

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2021

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __ to __

Commission file number 001-34481

Mistras Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware 22-3341267
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

195 Clarksville Road
Princeton Junction, New Jersey 08550
(Address of principal executive offices) (Zip Code)

(609) 716-4000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	MG	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of October 28, 2021, the registrant had 29,458,243 shares of common stock outstanding.

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PART I—FINANCIAL INFORMATION

ITEM 1. Financial Statements

Mistras Group, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(in thousands, except share and per share data)

	September 30, 2021 (unaudited)	December 31, 2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 22,597	\$ 25,760
Accounts receivable, net	127,699	107,628
Inventories	12,178	13,134
Prepaid expenses and other current assets	17,505	16,066
Total current assets	179,979	162,588
Property, plant and equipment, net	90,366	92,681
Intangible assets, net	61,695	68,642
Goodwill	205,657	206,008
Deferred income taxes	2,676	2,069
Other assets	46,855	51,325
Total assets	\$ 587,228	\$ 583,313
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 13,343	\$ 14,240
Accrued expenses and other current liabilities	88,312	78,500
Current portion of long-term debt	18,988	10,678
Current portion of finance lease obligations	3,773	3,765
Income taxes payable	1,676	2,664
Total current liabilities	126,092	109,847
Long-term debt, net of current portion	196,866	209,538
Obligations under finance leases, net of current portion	10,338	11,115
Deferred income taxes	9,195	8,236
Other long-term liabilities	43,711	47,358
Total liabilities	386,202	386,094
Commitments and contingencies		
Equity		
Preferred stock, 10,000,000 shares authorized	—	—
Common stock, \$0.01 par value, 200,000,000 shares authorized, 29,457,605 and 29,234,143 shares issued and outstanding	294	292
Additional paid-in capital	237,577	234,638
Accumulated Deficit	(17,893)	(21,848)
Accumulated other comprehensive loss	(19,176)	(16,061)
Total Mistras Group, Inc. stockholders' equity	200,802	197,021
Non-controlling interests	224	198
Total equity	201,026	197,219
Total liabilities and equity	\$ 587,228	\$ 583,313

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

Mistras Group, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Income (Loss)
(in thousands, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Revenue	\$ 174,556	\$ 147,894	\$ 505,968	\$ 431,794
Cost of revenue	116,750	94,930	341,780	286,208
Depreciation	5,590	5,580	16,635	16,400
Gross profit	52,216	47,384	147,553	129,186
Selling, general and administrative expenses	39,221	37,473	118,579	116,638
Impairment charges	—	—	—	106,062
Legal settlement and litigation charges, net	—	(360)	1,030	(360)
Research and engineering	595	638	1,942	2,170
Depreciation and amortization	2,918	3,182	9,070	10,359
Acquisition-related expense, net	246	709	1,068	186
Income (loss) from operations	9,236	5,742	15,864	(105,869)
Interest expense	2,326	3,645	8,694	9,410
Income (loss) before benefit for income taxes	6,910	2,097	7,170	(115,279)
Provision (benefit) for income taxes	3,513	544	3,187	(15,645)
Net Income (loss)	3,397	1,553	3,983	(99,634)
Less: net income attributable to noncontrolling interests, net of taxes	17	30	28	8
Net Income (loss) attributable to Mistras Group, Inc	<u>\$ 3,380</u>	<u>\$ 1,523</u>	<u>\$ 3,955</u>	<u>\$ (99,642)</u>
Earnings (loss) per common share				
Basic	\$ 0.11	\$ 0.05	\$ 0.13	\$ (3.43)
Diluted	\$ 0.11	\$ 0.05	\$ 0.13	\$ (3.43)
Weighted-average common shares outstanding:				
Basic	29,619	29,177	29,550	29,086
Diluted	30,127	29,311	30,093	29,086

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

Mistras Group, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Comprehensive Income (Loss)
(in thousands)

	Three months ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net Income (loss)	\$ 3,397	\$ 1,553	\$ 3,983	\$ (99,634)
Other comprehensive income (loss):				
Foreign currency translation adjustments	(5,472)	5,963	(3,117)	(4,924)
Comprehensive Income (Loss)	(2,075)	7,516	866	(104,558)
Less: net income (loss) attributable to noncontrolling interest	17	30	28	8
Less: Foreign currency translation adjustments attributable to noncontrolling interests	(3)	4	(2)	(2)
Comprehensive income (loss) attributable to Mistras Group, Inc	<u>\$ (2,089)</u>	<u>\$ 7,482</u>	<u>\$ 840</u>	<u>\$ (104,564)</u>

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

Mistras Group, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Equity
(in thousands)

Three months ended

	Common Stock		Additional paid-in capital	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Total Mistras Group, Inc. Stockholders' Equity	Noncontrolling Interest	Total Equity
	Shares	Amount						
Balance at June 30, 2021	\$ 29,432	\$ 294	\$ 236,125	\$ (21,273)	\$ (13,707)	\$ 201,439	\$ 210	\$ 201,649
Net income	—	—	—	3,380	—	3,380	17	3,397
Other comprehensive gain (loss), net of tax	—	—	—	—	(5,469)	(5,469)	(3)	(5,472)
Share-based payments	—	—	1,452	—	—	1,452	—	1,452
Net settlement of restricted stock units	26	—	—	—	—	—	—	—
Balance at September 30, 2021	<u>29,458</u>	<u>\$ 294</u>	<u>\$ 237,577</u>	<u>\$ (17,893)</u>	<u>\$ (19,176)</u>	<u>\$ 200,802</u>	<u>\$ 224</u>	<u>\$ 201,026</u>
Balance at June 30, 2020	29,110	\$ 291	\$ 231,724	\$ (23,552)	\$ (32,172)	\$ 176,291	\$ 172	\$ 176,463
Net loss	—	—	—	1,523	—	1,523	30	1,553
Other comprehensive gain (loss), net of tax	—	—	—	—	5,963	5,963	4	5,967
Share-based payments	—	—	1,593	—	—	1,593	—	1,593
Net settlement of options and restricted stock units	82	1	(50)	—	—	(49)	—	(49)
Balance at September 30, 2020	<u>29,192</u>	<u>\$ 292</u>	<u>\$ 233,267</u>	<u>\$ (22,029)</u>	<u>\$ (26,209)</u>	<u>\$ 185,321</u>	<u>\$ 206</u>	<u>\$ 185,527</u>

Nine months ended

	Common Stock		Additional paid-in capital	Retained earnings (deficit)	Accumulated other comprehensive loss	Total Mistras Group, Inc. Stockholders' Equity	Noncontrolling Interest	Total Equity
	Shares	Amount						
Balance at December 31, 2020	29,234	\$ 292	\$ 234,638	\$ (21,848)	\$ (16,061)	\$ 197,021	\$ 198	\$ 197,219
Net income	—	—	—	3,955	—	3,955	28	3,983
Other comprehensive gain (loss), net of tax	—	—	—	—	(3,115)	(3,115)	(2)	(3,117)
Share-based payments	—	—	3,916	—	—	3,916	—	3,916
Net settlement of restricted stock units	224	2	(977)	—	—	(975)	—	(975)
Balance at September 30, 2021	<u>29,458</u>	<u>\$ 294</u>	<u>\$ 237,577</u>	<u>\$ (17,893)</u>	<u>\$ (19,176)</u>	<u>\$ 200,802</u>	<u>\$ 224</u>	<u>\$ 201,026</u>
Balance at December 31, 2019	28,945	\$ 289	\$ 229,205	\$ 77,613	\$ (21,285)	\$ 285,822	\$ 200	\$ 286,022
Net loss	—	—	—	(99,642)	—	(99,642)	8	(99,634)
Other comprehensive gain (loss), net of tax	—	—	—	—	(4,924)	(4,924)	(2)	(4,926)
Share-based payments	—	—	4,391	—	—	4,391	—	4,391
Net settlement of restricted stock units	247	3	(329)	—	—	(326)	—	(326)
Balance at September 30, 2020	<u>29,192</u>	<u>\$ 292</u>	<u>\$ 233,267</u>	<u>\$ (22,029)</u>	<u>\$ (26,209)</u>	<u>\$ 185,321</u>	<u>\$ 206</u>	<u>\$ 185,527</u>

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

Mistras Group, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Cash Flows
(in thousands)

	Nine months ended September 30,	
	2021	2020
Cash flows from operating activities		
Net income (loss)	\$ 3,983	\$ (99,634)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation and amortization	25,705	26,759
Impairment charges	—	106,062
Deferred income taxes	1,055	(16,831)
Share-based compensation expense	3,916	4,312
Fair value adjustments to contingent consideration	1,034	186
Foreign currency loss	366	1,965
Other	265	2,419
Changes in operating assets and liabilities, net of effect of acquisitions and dispositions		
Accounts receivable	(21,907)	20,319
Inventories	868	(1,845)
Prepaid expenses and other assets	(2,324)	(2,305)
Accounts payable	(751)	(2,357)
Accrued expenses and other liabilities	11,247	3,069
Income taxes payable	(988)	(328)
Net cash provided by operating activities	22,469	41,791
Cash flows from investing activities		
Purchase of property, plant and equipment	(15,130)	(10,676)
Purchase of intangible assets	(887)	(311)
Acquisition of business, net of cash acquired	(441)	—
Proceeds from sale of equipment	964	429
Net cash used in investing activities	(15,494)	(10,558)
Cash flows from financing activities		
Repayment of finance lease obligations	(3,032)	(3,078)
Proceeds from borrowings of long-term debt	—	2,245
Repayment of long-term debt	(12,121)	(4,334)
Proceeds from revolver	71,000	27,250
Repayment of revolver	(62,250)	(44,000)
Payment of financing costs	(550)	(1,497)
Payment of contingent consideration for business acquisitions	(938)	(1,337)
Taxes paid related to net share settlement of share-based awards	(975)	(326)
Net cash used in financing activities	(8,866)	(25,077)
Effect of exchange rate changes on cash and cash equivalents	(1,272)	944
Net change in cash and cash equivalents	(3,163)	7,100
Cash and cash equivalents at beginning of period	25,760	15,016
Cash and cash equivalents at end of period	\$ 22,597	\$ 22,116
Supplemental disclosure of cash paid		
Interest, net	\$ 8,119	\$ 9,061
Income taxes, net of refunds	\$ 3,816	\$ 1,633
Noncash investing and financing		
Equipment acquired through finance lease obligations	\$ 2,445	\$ 1,607

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

Mistras Group, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements
(tabular dollars and shares in thousands, except per share data)

1. Description of Business and Basis of Presentation

Description of Business

Mistras Group, Inc. and subsidiaries (the Company) is a leading “one source” multinational provider of integrated technology-enabled asset protection solutions helping to maximize the safety and operational uptime for civilization's most critical industrial and civil assets.

Backed by an innovative, data-driven asset protection portfolio, proprietary technologies, and decades-long legacy of industry leadership, the Company helps clients with asset-intensive infrastructure in the oil and gas, aerospace and defense, industrials, power generation and transmission (including alternative and renewable energy), other process industries and infrastructure, research and engineering and other industries towards achieving and maintaining operational excellence. By supporting these organizations that help fuel our vehicles and power our society; inspecting components that are trusted for commercial, defense, and space craft; and building real-time monitoring equipment to enable safe travel across bridges, the Company helps the world at large.

The Company enhances value for its clients by integrating asset protection throughout supply chains and centralizing integrity data through a suite of Industrial IoT-connected digital software and monitoring solutions, including OneSuite™, which serves as an ecosystem platform, pulling together all of the Company's software and data services capabilities, for the benefit of its customers.

The Company's core capabilities also include non-destructive testing (“NDT”) field inspections enhanced by advanced robotics, laboratory quality control and assurance testing, sensing technologies and NDT equipment, asset and mechanical integrity engineering services, and light mechanical maintenance and access services.

Recent Developments

The COVID-19 coronavirus (COVID-19) pandemic has continued to cause disruption and volatility in domestic and international markets and conditions continue to improve during 2021 as compared to 2020. The Company's businesses have been classified as non-healthcare critical infrastructure as defined by the U.S. Centers for Disease Control and Prevention (CDC). Our facilities, and the Company's customers facilities as well, have remained open with staffing modifications and precautionary procedures taken as necessary.

Overall, the Company has taken actions to help ensure the health and safety of Company employees and those of its customers and suppliers; maintain business continuity and financial strength and stability; and serve customers as they provide essential products and services to the world.

The COVID-19 pandemic uncertainty, significant volatility in oil prices, and decreased traffic in the aerospace industry have adversely affected the operations of the Company's customers, suppliers and contractors beginning in the first quarter of 2020, and as a consequence, the Company's results of operations were adversely impacted. These negative factors continue to cause volatility and uncertainty in the markets in which the Company operates, although the Company in 2021 has nevertheless begun approaching pre-pandemic levels of activity in certain end markets, particularly oil and gas where crude oil prices have exceeded pre-pandemic levels.

While the Company cannot fully assess the impact that the factors discussed above will have on its operations at this time, there were certain impacts that the Company identified resulting in impairment charges in 2020. See Note 8-*Goodwill*, Note 9-*Intangible Assets* and Note 13-*Leases* for additional information.

The Company has eliminated substantially all of the cost reduction initiatives undertaken in 2020, including re-installment of the savings plan employer match and increasing wages back to pre-pandemic amounts.

The Company is currently unable to predict with certainty the overall impact that the factors discussed above may have on its business, results of operations or liquidity or in other ways which the Company cannot yet determine. The Company will

Mistras Group, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements
(tabular dollars and shares in thousands, except per share data)

continue to monitor market conditions and respond accordingly. As of September 30, 2021, the cash balance was approximately \$22.6 million.

Basis of Presentation

The Unaudited Condensed Consolidated Financial Statements contained in this report have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") and Securities and Exchange Commission guidance allowing for reduced disclosure for interim periods. In the opinion of management, the Unaudited Condensed Consolidated Financial Statements include all adjustments, which are of a normal recurring nature, necessary for a fair presentation of the results for the interim periods of the years ending December 31, 2021 and December 31, 2020.

Certain items included in these statements are based on management's estimates. Actual results may differ from those estimates. The results of operations for any interim period are not necessarily indicative of the results expected for the year. The accompanying Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the notes to the Audited Consolidated Financial Statements contained in the Company's 2020 Annual Report on Form 10-K ("2020 Annual Report").

Principles of Consolidation

The accompanying Unaudited Condensed Consolidated Financial Statements include the accounts of Mistras Group, Inc. as well as its wholly-owned subsidiaries, majority-owned subsidiaries and consolidated variable interest entities (VIE). For subsidiaries in which the Company's ownership interest is less than 100%, the non-controlling interests are reported in stockholders' equity in the accompanying Condensed Consolidated Balance Sheets. The non-controlling interests in net results, net of tax, is classified separately in the accompanying Unaudited Condensed Consolidated Statements of Income (Loss). All significant intercompany accounts and transactions have been eliminated in consolidation. The results of operations of companies acquired are included from the date of acquisition.

Reclassification

Certain amounts in prior periods have been reclassified to conform to the current year presentation. Such reclassifications did not have a material effect on the Company's financial condition or results of operations as previously reported.

Customers

For each of the three and nine months ended September 30, 2021 and 2020, no customer represented 10% or more of the Company's revenue.

Significant Accounting Policies

The Company's significant accounting policies are disclosed in Note 1—***Summary of Significant Accounting Policies and Practices*** in the 2020 Annual Report. On an ongoing basis, the Company evaluates its estimates and assumptions, including among other things, those related to revenue recognition, long-lived assets, goodwill and acquisitions. Since the date of the 2020 Annual Report, there have been no material changes to the Company's significant accounting policies.

Mistras Group, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements
(tabular dollars and shares in thousands, except per share data)

Income Taxes

Income taxes are accounted for under the asset and liability method. We recognize deferred tax assets and liabilities at enacted income tax rates for the temporary differences between the financial reporting bases and the tax bases of our assets and liabilities. Any effects of changes in income tax rates or tax laws are included in the provision for income taxes in the period of enactment. Our net deferred tax assets primarily consist of net operating loss carry forwards, or NOLs. A valuation allowance is provided if it is more likely than not that some or all of a deferred income tax asset will not be realized. A current tax liability or asset is recognized for the estimated taxes payable or refundable on tax returns for the current and prior years.

As of September 30, 2021, management concluded that it is more likely than not that a substantial portion of the Company's deferred tax assets will be realized.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution.

The Company's effective income tax rate was approximately 50.8% and 25.9% for the three months ended September 30, 2021 and 2020, respectively. The Company's effective income tax rate was approximately 44.4% and 13.6% for the nine months ended September 30, 2021 and 2020, respectively.

The effective income tax rate for the three months ended September 30, 2021, was higher than the statutory rate due to a \$1.2 million valuation allowance recorded during the period related to various state deferred tax assets and earnings in jurisdictions with higher income tax rates than the United States. The effective income tax rate for the three months ended September 30, 2020 approximated the statutory rate, as the favorable impact of the CARES Act was offset by the unfavorable impact of taxes in other jurisdictions and other permanent book to tax differences.

The effective income tax rate for the nine months ended September 30, 2021 was higher than the statutory rate due to a \$1.2 million valuation allowance recorded during the period which was related to various state deferred tax assets offset by the capitalization of certain non-US intercompany balances which resulted in a deductible foreign exchange loss in the US. The effective income tax rate for the nine months ended September 30, 2020 was lower than the statutory rate primarily due to the income tax benefits of the CARES Act, partially offset by impairments for which the Company did not realize income tax benefits.

Recent Accounting Pronouncements

On January 1, 2021, the Company adopted new guidance to simplify the accounting for income taxes by, among other things, removing certain exceptions related to intra-period tax allocations, interim calculations and the recognition of deferred tax liabilities for outside basis differences. The guidance did not have a material impact on the Company's consolidated financial statements.

In March 2020 and updated in January 2021, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The amendments provide optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The guidance provides optional expedients and exceptions for applying U.S. GAAP to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or another rate that is expected to be discontinued. The amendments in ASU 2020-04 are effective for all entities as of March 12, 2020 through December 31, 2022. The Company is currently evaluating applicable contracts and the available expedients provided by the new guidance.

2. Revenue

The Company derives the majority of its revenue by providing services on a time and material basis, and are short-term in nature. The Company accounts for revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers*.

Mistras Group, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements
(tabular dollars and shares in thousands, except per share data)

Performance Obligations

The Company provides highly integrated and bundled inspection services to its customers. The majority of the Company's contracts have a single performance obligation as the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts and is, therefore, not distinct. For contracts with multiple performance obligations, the Company allocates the contract's transaction price to each performance obligation using the Company's best estimate of the standalone selling price of each distinct good or service in the contract. The primary method used to estimate standalone selling price is a relative selling price based on price lists.

Contract modifications are not routine in the performance of the Company's contracts. Generally, when contracts are modified, the modification is to account for changes in scope to the goods and services that are provided. In most instances, contract modifications are for goods or services that are distinct, and, therefore, are accounted for as a separate contract.

The Company's performance obligations are satisfied over time as work progresses or at a point in time. The majority of the Company's revenue is recognized over time as work progresses for the Company's service deliverables, which includes providing testing, inspection and mechanical services to our customers. Revenue is recognized over time, based on time and material incurred to date which best portrays the transfer of control to the customer. The Company also utilizes an available practical expedient that provides for revenue to be recognized in an amount that corresponds directly with the value to the customer of the entity's performance completed to date. Fixed fee arrangements are determined based on expected labor, material, and overhead to be consumed on fulfillment of such services. For these arrangements, revenue is recognized on a cost-to-cost method tracked on an input basis.

The majority of our revenue recognized at a point in time is related to product sales when the customer obtains control of the asset, which is generally upon shipment to the customer. Contract costs include labor, material and overhead.

The Company expects any significant remaining performance obligations to be satisfied within one year.

Contract Estimates

The majority of the Company's revenues are short-term in nature. The Company enters into master service agreements (MSAs) with customers that specify an overall framework and contract terms. The actual contracting to provide services or furnish products are triggered by a work order, purchase order, or some similar document issued pursuant to a MSA which sets forth the scope of services and/or identifies the products to be provided. From time-to-time, the Company may enter into longer-term contracts, which can range from several months to several years. Revenue on certain contracts is recognized as work is performed based on total costs incurred to date in relation to the total estimated costs for the performance of the contract at completion. This includes contract estimates of costs to be incurred for the performance of the contract. Cost estimation is based upon the professional knowledge and experience of the Company's project managers, engineers and financial professionals. Factors that are considered in estimating the work to be completed include the availability of materials, the effect of any delays in the Company's project performance and the recoverability of any claims. Whenever revisions of estimates, contract costs and/or contract values indicate that the contract costs will exceed estimated revenues, thus creating a loss, a provision for the total estimated loss is recorded in that period.

Mistras Group, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements
(tabular dollars and shares in thousands, except per share data)

Revenue by Category

The following series of tables present the Company's disaggregated revenue:

Revenue by industry was as follows:

Three Months Ended September 30, 2021	Services	International	Products	Corp/Elim	Total
Oil & Gas	\$ 88,508	\$ 8,620	\$ 370	\$ —	\$ 97,498
Aerospace & Defense	12,717	3,897	101	—	16,715
Industrials	10,560	6,693	336	—	17,589
Power Generation & Transmission	11,412	2,615	660	—	14,687
Other Process Industries	8,819	3,035	32	—	11,886
Infrastructure, Research & Engineering	7,136	2,467	808	—	10,411
Other	5,824	1,773	1,001	(2,828)	5,770
Total	<u>\$ 144,976</u>	<u>\$ 29,100</u>	<u>\$ 3,308</u>	<u>\$ (2,828)</u>	<u>\$ 174,556</u>

Three Months Ended September 30, 2020	Services	International	Products	Corp/Elim	Total
Oil & Gas	\$ 72,195	\$ 9,749	\$ 51	\$ —	\$ 81,995
Aerospace & Defense	10,904	3,676	72	—	14,652
Industrials	12,209	5,261	442	—	17,912
Power Generation & Transmission	9,053	2,054	390	—	11,497
Other Process Industries	6,023	2,373	85	—	8,481
Infrastructure, Research & Engineering	5,309	2,245	1,223	—	8,777
Other	4,028	1,119	1,669	(2,236)	4,580
Total	<u>\$ 119,721</u>	<u>\$ 26,477</u>	<u>\$ 3,932</u>	<u>\$ (2,236)</u>	<u>\$ 147,894</u>

Nine Months Ended September 30, 2021	Services	International	Products	Corp/Elim	Total
Oil & Gas	\$ 264,959	\$ 26,208	\$ 638	\$ —	\$ 291,805
Aerospace & Defense	37,319	12,341	165	—	49,825
Industrials	30,621	17,736	1,081	—	49,438
Power Generation & Transmission	27,019	7,776	2,249	—	37,044
Other Process Industries	27,031	9,574	76	—	36,681
Infrastructure, Research & Engineering	15,479	9,477	2,777	—	27,733
Other	11,823	5,587	2,513	(6,481)	13,442
Total	<u>\$ 414,251</u>	<u>\$ 88,699</u>	<u>\$ 9,499</u>	<u>\$ (6,481)</u>	<u>\$ 505,968</u>

Nine Months Ended September 30, 2020	Services	International	Products	Corp/Elim	Total
Oil & Gas	\$ 214,773	\$ 26,192	\$ 214	\$ —	\$ 241,179
Aerospace & Defense	39,804	14,686	370	—	54,860
Industrials	35,374	13,997	1,349	—	50,720
Power Generation & Transmission	21,800	4,958	1,888	—	28,646
Other Process Industries	17,026	7,103	162	—	24,291
Infrastructure, Research & Engineering	12,820	6,726	3,683	—	23,229
Other	7,674	3,225	3,080	(5,110)	8,869
Total	<u>\$ 349,271</u>	<u>\$ 76,887</u>	<u>\$ 10,746</u>	<u>\$ (5,110)</u>	<u>\$ 431,794</u>

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Revenue per key geographic location was as follows:

Three Months Ended September 30, 2021	Services	International	Products	Corp/Elim	Total
United States	\$ 122,506	\$ 221	\$ 1,562	\$ (1,341)	\$ 122,948
Other Americas	21,681	1,446	133	(610)	22,650
Europe	491	26,378	499	(748)	26,620
Asia-Pacific	298	1,055	1,114	(129)	2,338
Total	\$ 144,976	\$ 29,100	\$ 3,308	\$ (2,828)	\$ 174,556

Three Months Ended September 30, 2020	Services	International	Products	Corp/Elim	Total
United States	100,586	\$ 193	\$ 1,538	\$ (912)	\$ 101,405
Other Americas	18,767	1,100	75	(124)	19,818
Europe	350	24,790	1,002	(1,088)	25,054
Asia-Pacific	18	394	1,317	(112)	1,617
Total	\$ 119,721	\$ 26,477	\$ 3,932	\$ (2,236)	\$ 147,894

Nine Months Ended September 30, 2021	Services	International	Products	Corp/Elim	Total
United States	\$ 349,814	\$ 670	\$ 4,690	\$ (2,627)	\$ 352,547
Other Americas	61,847	3,772	301	(1,482)	64,438
Europe	1,381	82,356	1,462	(2,105)	83,094
Asia-Pacific	1,209	1,901	3,046	(267)	5,889
Total	\$ 414,251	\$ 88,699	\$ 9,499	\$ (6,481)	\$ 505,968

Nine Months Ended September 30, 2020	Services	International	Products	Corp/Elim	Total
United States	298,372	\$ 507	\$ 5,150	\$ (2,433)	\$ 301,596
Other Americas	49,548	3,564	425	(370)	53,167
Europe	721	71,056	1,930	(2,129)	71,578
Asia-Pacific	630	1,760	3,241	(178)	5,453
Total	\$ 349,271	\$ 76,887	\$ 10,746	\$ (5,110)	\$ 431,794

Contract Balances

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables (contract assets), and customer advances and deposits (contract liabilities) on the Consolidated Balance Sheets. Amounts are generally billed as work progresses in accordance with agreed-upon contractual terms, generally at periodic intervals (e.g., weekly, bi-weekly or monthly). Generally, billing occurs subsequent to revenue recognition, resulting in contract assets. However, the Company sometimes receives advances or deposits from its customers before revenue is recognized, resulting in contract liabilities. These assets and liabilities are aggregated on an individual contract basis and reported on the Consolidated Balance Sheets at the end of each reporting period within accounts receivable, net or accrued expenses and other current liabilities.

Revenue recognized during the nine months ended September 30, 2021 and 2020 that was included in the contract liability balance at the beginning of such year was \$4.4 million for each period. Changes in the contract asset and liability balances during these periods were not materially impacted by any other factors. The Company applies a practical expedient to expense incremental costs incurred related to obtaining a contract. The Company's expenses are expected to be amortized over a period less than one year.

3. Share-Based Compensation

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The Company has share-based incentive awards outstanding to its eligible employees and non-employee directors under two equity incentive plans: (i) the 2009 Long-Term Incentive Plan (the "2009 Plan") and (ii) the 2016 Long-Term Incentive Plan (the "2016 Plan"). No further awards may be granted under the 2009 Plan, although one stock option award granted under the 2009 Plan remains outstanding in accordance with its terms. Awards granted under the 2016 Plan may be in the form of stock options, restricted stock units and other forms of share-based incentives, including performance restricted stock units, stock appreciation rights and deferred stock rights. At the annual shareholders meeting on May 19, 2020, the Company's shareholders approved an amendment to increase the total number of shares that may be issued under the 2016 Plan by 2.0 million, for a total of 3.7 million shares that are authorized for issuance under the 2016 Plan.

Stock Options

For each of the three and nine months ended September 30, 2021 and 2020, the Company did not recognize any share-based compensation expense related to the stock option award, as the one outstanding stock option award was already fully vested. No unrecognized compensation costs remained related to the stock option award as of September 30, 2021.

The following table sets forth a summary of the stock option activity, weighted-average exercise prices and options outstanding as of September 30, 2021 and 2020:

	Nine months ended September 30,			
	2021		2020	
	Common Stock Options	Weighted Average Exercise Price	Common Stock Options	Weighted Average Exercise Price
Outstanding at beginning of period:	5	\$ 22.35	5	\$ 22.35
Granted	—	\$ —	—	\$ —
Exercised	—	\$ —	—	\$ —
Expired or forfeited	—	\$ —	—	\$ —
Outstanding at end of period:	<u>5</u>	<u>\$ 22.35</u>	<u>5</u>	<u>\$ 22.35</u>

Restricted Stock Unit Awards

For the three months ended September 30, 2021 and September 30, 2020, the Company recognized share-based compensation expense related to restricted stock unit awards of \$0.9 million and \$1.1 million, respectively. For the nine months ended September 30, 2021 and 2020, the Company recognized share-based compensation expense related to restricted stock unit awards of \$2.7 million and \$3.2 million, respectively. As of September 30, 2021, there was \$6.8 million of unrecognized compensation costs, net of estimated forfeitures, related to restricted stock unit awards, which is expected to be recognized over a remaining weighted-average period of 2.6 years. Upon vesting, restricted stock units are generally net share-settled to cover the required withholding tax and the remaining amount is converted into an equivalent number of shares of common stock.

A summary of the vesting activity of restricted stock unit awards, with the respective fair value of the awards, is as follows:

	Nine months ended September 30,	
	2021	2020
Restricted stock awards vested	238	183
Fair value of awards vested	\$ 2,670	\$ 719

A summary of the fully-vested common stock the Company issued to its six non-employee directors, in connection with its non-employee director compensation plan, is as follows:

	Nine months ended September 30,	
	2021	2020
Awards issued	51	68
Grant date fair value of awards issued	\$ 525	\$ 326

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A summary of the Company's outstanding, non-vested restricted share units is as follows:

	Nine months ended September 30,			
	2021		2020	
	Units	Weighted Average Grant-Date Fair Value	Units	Weighted Average Grant-Date Fair Value
Outstanding at beginning of period:	1,076	\$ 7.41	559	\$ 16.92
Granted	528	\$ 10.07	557	\$ 3.77
Released	(238)	\$ 10.98	(183)	\$ 18.44
Forfeited	(53)	\$ 8.90	(32)	\$ 9.87
Outstanding at end of period:	<u>1,313</u>	<u>\$ 7.75</u>	<u>901</u>	<u>\$ 8.72</u>

Performance Restricted Stock Units

The Company maintains Performance Restricted Stock Units (PRSUs) that have been granted to select executives and senior officers whose ultimate payout is based on the Company's performance over a one-year period based on specific metrics approved by the Compensation Committee of the Board of Directors of the Company.

For 2020, the Compensation Committee approved the following four metrics:

1. *Revenue*.
2. *Adjusted EBITDA* defined as net income attributable to the Company plus: interest expense, provision for income taxes, depreciation and amortization, share-based compensation expense and certain acquisition related costs (including transaction due diligence costs and adjustments to the fair value of contingent consideration), foreign exchange (gain) loss and, if applicable, certain special items which are noted).
3. *Free Cash Flow* as a percentage of revenue.
4. *Return on Average Book Equity* defined as net income divided by average book value of shareholders equity.

The free cash flow and return on average book equity criteria are relative metrics, the performance of which are based upon how the Company performs relative to a peer group.

For 2021, the Compensation Committee made changes to the Company's equity incentive compensation plan for its executive officers and approved the new target awards for 2021. For 2021, the three metrics are:

1. *Free Cash Flow* net cash provided by operating activities less purchases of property, plant, equipment and intangible assets and is subject to adjustments approved by the Compensation Committee.
2. *Adjusted EBITDA* as defined in the 2020 metric section above.
3. *Total Shareholder Return (TSR)* measures the total return to shareholders of the Company during 2021 versus the total return to the shareholders of a predefined peer group of companies that provide inspection, testing, certification or similar industrial services. The return will be measured by the year over year percent change in share price. The share prices used to calculate the return are the average share price during the 20-trading day period ending on the initial measurement date (the last 20 trading days of 2020), compared to the average share price during the 20-trading day period ending on the final measurement date (the last 20 trading days of 2021). Any cash dividends or distributions paid in 2021 will be added to calculate the return to shareholders during the year. TSR is considered a market condition for which the fair value of PRSUs with this condition is determined using a Monte Carlo valuation model. Key assumptions in the Monte Carlo valuation model included:
 - a. *Expected Volatility*. Expected volatility of the Company's common stock at the date of grant was estimated based on a historical average volatility rate for the approximate 1-year performance period.
 - b. *Dividend Yield*. The dividend yield assumption was based on historical and anticipated dividend payouts (assumed at zero).
 - c. *Risk-Free Interest Rate*. The risk-free interest rate assumption was based on observed interest rates consistent with the approximate 1-year performance measurement period.

PRSUs are equity-classified and compensation costs are initially measured using the fair value of the underlying stock at the date of grant. Compensation costs related to the PRSUs are subsequently adjusted for changes in the expected outcomes of the performance conditions. Compensation cost related to the PRSUs with a market condition is not reversed if the market

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condition is not achieved, provided the employee requisite service has been rendered. PRSUs generally vest ratably on each of the first four anniversary dates upon completion of the performance period, for a total requisite service period of up to five years and have no dividend rights.

A summary of the Company's PRSU activity is as follows:

	Nine months ended September 30,			
	2021		2020	
	Units	Weighted Average Grant-Date Fair Value	Units	Weighted Average Grant-Date Fair Value
Outstanding at beginning of period:	333	\$ 8.84	260	\$ 16.77
Granted	189	\$ 12.59	292	\$ 3.68
Performance condition adjustments	(195)	\$ 7.83	(145)	\$ 3.54
Released	(22)	\$ 13.63	(78)	\$ 15.43
Forfeited	—	\$ —	—	\$ —
Outstanding at end of period:	<u>305</u>	<u>\$ 12.56</u>	<u>329</u>	<u>\$ 11.09</u>

During the nine months ended September 30, 2021 and September 30, 2020, the Compensation Committee approved the final calculation of the award metrics for calendar year 2020 and calendar year 2019, respectively. As a result, the calendar year 2020 PRSUs decreased by approximately 125,000 units (related to not achieving the 2020 Return on Average Book Equity metric) and the calendar year 2019 PRSUs increased by approximately 1,000 units. Calendar year 2021 PRSUs decreased by 2,000 units during the nine months ended September 30, 2021 based on forecasted results for calendar year 2021.

For the three months ended September 30, 2021 and September 30, 2020, the Company recognized aggregate share-based compensation expense related to the awards described above of approximately \$0.3 million and \$0.2 million, respectively. For the nine months ended September 30, 2021 and September 30, 2020, the Company recognized aggregate share-based compensation expense related to the awards described above of approximately \$0.7 million and \$0.8 million, respectively. At September 30, 2021, there was \$1.6 million of total unrecognized compensation costs related to approximately 305,000 non-vested PRSUs, which is expected to be recognized over a remaining weighted-average period of 2.2 years.

4. Earnings (loss) per Share

Basic earnings (loss) per share is computed by dividing net income by the weighted-average number of shares outstanding during the period. Diluted earnings per share is computed by dividing net income by the sum of (1) the weighted-average number of shares of common stock outstanding during the period, and (2) the dilutive effect of assumed conversion of equity awards using the treasury stock method. With respect to the number of weighted-average shares outstanding (denominator), diluted shares reflects: (i) the exercise of options to acquire common stock to the extent that the options' exercise prices are less than the average market price of common shares during the period and (ii) the pro forma vesting of restricted stock units.

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The following table sets forth the computations of basic and diluted earnings per share:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Basic income (loss) per share				
Numerator:				
Net income (loss) attributable to Mistras Group, Inc.	\$ 3,380	\$ 1,523	\$ 3,955	\$ (99,642)
Denominator:				
Weighted average common shares outstanding	29,619	29,177	29,550	29,086
Basic income (loss) per share	\$ 0.11	\$ 0.05	\$ 0.13	\$ (3.43)
Diluted income (loss) per share:				
Numerator:				
Net income (loss) attributable to Mistras Group, Inc.	\$ 3,380	\$ 1,523	\$ 3,955	\$ (99,642)
Denominator:				
Weighted average common shares outstanding	29,619	29,177	29,550	29,086
Dilutive effect of stock options outstanding	—	—	—	—
Dilutive effect of restricted stock units outstanding ⁽¹⁾	508	134	543	—
	<u>30,127</u>	<u>29,311</u>	<u>30,093</u>	<u>29,086</u>
Diluted income (loss) per share	\$ 0.11	\$ 0.05	\$ 0.13	\$ (3.43)

⁽¹⁾ For the nine months ended September 30, 2020, 213,000 shares related to restricted stock were excluded from the calculation of diluted EPS due to the net loss for the period.

5. Acquisitions

Acquisition-Related Expense

In the course of its acquisition activities, the Company incurs costs in connection with due diligence, such as professional fees, and other expenses. Additionally, the Company adjusts the fair value of acquisition-related contingent consideration liabilities on a quarterly basis. These amounts are reported as Acquisition-related expense, net on the Unaudited Condensed Consolidated Statements of Income (Loss) and were as follows for the three and nine months ended September 30, 2021 and 2020:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Due diligence, professional fees and other transaction costs	\$ —	\$ —	\$ 34	\$ —
Adjustments to fair value of contingent consideration liabilities	246	709	1,034	186
Acquisition-related expense, net	\$ 246	\$ 709	\$ 1,068	\$ 186

The Company's contingent consideration liabilities are included in Accrued expenses and other current liabilities and Other long-term liabilities on the Condensed Consolidated Balance Sheets.

6. Accounts Receivable, net

Accounts receivable consisted of the following:

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	September 30, 2021	December 31, 2020
Trade accounts receivable	\$ 135,644	\$ 115,841
Allowance for credit losses	(7,945)	(8,213)
Accounts receivable, net	\$ 127,699	\$ 107,628

The Company had \$21.0 million and \$11.9 million of unbilled revenue accrued as of September 30, 2021 and December 31, 2020, respectively. These amounts are included in the trade accounts receivable balances above. Unbilled revenue is generally billed in the subsequent quarter to their revenue recognition. The Company considers unbilled receivables as short-term in nature as they are normally converted to trade receivables within 90 days, thus future changes in economic conditions will not have a significant effect on the credit loss estimate.

The Company was contracted to perform inspections of welds on various pipeline projects in Texas for a customer. As of December 31, 2019, approximately \$1.4 million of past due receivables were outstanding from this customer. The Company received notice from the customer in December 2019, alleging that the work performed was not in compliance with the contract. The Company recorded a full reserve for this receivable during 2019 and the status of this situation has not changed since 2019. See Note 14-*Commitments and Contingencies* for additional details.

7. Property, Plant and Equipment, net

Property, plant and equipment consisted of the following:

	Useful Life (Years)	September 30, 2021	December 31, 2020
Land		\$ 2,776	\$ 2,724
Buildings and improvements	30-40	25,057	25,731
Office furniture and equipment	5-8	20,697	19,902
Machinery and equipment	5-7	246,422	234,331
		294,952	282,688
Accumulated depreciation and amortization		(204,586)	(190,007)
Property, plant and equipment, net		\$ 90,366	\$ 92,681

Depreciation expense for the three months ended September 30, 2021 and 2020 was approximately \$6.1 million and \$6.2 million, respectively.

Depreciation expense for the nine months ended September 30, 2021 and September 30, 2020 was \$18.4 million and \$18.3 million, respectively.

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8. Goodwill

Changes in the carrying amount of goodwill by segment is shown below:

	Services	International	Products and Systems	Total
Balance at December 31, 2020	\$ 190,112	\$ 15,896	\$ —	\$ 206,008
Goodwill acquired during the period	280	—	—	280
Adjustments to preliminary purchase price allocations	—	—	—	—
Foreign currency translation	189	(820)	—	(631)
Balance at September 30, 2021	<u>\$ 190,581</u>	<u>\$ 15,076</u>	<u>\$ —</u>	<u>\$ 205,657</u>

The Company reviews goodwill for impairment on a reporting unit basis on October 1 of each year and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable.

During the first quarter of 2020, the Company's market capitalization declined significantly compared to the fourth quarter of 2019. Over the same period, the equity value of the Company's peer group, and the overall U.S. stock market also declined significantly amid market volatility. In addition, oil prices had dropped significantly. These declines were driven in large part by the uncertainty surrounding the COVID-19 pandemic and other macroeconomic events such as the geopolitical tensions between OPEC and Russia. Based on these factors, the Company concluded that multiple triggering events occurred and, accordingly, an interim quantitative goodwill impairment test was performed as of the testing date for each reporting unit as of March 31, 2020 ("testing date"). During the first quarter of 2020, the Company also performed an analysis to determine any impairment of long-lived assets (see Note 9-*Intangible Assets*) based on the triggering events noted above.

Based upon the results of the interim quantitative goodwill impairment test during the first quarter of 2020, the Company recorded an aggregate impairment charge of \$77.1 million, which consisted of \$57.2 million in the services reporting unit within the Services segment, and \$19.3 million in the European reporting unit and \$0.6 million in the Brazilian reporting unit, both within the International segment. The impairment was calculated based on the difference between the estimated fair value and the carrying value of the reporting units and are included in Impairment charges on the Unaudited Condensed Consolidated Statements of Income (Loss) for the three months ended March 31, 2020. Subsequent to March 31, 2020 through September 30, 2021, the Company did not identify any changes in circumstances that would indicate the carrying value of goodwill may not be recoverable. Significant adverse changes in future periods could negatively affect the Company's key assumptions and may result in future goodwill impairment charges which could be material.

The Company's cumulative goodwill impairment as of September 30, 2021 and December 31, 2020 was \$100.2 million, of which \$57.2 million related to the Services segment, \$29.8 million related to the International segment and \$13.2 million related to the Products and Systems segment.

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9. Intangible Assets

The gross amount, accumulated amortization and net carrying amount of intangible assets were as follows:

	Useful Life (Years)	September 30, 2021			December 31, 2020			
		Gross Amount	Accumulated Amortization	Net Carrying Amount	Gross Amount	Accumulated Amortization	Impairment	Net Carrying Amount
Customer relationships	5-18	\$ 112,596	\$ (79,208)	\$ 33,388	\$ 116,101	\$ (75,649)	\$ (2,206)	\$ 38,246
Software/Technology	3-15	52,013	(25,726)	26,287	77,326	(23,519)	(25,874)	27,933
Covenants not to compete	2-5	12,624	(12,350)	274	12,833	(12,162)	(212)	459
Other	2-12	10,698	(8,952)	1,746	11,120	(8,614)	(502)	2,004
Total		\$ 187,931	\$ (126,236)	\$ 61,695	\$ 217,380	\$ (119,944)	\$ (28,794)	\$ 68,642

Amortization expense for the three months ended September 30, 2021 and 2020 was approximately \$2.4 million and \$2.6 million, respectively.

Amortization expense for the nine months ended September 30, 2021 and September 30, 2020 was \$7.3 million and \$8.5 million, respectively.

As described in Note 8-**Goodwill**, during the first quarter of 2020, there were negative market indicators that were determined to be triggering events indicating a potential impairment of certain long-lived assets within asset groups in the Services, International, and Products and Systems segments, as well as Corporate. The asset groups are groupings of assets and liabilities determined at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Recoverability testing indicated that certain intangible assets and right of use assets (See Note 13-**Leases**) were potentially impaired. For asset groups that required an impairment measurement, similar to the valuations performed to determine the goodwill impairment, the Company used income and market approaches to estimate the fair value of the long-lived assets, which requires significant judgment in evaluation of the useful lives of the assets, economic and industry trends, estimated future cash flows, discount rates, and other factors. The result of the analysis was an aggregate impairment charge of \$28.8 million, which consisted of \$25.9 million to software/technology, \$2.2 million to customer relationships, \$0.5 million to other intangibles and \$0.2 million to covenants not to compete, all of which are in the Services reporting unit within the Services segment and are included in Impairment charges on the Unaudited Condensed Consolidated Statements of Income (Loss) for the nine months ended September 30, 2020.

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10. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Accrued salaries, wages and related employee benefits	\$ 38,470	\$ 30,214
Contingent consideration, current portion	1,736	1,300
Accrued workers' compensation and health benefits	3,654	3,948
Deferred revenue	7,143	6,538
Pension accrual	2,519	2,519
Right-of-use liability - Operating	9,871	10,348
Other accrued expenses	24,919	23,633
Total	<u>\$ 88,312</u>	<u>\$ 78,500</u>

11. Long-Term Debt

Long-term debt consisted of the following:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Senior credit facility	\$ 128,522	\$ 120,312
Senior secured term loan, net of unamortized debt issuance costs of \$0.3 million and \$0.3 million, respectively	80,388	89,745
Other	6,944	10,159
Total debt	215,854	220,216
Less: Current portion	(18,988)	(10,678)
Long-term debt, net of current portion	<u>\$ 196,866</u>	<u>\$ 209,538</u>

Senior Credit Facility

The Company has a credit agreement with its banking group (as amended, the "Credit Agreement") which provides the Company with a revolving line of credit and a \$100 million senior secured term loan A facility with a balance of \$80.4 million as of September 30, 2021. Pursuant to the Amendment described below, the revolving line of credit was reduced from \$165 million to \$155 million on September 30, 2021 and will be reduced to \$150 million on December 31, 2021. Both the revolving line of credit and the term loan A facility under the Credit Agreement have a maturity date of December 12, 2023.

On May 19, 2021, the Company entered into the Fifth Amendment (the "Amendment") to the Credit Agreement. The Amendment made the following changes:

- Removed the LIBOR floor of 1.0%, which provided that if LIBOR is below 1.0%, the interest rate will be calculated as if LIBOR is 1.0%. Now the actual LIBOR rate is used to calculate interest, even if LIBOR is below 1.0%. The LIBOR margins and base rate margins are unchanged but are based upon the new Total Consolidated Debt Leverage Ratio (defined below); previously the margin was based upon the Funded Debt Leverage Ratio.
- Requires the Company to maintain a Total Consolidated Debt Leverage Ratio not to exceed 4.00 to 1.0 as of the end of each quarter through the quarter ending March 31, 2022, and for each quarter thereafter the ratio shall not exceed 3.50 to 1.0.
 - Total Consolidated Debt Leverage Ratio means the ratio of (a) Total Consolidated Debt to (b) EBITDA (as defined in the Credit Agreement) for the trailing four consecutive quarters.
 - Total Consolidated Debt means all indebtedness (including subordinated debt) of the Company on a consolidated basis (with a limited exception).

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- If the Company incurs certain subordinated debt or other permitted indebtedness, then the Company must maintain a Total Consolidated Debt Leverage Ratio not to exceed 4.50 to 1.0 and maintain a ratio of Senior Debt to EBITDA not to exceed 3.50 to 1.00, with Senior Debt being Total Consolidated Debt, less permitted subordinated debt.
- The Company must repay loans under the Credit Agreement with the net proceeds from certain dispositions of assets under certain circumstances and limits investments in non-guarantor subsidiaries under certain circumstances if the Company's Total Consolidated Leverage Ratio is above 3.5 to 1.0.
- Quarterly payments on the term loan increased to \$3.75 million through March 31, 2022, then to \$5.0 million for each quarterly payment thereafter and a final balloon payment at maturity.

As a result of the borrowing capacity reduction on the revolving loan line of credit, the Company expensed \$0.1 million in unamortized capitalized debt issuance costs during the nine months ended September 30, 2021, which was included in Selling, general and administrative expenses on the Unaudited Condensed Consolidated Statements of Income (Loss). The Company incurred \$0.5 million in financing costs for the Amendment, of which \$0.2 million of third party costs were expensed and included in Selling, general and administrative expenses on the Unaudited Condensed Consolidated Statements of Income (Loss).

Under the Credit Agreement, the Company may borrow up to \$100 million in non-U.S. Dollar currencies and use up to \$20 million of the credit limit for the issuance of letters of credit.

As of September 30, 2021, the Company had borrowings of \$209.2 million and a total of \$4.3 million of letters of credit outstanding under the Credit Agreement. The Company has capitalized costs associated with debt modifications of \$1.1 million as of September 30, 2021, which is included in Other Assets on the Condensed Consolidated Balance Sheets and will be amortized into interest expense over the remaining term of the Credit Agreement through December 12, 2023.

As of September 30, 2021, the Company was in compliance with the terms of the Credit Agreement. The Company continuously monitors compliance with the covenants contained in its Credit Agreement. The Company believes that it is probable that the Company will be able to comply with the financial covenants in the Credit Agreement and that sufficient credit remains available under the Credit Agreement to meet the Company's liquidity needs. However, due to the uncertainties being caused by the COVID-19 pandemic, the significant volatility in oil prices, and volatility in the aerospace production, such matters cannot be predicted with certainty.

Other debt

The Company's other debt includes bank financing provided at the local subsidiary level used to support working capital requirements and fund capital expenditures. At September 30, 2021, there was an aggregate of approximately \$6.9 million outstanding, payable at various times through 2030. Monthly payments range from \$1.0 thousand to \$17.0 thousand and interest rates range from 0.4% to 3.5%.

12. Fair Value Measurements

The Company performs fair value measurements in accordance with the guidance provided by ASC 820, Fair Value Measurements and Disclosures. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes a three level hierarchy that prioritizes the inputs used to measure fair value.

Financial instruments measured at fair value on a recurring basis

The fair value of contingent consideration liabilities was estimated using a discounted cash flow technique with significant inputs that are not observable in the market and thus represents a Level 3 fair value measurement as defined in ASC 820. The significant inputs in the Level 3 measurement not supported by market activity include the probability assessments of expected future cash flows related to the acquisitions, appropriately discounted considering the uncertainties associated with the obligation, and as calculated in accordance with the terms of the applicable acquisition agreements.

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The following table represents the changes in the fair value of Level 3 contingent consideration:

	Nine months ended September 30,	
	2021	2020
Beginning balance	\$ 1,640	\$ 3,216
Acquisitions	—	200
Payments	(938)	(1,337)
Accretion of liability	—	33
Revaluation	1,034	153
Foreign currency translation	—	(23)
Ending balance	<u>\$ 1,736</u>	<u>\$ 2,242</u>

Financial instruments not measured at fair value on a recurring basis

The Company has evaluated current market conditions and borrower credit quality and has determined that the carrying value of its long-term debt approximates fair value. The fair value of the Company's notes payable and finance lease obligations approximates their carrying amounts based on anticipated interest rates which management believes would currently be available to the Company for similar issuances of debt.

13. Leases

The Company's Condensed Consolidated Balance Sheets include the following related to operating leases:

Leases	Classification	September 30, 2021	December 31, 2020
Assets			
ROU assets	Other Assets	\$ 42,043	\$ 46,728
Liabilities			
ROU - current	Accrued expenses and other current liabilities	\$ 9,871	\$ 10,348
ROU liability - long-term	Other long-term liabilities	33,691	37,689
Total ROU liabilities		<u>\$ 43,562</u>	<u>\$ 48,037</u>

Included within the balance of operating leases is a lease for the Company's headquarters which is with a related party. The ROU liability for this facility was approximately \$3.1 million and \$3.8 million as of September 30, 2021 and December 31, 2020, respectively. Total rent payments for this facility were approximately \$0.3 million and \$0.1 million for the three months ended September 30, 2021 and September 30, 2020, respectively. Total rent payments for this facility were approximately \$1.0 million and \$0.5 million for the nine months ended September 30, 2021 and September 30, 2020, respectively. An agreement was reached with the related party to reduce rental payments by 20% and defer payments for 90 days for the lease of the Company's headquarters, starting in June 2020 through December 2020 as part of COVID-19 related vendor concessions.

The total ROU assets attributable to finance leases were approximately \$14.6 million and \$15.8 million as of September 30, 2021 and December 31, 2020, respectively, which is included in Property, plant, and equipment, net on the Condensed Consolidated Balance Sheets.

As described in Note 9-*Intangible Assets*, the Company performed an analysis to determine whether there was any impairment of long-lived assets, which included the ROU assets, within the Services, International, and Products and Systems operating segments as well as Corporate. The result of the analysis was a \$0.2 million impairment of a ROU asset in an asset group within the Services segment which is included in Impairment charges on the Unaudited Condensed Consolidated Statements of Loss for the nine months ended September 30, 2020.

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The components of lease costs were as follows:

	Classification	Three months ended September 30,		Nine months ended September 30,	
		2021	2020	2021	2020
Finance lease expense					
Amortization of ROU assets	Depreciation and amortization	\$ 1,002	\$ 1,081	\$ 3,094	\$ 3,495
Interest on lease liabilities	Interest expense	177	207	550	650
Operating lease expense	Cost of revenue; Selling, general & administrative expenses	3,239	3,341	9,808	9,970
Short-term lease expense	Cost of revenue; Selling, general & administrative expenses	7	11	22	60
Variable lease expense	Cost of revenue; Selling, general & administrative expenses	532	(4)	1,956	441
Total		\$ 4,957	\$ 4,636	\$ 15,430	\$ 14,616

Additional information related to leases was as follows:

	Nine months ended September 30,	
	2021	2020
Cash paid for amounts included in the measurement of lease liabilities for finance and operating leases		
Finance - financing cash flows	\$ 3,032	\$ 3,078
Finance - operating cash flows	\$ 550	\$ 650
Operating - operating cash flows	\$ 9,870	\$ 9,819
ROU assets obtained in the exchange for lease liabilities		
Finance leases	\$ 2,445	\$ 1,607
Operating leases	\$ 4,212	\$ 6,919
Weighted-average remaining lease term (in years)		
Finance leases	5.5	5.9
Operating leases	5.3	5.9
Weighted-average discount rate		
Finance leases	5.4 %	5.8 %
Operating leases	5.8 %	5.8 %

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Maturities of lease liabilities as of September 30, 2021 were as follows:

	Finance	Operating
Remainder of 2021	\$ 2,023	\$ 3,165
2022	4,602	11,595
2023	3,711	10,111
2024	2,778	7,843
2025	1,185	5,554
Thereafter	991	12,484
Total	15,290	50,752
Less: Present value discount	1,179	7,190
Lease liability	\$ 14,111	\$ 43,562

14. Commitments and Contingencies

Legal Proceedings and Government Investigations

The Company is subject to periodic lawsuits, investigations and claims that arise in the ordinary course of business. The Company cannot predict with certainty the ultimate resolution of lawsuits, investigations and claims asserted against it. Except possible losses from the matters described below, the Company does not believe that any currently pending legal proceeding to which the Company is a party will have a material adverse effect on its business, results of operations, cash flows or financial condition. The costs of defense and amounts that may be recovered against the Company may be covered by insurance for certain matters.

Litigation and Commercial Claims

The Company was contracted to perform inspections of welds on various pipeline projects in Texas for a customer. As of December 31, 2019, approximately \$1.4 million of past due receivables were outstanding from this customer. The customer provided the Company with notice in December 2019, alleging that the Company's inspection of 66 welds (out of approximately 16,000 welds inspected) were not in compliance with the contract, claimed approximately \$7.6 million in damages, and requested that the Company pay these damages and any other damages incurred. The Company filed a lawsuit in the District Court of Bexar County, Texas, 37th Judicial District, in an action captioned Mistras Group, Inc. v. Epic Y-Grade Pipeline LP, to recover the \$1.4 million and other amounts due to the Company. The customer filed a counterclaim, alleging breach of contract and seeking recovery of its alleged damages. The Company believes that any successful claim by the customer regarding the Company's workmanship will be covered by insurance, subject to payment of a deductible. At this time, the Company is unable to determine whether it has any liability in connection with this matter and if so, the amount or range of any such liability, and accordingly, has not established any accruals for this matter. Accordingly, the Company recorded a reserve in the amount of \$1.4 million during the twelve months ended December 31, 2019 for these past due receivables.

Two proceedings have been filed in California Superior Court for the County of Los Angeles regarding alleged violations of the California Labor Code. Both cases are captioned *Justin Price v. Mistras Group, Inc.*, one being a purported class action lawsuit on behalf of current and former Mistras employees in California and the other was filed on behalf of the State of California under the California Private Attorney General Act on the basis of the same alleged violations. Both cases are requesting payment of all damages, including unpaid wages, and various fines and penalties available under California law. On May 4, 2021, the Company agreed to a settlement of all claims in the cases, which was more formally documented pursuant to a settlement agreement completed October 5, 2021. Pursuant to the settlement, the Company will pay \$2.3 million to resolve the allegations in these proceedings and will be responsible for the employer portion of payroll taxes on the amount of the settlement allocated to wages. The settlement is subject to court approval and will cover claims for the period from June 2016 through July 31, 2021. The Company recorded expense of approximately \$1.6 million during the three months ended March 31, 2021 related to this settlement, which is in addition to expense of \$0.8 million the Company recorded during the three months ended December 31, 2020.

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Pension Related Contingencies

Certain of Company's subsidiaries had significant reductions in their unionized workers in 2018. The collective bargaining agreements for these employees required contributions for these employees to national multi-employer pension funds. The reduction in employees resulted in a subsidiary incurring a complete withdrawal to one of the pension funds under the Employee Retirement Income Security Act of 1974 ("ERISA"), which was fully satisfied in 2019. The Company has determined that the subsidiary is likely to incur partial or complete withdrawal liability to the other pension fund. The balance of the estimated total amount of this potential liability as of September 30, 2021 is approximately \$2.5 million, and the charges related to this liability were incurred in 2018 and 2019.

Severance and labor disputes

During December 2019, the Company executed an agreement to sell the rights of certain customer "staff leasing" contracts related to its German subsidiary for total consideration of approximately \$0.1 million, effective January 1, 2020. No other assets or liabilities other than those employee benefits related to employees working on the customer contracts were included in the sale. As of September 30, 2021, the Company has approximately \$0.1 million of accrued estimated severance payment obligations, which takes into account the Company's estimate with respect to the employees that have been or will be transitioned to the German subsidiaries' other customers. The \$0.1 million of estimated obligations is net of \$0.4 million in payments made and \$1.0 million in reversals due to employees being transitioned to customer contracts.

The Company was entitled to indemnification on certain labor claims from the sellers of a company acquired by its Brazilian subsidiary. The Company and the sellers entered into a settlement agreement for approximately \$1.0 million, which provided for payment in two installments, the first for approximately 31% of the settlement and the second for the remaining 69%. The first installment in the amount of approximately \$0.3 million was paid by the sellers in December 2020 and the Company recognized that amount as a gain in selling, general and administrative expenses in the same period. The remaining payment for \$0.6 million was received in the first quarter of 2021 and the Company recognized that amount as a gain in selling, general and administrative expenses in the same period.

Acquisition and disposition related contingencies

The Company is liable for contingent consideration in connection with certain of its acquisitions. As of September 30, 2021, total potential acquisition-related contingent consideration ranged from zero to approximately \$2.8 million and would be payable upon the achievement of specific performance metrics by certain of the acquired companies over the next twelve months.

During 2018, the Company sold a subsidiary in the Products and Systems segment. As part of the sale, the Company entered into a three-year agreement to purchase products from the buyer, with a cumulative commitment of \$2.3 million, of which \$1.0 million is remaining as of September 30, 2021. The agreement is based on third-party pricing and the Company's planned purchase requirements over the three-year purchase period to meet the minimum contractual purchases. On August 3, 2021, the Company entered into an agreement and extended the period by twelve months.

15. Segment Disclosure

The Company's three operating segments are:

- *Services*. This segment provides asset protection solutions predominantly in North America, with the largest concentration in the United States, followed by Canada, consisting primarily of NDT, inspection, mechanical and engineering services that are used to evaluate the safety, structural integrity and reliability of critical energy, industrial and public infrastructure and commercial aerospace components. Software, digital and data services are included in this segment.
- *International*. This segment offers services, products and systems similar to those of the other segments to select markets within Europe, the Middle East, Africa, Asia and South America, but not to customers in China and South Korea, which are served by the Products and Systems segment.

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- *Products and Systems.* This segment designs, manufactures, sells, installs and services the Company's asset protection products and systems, including equipment and instrumentation, predominantly in the United States.

Costs incurred for general corporate services, including finance, legal, and certain other costs that are provided to the segments are reported within Corporate and eliminations. Sales to the International segment from the Products and Systems segment and subsequent sales by the International segment of the same items are recorded and reflected in the operating performance of both segments. Additionally, engineering charges and royalty fees charged to the Services and International segments by the Products and Systems segment are reflected in the operating performance of each segment.

The accounting policies of the reportable segments are the same as those described in Note 1-*Description of Business and Basis of Presentation*. Segment income from operations is one of the primary performance measures used by the chief operating decision maker, to assess the performance of each segment and make resource allocation decisions. Certain general and administrative costs such as human resources, information technology and training are allocated to the segments. Segment income from operations excludes interest and other financial charges and income taxes. Corporate and other assets are comprised principally of cash, deposits, property, plant and equipment, domestic deferred taxes, deferred charges and other assets. Corporate loss from operations consists of administrative charges related to corporate personnel and other charges that cannot be readily identified for allocation to a particular segment.

Selected consolidated financial information by segment for the periods shown was as follows: (with intercompany transactions eliminated in Corporate and eliminations)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Revenue				
Services	\$ 144,976	\$ 119,721	\$ 414,251	\$ 349,271
International	29,100	26,477	88,699	76,887
Products and Systems	3,308	3,932	9,499	10,746
Corporate and eliminations	(2,828)	(2,236)	(6,481)	(5,110)
	<u>\$ 174,556</u>	<u>\$ 147,894</u>	<u>\$ 505,968</u>	<u>\$ 431,794</u>
Gross profit				
Services	\$ 41,749	\$ 37,603	\$ 116,587	\$ 103,780
International	9,038	8,197	26,278	21,612
Products and Systems	1,422	1,628	4,655	3,834
Corporate and eliminations	7	(44)	33	(40)
	<u>\$ 52,216</u>	<u>\$ 47,384</u>	<u>\$ 147,553</u>	<u>\$ 129,186</u>

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Income (loss) from operations by operating segment includes intercompany transactions, which are eliminated in Corporate and eliminations.

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Income (loss) from operations				
Services	\$ 16,085	\$ 13,599	\$ 38,991	\$ (57,058)
International	1,169	(66)	2,158	(22,422)
Products and Systems	(281)	(160)	(653)	(1,936)
Corporate and eliminations	(7,737)	(7,631)	(24,632)	(24,453)
	<u>\$ 9,236</u>	<u>\$ 5,742</u>	<u>\$ 15,864</u>	<u>\$ (105,869)</u>

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Depreciation and amortization				
Services	\$ 6,192	\$ 6,315	\$ 18,517	\$ 19,601
International	2,167	2,216	6,552	6,433
Products and Systems	221	248	664	756
Corporate and eliminations	(72)	(17)	(28)	(31)
	<u>\$ 8,508</u>	<u>\$ 8,762</u>	<u>\$ 25,705</u>	<u>\$ 26,759</u>

	September 30, 2021	December 31, 2020
Intangible assets, net		
Services	\$ 53,634	\$ 58,917
International	6,911	8,664
Products and Systems	1,095	1,012
Corporate and eliminations	55	49
	<u>\$ 61,695</u>	<u>\$ 68,642</u>

	September 30, 2021	December 31, 2020
Total assets		
Services	\$ 429,650	\$ 427,636
International	115,787	129,228
Products and Systems	10,601	10,996
Corporate and eliminations	31,190	15,453
	<u>\$ 587,228</u>	<u>\$ 583,313</u>

Refer to Note 2–**Revenue**, for revenue by geographic area for the three and nine months ended September 30, 2021 and 2020.

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Management's Discussion and Analysis of Financial Condition and Results of Operations
(tabular dollars are in thousands)

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis ("MD&A") provides a discussion of our results of operations and financial position for the three and nine months ended September 30, 2021 and 2020. The MD&A should be read together with our Unaudited Condensed Consolidated Financial Statements and related notes included in Item 1 in this Quarterly Report on Form 10-Q and our audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the Securities and Exchange Commission on March 16, 2021 ("2020 Annual Report"). Unless otherwise specified or the context otherwise requires, "Mistras," "the Company," "we," "us" and "our" refer to Mistras Group, Inc. and its consolidated subsidiaries. The MD&A includes the following sections:

- Forward-Looking Statements
- Overview
- Note about Non-GAAP Measures
- Consolidated Results of Operations
- Liquidity and Capital Resources
- Critical Accounting Policies and Estimates

Forward-Looking Statements

This report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934 ("Exchange Act"). Such forward-looking statements include those that express plans, anticipation, intent, contingency, goals, targets or future development and/or otherwise are not statements of historical fact. These forward-looking statements are based on our current expectations and projections about future events and they are subject to risks and uncertainties known and unknown that could cause actual results and developments to differ materially from those expressed or implied in such statements.

In some cases, you can identify forward-looking statements by terminology, such as "goals," or "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "may," "could," "should," "would," "predicts," "appears," "projects," or the negative of such terms or other similar expressions. You are urged not to place undue reliance on any such forward-looking statements, any of which may turn out to be wrong due to inaccurate assumptions, various risks, uncertainties or other factors known and unknown. Factors that could cause or contribute to differences in results and outcomes from those in our forward-looking statements include, without limitation, those discussed in the "Business—Forward-Looking Statements," and "Risk Factors" sections of our 2020 Annual Report as well as those discussed in this Quarterly Report on Form 10-Q and in our other filings with the SEC.

At the time of this report, the COVID-19 pandemic is continuing to have a negative impact on us and our key markets and is causing ongoing economic disruption worldwide, although the Company has nevertheless begun approaching pre-pandemic levels of activity in certain end markets, particularly oil and gas. Our discussion below is qualified by the unknown impact that the COVID-19 pandemic will continue to have on our business and the economy in general, including the duration of the health risk the COVID-19 pandemic will cause and the resulting economic disruption.

Overview

The Company is a leading "one source" multinational provider of integrated technology-enabled asset protection solutions helping to maximize the safety and operational uptime for civilization's most critical industrial and civil assets.

Backed by an innovative, data-driven asset protection portfolio, proprietary technologies, and decades-long legacy of industry leadership, the Company helps clients with asset-intensive infrastructure in the oil and gas, aerospace and defense, industrials, power generation and transmission (including alternative and renewable energy), other process industries and infrastructure, research and engineering and other industries towards achieving and maintaining operational excellence. By supporting these organizations that help fuel our vehicles and power our society; inspecting components that are trusted for commercial, defense, and space craft; and building real-time monitoring equipment to enable safe travel across bridges, the Company helps the world at large.

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The Company enhances value for its clients by integrating asset protection throughout supply chains and centralizing integrity data through a suite of Industrial IoT-connected digital software and monitoring solutions, including OneSuite™, which serves as an ecosystem platform, pulling together all of the Company's software and data services capabilities, for the benefit of its customers.

The Company's core capabilities also include non-destructive testing (“NDT”) field inspections enhanced by advanced robotics, laboratory quality control and assurance testing, sensing technologies and NDT equipment, asset and mechanical integrity engineering services, and light mechanical maintenance and access services.

Our operations consist of three reportable segments: Services, International, and Products and Systems.

- *Services* provides asset protection solutions predominantly in North America, with the largest concentration in the United States, followed by Canada, consisting primarily of NDT, inspection, mechanical and engineering services that are used to evaluate the structural integrity and reliability of critical energy, industrial and public infrastructure and commercial aerospace components. Software, digital and data services are included in this segment.
- *International* offers services, products and systems similar to those of the other segments to select markets within Europe, the Middle East, Africa, Asia and South America, but not to customers in China and South Korea, which are served by the Products and Systems segment.
- *Products and Systems* designs, manufactures, sells, installs and services the Company's asset protection products and systems, including equipment and instrumentation, predominantly in the United States.

Given the role our solutions play in enhancing the safe and efficient operation of infrastructure, we have historically provided a majority of our solutions to our customers on a regular, recurring basis. We perform these services largely at our customers' facilities, while primarily servicing our aerospace customers at our network of state-of-the-art, in-house laboratories. These solutions typically include NDT and inspection services, and can also include a wide range of mechanical services, including heat tracing, pre-inspection insulation stripping, coating applications, re-insulation, engineering assessments and long-term condition-monitoring. Under this business model, many customers outsource their inspection to us on a “run and maintain” basis. We have established long-term relationships as a critical solutions provider to many of the leading companies with asset-intensive infrastructure in our target markets. These markets include companies in the oil and gas, aerospace and defense, industrials, power generation and transmission (including alternative and renewable energy), other process industries and infrastructure, research and engineering and other industries.

We have focused on providing our advanced asset protection solutions to our customers using proprietary, technology-enabled software and testing instruments, including those developed by our Products and Systems segment. We have made numerous acquisitions in an effort to grow our base of experienced, certified personnel, expand our service lines and technical capabilities, increase our geographical reach, complement our existing offerings, and leverage our fixed costs. We have increased our capabilities and the size of our customer base through the development of applied technologies and managed support services, organic growth and the integration of acquired companies. These acquisitions have provided us with additional service lines, technologies, resources and customers which we believe will enhance our advantages over our competition.

We believe long-term growth can be realized in all of our target markets. Our level of business and financial results are impacted by world-wide macro- and micro-economic conditions generally, as well as those within our target markets. Among other things, we expect the timing of our oil and gas customers inspection spend to be impacted by oil price fluctuations.

We have continued providing our customers with innovative asset protection software ecosystem through our MISTRAS OneSuite platform. The software platform offers functions of MISTRAS' popular software and services brands as integrated apps on a cloud environment. OneSuite serves as a single access portal for customers' data activities and provides access to 50 plus applications being offered on one centralized platform.

We have continued to develop new technologies to provide monitoring of wind blade integrity through our Sensoria™ tool. Sensoria helps provide real-time monitoring and damage detection of wind turbine blades and allows our customers to maximize uptime, performance and safety of wind turbine blades. This tool provides additional growth and expansion of our

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capabilities to serve both new and existing wind turbines and greatly enhances our product offerings within the renewable energy industry.

Recent Developments

The COVID-19 coronavirus (COVID-19) pandemic has continued to cause disruption and volatility in domestic and international markets and conditions continue to improve during 2021 as compared to 2020. The Company's businesses have been classified as non-healthcare critical infrastructure as defined by the U.S. Centers for Disease Control and Prevention (CDC). Our facilities, and the Company's customers facilities as well, have remained open with staffing modifications and precautionary procedures taken as necessary.

Overall, we have taken actions to help ensure the health and safety of our employees and those of our customers and suppliers; maintain business continuity and financial strength and stability; and serve our customers as they provide essential products and services to the world.

The COVID-19 pandemic uncertainty, significant volatility in oil prices and decreased traffic in the aerospace industry have adversely affected our workforce and operations, as well as the operations of our customers, suppliers and contractors beginning in 2020. These negative factors continue to cause volatility and uncertainty in the markets in which we operate, although we have nevertheless begun approaching pre-pandemic levels of activity in certain end markets, particularly oil and gas where crude oil prices have exceeded pre-pandemic levels.

While we cannot fully assess the impact that the COVID-19 pandemic or the significant volatility in oil prices will continue to have on our operations at this time, there are certain impacts that we have identified resulting in impairment charges in 2020. See Note 8-**Goodwill**, Note 9-**Intangible Assets** and Note 13-**Leases** to the Notes to the Unaudited Condensed Consolidated Financial Statements included in this Quarterly Report for additional information.

The Company has eliminated substantially all of the cost reduction initiatives undertaken in 2020, including re-installment of the savings plan employer match and increasing wages back to pre-pandemic amounts. Our cash position and liquidity remains strong. As of September 30, 2021, the cash balance was approximately \$22.6 million.

In April 2021, the Biden Administration announced aggressive initiatives to battle climate change, which includes a significant reduction in the use of fossil fuels and a transition to electric vehicles and increased use of alternative energy. Any legislation or regulations that may be adopted to implement these measures may negatively impact on our customers in the oil and gas market over the long-term, which presently is our largest market, although this initiative will likely benefit the alternative energy market, such as wind energy, for which we provide products and services. At this time, it is difficult to determine the magnitude and timing of the impact that climate change initiatives and legislation, if any, will have on these markets and the resulting impact on our business and operational results.

We are currently unable to predict the overall impact that the COVID-19 pandemic uncertainty, volatility in oil prices and climate change initiatives to reduce the use of fossil fuels may have on our business, results of operations, liquidity or in other ways which we cannot yet determine. We will continue to monitor market conditions and respond accordingly. Refer to Item 1A. Risk Factors in Part I of our 2020 Annual Report.

Note About Non-GAAP Measures

The Company prepares its consolidated financial statements in accordance with U.S. GAAP. In this MD&A under the heading "Income (loss) from Operations", the non-GAAP financial performance measure "Income (loss) before special items" is used for each of our three operating segments, the Corporate segment and the "Total Company", with tables reconciling the measure to a financial measure under GAAP. This presentation excludes from "Income (loss) from Operations" (a) transaction expenses related to acquisitions, such as professional fees and due diligence costs, (b) the net changes in the fair value of acquisition-related contingent consideration liabilities, (c) impairment charges, (d) reorganization and other costs, which includes items such as severance, labor relations matters and asset and lease termination costs and (e) other special items. These adjustments have been excluded from the GAAP measure because these expenses and credits are not related to our or any individual segment's core business operations. The acquisition related costs and special items can be a net expense or credit in any given period. Our management uses this non-GAAP measure as a measure of operating performance and liquidity to assist in comparing performance from period to period on a consistent basis, as a measure for planning and forecasting overall expectations and for evaluating actual results against such expectations. We believe investors and other users of our financial

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statements benefit from the presentation of this non-GAAP measure in evaluating our performance. Income (loss) before special items excludes the identified adjustments, which provides additional tools to compare our core business operating performance on a consistent basis and measure underlying trends and results in our business. Income (loss) before special items is not used to determine incentive compensation for executives or employees, nor is it a replacement for the reported GAAP financial performance and/or necessarily comparable to the non-GAAP financial measures of other companies.

Results of Operations

Condensed consolidated results of operations for the three and nine months ended September 30, 2021 and 2020 were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Revenues	\$ 174,556	\$ 147,894	\$ 505,968	\$ 431,794
Gross profit	52,216	47,384	147,553	129,186
<i>Gross profit as a % of Revenue</i>	29.9 %	32.0 %	29.2 %	29.9 %
Income (loss) from operations	9,236	5,742	15,864	(105,869)
<i>Income (Loss) from Operations as a % of Revenue</i>	5.3 %	3.9 %	3.1 %	(24.5)%
Income before provision (benefit) for income taxes	6,910	2,097	7,170	(115,279)
Net income (loss)	3,397	1,553	3,983	(99,634)
Net income (loss) attributable to Mistras Group, Inc.	\$ 3,380	\$ 1,523	\$ 3,955	\$ (99,642)

Revenue

Revenue was \$174.6 million for the three months ended September 30, 2021, an increase of \$26.7 million, or 18.0%, compared with the three months ended September 30, 2020. Revenue for the nine months ended September 30, 2021 was \$506.0 million, an increase of \$74.2 million, or 17.2%, compared with the nine months ended September 30, 2020.

Revenue by segment for the three and nine months ended September 30, 2021 and 2020 was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Revenue				
Services	\$ 144,976	\$ 119,721	\$ 414,251	\$ 349,271
International	29,100	26,477	88,699	76,887
Products and Systems	3,308	3,932	9,499	10,746
Corporate and eliminations	(2,828)	(2,236)	(6,481)	(5,110)
	<u>\$ 174,556</u>	<u>\$ 147,894</u>	<u>\$ 505,968</u>	<u>\$ 431,794</u>

Three Months

In the three months ended September 30, 2021, total revenue increased 18.0% versus the comparable prior period. The increase was due to organic growth in our core business as our end markets recover from the effect of COVID-19. In addition, the Company realized low single-digit favorable revenue impact from foreign exchange rates. Services segment revenue increased 21.1% and International segment revenue increased 9.9%, due predominantly to recovery from the effect of COVID-19 and to single-digit favorable revenue impact from foreign exchange rates.

Oil and gas customer revenue comprised approximately 56% and 55% of total revenue for the three months ended September 30, 2021 and 2020, respectively. Aerospace and defense customer revenue comprised approximately 10% and 10% of total revenue for the three months ended September 30, 2021 and 2020, respectively. The Company's top ten customers comprised approximately 32% of total revenue for the three months ended September 30, 2021, as compared to 29% for the three months ended September 30, 2020, with no customer accounting for 10% or more of total revenue in either three-month period. For the

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three months ended September 30, 2021, revenue in all our primary end market industries increased versus the comparable prior period, except for industrials which decreased slightly.

Nine months

In the nine months ended September 30, 2021, total revenue increased 17.2% versus the comparable prior period. The increase was due to organic growth in our core business as our end markets recover from the effect of COVID-19. In addition, the Company realized low single-digit favorable revenue impact from foreign exchange rates. Our Services segment revenue increased 18.5% due predominantly to recovery from the effect of COVID-19. International segment revenue increased 15.3% due to mid-single digit organic growth and mid-single digit favorable revenue impact from foreign exchange rates.

Oil and gas customer revenue comprised approximately 58% and 56% of total revenue for the nine months ended September 30, 2021 and 2020, respectively. Aerospace and defense customer revenue comprised approximately 10% and 13% of total revenue for the nine months ended September 30, 2021 and 2020, respectively. The Company's top ten customers comprised approximately 33% of total revenue for the nine months ended September 30, 2021, as compared to 31% for the nine months ended September 30, 2020, with no customer accounting for 10% or more of total revenue in either nine-month period. For the nine months ended September 30, 2021 revenue in all our primary end market industries increased versus the comparable prior period, except for aerospace and defense and industrial.

Gross Profit

Gross profit increased by \$4.8 million, or 10.2%, in the three months ended September 30, 2021 versus the prior year comparable period, on an increase in revenue of 18.0%.

Gross profit increased by \$18.4 million, or 14.2%, in the nine months ended September 30, 2021 on an increase in revenue of 17.2%.

Gross profit by segment for the three and nine months ended September 30, 2021 and 2020 was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Gross profit				
Services	\$ 41,749	\$ 37,603	\$ 116,587	\$ 103,780
% of segment revenue	28.8 %	31.4 %	28.1 %	29.7 %
International	9,038	8,197	26,278	21,612
% of segment revenue	31.1 %	31.0 %	29.6 %	28.1 %
Products and Systems	1,422	1,628	4,655	3,834
% of segment revenue	43.0 %	41.4 %	49.0 %	35.7 %
Corporate and eliminations	7	(44)	33	(40)
	<u>\$ 52,216</u>	<u>\$ 47,384</u>	<u>\$ 147,553</u>	<u>\$ 129,186</u>
% of total revenue	29.9 %	32.0 %	29.2 %	29.9 %

Three Months

Gross profit margin was 29.9% and 32.0% for the three-month periods ended September 30, 2021 and 2020, respectively. Gross profit margin decreased primarily due to unfavorable sales mix and higher level of reimbursable travel costs in the Services segment partially offset by favorable sales mix and better utilization in the International and Products and Systems segments.

Nine months

Gross profit margin was 29.2% and 29.9% for the nine months ended September 30, 2021 and 2020, respectively. Gross profit margin remained flat primarily due to unfavorable sales mix and higher level of reimbursable travel costs in the Services segment offset by favorable sales mix and better utilization in the International and Products and Systems segments.

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Operating Expenses

Operating expenses for the three and nine months ended September 30, 2021 and 2020 was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Operating Expenses				
Selling, general and administrative expenses	\$ 39,221	\$ 37,473	\$ 118,579	\$ 116,638
Impairment charges	—	—	—	106,062
Research and engineering	595	638	1,942	2,170
Depreciation and amortization	2,918	3,182	9,070	10,359
Legal settlement and litigation charges, net	—	(360)	1,030	(360)
Acquisitions-related expense	246	709	1,068	186

Three Months

Operating expenses increased \$1.3 million, or 3%, for the three months ended September 30, 2021 compared to the three months ended September 30, 2020. Selling, general and administrative expenses increased \$1.7 million during the three months ended September 30, 2021 compared to the three months ended September 30, 2020, due to the Company reinstating several of the temporary cost reduction initiatives undertaken during 2020 in response to the COVID-19 pandemic, as further detailed in the **Recent Developments** section above. This increase was partially offset by foreign currency exchange losses. Acquisition-related expense decreased \$(0.5) million for the three months ended September 30, 2021 compared to the three months ended September 30, 2020 due to remeasurement of acquisition related contingent consideration.

Nine months

Operating expenses decreased \$103.4 million, or 44%, for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020, due predominantly to impairment charges of \$106.1 million in 2020 as more fully described in Note 8—*Goodwill* and Note 9—*Intangible Assets* included in the Notes to the Unaudited Condensed Consolidated Financial Statements included in this Quarterly Report. Excluding the 2020 impairment charges, operating expenses increased \$2.7 million due to the Company reinstating several of the temporary cost reduction initiatives undertaken during 2020 in response to the COVID-19 pandemic, as further detailed in the **Recent Developments** section above, as well as a \$1.2 million increase in net legal settlement and litigation charges primarily related to the *Justin Price v. Mistras Group, Inc.* matter more fully described in Note-14 **Commitments and Contingencies** under the "Litigation and Commercial Claims" section to the Notes to Unaudited Condensed Consolidated Financial Statements included in this Quarterly Report. These increases were partially offset by foreign currency exchange losses. Depreciation and amortization decreased \$1.3 million during the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020, due to the 2020 impairment charges reducing the net book value on certain of our intangible assets. Acquisition-related expense increased \$0.9 million for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 due to remeasurement of acquisition related contingent consideration.

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Income (loss) from Operations

The following table shows a reconciliation of the income (loss) from operations to income (loss) before special items for each of our three segments, Corporate and Eliminations and the Company in total:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Services:				
Income (loss) from operations (GAAP)	\$ 16,085	\$ 13,599	\$ 38,991	\$ (57,058)
Impairment charges	—	—	—	86,200
Reorganization and other costs	—	58	97	125
Legal settlement and litigation charges, net	—	(360)	1,650	(360)
Acquisition-related expense, net	246	709	1,034	186
Income before special items (non-GAAP)	\$ 16,331	\$ 14,006	\$ 41,772	\$ 29,093
International:				
Income (loss) from operations (GAAP)	\$ 1,169	\$ (66)	\$ 2,158	\$ (22,422)
Impairment charges	—	—	—	19,862
Reorganization and other costs	(2)	21	124	313
Income (loss) before special items (non-GAAP)	\$ 1,167	\$ (45)	\$ 2,282	\$ (2,247)
Products and Systems:				
Loss from operations (GAAP)	\$ (281)	\$ (160)	\$ (653)	\$ (1,936)
Reorganization and other costs	—	5	27	5
Loss before special items (non-GAAP)	\$ (281)	\$ (155)	\$ (626)	\$ (1,931)
Corporate and Eliminations:				
Loss from operations (GAAP)	\$ (7,737)	\$ (7,631)	\$ (24,632)	\$ (24,453)
Loss on debt modification	—	—	278	645
Legal settlement and litigation charges, net	—	—	(620)	—
Reorganization and other costs	—	14	—	137
Acquisition-related expense, net	—	—	34	—
Loss before special items (non-GAAP)	\$ (7,737)	\$ (7,617)	\$ (24,940)	\$ (23,671)
Total Company:				
Income (loss) from operations (GAAP)	\$ 9,236	\$ 5,742	\$ 15,864	\$ (105,869)
Impairment charges	—	—	—	106,062
Reorganization and other costs	(2)	98	248	580
Loss on debt modification	—	—	278	645
Legal settlement and litigation charges, net	—	(360)	1,030	(360)
Acquisition-related expense, net	246	709	1,068	186
Income before special items (non-GAAP)	\$ 9,480	\$ 6,189	\$ 18,488	\$ 1,244

See section *Note About Non-GAAP Measures* in this report for an explanation of the use of non-GAAP measurements.

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Three Months

For the three months ended September 30, 2021, the income (loss) from operations (GAAP) increased \$3.5 million, compared with the three months ended September 30, 2020, while income before special items (non-GAAP) increased \$3.3 million. As a percentage of revenue, income before special items increased by 120 basis points to 5.4% in the three months ended September 30, 2021 from 4.2% in the three months ended September 30, 2020.

Nine months

For the nine months ended September 30, 2021, income (loss) from operations (GAAP) increased \$121.7 million, compared with the nine months ended September 30, 2020, while income (loss) before special items (non-GAAP) increased \$17.2 million. As a percentage of revenue, income (loss) before special items increased by 340 basis points to 3.7% in the nine months ended September 30, 2021 from 0.3% in the nine months ended September 30, 2020. During the nine months ended September 30, 2021, the Company experienced overall organic growth. Specifically, the Company has been recovering from the effect of COVID-19 which was more impactful to our financial results in 2020. During the nine months ended September 30, 2020, the COVID-19 initial outbreak and significant drop in oil prices had adversely affected our workforce and operations, as well as the operations of our customers, suppliers and contractors. Refer to Item 1A. Risk Factors in Part I of our 2020 Form 10-K, and the additional risk factors included in Part II, Item 1.A. of this Form 10-Q for further discussion.

Interest Expense

Interest expense was approximately \$2.3 million and \$3.6 million for the three months ended September 30, 2021 and 2020, respectively. Interest expense was approximately \$8.7 million and \$9.4 million for the nine months ended September 30, 2021 and 2020, respectively. The decrease was a result of a change in the effective interest rate, due to a lower leverage ratio and the elimination of the minimum LIBOR floor.

An amendment in May 2021 to our Credit Agreement removed the LIBOR floor of 1.0%, which provided that if LIBOR is below 1.0%, the interest rate will be calculated as if LIBOR is 1.0%. Now the actual LIBOR rate is used to calculate interest, even if LIBOR is below 1.0%. This will reduce our interest rate, when LIBOR is below 1.0%.

The terms of our Credit Agreement are described in Note 11- **Long-Term Debt** of the Notes to the Unaudited Condensed Consolidated Financial Statements, under the heading "*Senior Credit Facility*".

Income Taxes

Our effective income tax rate was approximately 50.8% and 25.9% for the three months ended September 30, 2021 and 2020, respectively. Our effective income tax rate was approximately 44.4% and 13.6% for the nine months ended September 30, 2021 and 2020.

The Company's effective income tax rate for the three months ended September 30, 2021 was higher than the statutory rate primarily due to a \$1.2 million valuation allowance recorded during the period which was related to various state deferred tax assets and earnings in jurisdictions with higher income tax rates than the United States. The effective income tax rate for the three months ended September 30, 2020 approximated the statutory rate, as the favorable impact of the CARES Act was offset by the unfavorable impact of taxes in other jurisdictions and other permanent book to tax differences.

The income tax rate for the nine months ended September 30, 2021 was higher than the statutory rate due to a \$1.2 million valuation allowance recorded during the year related to various state deferred tax assets offset by the capitalization of certain non-US intercompany balances which resulted in a deductible foreign exchange loss in the US. The effective income tax rate for the nine months ended September 30, 2020 was lower than the statutory rate primarily due to impairments for which we did not realize income tax benefits, partially offset by income tax benefits of the CARES Act.

On December 27, 2020, the United States enacted the Consolidated Appropriations Act, 2021, (the "Appropriations Act") an additional stimulus package providing financial relief for individuals and small business. The Appropriations Act contains a variety of tax provisions, including full expensing of business meals in 2021 and 2022, and expansion of the employee retention tax credit. We are currently evaluating the impact of this guidance on our consolidated financial position, results of operations, and cash flows, but does not expect it to have a material impact.

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Income tax expense varies as a function of pre-tax income and the level of non-deductible expenses, such as certain amounts of meals and entertainment expense, valuation allowances, and other permanent differences. It is also affected by discrete items that may occur in any given year but are not consistent from year to year. Our effective income tax rate may fluctuate over the next few years due to many variables including the amount and future geographic distribution of our pre-tax income, changes resulting from our acquisition strategy, and increases or decreases in our permanent differences.

Liquidity and Capital Resources

Cash flows are summarized in the table below:

	Nine months ended September 30,	
	2021	2020
Net cash provided by (used in):		
Operating activities	\$ 22,469	\$ 41,791
Investing activities	(15,494)	(10,558)
Financing activities	(8,866)	(25,077)
Effect of exchange rate changes on cash	(1,272)	944
Net change in cash and cash equivalents	<u>\$ (3,163)</u>	<u>\$ 7,100</u>

Cash Flows from Operating Activities

During the nine months ended September 30, 2021, cash provided by operating activities was \$22.5 million, representing a year-on-year decrease of \$19.3 million, or 46%. The decrease was primarily attributable to increased usage of working capital. Additionally, revenue increased 17.2% versus the prior year comparable period due to organic growth. Specifically, the Company has been recovering from the effect of COVID-19 which was more impactful to our financial results in 2020. As we are increasing our work compared to the comparable prior period, our cash flows are lower in the current period as collections of receivables lag behind revenues.

Cash Flows from Investing Activities

During the nine months ended September 30, 2021, cash used in investing activities was \$15.5 million primarily attributable to capital expenditures of \$16.0 million compared to \$11.0 million of capital expenditures in the prior period driven by increased operating activities.

Cash Flows from Financing Activities

Net cash used in financing activities was \$8.9 million for the nine months ended September 30, 2021, compared to net cash used in financing activities of \$25.1 million for the nine months ended September 30, 2020. During the nine months ended September 30, 2021, net borrowings of debt were approximately \$15.5 million lower as compared to 2020 resulting in less debt paydown during the period as cash flows were used to support operating activities.

Effect of Exchange Rate Changes on Cash and Cash Equivalents

The effect of exchange rate changes on our cash and cash equivalents was a decrease of \$1.3 million in the nine months ended September 30, 2021, compared to an increase of \$0.9 million for the nine months ended September 30, 2020.

Cash Balance and Credit Facility Borrowings

As of September 30, 2021, we had cash and cash equivalents totaling \$22.6 million and \$22.2 million of unused commitments under our Credit Agreement with borrowings of \$209.2 million and \$4.3 million of letters of credit outstanding. We finance operations primarily through our existing cash balances, cash collected from operations, bank borrowings and capital lease financing. We believe these sources are sufficient to fund our operations for the foreseeable future.

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As of September 30, 2021, we were in compliance with the terms of the Credit Agreement and will continuously monitor our compliance with the covenants contained in the Credit Agreement.

The May 2021 Amendment to our Credit Agreement also reduced the borrowing capacity on our revolving loan line of credit \$155 million on September 30, 2021 which will be further reduced to \$150 million on December 31, 2021. Additionally, quarterly payments on the term loan increased to \$3.75 million through March 31, 2022, and to \$5.0 million for each quarterly payment thereafter, with a final balloon payment at maturity.

The terms of our Credit Agreement (as modified) are described in Note 11-**Long-Term Debt** of the Notes to the Unaudited Condensed Consolidated Financial Statements, under the heading "*Senior Credit Facility*".

Contractual Obligations

There have been no significant changes in our contractual obligations and outstanding indebtedness as disclosed in the 2020 Annual Report.

Off-balance Sheet Arrangements

During the nine months ended September 30, 2021, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

There have been no significant changes to our critical accounting policies and estimates from the information provided in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” included in the 2020 Annual Report.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no significant changes to our quantitative and qualitative disclosures about market risk as discussed in Part II, Item 7A “Quantitative and Qualitative Disclosures About Market Risk,” included in the 2020 Annual Report.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Pursuant to Rule 13a-15(b) under the Exchange Act, our management carried out an evaluation, under the supervision and with the participation of our President and Chief Executive Officer and our Executive Vice President, Chief Financial Officer and Treasurer, of the effectiveness of the design and operation of our disclosure controls (as defined in Rule 13a-15(e) of the Exchange Act) and procedures. Based upon that evaluation, our President and Chief Executive Officer and our Executive Vice President, Chief Financial Officer and Treasurer concluded that, as of September 30, 2021, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended September 30, 2021 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. Legal Proceedings

See Note 14-*Commitments and Contingencies* to the Notes to Unaudited Condensed Consolidated Financial Statements included in this Quarterly Report for a description of our legal proceedings. There have been no material developments with regard to any matters disclosed under Part I, Item 3 "Legal Proceedings" in our 2020 Annual Report, except as disclosed in such Note 14-*Commitments and Contingencies*.

ITEM 1.A. Risk Factors

In addition to the other information set forth in this Quarterly Report, you should carefully consider the risk factors discussed under the "Risk Factors" section included in our 2020 Annual Report. Except as described below, there have been no material changes to the risk factors previously disclosed in the 2020 Annual Report.

In the first risk factor in our 2020 Annual Report, we discuss that we are susceptible to prolonged negative trends in the oil and gas industry due to our dependency on customers in that industry. Oil and gas customer revenue comprised approximately 56% of total revenue for the three months ended September 30, 2021. In April 2021, the Biden Administration announced plans to aggressively combat climate change, with initiatives that would significantly reduce the use of fossil fuels. Any legislation, regulations, or significant private industry action to implement these initiatives could have a negative impact on the oil and gas industry, and as a consequence, negatively impact our business and results of operations.

ITEM 2. Unregistered Sale of Equity Securities and Use of Proceeds

(a) Sales of Unregistered Securities

None.

(b) Use of Proceeds from Public Offering of Common Stock

None.

(c) Repurchases of Our Equity Securities

The following table sets forth the shares of our common stock we acquired during the quarter as a result of the surrender of shares by employees to satisfy tax withholding obligations in connection with the vesting of restricted stock units.

Month Ending	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
July 31, 2021	—	\$ —	—	\$ —
August 31, 2021	—	\$ —	—	\$ —
September 30, 2021	—	\$ —	—	\$ —

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Mine Safety Disclosures

Not applicable.

ITEM 5. Other Information

None.

ITEM 6. Exhibits

<u>Exhibit No.</u>	<u>Description</u>
10.1	Settlement Agreement, dated October 5, 2021, regarding the settlement of the two legal proceedings captioned Price v. Mistras Group, Inc
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.LAB	XBRL Labels Linkbase Document
101.PRE	XBRL Presentation Linkbase Document
101.DEF	XBRL Definition Linkbase Document

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MISTRAS GROUP, INC.

By: /s/ Edward J. Prajzner
Edward J. Prajzner
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer and duly authorized officer)

Date: November 3, 2021

CLASS ACTION SETTLEMENT AGREEMENT

This Class Action Settlement Agreement (“Agreement”) is made by and between plaintiffs Brenda Price and Justin Price (“Plaintiffs”) and defendant Mistras Group, Inc. (“Defendant”). Plaintiffs and Defendant collectively are referred to in this Agreement as the “Parties.”

I. DEFINITIONS

In addition to other terms defined in this Agreement, the terms below have the following meaning in this Agreement:

1. “Actions” means the Class Action that was filed in California state court and any amendments thereto, which is captioned *Price, et al. v. Mistras Group, Inc., et al*, Case No. 20STCV22485, pending in Superior Court of the State of California, County of Los Angeles and the PAGA Action that was filed in California state court and any amendments thereto, which is captioned *Price, et al. v. Mistras Group, Inc., et al.*, Case No. 20LBCV00408, pending in Superior Court of the State of California, County of Los Angeles.
2. “Aggrieved Employees” means all individuals who are or previously were employed by Defendant Mistras Group, Inc. in California and who were classified as non-exempt employees at any time during the PAGA Period.
3. “Class” means all individuals who are or previously were employed by Defendant Mistras Group, Inc. in California and who were classified as non-exempt employees at any time during the Class Period.
4. “Class Counsel” means Norman B. Blumenthal, Kyle R. Nordrehaug, and Aparajit Bhowmik of Blumenthal Nordrehaug Bhowmik De Blouw LLP.
5. “Class Counsel Fees Payment” and “Class Counsel Litigation Expenses Payment” mean the amounts to be paid to Class Counsel for fees and expenses, respectively, as approved by the Court, to compensate Class Counsel for their legal work in connection with the Actions, including their pre-filing investigation, their filing of the Actions, all related litigation activities, all Settlement work, all post-Settlement compliance procedures, and related litigation expenses billed in connection with the Actions.
6. “Class Data” means, for each Class Member, his or her name; last-known mailing address; Social Security number; his or her employee identification number; his or her email address (if known); and his or her dates of employment or weeks worked during the Class Period as a Class Member and pay periods worked during the PAGA Period. The workweeks allotted to the Class Members will exclude workweeks through February 17, 2017 for any Class Members who were

also members of California settlement class of *Viceral and Krueger, et al. v. Mistras Group, Inc., et al.*, N.D. Cal. Case No. 3-15-cv-02198-EMC (“Viceral”).

7. “Class Member” is a member of the Class.
8. “Class Notice” means the Notice of Proposed Settlement of Class Action and Hearing Date for Final Court Approval substantively in the form attached hereto as Exhibit A to this Agreement and incorporated by reference into this Agreement.
9. “Class Notice Packet” means the Class Notice to be provided to the Class Members by the Settlement Administrator in the form set forth as Exhibit A to this Agreement (other than formatting changes to facilitate printing by the Settlement Administrator).
10. “Class Period” means the period of time from June 10, 2016 through July 31, 2021, with the exception of any Class members who were part of the California settlement class of *Viceral and Krueger, et al. v. Mistras Group, Inc., et al.*, N.D. Cal. Case No. 3:15-cv-02198-EMC (“Viceral”) whose Class Period is limited to February 18, 2017 through July 31, 2021.
11. “Class Representative Service Payment” means the service payment made to each of the Plaintiffs in their capacity as Class Representative in order to compensate them for initiating the Actions, performing work in support of the Actions, undertaking the risk of liability for Defendant’s expenses in the event Plaintiffs were unsuccessful in the prosecution of the Actions, and for the general release of all claims by the Plaintiffs.
12. “Court” means the Superior Court of California, County of Los Angeles.
13. “Defendant” means Mistras Group, Inc.
14. “Defendant’s Counsel” means Christina T. Tellado, and Samuel J. Stone of Holland & Knight LLP.
15. “Effective Date” means the date by which all of the following have occurred:
 1. This Agreement is approved by the Court; and
 2. The Judgment becomes Final as defined in Section I(Q) of this Agreement.
16. “Election Not to Participate in Settlement” means the written request by a Class Member to exclude himself or herself from the Settlement submitted in accordance with the instructions in the Class Notice.
17. “Final” means the last of the following dates, as applicable:

1. If no objection to the Settlement is made, the date the Judgment is entered.
 2. If an objection to the Settlement is made and Judgment is entered, but no appeal is filed, the last date on which a notice of appeal from the Judgment may be filed and none is filed.
 3. If Judgment is entered and a timely appeal from the Judgment is filed, the date the Judgment is affirmed and is no longer subject to appeal.
18. “Final Approval Hearing” means the hearing to be conducted by the Court to determine whether to approve finally and implement the terms of this Agreement and enter the Judgment.
 19. “Gross Settlement Amount” means Two Million Three Hundred Thousand Dollars (\$2,300,000) to be paid by Defendant as provided by this Agreement. This Gross Settlement Amount is an all-in amount without any reversion to Defendant and shall be inclusive of all payments of Settlement Shares to the Participating Class Members, Settlement Administration Expenses, Class Counsel Fees Payment, Class Counsel Litigation Expenses Payment, Class Representative Service Payments, and the PAGA Payment, and excluding any employer payroll taxes, if any, due on the portion of the Settlement Shares allocated to wages which shall not be paid from the Gross Settlement and shall be the separate additional obligation of Defendant. The Gross Settlement Amount is all in with no reversion to Defendant and shall be paid without the need to submit a claim form.
 20. “Judgment” means the Final Approval Order and Judgment entered by the Court substantially in the forms attached hereto as Exhibit C to this Agreement and incorporated by reference into this Agreement.
 21. “Net Settlement Amount” means the Gross Settlement Amount less the Court-approved amounts for the Class Representative Service Payments, the Class Counsel Fees Payment, Class Counsel Litigation Expenses Payment, the PAGA Payment, and the Settlement Administration Expenses.
 22. “Non-Participating Class Member” means a Class Member who submits a valid and timely Election Not to Participate in Settlement.
 23. “PAGA Period” means the period of time from June 1, 2019 through July 31, 2021.
 24. “Participating Class Member” means a Class Member who does not submit a valid and timely Election Not to Participate in Settlement.
 25. “Preliminary Approval of the Settlement” means the Court’s Order Granting Preliminary Approval of the Settlement substantially in the form attached hereto as Exhibit B to this Agreement and incorporated by this reference herein.

26. “Qualifying Workweeks” means the total number of calendar weeks that each member of the Class was employed by Defendant in California as a non-exempt employee during the Class Period.
27. “Released Parties” collectively mean: Defendant, Defendant’s past and present corporate affiliates, subsidiaries, divisions, related entities, divested businesses and business units, and the board members, officers, employees, agents, representatives, insurers and attorneys of any of the same.
28. “Settlement” means the disposition of the Actions and all related claims effectuated by this Agreement.
29. “Settlement Administrator” means the third party settlement administrator proposed by the Parties, as approved by the Court.
30. “Settlement Share” means each Participating Class Member’s share of the Net Settlement Amount as provided by this Agreement.

II. RECITALS

31. On June 10, 2020, plaintiff Justin Price filed a Complaint against Defendant in the Superior Court of the State of California, County of Los Angeles (“Class Action”). Plaintiff Justin Price asserted claims that Defendant:
 - a) Violated California Business and Professions Code § 17200 *et seq.*;
 - b) Failed to Pay Minimum Wages in Violation of Cal. Lab. Code §§ 1194, 1197 & 1197.1’
 - c) Failed to pay overtime wages in violation of California Labor Code § 510, *et seq.*;
 - d) Failed to provide required meal periods in violation of California Labor Code §§ 226.7 & 512 and the applicable IWC Wage Order;
 - e) Failed to provide required rest periods in violation of California Labor Code §§ 226.7 & 512 and the applicable IWC Wage Order;
 - f) Failed to provide accurate itemized wage statements in violation of California Labor Code § 226;
 - g) Failed to reimburse employees for required expenses in violation of California Labor Code § 2802; and,

- h) Failed to provide wages when due in violation of California Labor Code §§ 201, 202 and 203.
32. On September 18, 2020, plaintiff Justin Price filed a Complaint against Defendant in the Superior Court of the State of California, County of Los Angeles (“PAGA Action”). Plaintiff Justin Price asserted a single cause of action seeking Civil Penalties Pursuant to Labor Code § 2699, et seq. for violations of Labor Code §§ 201, 202, 203, 204 et seq., 210, 226(a), 226.7, 351, 510, 512, 558(a)(1)(2), 1194, 1197, 1197.1, 1198, 2802, California Code of Regulations, Title 8, Section 11040, Subdivision 5(A)-(B).
33. On September 24, 2020, plaintiff Justin Price filed a First Amended Complaint in the PAGA Action
34. On March 15, 2021, Plaintiffs filed a First Amended Complaint in the Class Action adding plaintiff Brenda Price.
35. On February 16, 2021, the Parties participated in an all-day mediation presided over by Jeffrey Krivis, a respected mediator of wage and hour representative and class actions. Following the mediation, each side, represented by its respective counsel, were able to agree to settle the Actions based upon a mediator’s proposal which was memorialized in the form of a Memorandum of Understanding. This Agreement replaces and supersedes the Memorandum of Understanding and any other agreements, understandings, or representations between the Parties.
36. This Agreement represents a compromise and settlement of highly disputed claims. Nothing in this Agreement is intended or will be construed as an admission by Defendant that the claims in the Actions of Plaintiffs or the Class have merit or that Defendant bears any liability to Plaintiffs or the Class on those claims or any other claims, or as an admission by Plaintiffs that Defendant’s defenses in the Actions have merit. The Parties agree to certification of the Class for purposes of this Settlement only. If for any reason the settlement does not become effective, Defendant reserves the right to contest certification of any class for any reason and reserves all available defenses to the claims in the Actions.

Based on these Recitals that are a part of this Agreement, the Parties agree as follows:

III. SETTLEMENT TERMS AND CONDITIONS

37. **Consolidation of Actions.** Upon the execution of this Agreement, the Parties hereto by and through their counsel are authorized to stipulate to and obtain an order for the consolidation of both complaints filed in the Actions into one complaint in the first filed Class Action.

38. **Gross Settlement Amount.** Subject to the terms and conditions of this Agreement, the Gross Settlement Amount that Defendant will pay under this Settlement is Two Million Three Hundred Thousand Dollars (\$2,300,000). This amount is all-inclusive of all payments contemplated in this resolution, excluding any employer-side payroll taxes on the portion of the Settlement Shares allocated to wages which shall be separately paid by Defendant to the Settlement Administrator. All of the Gross Settlement Amount will be disbursed pursuant to this Agreement without the need to submit a claim form and none of the Gross Settlement Amount will revert to Defendant.
39. **Payments from the Gross Settlement Amount.** Subject to the terms and conditions of this Agreement, the Settlement Administrator will make the following payments out of the Gross Settlement Amount:
- a) **To Plaintiffs:** In addition to the Settlement Shares to be paid to Plaintiffs, Plaintiffs will apply to the Court for an award of not more than \$10,000 each as Class Representative Service Payments, which is combined total of \$20,000 in Class Representative Service Payments. Defendant will not oppose Class Representative Service Payments of no more than \$10,000 for each of the Plaintiffs. The Settlement Administrator will pay the Class Representative Service Payments approved by the Court out of the Gross Settlement Amount. If the Court approves a Class Representative Service Payments of less than \$10,000, for each of the Plaintiffs, the remainder will be retained in the Net Settlement Amount for distribution to Participating Class Members. Payroll tax withholding and deductions will not be taken from the Class Representative Service Payments and instead a Form 1099 will be issued to each of the Plaintiffs with respect to the payments who will assume full responsibility and liability for the taxes due on their Class Representative Service Payments.
 - b) **To Class Counsel:** Class Counsel will apply to the Court for an award of not more than One-Third of the Gross Settlement Amount, which is presently \$766,666, as their Class Counsel Fees Payment and an amount not more than \$30,000 for all expenses incurred as documented in Class Counsel's billing records as their Class Counsel Litigation Expenses Payment. Defendant will not oppose their request for a Class Counsel Fees Payment and Class Counsel Litigation Expenses Payment consistent with this Agreement and approved by the Court. The Settlement Administrator will pay the amounts approved by the Court out of the Gross Settlement Amount. If the Court approves a Class Counsel Fees Payment or a Class Counsel Litigation Expenses Payment of less than these amounts, which are presently \$766,666, and \$30,000 respectively, the remainder will be retained in the Net Settlement Amount for distribution to Participating Class Members. Payroll tax withholding and deductions, if any, will not be taken from the Class Counsel Fees Payment

and Class Counsel Litigation Expenses Payment and instead one or more Forms 1099 will be issued to Class Counsel with respect to those payments. The payment of the Class Counsel Fees Payment and Class Counsel Litigation Expenses Payment shall be made to Class Counsel.

- c) **The PAGA Payment.** The Parties will seek approval from the Court for the PAGA Payment of \$50,000 out of the Gross Settlement Amount, which shall be allocated 75% (\$37,500) to the LWDA as the LWDA's share of the settlement of civil penalties paid under this Agreement pursuant to the PAGA and 25% (\$12,500) will be distributed to the Aggrieved Employees based on their respective pay periods worked during the PAGA Period. If the Court approves a PAGA Payment of less than \$50,000, the remainder will be retained in the Net Settlement Amount for distribution to Participating Class Members. All Aggrieved Employees will be sent their share of the PAGA Payment and will be subject to the release of the Released PAGA Claims as set forth below, whether or not they opt out of the Settlement. One hundred percent (100%) of the PAGA Payment is in settlement of claims for penalties and not be subject to wage withholdings, and shall be reported on IRS Form 1099.
- d) **To the Settlement Administrator.** The Settlement Administrator will pay out of the Gross Settlement Amount to itself its reasonable fees and expenses that are documented and approved by the Court in an amount not to exceed \$20,000 ("Settlement Administration Expenses"). To the extent the Settlement Administration Expenses that are documented and approved by the Court are less than \$20,000, the remainder will be retained in the Net Settlement Amount for distribution to Participating Class Members.

40. **Payments From the Net Settlement Amount.** The Net Settlement Amount shall include the following payments after the deductions have been made from the Gross Settlement Amount as described in this Agreement. The Net Settlement Amount shall include the following:

- a) **Settlement Share.** Subject to the terms and conditions of this Agreement, the Settlement Administrator will pay a Settlement Share from the Net Settlement Amount to each Participating Class Member. The submission of a claim form is not required to be paid.
- b) **Calculation.** Each Participating Class Member will be entitled, provisionally, to a share or shares of the Net Settlement Amount. The Settlement Share for each Participating Class Member will be calculated as follows: (i) Defendant shall provide the Settlement Administrator with the Class Data; (ii) the Settlement Administrator shall then divide the Net Settlement Amount by the total number of Qualifying Workweeks for all

the Participating Class Members to determine a dollar amount per week (“Weekly Rate”); and (iii) the Settlement Administrator shall then take the number of Qualifying Workweeks worked by each Participating Class Member and multiply it by the Weekly Rate to calculate their Settlement Share.

c) **Withholding.**

a. Subject to approval by the Court, One-Third of each Participating Class Member’s Settlement Share is in settlement of wage claims (the “Wage Portion”). Accordingly, the Wage Portion is subject to wage withholdings, and shall be reported on IRS Form W-2 and shall be paid for from the Gross Settlement Amount. The Settlement Administrator shall be responsible for remitting to the tax authorities employees’ and employer’s share of all payroll taxes on the Wage Portion.

b. Subject to approval by the Court, Two-Thirds of each Participating Class Member’s Settlement Share is in settlement of claims for interest and penalties allegedly due to employees (collectively the “Non-Wage Portion”). The Non-Wage Portion shall not be subject to wage withholdings, and shall be reported on IRS Form 1099.

d) **Effect of Non-Participating Class Members.** Non-Participating Class Members will receive no Settlement Share, and their Election Not to Participate in Settlement will reduce neither the Gross Settlement Amount nor the Net Settlement Amount. Their respective Settlement Shares will remain a part of the Net Settlement Amount for distribution to Participating Class Members on a *pro rata* basis relative to their Settlement Shares.

e) **Class Size Modification.** Defendant has represented that based on data available at the time of mediation, the Class consists of an estimated total of 1,136 Class Members who worked 125,357 workweeks between June 10, 2016 and April 23, 2021. In regard hereto, Defendant will provide a declaration under oath confirming the number of Class Members and workweeks they worked prior to the filing of the Motion for Preliminary Approval. The Gross Settlement Amount will increase proportionally with added workweeks through July 31, 2021 and if the number is more than 10% of the workweeks estimate stated herein, i.e., exceeds 137,892 workweeks, subject to Defendant’s right, but not the obligation, to revoke this Agreement in lieu of an increase to the Gross Settlement Amount. The estimated Class Members and applicable workweeks exclude

workweeks through February 17, 2017 for Class Members who were members of California settlement class in *Viceral*.

41. **Appointment of Settlement Administrator.** After obtaining a quote from mutually acceptable and qualified settlement administrators, the Parties have mutually agreed to ask the Court to appoint Simpluris as the qualified administrator, to serve as the Settlement Administrator, which, as a condition of appointment, will agree to be bound by this Agreement with respect to the performance of its duties and its compensation. The Settlement Administrator's duties will include preparing, printing, and mailing the Class Notice Packet to all Class Members; conducting a National Change of Address search to update Class Member addresses before mailing the Class Notice Packets; re-mailing Class Notice Packets that are returned to the Class Member's new address; setting up a toll-free telephone number to receive calls from Class Members; receiving and reviewing for validity completed Elections Not to Participate in Settlement; providing the Parties with weekly status reports about the delivery of Class Notice Packets and receipt of completed Elections Not to Participate in Settlement; calculating Settlement Shares; issuing the checks to effectuate the payments due under the Settlement; issuing the tax reports required under this Settlement; and otherwise administering the Settlement pursuant to this Agreement. The Settlement Administrator will have the authority to resolve all disputes concerning the calculation of a Participating Class Member's Settlement Share, subject to the dollar limitations and calculations set forth in this Agreement. The Settlement Administration Expenses, including the cost of printing and mailing the Class Notice Packet, will be paid out of the Gross Settlement Amount.

The Settlement Administrator shall have its own Employer Identification Number under Internal Revenue Service Form W-9 and shall use its own Employer Identification Number in calculating payroll withholdings for taxes and shall transmit the required employers' and employees' share of the withholdings to the appropriate state and federal tax authorities. The Settlement Administrator shall establish a settlement fund that meets the requirements of a Qualified Settlement Fund ("QSF") under US Treasury Regulation section 468B-1.

42. **Procedure for Approving Settlement.**

a) **Motion for Preliminary Approval of Settlement by the Court.**

- a. After Execution of this Settlement Agreement, Plaintiffs will file a Preliminary Approval Motion with the Court for an order giving Preliminary Approval of the Settlement, setting a date for the Final Approval Hearing, and approving the Class Notice (the "Motion for Preliminary Approval"). Any disagreement among the Parties concerning the Class Notice, the proposed orders, or other

documents necessary to implement the Settlement will be referred to the mediator for resolution.

- b. Class Counsel shall submit this Agreement and the motion for preliminary approval to the LWDA at the same time as they are submitted to the Court, as required by PAGA.
 - c. At the hearing on the Motion for Preliminary Approval, the Parties will jointly appear, support the granting of the motion, and submit an Order Granting Preliminary Approval of the Settlement substantially in the form evidenced by Exhibit B to this Agreement and incorporated by reference into this Agreement.
 - d. Should the Court decline to preliminarily approve material aspects of the Settlement (including but not limited to the scope of release to be granted by Participating Class Members or the binding effect of the Settlement on Participating Class Members), the Parties shall work together in good faith to address any concerns raised by the Court and propose a revised Settlement for the Court's approval.
- b) **Notice to Class Members.** After the Court enters an Order Granting Preliminary Approval of the Settlement, every Class Member will be sent the Class Notice Packet (which will include the Class Notice completed to reflect the Order Granting Preliminary Approval of the Settlement and showing the Class Member's Settlement Share) as follows:
- a. No later than 14 days after the Court enters an Order Granting Preliminary Approval of the Settlement, Defendant will provide to the Settlement Administrator an electronic database containing each Class Member's Class Data. If any or all of the Class Data is unavailable to Defendant, Defendant will so inform Class Counsel and the Parties will meet and confer to reach a resolution concerning the method to use to reconstruct or otherwise agree upon the Class Data prior to when it must be submitted to the Settlement Administrator. This information will otherwise remain confidential and will not be disclosed to anyone, except as required to applicable taxing authorities, in order to carry out the reasonable efforts described in section III.F.2.c., or pursuant to Defendant's express written authorization or by order of the Court. All Class Data will be used for settlement notification and settlement administration and shall not be used for any other purpose by Class Counsel. This provision shall not be construed to impede Class Counsel's ability to discharge their fiduciary duties to the Class, and if additional disclosures are necessary, Class Counsel will

obtain written authorization of Defendant and/or an order from the Court.

- b. The Settlement Administrator shall update the Class Data using the National Change of Address database prior to mailing the Class Notice Packets. Using best efforts to mail it as soon as possible, and in no event later than 14 days after receiving the Class Data, the Settlement Administrator will mail the Class Notice Packets to all Class Members via first-class regular U.S. Mail using the mailing address information provided by Defendant, unless modified by any updated address information that the Settlement Administrator obtains in the course of administration of the Settlement. The Class Notice, and any email containing the re-mailed Class Notice, shall include a Spanish translation.

- c. If a Class Notice Packet is returned because of an incorrect address, the Settlement Administrator will promptly search for a more current address for the Class Member and re-mail the Class Notice Packet to the Class Member no later than seven (7) business days after the receipt of the undelivered Class Notice. The Settlement Administrator will also email a copy of the re-mailed Class Notice to the Class Member if there is an available email address in the Class Data. The Settlement Administrator will use the Class Data and otherwise work with Defendant to find a more current address. The Settlement Administrator will be responsible for taking reasonable steps, consistent with its agreed-upon job parameters, Court orders, and fee, as agreed to with Class Counsel and according to the following deadlines, to trace the mailing address of any Class Member for whom a Class Notice Packet is returned by the U.S. Postal Service as undeliverable. These reasonable steps shall include, at a minimum, the tracking of all undelivered mail; performing address searches for all mail returned without a forwarding address using available email addresses, phone numbers, social security numbers, credit reports, LinkedIn, and Facebook; and promptly re-mailing to Class Members for whom new addresses are found. If the Class Notice Packet is re-mailed, the response date for written objections, disputes and opt-outs will be extended an additional 15 days, this extended response date will be set forth in the re-mailed Class Notice, and the Settlement Administrator will note for its own records and notify Class Counsel and Defendant's Counsel of the date and address of each such re-mailing as part of a weekly status report provided to the Parties.

- d. As part of its weekly status report, the Settlement Administrator will inform Class Counsel and Defendant's Counsel of the number of Elections Not to Participate in Settlement it receives (including the numbers of valid and deficient), and number of objections received.
 - e. Not later than 10 days before the date by which the Plaintiffs file the motion for final approval of the Settlement, the Settlement Administrator will provide the Parties for filing with the Court a declaration of due diligence setting forth its compliance with its obligations under this Agreement and detailing the Elections Not to Participate in Settlement it received (including the numbers of valid and deficient Elections) and objections received. Prior to the Final Approval Hearing, the Settlement Administrator will supplement its declaration of due diligence if any material changes occur from the date of the filing of its prior declaration.
- c) **Objections to Settlement; Disputes as to Workweeks allocated to Class Members; Elections Not to Participate in Settlement.** Participating Class Members may submit objections to the Settlement and/or objections to the Class Counsel Fees Payment and/or Class Counsel Litigation Expenses Payment. Class Members may also submit disputes as to workweeks allocated to them and Elections Not to Participate in Settlement pursuant to the following procedures:
- a. **Objections to Settlement.** The Class Notice will provide that only Participating Class Members who wish to object to the Settlement, Class Counsel Fees Payment, Class Counsel Litigation Expenses Payment, and/or the Class Representative Service Payments may object to the proposed Settlement, either in writing or orally at the Final Approval Hearing. Objections in writing must be submitted to the Settlement Administrator, postmarked not later than sixty (60) calendar days after the Settlement Administrator mails the Class Notice Packets. Written objections must set forth the grounds for the objection(s) and comply with the instructions in the Class Notice. If a Class Notice Packet is re-mailed, the response date for written objections will be extended an additional 15 days. Written objections may also be faxed or emailed to the Settlement Administrator as indicated in the Class Notice. Alternatively, Class Members shall be entitled to be heard at the Final Approval Hearing (whether individually or through separate counsel) to orally object to the Settlement, Class Counsel Fees Payment, Class Counsel Litigation Expenses Payment, and/or the Class Representative Service Payments. Non-Participating

Class Members shall have no ability to comment on or object to the Settlement.

- b. **Disputes as to Workweeks.** Each Class Member shall also have sixty (60) calendar days after the Settlement Administrator mails the Class Notice Packets in which to dispute the workweeks the Class Notice allocates to them during the Class Period. A dispute may also be faxed or emailed to the Settlement Administrator as indicated in the Class Notice. Any notice of dispute shall be directed to the Settlement Administrator. Any dispute as to this allocation shall be resolved by the Settlement Administrator, with input and assistance from Defendant's Counsel, where applicable. If a Class Notice Packet is re-mailed, the response date for disputes will be extended an additional 15 days.

- c. **Election Not to Participate in Settlement.** The Class Notice also will provide that Class Members who wish to exclude themselves from the Settlement must mail to the Settlement Administrator postmarked not later than sixty (60) calendar days after the Settlement Administrator mails the Class Notice Packets, a signed Election Not to Participate in Settlement. If a Class Notice Packet is re-mailed, the response date for opt-outs will be extended an additional 15 days. To be valid, an Election Not to Participate in Settlement must be timely and must comply with the instructions in the Class Notice. An Election Not to Participate may also be faxed or emailed to the Settlement Administrator as indicated in the Class Notice. If a question is raised about the authenticity of a signed Election Not to Participate in Settlement, the Settlement Administrator will have the right to demand additional proof of the Class Member's identity. A Non-Participating Class Member will not participate in or be bound by the Settlement and the Judgment, except that an Aggrieved Employee will still be paid their allocation of the PAGA Payment and will remain bound by the release of the Released PAGA Claims regardless of their request for exclusion. Defendant will remain free to contest any claim brought by any Class Member that would have been barred by this Agreement, and nothing in this Agreement will constitute or be construed as a waiver of any defense Defendant has or could assert against such a claim. A Class Member who does not complete and mail a timely Election Not to Participate in Settlement in the manner and by the deadline specified above and in the Class Notice will automatically become a Participating Class Member and will be bound by all terms and conditions of the Settlement, including the Released Class Claims by the Class, if the Settlement is approved by the Court, and by the Judgment, regardless of

whether he or she has objected to the Settlement. Persons who submit an Election Not to Participate in Settlement shall not be permitted to file objections to the Settlement or appear at the Final Approval Hearing to voice any objections to the Settlement.

All Participating Class Members who do not submit a valid and timely Election Not to Participate in Settlement will receive a Settlement Share, without the need to file a claim form, and will be bound by all of the terms of the Settlement, including without limitation, the release of the Released Class Claims by the Participating Class Members set forth in this Agreement.

Plaintiffs waive their right to request exclusion from the Settlement and may not do so.

- d. **Report.** Not later than ten (10) calendar days after the deadline for submission of Elections Not to Participate in Settlement, the Settlement Administration will provide Class Counsel and Defendant's Counsel with a complete and accurate list of all Participating Class Members and all Non-Participating Class Members.
- d) **Right of Defendant to Reject Settlement.** If the number of Class Members who timely submit valid Elections Not to Participate in Settlement exceeds ten percent (10%) of the Class, Defendant, at its sole discretion, shall have the right but not the obligation to revoke the Settlement. Defendant shall exercise its revocation rights, if at all, within seven (7) days of receipt the list Participating Class Members and all Non-Participating Class Members provided for under Section III(F)(3)(d) of this Agreement. If Defendant exercises its revocation rights, the Parties will have no further obligations under the Settlement, including any obligation by Defendant to pay the Gross Settlement Amount, or any amounts that otherwise would have been owed under this Agreement, except that Settlement Administration Expenses as of the date that Defendant exercises the right to void the Settlement pursuant to this Paragraph will be paid by Defendant.
- e) **Additional Briefing and Final Approval.**
 - a. Unless otherwise ordered by the Court, Class Counsel will file with the Court their motion for the Class Counsel Fees Payment, Class Counsel Litigation Expenses Payment and Class Representative Service Payments no later than the date Plaintiffs file the Motion for Final Approval, and the application will be scheduled to be heard by the Court at the Final Approval Hearing.

- b. Not later than sixteen (16) court days before the Final Approval Hearing, the Plaintiffs will file with the Court a motion for final approval of the Settlement, the PAGA Payment, and payment of the Settlement Administration Expenses. Class Counsel shall submit this Agreement and the motion for final approval to the LWDA at the same time as they are submitted to the Court, as required by PAGA, and shall transmit the Final Order and Judgement to the LWDA, as required by PAGA.
- c. If any opposition is filed to the motion for final approval and/or the motion for the Class Counsel Fees Payment, Class Counsel Litigation Expenses Payment, Class Representative Service Payments, and the PAGA Payment, then not later than five (5) court days before the Final Approval Hearing, both Parties may file a reply in support of the motion for final approval, and Plaintiffs and Class Counsel may also file a reply in support of their motion for the Class Representative Service Payment, the Class Counsel Fees Payments, and the Class Counsel Litigation Expenses Payment.
- d. If the Court does not grant final approval of the Settlement or grants final approval conditioned on any material change to the Settlement (including, but not limited to, the scope of release to be granted by Participating Class Members), then the Parties shall work together in good faith to address any concerns raised by the Court and propose a revised Settlement for the Court's approval. However, an award by the Court of a lesser amount than that sought by Plaintiffs and Class Counsel for the PAGA Payment, Class Representative Service Payments, the Class Counsel Fees Payment, or the Class Counsel Litigation Expenses Payment, will not constitute a material modification to the Settlement within the meaning of this paragraph.
- e. Upon final approval of the Settlement by the Court at or after the Final Approval Hearing, the Parties will present for the Court's approval and entry the Judgment substantially in the form attached hereto as Exhibit C. After entry of the Judgment, the Court will have continuing jurisdiction over the Actions and the Settlement solely for purposes of (i) enforcing this Agreement, (ii) addressing settlement administration matters, and (iii) addressing such post-Judgment matters as may be appropriate under court rules or applicable law.

43. **Waiver of Right to Appeal.** Provided that the Judgment is consistent with the terms and conditions of this Agreement, Plaintiffs and Participating Class

Members who did not timely submit an objection to the Settlement, Defendant, and their respective counsel hereby waive any and all rights to appeal from the Judgment, including all rights to any post-judgment proceeding and appellate proceeding, such as, but not limited to, a motion to vacate judgment, a motion for new trial, and any extraordinary writ. The waiver of appeal does not include any waiver of the right to oppose any appeal, appellate proceedings or post-judgment proceedings. If an appeal is taken from the Judgment, the time for consummation of the Settlement (including making payments under the Settlement) will be suspended until such time as the appeal is finally resolved and the Judgment becomes Final.

44. **Vacating, Reversal, or Material Modification of Judgment on Appeal or Review.** If, after a notice of appeal, a petition for review, or a petition for *certiorari*, or any other motion, petition, or application, the reviewing Court vacates, reverses, or modifies the Judgment such that there is a material modification to the Settlement (including, but not limited to, the scope of release to be granted by Participating Class Members), and that Court's decision is not completely reversed and the Judgment is not fully affirmed on review by a higher Court, then the Parties shall work together in good faith to address any concerns raised by the reviewing Court and propose a revised Settlement for the approval of the Court not later than fourteen days after the reviewing Court's decision vacating, reversing, or materially modifying the Judgment becomes Final. A vacation, reversal, or modification of the Court's award of the Class Representative Service Payments or the Class Counsel Fees Payment or Class Counsel Litigation Expenses Payment will not constitute a vacation, reversal, or material modification of the Judgment within the meaning of this paragraph, provided that Defendant's obligation to make payments under this Settlement will remain limited by the Gross Settlement Amount.
45. **Timing of Settlement Funding and Provision of Settlement Shares and Other Payments.** Defendant shall fund the Gross Settlement Amount by depositing the money with the Settlement Administrator. Defendant shall fund the Gross Settlement Amount and the amount necessary to pay Defendant's share of payroll taxes within fifteen (15) days of the Effective Date. Within fifteen (15) days after Defendant funds the Gross Settlement Amount, the Settlement Administrator will make payment of all Settlement Shares to all Participating Class Members, even if their Class Notice was undeliverable, as well as payment of Settlement Administration Expenses, the Class Counsel Fees Payment, the Class Counsel Litigation Expenses Payment, the Class Representative Service Payments and the PAGA Payment in accordance with this Agreement. Before Settlement Share checks are mailed, the Settlement Administrator shall update address information through the National Change of Address database.
46. **Uncashed Settlement Share Checks. Uncashed Settlement Share Checks.** A Participating Class Member or Aggrieved Employee must cash his or her

Settlement Share check within 180 days after it is mailed to him or her. The expiration date of the check must be conspicuously printed on the check. If a check is returned to the Settlement Administrator or not cashed within 120 days after the last mailing, the Settlement Administrator will make all reasonable efforts to re-mail it to the affected individual at his or her correct address by use of available email addresses, phone numbers, social security numbers, credit reports, LinkedIn and Facebook. If a Participating Class Member's or Aggrieved Employee's check is not cashed within 120 days after its last mailing to the affected individual, the Settlement Administrator will also send the individual a notice informing him or her that unless the check is cashed in the next 60 days, it will expire and become non-negotiable, and offer to replace the check if it was lost or misplaced but not cashed. If the check remains uncashed by the expiration of the 60 day period after this notice, the funds from such uncashed checks will be paid to the California State Controller's Unclaimed Property Fund in the name of and for the benefit of the individual who did not cash their check, and the Participating Class Member or Aggrieved Employee will remain bound by the Settlement, and shall look only to the State of California for recovery of such property. The Parties stipulate and agree that this provision of uncashed checks is in the best interests of the Class, within the meaning of Code of Civil Procedure section 384, as it avoid forfeiture by any Participating Class Member or Aggrieved Employees. The Parties agree that this disposition results in no "unpaid residue" within the meaning of California Code of Civil Procedure Section 384, as the entire Net Settlement Amount will be paid out to Participating Class Members or Aggrieved Employees, whether or not they all cash their Settlement Share checks.

47. **Final Report by Settlement Administrator to Court.** Within ten days after final disbursement of all funds from the Gross Settlement Amount, the Settlement Administrator will provide the Parties with a declaration proving a final report on the disbursements of all funds from the Gross Settlement Amount.
48. **Release of Claims.**
 - a) **Participating Class Members.** As of the Effective Date and upon full finding of the Gross Settlement Amount by Defendant, Defendant shall receive a release from the Participating Class Members of all claims that were or could have been alleged in the Complaints and/or Amended Complaints filed in the Actions under any state law, federal law, common law, equity or other theory arising in any way from the facts alleged in the Complaints and/or Amended Complaints filed in the Actions regarding the provision (or alleged non-provision) of wages, compensation, remuneration, expense reimbursements, premium payments, meal and/or rest breaks (or timing or length of any breaks provided), pre-shift or post-shift work, commute time, and/or wage statements provided to those class members (or the content or lack of content of any wage statements

received), during the Class Period, and expressly excluding all other claims, including claims for wrongful termination, unemployment insurance, disability, social security, and workers' compensation, and claims outside of the Class Period ("Released Class Claims").

The Released Class Claims include all claims, rights, demands, liabilities, causes of action, and theories of liability of every nature and description, whether known or unknown, that were alleged against Defendant and/or any of the Released Parties, or which could have been alleged based on the facts pled against them in the Complaints and/or Amended Complaints in the Actions during the Class Period. These claims include claims for failure to pay wages for all hours worked, including overtime pay, minimum wages, premium pay, failure to pay for pre- or post-shift work, failure to pay for commute time, failure to pay wage guaranteed or wages at the agreed upon rate and/or failure to calculate wages due at the applicable statutory and/or regular rate of pay or compensation, failure to pay wages semi-monthly at designated times, failure to pay all wages due upon termination, failure to pay waiting time penalties, failure to provide and/or maintain copies of accurate itemized wage statements, failure to maintain records of hours worked and/or accurate payroll records, and/or for penalties (regardless of the recipient), failure to provide meal periods, failure to provide rest periods, failure to reimburse necessary business expenses, damages, interest, costs or attorneys' fees, and violations of any local, state or federal law, whether for economic damages, non-economic damages, liquidated, or punitive damages, restitution, tort, contract, equitable relief, injunctive or declaratory relief, that occurred during the applicable California Class Period and arising from the facts that were alleged or could have been alleged in the Complaints and/or Amended Complaints in the Actions, including claims under any common laws, contract, Fair Labor Standards Act ("FLSA"), the California Business & Professions Code Sections 17200, *et seq.* ("UCL"), including claims asserted under the UCL predicated on violations of any state and/or federal law, including the FLSA, Cal. Code of Regulations, Title 8, Sections 11000, *et seq.*, Wage Order 4 or any other applicable Wage Order, and the California Labor Code. Notwithstanding the foregoing, the Released Class Claims do not include any individual claim under the Section 16(b) of the FLSA, 29 U.S.C. § 216(b), as to a Participating Class Member who does not opt-in to the Settlement by cashing, depositing or endorsing his or her Settlement share check, to the extent that opting-in is required to release such FLSA claims.

- b) **Aggrieved Employees.** As of the Effective Date and upon full funding of the Gross Settlement Amount by Defendant, Defendant shall be entitled to a release from the State of California of all PAGA claims pled or could have been pled based on the factual allegations contained in the

Complaints and/or Amended Complaints filed in the Actions and the written notice(s) sent to the Labor & Workforce Development Agency pursuant to California Labor Code § 2699.3(a)(1) that occurred during the PAGA Period as to the Aggrieved Employees and excluding all PAGA claims outside of the PAGA Period (“Released PAGA Claims”). The release of the Released PAGA Claims shall be effective as to all Aggrieved Employees, regardless of whether an Aggrieved Employee submitted a request for an exclusion from the Class.

- c) **Plaintiffs.** Plaintiffs, for themselves, their successors, assigns, agents, executors, heirs and personal representatives, spouse and attorneys, and any and all of them, voluntarily and with the advice of counsel, waive and release any and all claims, obligations, demands, actions, rights, causes of action, and liabilities against Defendant and any of the Released Parties, including, without limitation, all claims that were or could have been alleged in the written notice sent to the Labor & Workforce Development Agency pursuant to California Labor Code § 2699.3(a)(1) and the Complaints and/or Amended Complaints in the Actions under any state law, federal law, common law, equity or other theory arising in any way out of Plaintiffs’ employment with MISTRAS or any of the Released Parties. As part of these releases, Plaintiffs further release all unknown claims against Defendant and any of the Released Parties, covered by California Civil Code Section 1542, which states: **“A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.”** Plaintiffs understand that they are each a “creditor” or “releasing party” within the meaning of California Civil Code Section 1542, and thereby that they expressly waive and relinquishes any and all rights and benefits under Section 1542 of the Civil Code of the State of California and under any statute, rule, or principle of common law or equity, of any jurisdiction, that is similar to Section 1542.
- d) **Class Counsel.** As of the date the Defendant fully funds the Gross Settlement Amount, and except as otherwise provided by this Agreement and the Judgment, Class Counsel and any counsel associated with Class Counsel waive any claim to costs and attorneys’ fees and expenses against Defendant arising from or related to the Actions.
49. **No Effect on Other Benefits.** The Settlement Shares will not result in any additional benefit payments (such as 401(k) or bonus) beyond those provided by this Agreement to Plaintiffs or Participating Class Members, and Plaintiffs and Participating Class Members will be deemed to have waived all such claims,

whether known or unknown by them, as part of their release of claims under this Agreement.

50. **Limitation on Public Statements About Settlement.** Neither Class Counsel nor Defendant's Counsel shall publicize the Settlement prior to the Court granting preliminary approval, other than filing documents with the Court. Plaintiffs and Class Counsel and Defendant and Defendant's Counsel agree that they will not issue any press releases or initiate any contact with the media about the fact, amount, or terms of the Settlement. If Plaintiffs or Class Counsel or Defendant or Defendant's Counsel receives an inquiry about the Settlement from the media, they may respond only after the Motion for Preliminary Approval has been filed and only by confirming the accurate terms of the Settlement. This provision shall not prohibit Class Counsel from communicating with Class Members after preliminary approval is granted for the sole purpose of administering the Settlement. This provision also does not limit Class Counsel from complying with ethical obligations or from posting court-filed documents on a website for viewing by Class Members after preliminary approval. Nothing in this provision shall prevent Defendant or Plaintiffs from making any required disclosures.

IV. MISCELLANEOUS TERMS

51. **No Admission of Liability or Class Certification for Other Purposes.**
- a) Defendant and the Released Parties deny that they have engaged in any unlawful activity, have failed to comply with the law in any respect, have any liability to anyone under the claims asserted in the Actions, or that but for the Settlement a class should be certified in the Actions. This Agreement is entered into solely for the purpose of compromising highly disputed claims. Nothing in this Agreement is intended or will be construed as an admission of liability or wrongdoing by Defendant or the Released Parties, or an admission by Plaintiffs that any of the claims were non-meritorious or any defense asserted by Defendant was meritorious. This Settlement and the fact that Plaintiffs and Defendant were willing to settle the Actions will have no bearing on, and will not be admissible in connection with, any litigation (other than solely in connection with effectuating the Settlement pursuant to this Agreement). Nothing in this Agreement shall be constructed as an admission by Defendant of any liability or wrongdoing as to Plaintiffs, Class Members, or any other person, and Defendant specifically disclaim any such liability or wrongdoing. Moreover, it is not, and it should not be construed as, any admission of fact or law in this matter or any other matter that a class action is appropriate. The Parties have entered into this settlement with the intention of avoiding further disputes and litigation with the attendant inconvenience, expenses and risks. Nothing in this Agreement shall be

construed as an admission by Plaintiffs that Plaintiffs' claims do not have merit or that class action is inappropriate.

- b) Whether or not the Judgment becomes Final, neither the Settlement, this Agreement, any document, statement, proceeding or conduct related to the Settlement or the Agreement, nor any reports or accounting of those matters, will be (i) construed as, offered or admitted in evidence as, received as, or deemed to be evidence for any purpose adverse to Plaintiffs or Defendant or any of the Released Parties, including, but not limited to, evidence of a presumption, concession, indication or admission by any of the Released Parties of any liability, fault, wrongdoing, omission, concession or damage; or (ii) disclosed, referred to or offered in evidence against any of the Released Parties, in any further proceeding in the Actions, or any other civil, criminal or administrative action or proceeding except for purposes of effectuating the Settlement pursuant to this Agreement.
- c) This section and all other provisions of this Agreement notwithstanding, any and all provisions of this Agreement may only be admitted in evidence and otherwise used in any and all proceedings for the limited purpose of enforcing any or all terms of this Agreement or defending any claims released or barred by this Agreement.

52. **Integrated Agreement.** After this Agreement is signed and delivered by all Parties and their counsel, this Agreement and its exhibits will constitute the entire agreement between the Parties relating to the Settlement, and it will then be deemed that no oral representations, warranties, covenants, or inducements have been made to any Party concerning this Agreement or its exhibits other than the representations, warranties, covenants, and inducements expressly stated in this Agreement and its exhibits.

53. **Attorney Authorization.** Class Counsel and Defendant's Counsel warrant and represent that they are authorized by Plaintiffs and Defendant, respectively, to take all appropriate action required or permitted to be taken by such Parties pursuant to this Agreement to effectuate its terms, and to execute any other documents required to effectuate the terms of this Agreement including any amendments to this Agreement. The Parties and their counsel will cooperate with each other and use their best efforts to effect the implementation of the Settlement. In the event the Parties are unable to reach agreement on the form or content of any document needed to implement the Agreement, or on any supplemental provisions that may become necessary to effectuate the terms of this Agreement, the Parties will seek the assistance of the mediator for resolution.

54. **No Prior Assignments:** The Parties represent, covenant and warrant that they have not directly or indirectly assigned, transferred, encumbered or purported to

assign, transfer, or encumber to any person or entity and portion of any liability, claim, demand, action, cause of action, or right released and discharged in this Settlement.

55. **No Tax Advice:** Neither Class Counsel nor Defendant's Counsel intend anything contained in this Settlement to constitute advice regarding taxes or taxability, nor shall anything in this Settlement be relied upon as such within the meaning of United States Treasury Department Circular 230 (31 CFR Part 10, as amended) or otherwise.
56. **Modification of Agreement.** Except as set forth in section III.J.3 hereinabove this Agreement, and any and all parts of it, may be amended, modified, changed, or waived only by an express written instrument signed by all Parties or their representatives, and approved by the Court.
57. **Agreement Binding on Successors.** This Agreement will be binding upon, and inure to the benefit of, the successors of each of the Parties.
58. **Applicable Law.** All terms and conditions of this Agreement and its exhibits will be governed by and interpreted according to the laws of the State of California.
59. **Cooperation in Drafting.** The Parties have cooperated in the drafting and preparation of this Agreement. This Agreement will not be construed against any Party on the basis that the Party was the drafter or participated in the drafting.
60. **Fair Settlement.** The Parties and their respective counsel believe and warrant that this Agreement reflects a fair, reasonable, and adequate settlement of the Actions and have arrived at this Agreement through arms-length negotiations, taking into account all relevant factors, current and potential.
61. **Nullification.** If the Court for any reason that cannot be cured does not finally approve this Settlement, this Agreement shall be considered null and void and the Parties to this Agreement shall stand in the same position, without prejudice, as if the Agreement had been neither entered into nor filed with the Court. Invalidation of any material portion of this Agreement shall invalidate this Agreement in its entirety unless the Parties agree in writing that the remaining provisions shall remain in full force and effect.
62. **Use and Return of Documents and Data.** All originals, copies, and summaries of documents and data provided to Class Counsel by Defendant in connection with the mediation or other settlement negotiations in this matter may be used only with respect to this Settlement, and no other purpose, and may not be used in any way that violates any existing contractual agreement, statute, or rule. Within thirty days after the Gross Settlement Amount is fully funded by Defendant, Class Counsel will return or destroy and confirm in writing to Defendant the destruction of all such documents and data.

63. **Headings.** The descriptive heading of any section or paragraph of this Agreement is inserted for convenience of reference only and does not constitute a part of this Agreement.
64. **Notice.** All notices, demands or other communications given under this Agreement will be in writing and deemed to have been duly given as of the third business day after mailing by United States mail, addressed as follows:

To Plaintiffs and the Class:

Norman B. Blumenthal
Kyle R. Nordrehaug
Blumenthal Nordrehaug Bhowmik De Blouw LLP
2255 Calle Clara
La Jolla, CA 92037
Tel.: (858) 551-1223
Fax: (858) 551-1232
E-Mail: norm@bamlawca.com
kyle@bamlawca.com

To Defendant:

Christina T. Tellado
Samuel J. Stone
Holland & Knight LLP
400 South Hope Street, 8th Floor
Los Angeles, CA 90071
Tel.: (213) 896-2400
Fax: (213) 896-2450
Email: christina.tellado@hklaw.com
samuel.stone@hklaw.com

65. **Execution in Counterparts.** This Agreement may be executed in one or more counterparts by facsimile, electronically or email which for purposes of this Agreement shall be accepted as an original. All executed counterparts and each of them will be deemed to be one and the same instrument provided that counsel for the Parties will exchange between themselves signed counterparts. Any executed counterpart will be admissible in evidence to prove the existence and contents of this Agreement.
66. **Stay of Litigation.** The Parties agree that upon the execution of this Agreement the litigation shall be stayed, except to effectuate the terms of this Agreement. The Parties further agree that upon the signing of this Agreement that pursuant to CCP section 583.330 to extend the date to bring a case to trial under CCP section 583.310 for the entire period of this settlement process from the mediation with

the Jeffrey Krivis on February 16, 2021 until the earlier of the Effective Date or the date this Agreement shall not longer be of any force or effect.

67. **Continuing Jurisdiction.** The Court shall retain continuing jurisdiction over the Actions under CCP section 664.6 to ensure the continuing implementation of this Agreement and enforcement of the Settlement until performance in full of the terms of this Settlement.

V. EXECUTION BY PARTIES AND COUNSEL

The Parties and their counsel hereby execute this Agreement.

Dated: _____
Plaintiff Brenda Price

Dated: _____
Plaintiff Justin Price

Dated: _____
Michael Keefe, Executive Vice President, General Counsel
For Defendant Mistras Group, Inc.

APPROVED AS TO FORM AND CONTENT:

Dated: _____
Norman Blumenthal
Blumenthal Nordrehaug Bhowmik De Blouw LLP
Attorney for Plaintiff

Dated: _____
Christina T. Tellado
Holland & Knight LLP
Attorney for Defendant

EXHIBIT A

[NOTICE OF PROPOSED SETTLEMENT OF CLASS ACTION AND HEARING DATE FOR FINAL COURT APPROVAL]

**NOTICE OF PROPOSED SETTLEMENT OF CLASS ACTION
AND HEARING DATE FOR FINAL COURT APPROVAL**

***Price v. Mistras Group, Inc.*, Superior Court of the State of California,
County of Los Angeles, Case No. 20STCV22485, and related Case No. 20LBCV00408**

**YOUR LEGAL RIGHTS MAY BE AFFECTED WHETHER YOU ACT OR DO NOT ACT. PLEASE READ THIS
NOTICE CAREFULLY.**

SUMMARY OF YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT:	
Do Nothing and Receive a Payment	To receive a cash payment from the Settlement, you do not have to do anything. The actual amount you receive may be different and will depend on a number of factors. Additional information is set forth below.
Exclude Yourself On or before [60 days from mailing]	To exclude yourself, you must send a written request for exclusion to the Settlement Administrator as provided below. If you request exclusion, you will receive no money from the Settlement and you will not be bound by the Settlement. However, if you are also an Aggrieved Employee and excludes yourself, you will still be paid your allocation of the PAGA Payment and will remain bound by the release of the Released PAGA Claims regardless of whether you submit a request for exclusion. Instructions are set forth below.
Object On or before [60 days from mailing]	Write to the Court about why you do not agree with the Settlement or appear at the Final Approval Hearing to make an oral objection. Instructions are provided below.
Final Approval Hearing	The Court will hold a Final Approval Hearing at _____ on _____, at the Los Angeles County Superior Court, Spring Street Courthouse, located at 312 North Spring Street, Los Angeles, CA 90012, in Department 1 before Judge Daniel J. Buckley. This hearing may change as explained below in Section 9.

Your options are further explained in this Class Notice. To exclude yourself from, or object to, the settlement you must take action by certain deadlines. If you want to participate in the Settlement as proposed, you do not need to do anything to obtain your share of the Settlement. Defendant will not retaliate against you for any actions you take with respect to the Settlement.

1. Why did I get this Notice?

A proposed class action settlement (the “Settlement”) of the above-captioned action pending in the Superior Court of the State of California, in and for the County of Los Angeles (the “Court”), has been reached between Plaintiffs Brenda Price and Justin Price (“Plaintiffs”) and Defendant Mistras Group, Inc. (“Defendant”) and has been granted preliminary approval by the Court. You may be entitled to receive money from this Settlement.

You have received this Notice because you have been identified as a member of the Class, which is defined as:

All individuals who are or previously were employed by Defendant Mistras Group, Inc. in California and who were classified as non-exempt employees at any time during the Class Period.

The “Class Period” is June 10, 2016 through July 31, 2021, with the exception of any Class members who were part of the California settlement class of *Viceral and Krueger, et al. v. Mistras Group, Inc., et al.*, N.D. Cal. Case No. 3:15-cv-02198-EMC (“*Viceral*”) whose Class Period is limited to February 18, 2017 through July 31, 2021

This Notice explains the lawsuit, the Settlement, and your legal rights. It is important that you read this Notice carefully as your rights may be affected by the Settlement.

2. What is this class action lawsuit about?

On June 10, 2020, Plaintiff Justin Price filed a proposed Class Action Complaint in the Court, alleging the following claims against Defendant: unfair competition, failure to pay minimum wages, failure to pay overtime wages, failure to provide required meal periods, failure to provide required rest periods, failure to reimburse employees for required expenses, failure to provide accurate itemized wage statements, and failure to pay wages when due. On March 15, 2021, Plaintiffs filed a First Amended Complaint in the Class Action adding Plaintiff Brenda Price. On September 18, 2020, Plaintiff Justin Price filed a separate Complaint against Defendant in the Superior Court of the State of California, County of Los Angeles (“PAGA Action”) which asserted a single cause of action seeking civil penalties for violations of the Private Attorneys General Act, Cal. Labor Code §§ 2698 *et seq.* (“PAGA”) based upon the above alleged violations. These lawsuits are referred to in this Class Notice as the “Actions.” As part of the Settlements, the Actions were consolidated on _____.

Defendant denies that it has done anything wrong and disputes all the claims in the Action. Specifically, Defendant contends that Plaintiffs and the Class Members were, at all times, properly compensated for wages under California law; that Plaintiffs and the Class Members were provided with meal and rest periods in compliance with California law; that Defendant did not fail to pay to Plaintiffs or any Class Members any wages allegedly due at the time of their termination; that Defendant complied with California wage statement requirements; that Defendant did not violate California Business and Professions Code section 17200 *et seq.*; that Defendant is not liable for any of the penalties sought or that could be sought in the Actions; and that this Actions cannot be maintained as a class or representative action.

The Court granted preliminary approval of the Settlement on <<INSERT PRELIMINARY APPROVAL DATE>>. At that time, the Court also preliminarily approved the Plaintiffs to serve as the Class Representatives, and the law firm Blumenthal Nordrehaug Bhowmik De Blouw LLP to serve as Class Counsel.

The Court has not ruled on the merits of Plaintiffs' claims. However, to avoid additional expense, inconvenience, and interference with the business operations of Defendant, the Parties concluded that it is in their best interests and the interests of the Class to settle the Actions now on the terms summarized in this Notice. The Settlement was reached after mediation and arm's-length negotiations between the Parties. The Plaintiffs and Class Counsel think the settlement is in the best interest of all Class Members.

Accordingly, the Settlement constitutes a compromise of disputed claims and should not be construed as an admission of liability on the part of Defendant, which expressly denies all liability.

3. What are the terms of the Settlement?

Gross Settlement Amount. Defendant has agreed to pay an "all in" amount of Two Million Three Hundred Thousand Dollars (\$2,300,000) (the "Gross Settlement Amount") to fund the settlement of the Actions. The Gross Settlement Amount includes all payments of Settlement Shares to Class Members contemplated by the Settlement, the Settlement Administration Expenses, the Class Representative Service Payments, Class Counsel Fees Payment, Class Counsel Litigation Expenses Payment, and the PAGA Payment for civil penalties under PAGA. Any employer-side payroll taxes on the portion of the Settlement Shares allocated to wages shall be separately paid by Defendant.

Within fifteen (15) days of the Judgment becoming Final, Defendant will fund the Gross Settlement Amount by depositing the money with the Settlement Administrator. "Final" means the Judgment is entered, or if there are objections or any appeal, the date the Judgment is no longer subject to appeal. Fifteen (15) days after the Settlement is funded, the Settlement Administrator will mail checks for the Settlement Shares to Participating Class Members

Amounts to be Paid From the Gross Settlement Amount. The proposed payments, subject to Court approval, will be deducted from the Gross Settlement Amount before payments of Settlement Shares are made to Class Members who do not request exclusion (“Participating Class Members”):

- Settlement Administration Expenses. Payment to the Settlement Administrator, estimated not to exceed \$ _____, for expenses, including expenses of notifying the Class Members of the Settlement, processing opt outs, and distributing settlement checks and tax forms.
- Attorneys’ Fees and Costs. Payment to Class Counsel of reasonable attorneys’ fees not to exceed one-third (1/3) of the Gross Settlement Amount, which presently equals \$766,666, and an additional amount to reimburse actual litigation costs incurred by the Plaintiffs not to exceed \$30,000. Class Counsel has been prosecuting the Actions on behalf of Plaintiffs and the Class on a contingency fee basis (that is, without being paid any money to date) and has been paying all litigation costs and expenses. The amounts stated are what Class Counsel will be requesting and the final amounts to be paid will be decided at the Final Approval Hearing.
- Class Representative Service Payments. A Class Representative Service Payment in an amount not more than \$10,000 to each of the two named Plaintiffs as service awards, which is a combined total of \$20,000 for Class Representative Service Payments, or such lesser amount as may be approved by the Court, to compensate them for services on behalf of the Class in initiating and prosecuting the Action, and for the risks they undertook. The amounts stated are what Plaintiffs will be requesting and the final amounts to be paid will be decided at the Final Approval Hearing.
- PAGA Payment. A payment of \$50,000 relating to Plaintiffs’ claim under PAGA, \$37,500 of which will be paid to the State of California’s Labor and Workforce Development Agency (“LWDA”). The remaining will \$12,500 will be distributed to the Aggrieved Employees based on their respective pay periods worked during the PAGA Period, which is June 1, 2019 through July 31, 2021. “Aggrieved Employees” means all individuals who are or previously were employed by Defendant Mistras Group, Inc. in California and who were classified as non-exempt employees at any time during the PAGA Period.

Calculation of Payments to Class Members. After all of the payments of the court-approved Attorneys’ Fees and Costs, the Class Representative Service Payments, the PAGA Payment, and the Settlement Administration Expenses are deducted from the Gross Settlement Amount, the remaining portion, the “Net Settlement Amount”, shall be distributed as Settlement Shares to the Participating Class Members. The Net Settlement Amount is estimated to be at least \$ _____. The Settlement Administrator will pay a Settlement Share from the Net Settlement Amount to each Participating Class Member. The Settlement Share for each Participating Class Member will be calculated as follows: (a) the Settlement Administrator shall then divide the Net Settlement Amount by the total number of weeks worked by the Class during the Class Period to determine a dollar amount per week (“Weekly Rate”); and (iii) the Settlement Administrator shall then take the number of weeks worked by each Participating Class Member

and multiply it by the Weekly Rate to calculate their Settlement Share. The number of weeks worked will be based on Defendant's records, however, Class Members may challenge the number of weeks worked as explained below.

If the Settlement is approved by the Court and you do not exclude yourself, you will automatically be mailed a check for your Settlement Share to the same address as this Class Notice. You do not have to do anything to receive a payment. If your address has changed, you must contact the Settlement Administrator to inform them of your correct address to ensure you receive your payment.

Tax Matters. One-third (1/3) of each Participating Class Member's Settlement Share is in settlement of wage claims (the "Wage Portion"). Accordingly, the Wage Portion is subject to wage withholdings, and shall be reported on IRS Form W-2. Two-Thirds (2/3) of each Participating Class Member's Settlement Share is in settlement of claims for penalties and interest allegedly due to employees (collectively the "Non-Wage Portion"). The Non-Wage Portion shall not be subject to wage withholdings, and shall be reported on IRS Form 1099. The employee portion of all applicable income and payroll taxes will be the responsibility of the Participating Class Members. Neither Class Counsel nor Defendant's Counsel intend anything contained in this Class Notice to constitute advice regarding taxes or taxability. The tax issues for each Participating Class Member are unique to him/her, and each Participating Class Member may wish to consult a tax advisor concerning the tax consequences of the payments received under the Settlement.

Conditions of Settlement. This Settlement and your receipt of the Settlement Share payment is conditioned upon the Court entering an order granting final approval of the Settlement and entering judgment.

4. What Do I Release Under the Settlement?

Released Class Claims. As of the Effective Date and upon full finding of the Gross Settlement Amount by Defendant, Defendant shall receive a release from the Participating Class Members of all claims that were or could have been alleged in the Complaints and/or Amended Complaints filed in the Actions under any state law, federal law, common law, equity or other theory arising in any way from the facts alleged in the Complaints and/or Amended Complaints filed in the Actions regarding the provision (or alleged non-provision) of wages, compensation, remuneration, expense reimbursements, premium payments, meal and/or rest breaks (or timing or length of any breaks provided), pre-shift or post-shift work, commute time, and/or wage statements provided to those class members (or the content or lack of content of any wage statements received), during the Class Period, and expressly excluding all other claims, including claims for wrongful termination, unemployment insurance, disability, social security, and workers' compensation, and claims outside of the Class Period ("Released Class Claims").

This means that, if you do not timely and formally exclude yourself from the settlement, you cannot sue, continue to sue, or be part of any other lawsuit against Defendant and any other Released Party about the Released Class Claims resolved by this Settlement. It also means that all of the Court's orders in the Actions will apply to you and legally bind you.

Released PAGA Claims. As of the Effective Date and upon full funding of the Gross Settlement Amount by Defendant, Defendant shall be entitled to a release from the State of California of all PAGA claims pled or could have been pled based on the factual allegations contained in in the Complaints and/or Amended Complaints filed in the Actions and the written notice(s) sent to the Labor & Workforce Development Agency pursuant to California Labor Code § 2699.3(a)(1) that occurred during the PAGA Period as to the Aggrieved Employees and excluding all PAGA claims outside of the PAGA Period (“Released PAGA Claims”). The release of the Released PAGA Claims shall be effective as to all Aggrieved Employees, regardless of whether an Aggrieved Employee submitted a request for an exclusion from the Class.

5. How much will my payment be?

Defendant's records reflect that you worked <<____>> weeks during the Class Period (June 10, 2016 through July 31, 2021, with the exception of any Class members who were part of the California settlement class of *Viceral and Krueger, et al. v. Mistras Group, Inc., et al.*, N.D. Cal. Case No. 3:15-cv-02198-EMC (“*Viceral*”) whose Class Period is limited to February 18, 2017 through July 31, 2021).

Based on this information, your estimated Settlement Share from the Net Settlement Amount is <<____>>.

Defendant's records reflect that you worked <<____>> pay periods during the during the PAGA Period (June 1, 2019 through July 31, 2021). Based on this information your estimated share of the PAGA Payment is <<____>>.

If you wish to challenge the information set forth above, then you must submit a written, signed dispute challenging the information along with supporting documents, to the Settlement Administrator at the address provided in this Class Notice no later than _____ [sixty (60) days after the mailing of the Class Notice or 75 days in the case of re-mailing]. You may also fax the dispute to _____ or email the dispute to _____ by no later than _____ [sixty (60) days after the date of the mailing of the Class Notice or 75 days after in the case of re-mailing].

6. How can I get a payment?

To get money from the Settlement, you do not have to do anything. A check for your Settlement Share will be mailed automatically to the same address as this Class Notice. If your address is

incorrect or has changed, you must notify the Settlement Administrator. The Settlement Administrator is: _____
(800) _____.

The Court will hold a Final Approval Hearing on _____ at _____ to decide whether to approve the Settlement and fix the amounts to be paid as attorneys' fees and costs to Class Counsel and as service payments to Plaintiffs. If the Court approves the Settlement and there are no objections or appeals, payments will be mailed approximately two months after this hearing. If there are objections or appeals, resolving them can take time, perhaps more than a year. Please be patient.

7. What if I don't want to be a part of the Settlement?

If you do not wish to participate in the Settlement, you may exclude yourself from the Settlement or "opt out." **If you opt out, you will not receive a Settlement Share from the Settlement, and you will not be bound by its terms, which means you will retain the right to sue Defendant for the Released Class Claims.** However, Aggrieved Employees who opt out will still be paid their allocation of the PAGA Payment and will remain bound by the release of the Released PAGA Claims regardless whether they submit a request for exclusion. **The PAGA Payment is \$50,000, of which \$12,500 will be distributed to the Aggrieved Employees to be allocated based on their respective pay periods worked during the "PAGA Period", which is June 1, 2019 through July 31, 2021. If you worked during the PAGA Period, your share of the PAGA Payment is set forth in Section 5 above.**

To opt out, you must submit to the Settlement Administrator, by First Class Mail, a written, signed and dated request to opt-out postmarked no later than _____ [sixty (60) days after the date of the Notice or 75 days after the Notice in the case of re-mailing]. You may also fax your request to opt out to _____ or email the dispute to _____ by no later than _____ [sixty (60) days after the date of the mailing of the Class Notice or 75 days after in the case of re-mailing]. The request to opt-out should state in substance that you wish to be excluded from the class settlement in the *Price v. Mistras Group* lawsuit. The request to opt-out should state the Class Member's full name, address, telephone number, the last-four digits social security number for verification purposes, the approximate dates of employment in California by Defendant. Please include the name and number of the case, which is *Price v. Mistras Group, Inc*, Case No. 20STCV22485. The request to opt-out must be completed and signed by you. No other person may opt-out for a living member of the Class.

The address for the Settlement Administrator is _____. Written requests for exclusion that are postmarked after _____, or are incomplete or unsigned will be rejected, and those Class Members will remain bound by the Settlement and the release described above.

8. How do I tell the Court that I don't agree with the Settlement?

Any Class Member who has not opted out and believes that the Settlement should not be finally approved by the Court for any reason may object to the proposed Settlement. Objections may be in writing and should state your (the Class Member's) name, current address, telephone number, and the dates of your employment in California with Defendant, and describe why you object to the Settlement and whether you intend to appear at the Final Approval Hearing. All written objections or other correspondence should also state the name and number of the case, which is *Price v. Mistras Group*, in the Superior Court of the State of California, County of Los Angeles, Case No. 20STCV22485.

The written objections must be mailed to the Settlement Administrator at _____ no later than _____ [sixty (60) days after the date of the Notice or 75 days after the Notice in the case of re-mailing]. You may also fax the dispute to _____ or email the dispute to _____ by no later than _____ [sixty (60) days after the date of the mailing of the Class Notice or 75 days after in the case of re-mailing].

Alternatively, Class Members may appear remotely at the Final Approval Hearing on _____ at _____ a.m. to make an oral objection without submitting a written objection or to otherwise participate in the Final Approval Hearing. Only remote appearances at the hearing are allowed. To appear at the hearing, you must schedule a remote appearance through Court Connect at <https://www.lacourt.org/lacc/>. Check the Court's website for the most current information.

To object to the Settlement, you must not opt out, and if the Court approves the Settlement despite your objection, you will be bound by the terms of the Settlement in the same way as Class Members who do not object

The addresses for Parties' counsel are as follows:

CLASS COUNSEL:

Kyle Nordrehaug
Blumenthal Nordrehaug Bhowmik DeBlouw LLP
2255 Calle Clara
La Jolla, CA 92037
Telephone: 858.551.1223
Facsimile: 858.551.1232
Email: Kyle@bamlawca.com

400 South Hope Street, 8th Floor
Los Angeles, CA 90071

COUNSEL FOR DEFENDANT:

Christina T. Tellado
Samuel J. Stone
Holland & Knight LLP

9. When and where will the Court decide whether to approve the Settlement?

The Court will hold a Final Approval Hearing at _____ a.m. (Pacific Standard Time) on _____, in Department 1 of the Superior Court of California, County of Los Angeles, Spring Street Courthouse, 312 North Spring Street, Los Angeles, California 90012, before Judge Daniel J. Buckley. At this hearing the Court will consider whether the Settlement is fair, reasonable, and adequate. The purpose of this hearing is for the Court to determine whether to grant final approval to the Settlement and to fix the amounts to be paid as attorneys' fees and costs to Class Counsel and as service payments to Plaintiffs. If there are objections, the Court will consider them. This hearing may be rescheduled by the Court without further notice to you. If you are interested in participating in the Final Approval Hearing, you should confirm the date, time and location by contacting Class Counsel. **You are not required to attend** the Final Approval Hearing, although any Class Member is welcome to attend the hearing remotely using the Court Connect procedure at <https://www.lacourt.org/lacc/>. If the hearing is continued, notice will be posted on Class Counsel's website at www.bamlawca.com under "Class Notices" for *Price v. Mistras Group*. In addition, hearing dates are posted on the Internet via the Case Access page for the California Superior Court for the County of Los Angeles (<http://www.lacourt.org/casesummary/ui/index.aspx?casetype=civil>) and entering the Case No. 20STCV22485.

10. How do I get more information about the Settlement?

You may call the Settlement Administrator at _____ or write to *Price v. Mistras Group* Settlement Administrator, c/o _____.

This Class Notice summarizes the proposed settlement. More details are in the Settlement Agreement. You may receive a copy of the Settlement Agreement, the Judgment, the motion for attorneys' fees, costs and service awards, the motion for final approval or other Settlement documents by going to Class Counsel's website at www.bamlawca.com under "Class Notices" for *Price v. Mistras Group*. You may get more details by examining the Court's file on the Internet via the Case Access page for the California Superior Court for the County of Los Angeles (<http://www.lacourt.org/casesummary/ui/index.aspx?casetype=civil>) and entering the Case No. 20STCV22485. If you wish to view the Court files in person, you must make an appointment with the Clerk's Office at the Stanley Mosk Courthouse by calling (213) 830-0800.

PLEASE DO NOT CALL THE COURT ABOUT THIS NOTICE.

IMPORTANT:

- You must inform the Settlement Administrator of any change of address to ensure receipt of your Settlement Share.

- Settlement checks will be null and void 180 days after issuance if not deposited or cashed, and this expiration date is printed on the check. In such event, the Settlement Administrator shall direct all unclaimed funds to be paid to the California State Controller's Unclaimed Property Fund in the name of the Participating Class Member where you may claim the funds. If your check is lost or misplaced, you should contact the Settlement Administrator immediately to request a replacement.

EXHIBIT B

[ORDER GRANTING PRELIMINARY APPROVAL OF THE SETTLEMENT]

SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF LOS ANGELES

JUSTIN PRICE and BRENDA PRICE, individuals, on behalf of themselves, and on behalf of all persons similarly situated,

Plaintiff,

vs.

MISTRAS GROUP, INC., a Corporation; and Does 1 through 50, Inclusive,

Defendants.

CASE NO.: 20STCV22485
RELATED CASE: 20LBCV00408

[PROPOSED] PRELIMINARY APPROVAL ORDER

Hearing Date: _____
Hearing Time: _____

Judge: Hon. Daniel J. Buckley
Dept.: SS-1

Complaint Filed: June 10, 2020
Trial date: None Set

This matter came before the Honorable Daniel J. Buckley of the Superior Court of the State of California, in and for the County Los Angeles, on _____[DATE], for hearing on the unopposed motion by Plaintiffs Justin Price and Brenda Price (“Plaintiffs”) for preliminary approval of the Settlement with Defendant Mistras Group, Inc. (“Defendant”) on a class basis. The Court, having considered the briefs, argument of counsel and all matters presented to the Court and good cause appearing, hereby GRANTS Plaintiffs’ Motion for Preliminary Approval of Class Action Settlement.

IT IS HEREBY ORDERED:

1. The Court preliminarily approves the Class Action Settlement Agreement (“Agreement” or “Settlement”) attached as Exhibit ___ to the Declaration of Kyle Nordrehaug in Support of Plaintiffs’ Motion for Preliminary Approval of Class Action Settlement. This is based on the Court’s determination that the Settlement set forth in the Agreement is within the

range of possible final approval, pursuant to the provisions of Section 382 of the California Code of Civil Procedure and California Rules of Court, rule 3.769.

2. This Order incorporates by reference the definitions in the Agreement, and all terms defined therein shall have the same meaning in this Order as set forth in the Agreement.

3. The Gross Settlement Amount that Defendant shall pay is Two Million Three Hundred Thousand Dollars (\$2,300,000). It appears to the Court on a preliminary basis that the settlement amount and terms are fair, adequate and reasonable as to all potential Class Members when balanced against the probable outcome of further litigation and the significant risks relating to certification, liability and damages issues. It further appears that investigation and research have been conducted such that counsel for the Parties are able to reasonably evaluate their respective positions. It further appears to the Court that the Settlement will avoid substantial additional costs by all Parties, as well as avoid the delay and risks that would be presented by the further prosecution of the Action. It further appears that the Settlement has been reached as the result of serious and non-collusive, arms-length negotiations.

4. The Court preliminarily finds that the Settlement appears to be within the range of reasonableness of a settlement that could ultimately be given final approval by this Court. The Court has reviewed the monetary recovery that is being granted as part of the Settlement and preliminarily finds that the monetary settlement awards made available to the Class is fair, adequate, and reasonable when balanced against the probable outcome of further litigation and the significant risks relating to certification, liability, and damages issues.

5. The Agreement specifies for an attorneys' fees award not to exceed one-third of the Gross Settlement Amount, an award of litigation expenses incurred, not to exceed \$30,000, and a proposed Class Representative Service Payment to the two Plaintiffs in an amount not to exceed \$10,000 each, which is \$20,000 in total to the two named Plaintiffs. The Court will not approve the amount of attorneys' fees and costs, nor the amount of any service award, until the

Final Approval Hearing. Plaintiffs will be required to present evidence supporting these requests, including lodestar, prior to final approval.

6. The Court recognizes that Plaintiffs and Defendant stipulate and agree to representative treatment and certification of a class for settlement purposes only. This stipulation will not be deemed admissible in this or any other proceeding should this Settlement not become final. For settlement purposes only, the Court conditionally certifies the following Class: “all individuals who are or previously were employed by Defendant Mistras Group, Inc. in California and who were classified as non-exempt employees at any time during the Class Period.” The Class Period is from June 10, 2016 through July 31, 2021, with the exception of any Class members who were part of the California settlement class of *Viceral and Krueger, et al. v. Mistras Group, Inc., et al.*, N.D. Cal. Case No. 3:15-cv-02198-EMC (“*Viceral*”) whose Class Period is limited to February 18, 2017 through July 31, 2021.

7. The Court concludes that, for settlement purposes only, the Class meets the requirements for certification under section 382 of the California Code of Civil Procedure in that: (a) the Class is ascertainable and so numerous that joinder of all members of the Class is impracticable; (b) common questions of law and fact predominate, and there is a well-defined community of interest amongst the members of the Class with respect to the subject matter of the litigation; (c) the claims of the Plaintiffs are typical of the claims of the members of the Class; (d) the Plaintiffs will fairly and adequately protect the interests of the members of the Class; (e) a class action is superior to other available methods for the efficient adjudication of this controversy; and (f) counsel for the Class is qualified to act as counsel for the Class and the Plaintiffs are adequate representatives of the Class.

8. The Court provisionally appoints Plaintiffs as the representatives of the Class. The Court provisionally appoints Norman B. Blumenthal, Kyle R. Nordrehaug, and Aparajit Bhowmik of Blumenthal Nordrehaug Bhowmik De Blouw LLP as Class Counsel for the Class.

9. The Court hereby approves, as to form and content, the Notice of Proposed Settlement of Class Action and Hearing Date for Final Court Approval (“Class Notice”) attached to the Agreement as Exhibit A. The Court finds that the Class Notice appears to fully and accurately inform the Class of all material elements of the proposed Settlement, of the Class Members’ right to be excluded from the Class by submitting a written opt-out request, and of each member’s right and opportunity to object to the Settlement. The Court further finds that the distribution of the Class Notice substantially in the manner and form set forth in the Agreement and this Order meets the requirements of due process, is the best notice practicable under the circumstances, and shall constitute due and sufficient notice to all persons entitled thereto. The Court orders the mailing of the Class Notice by first class mail, both in English and Spanish, pursuant to the terms set forth in the Agreement. If a Class Notice Packet is returned because of an incorrect address, the Settlement Administrator will promptly search for a more current address for the Class Member and re-mail the Class Notice Packet to the Class Member no later than seven (7) business days after the receipt of the undelivered Class Notice. The Settlement Administrator will also email a copy of the re-mailed Class Notice to the Class Member if there is an available email address in the Class Data.

10. The Court hereby appoints Simpluris as Settlement Administrator. No later than 14 days after this Order, Defendant will provide to the Settlement Administrator an electronic database containing the Class Data. The Settlement Administrator will perform address updates and verifications as necessary prior to the first mailing. Using best efforts to mail it as soon as possible, and in no event later than 14 days after receiving the Class Data, the Settlement Administrator will mail the Class Notice Packet to all Class Members via first-class regular U.S. Mail to their last known address.

11. The Court hereby preliminarily approves the proposed procedure for exclusion from the Settlement. Any Class Member may individually choose to opt out of and be excluded from the Class as provided in the Class Notice by following the instructions for requesting

exclusion from the Class that are set forth in the Class Notice. All requests for exclusion must be postmarked or received no later than sixty (60) calendar days after the date of the mailing of the Class Notice. If a Class Notice Packet is re-mailed, the response date for requests for exclusion will be extended an additional 15 days. An Election Not to Participate may also be faxed or emailed to the Settlement Administrator as indicated in the Class Notice. Any such person who chooses to opt out of and be excluded from the Class will not be entitled to any recovery under the Settlement and will not be bound by the Settlement or have any right to object, appeal or comment thereon. Class Members who have not requested exclusion shall be bound by all determinations of the Court, the Agreement and the Judgment. A request for exclusion may only opt out that particular individual, and any attempt to effect an opt-out of a group, class, or subclass of individuals is not permitted and will be deemed invalid.

12. Any Class Member who has not opted out may appear at the final approval hearing and may object or express the Member's views regarding the Settlement, and may present evidence and file briefs or other papers that may be proper and relevant to the issues to be heard and determined by the Court as provided in the Notice. Class Members will have sixty (60) days from the date of the mailing of the Class Notices to mail their written objections to the Settlement Administrator with copies to counsel for both Parties in accordance with the instructions in the Class Notice. If a Class Notice Packet is re-mailed, the response date for written objections will be extended an additional 15 days. Written objections may also be faxed or emailed to the Settlement Administrator as indicated in the Class Notice. Alternatively, Class Members may appear at the Final Approval Hearing to make an oral objection.

13. A final approval hearing shall be held before this Court on _____ at in Department 1 at the Spring Street Courthouse of the Los Angeles County Superior Court to hear the motion for final approval and the motion for attorneys' fees and costs, and to determine all necessary matters concerning the Settlement, including: whether the proposed settlement of the Action on the terms and conditions provided

for in the Agreement is fair, adequate and reasonable and should be finally approved by the Court; whether the Final Approval Order and Judgment should be entered herein; whether the plan of allocation contained in the Agreement should be approved as fair, adequate and reasonable to the Class Members; and to finally approve attorneys' fees and costs, service awards, and the fees and expenses of the Settlement Administrator. All papers in support of the motion for final approval and the motion for attorneys' fees, costs and service awards shall be filed with the Court and served on all counsel no later than sixteen (16) court days before the hearing and shall be heard at this final approval hearing.

14. Neither the Settlement nor any exhibit, document, or instrument delivered thereunder shall be construed as a concession or admission by Defendant in any way that the claims asserted have any merit or that this Action was properly brought as a class or representative action, and shall not be used as evidence of, or used against Defendant as, an admission or indication in any way, including with respect to any claim of any liability, wrongdoing, fault or omission by Defendant or with respect to the truth of any allegation asserted by any person. Whether or not the Settlement is finally approved, neither the Settlement, nor any exhibit, document, statement, proceeding or conduct related to the Settlement, nor any reports or accounts thereof, shall in any event be construed as, offered or admitted in evidence as, received as or deemed to be evidence for any purpose adverse to the Defendant, including, but not limited to, evidence of a presumption, concession, indication or admission by Defendant of any liability, fault, wrongdoing, omission, concession or damage.

15. In the event the Settlement does not become effective in accordance with the terms of the Agreement, or the Settlement is not finally approved, or is terminated, canceled or fails to become effective for any reason, this Order shall be rendered null and void and shall be vacated, and the Parties shall revert to their respective positions as of before entering into the Agreement, and expressly reserve their respective rights regarding the prosecution and defense of this Action, including all available defenses and affirmative defenses, and arguments that any

claim in the Action could not be certified as a class action and/or managed as a representative action . In such an event, the Court's orders regarding the Settlement, including this Order, shall not be used or referred to in litigation for any purpose. Nothing in this paragraph is intended to alter the terms of the Agreement with respect to the effect of the Agreement if it is not approved.

16. The Court reserves the right to adjourn or continue the date of the final approval hearing and all dates provided for in the Agreement without further notice to Class Members, and retains jurisdiction to consider all further applications arising out of or connected with the proposed Settlement.

IT IS SO ORDERED.

Dated: _____

HON. DANIEL J. BUCKLEY
JUDGE OF THE SUPERIOR COURT OF CALIFORNIA

EXHIBIT C

[FINAL APPROVAL ORDER AND JUDGMENT]

SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF LOS ANGELES

JUSTIN PRICE and BRENDA PRICE, individuals, on
behalf of themselves, and on behalf of all persons similarly
situated,

Plaintiff,

vs.

MISTRAS GROUP, INC., a Corporation; and Does 1
through 50, Inclusive,

Defendants.

CASE NO.: 20STCV22485
RELATED CASE NO.: 20LBCV00408

**[PROPOSED] FINAL APPROVAL ORDER AND
JUDGMENT**

Hearing Date: _____
Hearing Time: _____

Judge: Hon. Daniel J. Buckley
Dept.: SS-1

Complaint Filed: June 10, 2020
Trial date: None Set

The unopposed motion of Plaintiffs Justin Price and Brenda Price (“Plaintiffs”) for an order finally approving the Class Action Settlement Agreement (“Agreement” or “Settlement”) with Defendant Mistras Group, Inc. (“Defendant”), attorneys’ fees and costs, service payment, and the expenses of the Settlement Administrator duly came on for hearing on _____ before the Honorable Daniel J. Buckley.

I.

FINDINGS

Based on the oral and written argument and evidence presented in connection with the motion, the Court makes the following findings:

1. All terms used herein shall have the same meaning as defined in the Agreement.
2. This Court has jurisdiction over the subject matter of this litigation pending before the Superior Court for the State of California, in and for the County of Los Angeles, and over all Parties to this litigation, including the Class.
3. Based on a review of the papers submitted by Plaintiffs and a review of the applicable law, the Court finds that the Gross Settlement Amount of Two Million Three Hundred Thousand Dollars (\$2,300,000) and the terms set forth in the Agreement are fair, reasonable, and adequate.
4. The Court further finds that the Settlement was the result of arm’s length negotiations conducted after Class Counsel had adequately investigated the claims and became familiar with the strengths and weaknesses of those claims. In particular, the amount of the Settlement, and the assistance of an experienced mediator in the settlement process, among other factors, support the Court’s conclusion that the Settlement is fair, reasonable, and adequate.

Preliminary Approval of the Settlement

5. On _____, 2021, the Court granted preliminary approval of the Settlement. At this same time, the Court approved conditional certification of the Class for settlement purposes only.

Notice to the Class

6. In compliance with the Preliminary Approval Order, the Court-approved Class Notice was mailed by first class mail to members of the Class at their last-known addresses on or about _____. Mailing of the Class Notice to their last-known addresses was the best notice practicable under the circumstances and was reasonably calculated to communicate actual notice of the litigation and the proposed settlement to the Class. The Class Notice given to the Class Members fully and accurately informed the Class Members of all material elements of the proposed Settlement and of their opportunity to object to or comment thereon or to seek exclusion from the Settlement; was valid, due, and sufficient notice to all Class Members; and complied fully with the laws of the State of California, the United States Constitution, due process and other applicable law. The Class Notice fairly and adequately described the Settlement and provided Class Members adequate instructions and a variety of means to obtain additional information.

7. The deadline for opting out or submitting written objections to the Settlement was _____, which for re-mailings was extended by 15 days. There was an adequate interval between notice and the deadline to permit Class Members to choose what to do and to act on their decision. A full and fair opportunity has been afforded to the Class Members to participate in this hearing, and all Class Members and other persons wishing to be heard have had a full and fair opportunity to be heard. Class Members also have had a full and fair opportunity to exclude themselves from the proposed Settlement and Class. Accordingly, the Court determines that all Class Members who did not timely and properly submit a request for exclusion are bound by the Settlement and this Final Approval Order and Judgment.

Fairness of the Settlement

8. The Agreement is entitled to a presumption of fairness. *Dunk v. Ford Motor Co.* 48 Cal.App.4th 1794, 1801 (1996).

a. The settlement was reached through arm's-length bargaining between the Parties during an all-day mediation before Jeffrey Krivis, an experienced mediator of wage and hour class actions. There has been no collusion between the Parties in reaching the Settlement.

b. Plaintiffs' and their counsel's investigation and discovery have been sufficient to allow the Court and counsel to act intelligently.

c. Counsel for all Parties are experienced in similar employment class action litigation. Plaintiffs' counsel recommended approval of the Agreement.

d. The percentage of objectors and requests for exclusion is small. ____ objections were received. _____ requests for exclusion were received.

e. The participation rate was high. _____ Class Members will be mailed a settlement payment, representing ____% of the overall Class.

9. The consideration to be given to the Class Members under the terms of the Agreement is fair, reasonable and adequate considering the strengths and weaknesses of the claims asserted in this action and is fair, reasonable and adequate compensation for the release of Class Members' claims, given the uncertainties and significant risks of the litigation and the delays which would ensue from continued prosecution of the action.

10. The Agreement is approved as fair, adequate and reasonable and in the best interests of the Class Members.

Attorneys' Fees and Costs

11. An award of \$_____ for attorneys' fees, representing one-third of the Gross Settlement Amount, and \$_____ for litigation costs and expenses, is reasonable, in light of the contingent nature of Class Counsel's fee, the hours worked by Class

Counsel, and the results achieved by Class Counsel. The requested award has been supported by Class Counsel's lodestar and billing statement.

Class Representative Service Payments

12. The Agreement provides for a Class Representative Service Payments of not more than \$10,000 to each of the two Plaintiffs, subject to the Court's approval. The Court finds that Class Representative Service Payments in the amount of \$_____ to each Plaintiff is reasonable in light of the risks and burdens undertaken by the Plaintiffs in this litigation, for their time and effort in bringing and prosecuting this matter on behalf of the Class, and for their execution of a general release.

Settlement Administration Expenses

13. The Settlement Administrator shall calculate and administer the payment to be made to the Class Members, transmit payment for attorneys' fees and costs to Class Counsel, transmit the Class Representative Service Payments to the Plaintiffs, issue all required tax reporting forms, calculate withholdings and perform the other remaining duties set forth in the Agreement. The Settlement Administrator has documented \$_____ in fees and expenses, and this amount is reasonable in light of the work performed by the Settlement Administrator.

PAGA Payment

14. The Agreement provides for a PAGA Payment out of the Gross Settlement Amount of \$50,000, which shall be allocated \$37,500 to the Labor & Workforce Development Agency ("LWDA") as the LWDA's 75% share of the settlement of civil penalties paid under this Agreement pursuant to the PAGA and \$12,500 to be distributed to the Aggrieved Employees based on their respective pay periods worked during the PAGA Period, which is June 1, 2019 through July 31, 2021. "Aggrieved Employees" means all individuals who are or previously were employed by Defendant Mistras Group, Inc. in California and who were classified as non-exempt employees at any time during the PAGA Period. Pursuant to Labor Code section 2699, subdivision (l)(2), the LWDA was provided notice of the Agreement and these settlement terms

and has not indicated any objection thereto. The Court finds this PAGA Payment to be reasonable.

II.

ORDERS

Based on the foregoing findings, and good cause appearing, IT IS HEREBY ORDERED:

1. The Class is certified for the purposes of settlement only. The Class is hereby defined as follows:

All individuals who are or previously were employed by Defendant Mistras Group, Inc. in California and who were classified as non-exempt employees at any time during the Class Period.

The “Class Period” is June 10, 2016 through July 31, 2021, with the exception of any Class members who were part of the California settlement class of *Viceral and Krueger, et al. v. Mistras Group, Inc., et al.*, N.D. Cal. Case No. 3:15-cv-02198-EMC (“*Viceral*”) whose Class Period is limited to February 18, 2017 through July 31, 2021.

2. All persons who meet the foregoing definition are members of the Class, except for those individuals who filed a valid request for exclusion (“opt out”) from the Class. [INSERT REFERENCE TO IDENTIFY ANY OPT OUTS].

3. The Agreement is hereby finally approved as fair, reasonable, adequate, and in the best interest of the Class.

4. Class Counsel are awarded attorneys’ fees in the amount of \$_____ and costs in the amount of \$_____. Class Counsel shall not seek or obtain any other compensation or reimbursement from Defendant, Plaintiffs or members of the Class.

5. The payment of Class Representative Service Payments in the amount of \$_____ to each of the Plaintiffs is approved.

6. The payment of \$_____ to the Settlement Administrator for their fees and expenses is approved.

7. The PAGA Payment of \$50,000 is approved to be distributed in accordance with the Agreement.
8. Pursuant to Labor Code section 2699, subdivision (1)(2), Class Counsel shall submit a copy of this Final Approval Order and Judgment to the LWDA within 10 days after its entry.
9. Neither the Agreement nor this Settlement is an admission by Defendant, nor is this Final Approval Order and Judgment a finding, of the validity of any claims in the Action or of any wrongdoing by Defendant or that this Action is appropriate for class or representative treatment (other than for settlement purposes). Neither this Final Approval Order and Judgment, the Agreement, nor any document referred to herein, nor any action taken to carry out the Agreement is, may be construed as, or may be used as an admission by or against Defendant of any fault, wrongdoing or liability whatsoever. The entering into or carrying out of the Agreement, and any negotiations or proceedings related thereto, shall not in any event be construed as, or deemed to be evidence of, an admission or concession with regard to the denials or defenses by Defendant. Notwithstanding these restrictions, Defendant may file in the Action or in any other proceeding this Final Approval Order and Judgment, the Agreement, or any other papers and records on file in the Action as evidence of the Settlement to support a defense of res judicata, collateral estoppel, release, or other theory of claim or issue preclusion or similar defense as to the Released Class Claims.
10. Notice of entry of this Final Approval Order and Judgment shall be given to all Parties by Class Counsel on behalf of Plaintiffs and all Class Members. The Final Approval Order and Judgment shall be posted on Class Counsel's website as set forth in the Class Notice to the Class. It shall not be necessary to send notice of entry of this Final Approval Order and Judgment to individual Class Members.
11. If the Agreement does not become final and effective in accordance with the terms of the Agreement, then this Final Approval Order and Judgment, and all orders entered in

connection herewith, shall be rendered null and void and shall be vacated, and the Parties shall revert to their respective positions as of before entering into the Agreement, and expressly reserve their respective rights regarding the prosecution and defense of this Action, including all available defenses and affirmative defenses, and arguments that any claim in the Action could not be certified as a class action and/or managed as a representative action.

IT IS HEREBY ORDERED, ADJUDICATED AND DECREED THAT:

15. Except as set forth in the Agreement and this Final Approval Order and Judgment, Plaintiffs, and all members of the Class, shall take nothing in the Action.

16. The Court shall retain jurisdiction to construe, interpret, implement and enforce the Agreement, to hear and resolve any contested challenge to a claim for settlement benefits, and to supervise and adjudicate any dispute arising from or in connection with the distribution of settlement benefits.

17. All Parties shall bear their own attorneys' fees and costs, except as otherwise provided in the Agreement and in this Final Approval Order and Judgment.

18. As of the Effective Date and upon full finding of the Gross Settlement Amount by Defendant, each Class Member who has not validly opted out will be deemed to have released the "Released Class Claims" against the Defendant and all of the "Released Parties" as set forth in the Agreement.

19. As used in paragraph 4 above, the quoted terms have the meanings set forth below:

(a) "Released Class Claims" means all claims that were or could have been alleged in the Complaints and/or Amended Complaints filed in the Actions under any state law, federal law, common law, equity or other theory arising in any way from the facts alleged in the Complaints and/or Amended Complaints filed in the Actions regarding the provision (or alleged non-provision) of wages, compensation, remuneration, expense reimbursements, premium

payments, meal and/or rest breaks (or timing or length of any breaks provided), pre-shift or post-shift work, commute time, and/or wage statements provided to those class members (or the content or lack of content of any wage statements received), during the Class Period, and expressly excluding all other claims, including claims for wrongful termination, unemployment insurance, disability, social security, and workers' compensation, and claims outside of the Class Period. The Released Class Claims include all claims, rights, demands, liabilities, causes of action, and theories of liability of every nature and description, whether known or unknown, that were alleged against Defendant and/or any of the Released Parties, or which could have been alleged based on the facts pled against them in the Complaints and/or Amended Complaints in the Actions during the Class Period. These claims include claims for failure to pay wages for all hours worked, including overtime pay, minimum wages, premium pay, failure to pay for pre- or post-shift work, failure to pay for commute time, failure to pay wage guaranteed or wages at the agreed upon rate and/or failure to calculate wages due at the applicable statutory and/or regular rate of pay or compensation, failure to pay wages semi-monthly at designated times, failure to pay all wages due upon termination, failure to pay waiting time penalties, failure to provide and/or maintain copies of accurate itemized wage statements, failure to maintain records of hours worked and/or accurate payroll records, and/or for penalties (regardless of the recipient), failure to provide meal periods, failure to provide rest periods, failure to reimburse necessary business expenses, damages, interest, costs or attorneys' fees, and violations of any local, state or federal law, whether for economic damages, non-economic damages, liquidated, or punitive damages, restitution, tort, contract, equitable relief, injunctive or declaratory relief, that occurred during the applicable California Class Period and arising from the facts that were alleged or could have been alleged in the Complaints and/or Amended Complaints in the Actions, including claims under any common laws, contract, Fair Labor Standards Act ("FLSA"), the California Business & Professions Code Sections 17200, *et seq.* ("UCL"), including claims asserted under the UCL predicated on violations of any state and/or federal law, including the FLSA, Cal. Code of

Regulations, Title 8, Sections 11000, *et seq.*, Wage Order 4 or any other applicable Wage Order, and the California Labor Code. Notwithstanding the foregoing, the Released Class Claims do not include any individual claim under the Section 16(b) of the FLSA, 29 U.S.C. § 216(b), as to a Participating Class Member who does not opt-in to the Settlement by cashing, depositing or endorsing his or her Settlement share check, to the extent that opting-in is required to release such FLSA claims.

(b) “Released Parties” means, collectively, Defendant, Defendant’s past and present corporate affiliates, subsidiaries, divisions, related entities, divested businesses and business units, and the board members, officers, employees, agents, representatives, insurers and attorneys of any of the same.

20. As of the Effective Date and upon full funding of the Gross Settlement Amount by Defendant, Defendant shall receive a release from the State of California of all PAGA claims pled or could have been pled based on the factual allegations contained in in the Complaints and/or Amended Complaints filed in the Actions and the written notice(s) sent to the Labor & Workforce Development Agency pursuant to California Labor Code § 2699.3(a)(1) that occurred during the PAGA Period as to the Aggrieved Employees and excluding all PAGA claims outside of the PAGA Period (“Released PAGA Claims”). The release of the Released PAGA Claims shall be effective as to all Aggrieved Employees, regardless of whether an Aggrieved Employee submitted a request for an exclusion from the Class.

21. Plaintiffs have generally released all claims as set forth in the Agreement and have agreed to a waiver of Civil Code section 1542.

22. If any Participating Class Member’s check remains uncashed by the expiration date, the funds from such uncashed checks will be paid to the California State Controller’s Unclaimed Property Fund in the name of the Participating Class Member.

23. The Court hereby enters judgment in the entire Action as of the filing date of this Order and Judgment, pursuant to the terms set forth in the Settlement. Without affecting the

finality of this Order and Judgment in any way, the Court hereby retains continuing jurisdiction over the interpretation, implementation, and enforcement of the Settlement and all orders entered in connection therewith pursuant to California Code of Civil Procedure section 664.6.

LET JUDGMENT BE FORTHWITH ENTERED ACCORDINGLY. IT IS SO ORDERED.

Dated: _____

HON. DANIEL J. BUCKLEY
JUDGE OF THE SUPERIOR COURT OF CALIFORNIA

**CERTIFICATION PURSUANT TO RULE 13A-14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934**

I, Dennis Bertolotti, certify that:

1. I have reviewed this report on Form 10-Q of Mistras Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 03, 2021

/s/ Dennis Bertolotti

Dennis Bertolotti
President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO RULE 13A-14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934**

I, Edward J. Prajzner, certify that:

1. I have reviewed this report on Form 10-Q of Mistras Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 03, 2021

/s/ Edward J. Prajzner

Edward J. Prajzner

Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Each of the undersigned hereby certifies, for the purposes of section 1350 of chapter 63 of title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in his capacity as an officer of Mistras Group, Inc. (the "Company"), that, to his knowledge, the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2021 (the "Report"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. This written statement is being furnished to the Securities and Exchange Commission as an exhibit to the Report.

Dated: November 03, 2021

/s/ Dennis Bertolotti

Dennis Bertolotti

President and Chief Executive Officer

(Principal Executive Officer)

/s/ Edward J. Prajzner

Edward J. Prajzner

Executive Vice President, Chief Financial Officer and Treasurer

(Principal Financial Officer)