	—		391,499	—	63,750	—	23,716		884,897
	2014	350,191		—		273,142	—	419,871	—	19,426		1,062,630
James P. Ryan President—Matrix Service	2016	378,887		—		258,325	—	39,389	—	27,630	(4)	704,231
	2015	354,546		78,042	(5)	268,709	—	61,150	—	27,123		789,570
	2014	338,997		—		261,546	—	386,127	—	20,199		1,006,869
Jason W. Turner President—Matrix North American Construction	2016	344,100	(3)	—		248,193	—	33,550	—	21,072	(4)	646,915
	2015	336,887	(3)	—		258,116	—	29,788	—	21,274		646,065
	2014	283,106		75,000	(6)	228,496	—	236,957	—	13,143		836,702

(1) The amounts shown represent the grant date fair value for awards granted during the period determined in accordance with ASC718 – Compensation – Stock Compensation. A portion of the awards that were granted in fiscal years 2014, 2015, and 2016 are subject to certain market conditions; accordingly, the grant date fair value of these awards is based upon the probable outcome of those conditions. Amounts have not been adjusted for expected forfeitures. For further information on the assumptions used in the valuation of these awards see Note 1 and Note 10 included in the Notes to Consolidated Financial Statements included in our fiscal 2016 Annual Report on Form 10-K.

(2)

Represents amounts payable to Named Executive Officers under the annual/short-term incentive compensation plan for the applicable fiscal year performance and for the cash-based portion of the long-term incentive award that was earned in the applicable fiscal year. In fiscal 2016, no amounts were earned under the cash-based portion of the long-term incentive plan. Therefore, the amounts shown for fiscal 2016 solely represent amounts earned under the annual/short-term incentive plan.

(3) The base salaries of Messrs. Hewitt, Montalbano, Cavanah and Turner were unchanged in fiscal 2016. The base salaries shown for Messrs. Hewitt, Montalbano, Cavanah and Turner for fiscal 2015 represent their current base salaries of $750,000, $472,500, $417,500 and $344,100 respectively for the period from September 1, 2014 to June 30, 2015 and their prior base salaries for the period July 1, 2014 to August 31, 2014.

(4) Represents amounts paid by us on behalf of the Named Executive Officer for life insurance and disability premiums and matching contributions to the Named Executive Officer's account in our qualified 401(k) plan. Life insurance and disability premiums in fiscal 2016 totaled $19,161, $19,664, $13,169, $17,118, and $11,001 for Messrs. Hewitt, Montalbano, Cavanah, Ryan, and Turner, respectively. Matching contributions to our 401(k) plan in fiscal 2016 totaled $7,950, $9,873, $9,958, $10,512, and $10,071 for Messrs. Hewitt, Montalbano, Cavanah, Ryan, and Turner, respectively.

(5) In recognition of Mr. Ryan's strong contribution to his operating company achieving its budgeted operating income in fiscal 2015, Mr. Ryan received a discretionary short-term incentive compensation bonus of $78,042, or 21.8% of his base salary at June 30, 2015. Mr. Ryan's bonus was based on record financial performance for his operating company. He did not receive any bonus attributable to the safety, consolidated operating income or ROIC portions of the plan.

(6) Mr. Turner was paid a bonus for his efforts in the successful closing of the KNAC acquisition during fiscal 2014.

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Grants of Plan-Based Awards During Fiscal 2016

The following table sets forth information with respect to grants of plan-based awards in fiscal 2016 to the Named Executive Officers:

			Estimated Possible Payouts Under Non-equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards (1)			All Other Stock Awards: Number of shares of Stock or Units (#) (2)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($) (3)
Name	Approval Date	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)				
John R. Hewitt	8/25/2015		375,000	750,000	1,125,000 (4)	—	—	—	—	—	—	—
	8/25/2015		312,500	625,000	937,500 (5)	—	—	—	—	—	—	—
	8/25/2015	8/25/2015	—	—	—	7,976	31,904	63,808	31,904	—	—	1,352,411
Joseph F. Montalbano	8/25/2015		153,563	307,125	460,688 (4)	—	—	—	—	—	—	—
	8/25/2015		98,438	196,875	295,313 (5)	—	—	—	—	—	—	—
	8/25/2015	8/25/2015	—	—	—	2,513	10,050	20,100	10,050	—	—	426,020
Kevin S. Cavanah	8/25/2015		135,671	271,343	407,014 (4)	—	—	—	—	—	—	—
	8/25/2015		86,969	173,938	260,907 (5)	—	—	—	—	—	—	—
	8/25/2015	8/25/2015	—	—	—	2,220	8,879	17,758	8,879	—	—	376,381
James P. Ryan	8/25/2015		114,968	229,936	344,903 (4)	—	—	—	—	—	—	—
	8/25/2015		59,693	119,385	179,078 (5)	—	—	—	—	—	—	—
	8/25/2015	8/25/2015	—	—	—	1,524	6,094	12,188	6,094	—	—	258,325
Jason W. Turner	8/25/2015		103,230	206,460	309,690 (4)	—	—	—	—	—	—	—
	8/25/2015		57,350	114,700	172,050 (5)	—	—	—	—	—	—	—
	8/25/2015	8/25/2015	—	—	—	1,464	5,855	11,710	5,855	—	—	248,193

(1) Represents the number of shares which may be issued pursuant to fiscal 2016 performance unit awards to the Named Executive Officers that cliff vest three years after the grant date. The number of shares of common stock received upon vesting of the performance units will range between 0% and 200% of the number of performance units awarded as determined by the three-year Total Shareholder Return on the Company's common stock when compared to the Total Shareholder Return on the common stock of a group of peer companies selected by the Compensation Committee of the Board of Directors. The fiscal 2016 performance unit awards are described under the caption "Compensation Discussion and Analysis".

(2) Amounts shown represent service-based restricted stock units granted to the Named Executive Officers in fiscal 2016. The awards vest in four equal annual installments beginning one year after the grant date.

(3) Amounts shown are calculated based upon the grant date fair value calculated in accordance with ASC718 – Compensation—Stock Compensation. The grant date fair value of the service-based restricted stock units is calculated by multiplying the number of restricted stock units awarded by the closing stock price on the date of grant. The grant date fair value of the performance units is calculated using a Monte Carlo model. The model estimated the fair value of the award based on approximately 100,000 simulations of the future prices of the Company's common stock compared to the future prices of its peer companies based on historical volatilities. The model also took into account the expected dividends over the performance period. See Notes 1 and 10 of the Notes to the Consolidated Financial Statements included in the Company’s fiscal 2016 Annual Report on Form 10-K for a full discussion of the Company’s stock based compensation accounting policies.

(4) The amounts shown are the cash incentive compensation award potential for each Named Executive Officer under our annual/short-term incentive compensation plan described under the caption "Compensation Discussion and Analysis." Actual payouts to the Named Executive Officers for the applicable fiscal year are reported in the Summary Compensation Table as a portion of the amount shown under the column “Non-Equity Incentive Plan Compensation.”

(5) Amounts shown represent the potential cash awards for each Named Executive Officer under the cash portion of our fiscal 2016 long-term incentive award described under the caption "Compensation Discussion and Analysis". The actual cash payout can range from 0% to 150% of the target payout and is based on average Return on Invested Capital for fiscal 2015 and fiscal 2016. Actual payouts for the applicable fiscal year are reported in the Summary Compensation Table as a portion of the amount shown under the column "Non-Equity Incentive Plan Compensation."

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Outstanding Equity Awards at Fiscal Year-End for 2016

The following table sets forth certain information with respect to outstanding equity awards held by the Named Executive Officers as of June 30, 2016:

	Option Awards				Stock Awards			
Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($) (1)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) (1)
John R. Hewitt	—	—	—	—	69,243	1,141,817	80,938	1,334,668
Joseph F. Montalbano	21,050	—	10.19	11/17/2021	23,409	386,014	27,503	453,524
Kevin S. Cavanah	16,850	—	10.19	11/17/2021	20,389	336,215	24,051	396,601
James P. Ryan	9,813	—	10.19	11/17/2021	15,968	263,312	20,198	333,065
Jason W. Turner	8,000	—	10.19	11/17/2021	14,212	234,356	13,229	218,146

(1) Based on the closing price of our common stock on June 30, 2016 of $16.49.

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The stock awards vest according to the following schedule:

	Number of Shares or Units of Stock That Have Not Vested		Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	
Name	Shares	Vest Date	Shares	Vest Date
John R. Hewitt	7,976	8/25/2016	43,423 (1)	8/27/2016
	5,611	8/26/2016	5,611 (1)	8/26/2017
	6,275	8/27/2016	31,904 (1)	8/25/2018
	7,958	11/16/2016		
	7,976	8/25/2017		
	5,610	8/26/2017		
	6,275	8/27/2017		
	7,976	8/25/2018		
	5,610	8/26/2018		
	7,976	8/25/2019		
Joseph F. Montalbano	2,513	8/25/2016	15,686 (1)	8/27/2016
	1,767	8/26/2016	1,767 (1)	8/26/2017
	2,267	8/27/2016	10,050 (1)	8/25/2018
	3,525	11/16/2016		
	2,513	8/25/2017		
	1,767	8/26/2017		
	2,266	8/27/2017		
	2,512	8/25/2018		
	1,767	8/26/2018		
	2,512	8/25/2019		
Kevin S. Cavanah	2,220	8/25/2016	13,610 (1)	8/27/2016
	1,562	8/26/2016	1,562 (1)	8/26/2017
	1,967	8/27/2016	8,879 (1)	8/25/2018
	2,893	11/16/2016		
	2,220	8/25/2017		
	1,561	8/26/2017		
	1,966	8/27/2017		
	2,220	8/25/2018		
	1,561	8/26/2018		
	2,219	8/25/2019		
James P. Ryan	1,524	8/25/2016	13,032 (1)	8/27/2016
	1,072	8/26/2016	1,072 (1)	8/26/2017
	1,883	8/27/2016	6,094 (1)	8/25/2018
	2,893	11/16/2016		
	1,524	8/25/2017		
	1,072	8/26/2017		
	1,883	8/27/2017		
	1,523	8/25/2018		
	1,071	8/26/2018		
	1,523	8/25/2019		
Jason W. Turner	1,464	8/25/2016	6,344 (1)	8/27/2016
	1,030	8/26/2016	1,030 (1)	8/26/2017

917	8/27/2016	5,855	(1)	8/25/2018
1,336	11/16/2016			