
**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 **November 30, 2014**

Or

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

For the transition period to

Commission file number **001- 34481**

Mistras Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

22-3341267

(I.R.S. Employer
Identification No.)

195 Clarksville Road

Princeton Junction, New Jersey
(Address of principal executive offices)

08550

(Zip Code)

(609) 716-4000

(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

Yes No

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

Large accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

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 January 1, 2015, the registrant had 28,623,549 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)

	(unaudited)	
	November 30, 2014	May 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 19,599	\$ 10,020
Accounts receivable, net	164,888	137,824
Inventories	12,188	11,376
Deferred income taxes	3,775	3,283
Prepaid expenses and other current assets	15,536	12,626
Total current assets	215,986	175,129
Property, plant and equipment, net	82,266	77,811
Intangible assets, net	61,543	57,875
Goodwill	169,088	130,516
Deferred income taxes	1,301	1,344
Other assets	1,887	1,297
Total assets	\$ 532,071	\$ 443,972
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 15,558	\$ 14,978
Accrued expenses and other current liabilities	54,594	54,650
Current portion of long-term debt	17,988	8,058
Current portion of capital lease obligations	6,968	7,251
Income taxes payable	2,133	1,854
Total current liabilities	97,241	86,791
Long-term debt, net of current portion	137,080	68,590
Obligations under capital leases, net of current portion	12,968	13,664
Deferred income taxes	20,369	15,521
Other long-term liabilities	14,699	17,014
Total liabilities	282,357	201,580
Commitments and contingencies		
Equity		
Preferred stock, 10,000,000 shares authorized	—	—
Common stock, \$0.01 par value, 200,000,000 shares authorized	286	284
Additional paid-in capital	204,987	201,831
Retained earnings	53,593	41,500
Accumulated other comprehensive loss	(9,427)	(1,511)
Total Mistras Group, Inc. stockholders' equity	249,439	242,104
Noncontrolling interests	275	288
Total equity	249,714	242,392
Total liabilities and equity	\$ 532,071	\$ 443,972

The accompanying notes are an integral part of these condensed consolidated financial statements.

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

	Three months ended November 30,		Six months ended November 30,	
	2014	2013	2014	2013
Revenue	\$ 206,893	\$ 156,755	\$ 373,466	\$ 292,593
Cost of revenue	142,940	104,494	262,662	196,747
Depreciation	4,914	4,284	9,771	8,592
Gross profit	59,039	47,977	101,033	87,254
Selling, general and administrative expenses	37,180	29,849	72,400	58,548
Research and engineering	629	786	1,278	1,429
Depreciation and amortization	3,472	2,501	6,894	4,958
Acquisition-related expense (benefit), net	(434)	(411)	(1,395)	(2,508)
Income from operations	18,192	15,252	21,856	24,827
Interest expense	1,352	772	2,257	1,517
Income before provision for income taxes	16,840	14,480	19,599	23,310
Provision for income taxes	6,428	5,196	7,516	8,391
Net income	10,412	9,284	12,083	14,919
Less: net loss (income) attributable to noncontrolling interests, net of taxes	15	(27)	10	(21)
Net income attributable to Mistras Group, Inc.	<u>\$ 10,427</u>	<u>\$ 9,257</u>	<u>\$ 12,093</u>	<u>\$ 14,898</u>
Earnings per common share				
Basic	\$ 0.36	\$ 0.33	\$ 0.42	\$ 0.53
Diluted	\$ 0.35	\$ 0.32	\$ 0.41	\$ 0.51
Weighted average common shares outstanding:				
Basic	28,619	28,378	28,547	28,309
Diluted	29,397	29,102	29,551	29,147

The accompanying notes are an integral part of these condensed consolidated financial statements.

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

	Three months ended November 30,		Six months ended November 30,	
	2014	2013	2014	2013
Net income	\$ 10,412	\$ 9,284	\$ 12,083	\$ 14,919
Other comprehensive (loss)/income:				
Foreign currency translation adjustments	(6,011)	2,697	(7,916)	2,432
Comprehensive income	4,401	11,981	4,167	17,351
less: comprehensive (income) loss attributable to noncontrolling interest	15	(27)	10	(21)
Comprehensive income attributable to Mistras Group, Inc.	\$ 4,416	\$ 11,954	\$ 4,177	\$ 17,330

The accompanying notes are an integral part of these condensed consolidated financial statements.

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

	Six months ended November 30,	
	2014	2013
Cash flows from operating activities		
Net income	\$ 12,083	\$ 14,919
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	16,665	13,550
Deferred income taxes	1,192	695
Share-based compensation expense	4,257	2,747
Fair value adjustment to contingent consideration liabilities	(808)	(2,976)
Other	968	211
Changes in operating assets and liabilities, net of effect of acquisitions of businesses:		
Accounts receivable	(24,196)	(12,498)
Inventories	601	(265)
Prepaid expenses and other current assets	(2,952)	(2,802)
Other assets	(478)	(22)
Accounts payable	(666)	2,524
Accrued expenses and other current liabilities	(3,041)	124
Income taxes payable	(395)	(573)
Net cash provided by operating activities	3,230	15,634
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,862)	(8,189)
Purchase of intangible assets	(433)	(275)
Acquisition of businesses, net of cash acquired	(32,967)	(1,507)
Proceeds from sale of equipment	596	734
Acquisition-related deposit	—	(11,000)
Net cash used in investing activities	(40,666)	(20,237)
Cash flows from financing activities		
Repayment of capital lease obligations	(4,183)	(3,757)
Repayment of long-term debt	(9,854)	(4,105)
Net borrowings against revolver	62,648	22,013
Payment of contingent consideration for business acquisitions	(700)	(500)
Taxes paid related to net share settlement of share-based awards	(1,384)	(1,005)
Excess tax benefit from share-based compensation	283	122
Proceeds from the exercise of stock options	—	362
Net cash provided by (used in) financing activities	46,810	13,130
Effect of exchange rate changes on cash and cash equivalents	205	(89)
Net change in cash and cash equivalents	9,579	8,438
Cash and cash equivalents		
Beginning of period	10,020	7,802
End of period	\$ 19,599	\$ 16,240
Supplemental disclosure of cash paid		
Interest	\$ 1,815	\$ 1,666
Income taxes	\$ 8,028	\$ 7,570
Noncash investing and financing		
Equipment acquired through capital lease obligations	\$ 3,533	\$ 3,443
Issuance of notes payable	\$ 20,500	\$ —

The accompanying notes are an integral part of these condensed consolidated financial statements.

Mistras Group, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements
(tabular dollars 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” global provider of technology-enabled asset protection solutions used to evaluate the structural integrity and reliability of critical energy, industrial and public infrastructure. The Company combines industry-leading products and technologies, expertise in mechanical integrity (MI) and non-destructive testing (NDT) services and proprietary data analysis software to deliver a comprehensive portfolio of customized solutions, ranging from routine inspections to complex, plant-wide asset integrity assessments and management. These mission critical solutions enhance customers’ ability to extend the useful life of their assets, increase productivity, minimize repair costs, comply with governmental safety and environmental regulations, manage risk and avoid catastrophic disasters. The Company serves a global customer base of companies with asset-intensive infrastructure, including companies in the oil and gas, fossil and nuclear power, alternative and renewable energy, public infrastructure, chemicals, aerospace and defense, transportation, primary metals and metalworking, pharmaceuticals and food processing industries.

Basis of Presentation

The condensed consolidated financial statements contained in this report are unaudited. In the opinion of management, the 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 fiscal years ending May 31, 2015 and 2014. Reference to a fiscal year means the fiscal year ended May 31. 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 consolidated financial statements contained in the Company’s Annual Report on Form 10-K (“Annual Report”) for fiscal 2014, as filed with the Securities and Exchange Commission on August 8, 2014.

Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements include the accounts of Mistras Group, Inc. and its wholly and majority-owned subsidiaries. For subsidiaries in which the Company’s ownership interest is less than 100%, the noncontrolling interests are reported in stockholders’ equity in the accompanying consolidated balance sheets. The noncontrolling interests in net income, net of tax, is classified separately in the accompanying consolidated statements of income.

All significant intercompany accounts and transactions have been eliminated in consolidation. Mistras Group, Inc.’s and its subsidiaries’ fiscal years end on May 31 except for the subsidiaries in the International segment, which end on April 30. Accordingly, the Company’s International segment subsidiaries are consolidated on a one month lag. Therefore, in the quarter and year of acquisition, results of acquired subsidiaries in the International segment are generally included in consolidated results for one less month than the actual number of months from the acquisition date to the end of the reporting period. Management does not believe that any events occurred during the one-month lag period that would have a material effect on the Company’s consolidated financial statements.

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.

Significant Accounting Policies

The Company’s significant accounting policies are disclosed in Note 2 — *Summary of Significant Accounting Policies* in our Annual Report. On an ongoing basis, we evaluate its estimates and assumptions, including, among other things those related to revenue recognition, valuations of accounts receivable, long-lived assets, goodwill, deferred tax assets and uncertain tax positions. Since the date of the 2014 Annual Report, there have been no material changes to our significant accounting policies.

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

Recent Accounting Pronouncements

On May 28, 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for the Company on January 1, 2017. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

2. Share-Based Compensation

The Company has share-based incentive awards outstanding to its eligible employees and Directors under two employee stock ownership plans: (i) the 2007 Stock Option Plan (the 2007 Plan), and (ii) the 2009 Long-Term Incentive Plan (the 2009 Plan). No further awards may be granted under the 2007 Plan, although awards granted under the 2007 Plan remain outstanding in accordance with their terms. Awards granted under the 2009 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.

Stock Options

For the three months ended November 30, 2014 and 2013, the Company recognized share-based compensation expense related to stock option awards of less than \$0.1 million and \$0.1 million, respectively. For the six months ended November 30, 2014 and 2013, the Company recognized share-based compensation expense related to stock option awards of less than \$0.1 million and \$0.7 million respectively. As of November 30, 2014, there was less than \$0.1 million of unrecognized compensation costs, net of estimated forfeitures, related to stock option awards, which are expected to be recognized over a remaining weighted average period of 1.3 years.

No stock options were granted during the six months ended November 30, 2014 and 2013.

Restricted Stock Unit Awards

For each of the three months ended November 30, 2014 and 2013, the Company recognized share-based compensation expense related to restricted stock unit awards of \$1.2 million and \$1.1 million, respectively. For the six months ended November 30, 2014 and 2013, the Company recognized share-based compensation expense related to restricted stock unit awards of \$2.3 million and \$1.9 million, respectively. As of November 30, 2014, there was \$10.2 million of unrecognized compensation costs, net of estimated forfeitures, related to restricted stock unit awards, which are expected to be recognized over a remaining weighted average period of 2.6 years.

During the first quarter of fiscal 2015 and 2014, the Company granted approximately 10,000 shares of fully-vested common stock to its five non-employee directors, in connection with its non-employee director compensation plan. These shares had grant date fair values of \$0.2 million for each period respectively, which was recorded as share-based compensation expense during the six months ended November 30, 2014 and 2013.

During the first half of fiscal 2015 and 2014, approximately 226,000 and 175,000 restricted stock units, respectively, vested. The fair value of these units was \$4.9 million and \$3.2 million, respectively. Upon vesting, restricted stock units are generally net share-settled to cover the required minimum withholding tax and the remaining amount is converted into an equivalent number of shares of common stock.

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

Performance Restricted Stock Units

In the second quarter of fiscal 2015, the company granted performance restricted stock units to its executive and certain other senior officers. These units have requisite service (vesting) periods of three years and have no dividend rights. For the three months ended November 30, 2014, the Company recognized share-based compensation expense related to performance restricted stock units of \$0.1 million. At November 30, 2014, there was \$1.8 million of total unrecognized compensation costs related to approximately 115,000 non-vested performance restricted stock units. These costs are expected to be recognized over a weighted-average period of approximately 2.8 years. The actual payout of these units will vary based on the Company's performance over a three -year period (based on pre-established targets) and a market condition modifier based on total shareholder return (TSR) compared to an industry peer group. Compensation cost is initially measured assuming that the target performance condition will be achieved. However, compensation cost related to the performance condition is adjusted for subsequent changes in the expected outcome of the performance condition. Compensation cost related to the TSR condition is fixed at the measurement date, and not subsequently adjusted.

In the second quarter of fiscal 2014, the company granted performance restricted stock units to its executive and certain other senior officers. These units have requisite service (vesting) periods of three years and have no dividend rights.

For the three months ended November 30, 2014 and 2013, the Company recognized share-based compensation expense related to performance restricted stock units of \$0.8 million and less than \$0.1 million, respectively. For the six months ended November 30, 2014 and 2013, the Company recognized share-based compensation expense related to performance restricted stock units of \$1.6 million and less than \$0.1 million, respectively. At November 30, 2014, there was \$5.7 million of total unrecognized compensation costs related to approximately 423,000 non-vested performance restricted stock units. These costs are expected to be recognized over a weighted-average period of approximately 1.8 years. The actual payout of these units will vary based on the Company's performance over one, two and three-year periods (based on pre-established targets) and a market condition modifier based on TSR compared to an industry peer group. Compensation cost is initially measured assuming that the target performance condition will be achieved. However, compensation cost related to the performance condition is adjusted for subsequent changes in the expected outcome of the performance condition. Compensation cost related to the TSR condition is fixed at the measurement date, and not subsequently adjusted. The one-year performance condition of the fiscal 2014 awards was not achieved. The one-year market condition of the fiscal 2014 awards was achieved and will payout at 170% of target once the requisite service period is complete.

3. Earnings per Share

Basic earnings 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) only 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.

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

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

	Three months ended November 30,		Six months ended November 30,	
	2014	2013	2014	2013
Basic earnings per share				
Numerator:				
Net income attributable to Mistras Group, Inc.	\$ 10,427	\$ 9,257	\$ 12,093	\$ 14,898
Denominator:				
Weighted average common shares outstanding	28,619	28,378	28,547	28,309
Basic earnings per share	\$ 0.36	\$ 0.33	\$ 0.42	\$ 0.53
Diluted earnings per share:				
Numerator:				
Net income attributable to Mistras Group, Inc.	\$ 10,427	\$ 9,257	\$ 12,093	\$ 14,898
Denominator:				
Weighted average common shares outstanding	28,619	28,378	28,547	28,309
Dilutive effect of stock options outstanding	675	697	763	702
Dilutive effect of restricted stock units outstanding	103	27	241	136
	29,397	29,102	29,551	29,147
Diluted earnings per share	\$ 0.35	\$ 0.32	\$ 0.41	\$ 0.51

4. Acquisitions

In the first half of fiscal 2015, the Company completed three acquisitions. The Company purchased The NACHER Corporation, located in Louisiana, a provider of maintenance and inspection services primarily on offshore platforms. This acquisition expands the service offerings within the Services segment, allowing the Company to provide services to the upstream operations of its customers. The Company also purchased a group of asset protection businesses located in Quebec, Canada to continue its market expansion strategy. The Company's International Segment completed an acquisition of an asset inspection business located in the United Kingdom.

In these acquisitions, the Company acquired 100% of the common stock or certain assets of each acquiree in exchange for aggregate consideration of approximately \$33.7 million in cash and \$20.5 million in notes payable issued as part of the acquisition and other liabilities assumed. The Company accounted for these transactions in accordance with the acquisition method of accounting for business combinations. In addition, the acquisition in Quebec provides for contingent consideration of up to \$2.7 million to be earned based upon the acquired business achieving specific performance metrics over the next three years of operation. The Company is in the process of completing the preliminary purchase price allocations.

In the first half of fiscal 2014, the Company completed an acquisition of a professional engineering consulting and technical training services company located in the U.S. serving the hydrocarbon processing and other energy-related industries. This company was acquired to complement service offerings within the Company's Services segment and expand its technical capabilities. The Company acquired 100% of the common stock in exchange for \$1.5 million in cash.

The Company is continuing its review of the fair value estimate of assets acquired and liabilities assumed for one entity acquired in fiscal 2014. This process will conclude as soon as the Company finalizes information regarding facts and circumstances that existed as of the acquisition date. Goodwill and intangibles for this entity totaled \$0.6 million and \$1.6 million, respectively. This measurement period will not exceed one year from the acquisition date.

The assets and liabilities of the businesses acquired in fiscal 2015 were included in the Company's consolidated balance sheet based upon their estimated fair values on the date of acquisition as determined in a preliminary purchase price allocation, using available information and making assumptions management believes are reasonable. The Company is still in the process of completing its valuation of the assets, both tangible and intangible, and liabilities acquired. The results of operations for these acquisitions are included in each respective operating segment's results of operations from the date of acquisition. For acquisitions in fiscal 2015 and 2014 for which the final purchase accounting has yet to be completed, the Company's

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

preliminary purchase price allocations are included in the table below, summarizing the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

	Fiscal	
	2015	2014
Number of Entities	2	1
Consideration transferred:		
Cash paid	\$ 32,529	\$ 2,300
Notes payable issued to seller	20,000	—
Contingent consideration	1,373	297
Consideration transferred	<u>53,902</u>	<u>2,597</u>
Current assets	9,996	346
Property, plant and equipment	6,764	68
Current deferred tax asset	481	—
Intangibles	11,561	1,600
Goodwill	42,042	583
Current liabilities	(12,570)	—
Long-term deferred tax liability	(4,372)	—
Net assets acquired	<u>\$ 53,902</u>	<u>\$ 2,597</u>

The amortization period of intangible assets acquired in fiscal 2015 ranges from 3 to 10 years. The Company recorded \$42.9 million of goodwill in connection with these acquisitions, reflecting the strategic fit and revenue and earnings growth potential of these business.

Revenues and operating income from these acquisitions for the period subsequent to the closing of these transactions were \$25.9 million and \$2.7 million, respectively, for the six month period ended November 30, 2014. No unaudited pro forma financial information is required as these acquisitions are not significant to the Company.

During the three and six month periods ended November 30, 2014, the Company incurred acquisition-related costs of \$0.2 million, in connection with due diligence, professional fees, and other expenses related to its acquisition activity. Additionally, the Company adjusted the fair value of certain previously recorded acquisition-related contingent consideration liabilities. For the three and six month periods ended November 30, 2014, these adjustments resulted in a net decrease of acquisition-related contingent consideration liabilities and a corresponding increase in income from operations of \$0.6 million and \$1.6 million, respectively. The Company's aggregate acquisition-related contingent consideration liabilities were \$12.5 million and \$14.1 million as of November 30, 2014 and May 31, 2014, respectively.

During the three and six month period ended November 30, 2013, the Company incurred acquisition-related costs of \$0.4 million and \$0.5 million in connection with due diligence, professional fees, and other expenses for its acquisition activity. Additionally, the Company adjusted the fair value of certain acquisition-related contingent consideration liabilities. For the three and six month periods ended November 30, 2013, these adjustments resulted in a net decrease of acquisition-related contingent consideration liabilities and a corresponding increase in income from operations of approximately \$0.8 million and \$3.0 million, respectively.

The fair value adjustments to acquisition-related contingent consideration liabilities and the acquisition-related transaction costs have been classified as acquisition-related expense, net in the condensed consolidated statements of income for the three and six month periods ended November 30, 2014 and 2013.

5. Accounts Receivable, net

Accounts receivable consisted of the following:

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

	November 30, 2014	May 31, 2014
Trade accounts receivable	\$ 167,518	\$ 140,120
Allowance for doubtful accounts	(2,630)	(2,296)
Account receivable, net	<u>\$ 164,888</u>	<u>\$ 137,824</u>

6. Inventories

Inventories consisted of the following:

	November 30, 2014	May 31, 2014
Raw materials	\$ 3,832	\$ 3,663
Work in process	1,897	2,069
Finished goods	3,991	3,462
Services-related consumable supplies	2,468	2,182
Inventory	<u>\$ 12,188</u>	<u>\$ 11,376</u>

7. Property, Plant and Equipment, net

Property, plant and equipment consisted of the following:

	Useful Life (Years)	November 30, 2014	May 31, 2014
Land		\$ 1,905	\$ 1,938
Buildings and improvements	30-40	17,948	22,983
Office furniture and equipment	5-8	7,731	7,169
Machinery and equipment	5-7	156,979	144,798
		<u>184,563</u>	<u>176,888</u>
Accumulated depreciation and amortization		(102,297)	(99,077)
Property, plant and equipment, net		<u>\$ 82,266</u>	<u>\$ 77,811</u>

Depreciation expense for the three months ended November 30, 2014 and 2013 was \$5.5 million and \$4.6 million, respectively. Depreciation expense for the six months ended November 30, 2014 and 2013 was \$10.9 million and \$9.2 million, respectively.

8. Intangible Assets

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

	Useful Life (Years)	November 30, 2014			May 31, 2014		
		Gross Amount	Accumulated Amortization	Net Carrying Amount	Gross Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	5-12	\$ 87,595	\$ (38,261)	\$ 49,334	\$ 82,395	\$ (34,636)	\$ 47,759
Software/Technology	3-15	15,447	(9,684)	5,763	15,328	(9,172)	6,156
Covenants not to compete	2-5	10,408	(8,266)	2,142	9,471	(7,882)	1,589
Other	2-5	8,212	(3,908)	4,304	5,869	(3,498)	2,371
Total		<u>\$ 121,662</u>	<u>\$ (60,119)</u>	<u>\$ 61,543</u>	<u>\$ 113,063</u>	<u>\$ (55,188)</u>	<u>\$ 57,875</u>

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Amortization expense for the three months ended November 30, 2014 and 2013 was \$2.9 million and \$2.2 million, respectively. Amortization expense for the six months ended November 30, 2014 and 2013 was \$5.8 million and \$4.3 million, respectively.

9. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

	November 30, 2014	May 31, 2014
Accrued salaries, wages and related employee benefits	\$ 24,677	\$ 26,236
Contingent consideration, current portion	4,382	4,778
Accrued workers' compensation and health benefits	6,893	3,661
Deferred revenue	2,447	2,659
Other accrued expenses	16,195	17,316
Total accrued expenses and other liabilities	<u>\$ 54,594</u>	<u>\$ 54,650</u>

10. Long-Term Debt

Long-term debt consists of the following:

	November 30, 2014	May 31, 2014
Senior credit facility	\$ 123,796	\$ 61,148
Notes payable	26,335	10,512
Other	4,937	4,988
Total debt	155,068	76,648
Less: Current portion	(17,988)	(8,058)
Long-term debt, net of current portion	<u>\$ 137,080</u>	<u>\$ 68,590</u>

Senior Credit Facility

On October 31, 2014, the Company entered into a Third Amendment and Modification Agreement (the "Amendment"), to its revolving line of credit, the Third Amended and Restated Credit Agreement ("Credit Agreement"), dated December 21, 2011, with Bank of America, N.A., as agent for the lenders and a lender, and JPMorgan Chase Bank, N.A., Keybank, National Association and TD Bank, N.A., as lenders. The Amendment increased the Company's revolving line of credit to from \$125.0 million to \$175.0 million and provides that under certain circumstances the line of credit can be increased to \$225.0 million. The Company may continue to borrow up to \$30.0 million in non-U.S. Dollar currencies and use up to \$10.0 million of the credit limit for the issuance of letters of credit. The Amendment also extended the original maturity date of the Credit Agreement from December 20, 2016 to October 30, 2019. As of November 30, 2014, the Company had borrowings of \$123.8 million and a total of \$4.2 million of letters of credit outstanding under the Credit Agreement.

Loans under the Credit Agreement bear interest at LIBOR plus an applicable LIBOR margin ranging from 1% to 1.75%, or a base rate less a margin of 1.25% to 0.375%, at the option of the Company, or based upon the Company's Funded Debt Leverage Ratio. Funded Debt Leverage Ratio is generally the ratio of (1) all outstanding indebtedness for borrowed money and other interest-bearing indebtedness as of the date of determination to (2) EBITDA (which is (a) net income, less (b) income (or plus loss) from discontinued operations and extraordinary items, plus (c) income tax expenses, plus (d) interest expense, plus (e) depreciation, depletion, and amortization (including non-cash loss on retirement of assets), plus (f) stock compensation expense, less (g) cash expense related to stock compensation, plus or minus certain other adjustments) for the period of four consecutive fiscal quarters immediately preceding the date of determination. The Company has the benefit of the lowest margin if its Funded Debt Leverage Ratio is equal to or less than 0.5 to 1, and the margin increases as the ratio increases, to the maximum margin if the ratio is greater than 2.0 to 1. The Company will also bear additional costs for market disruption, regulatory changes effecting the lenders' funding costs, and default pricing of an additional 2% interest rate margin on any

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amounts not paid when due. Amounts borrowed under the Credit Agreement are secured by liens on substantially all of the assets of the Company.

The Credit Agreement contains financial covenants requiring that the Company maintain a Funded Debt Leverage Ratio of no greater than 3.0 to 1 and an Interest Coverage Ratio of at least 3.0 to 1. Interest Coverage Ratio means the ratio, as of any date of determination, of (a) EBITDA for the 12 month period immediately preceding the date of determination, to (b) all interest, premium payments, debt discount, fees, charges and related expenses of the Company and its subsidiaries in connection with borrowed money (including capitalized interest) or in connection with the deferred purchase price of assets, in each case to the extent treated as interest in accordance with GAAP, paid during the 12 month period immediately preceding the date of determination. The Credit Agreement also limits the Company's ability to, among other things, create liens, make investments, incur more indebtedness, merge or consolidate, make dispositions of property, pay dividends and make distributions to stockholders, enter into a new line of business, enter into transactions with affiliates and enter into burdensome agreements. The Credit Agreement does not limit the Company's ability to acquire other businesses or companies except that the acquired business or company must be in its line of business, the Company must be in compliance with the financial covenants on a pro forma basis after taking into account the acquisition, and, if the acquired business is a separate subsidiary, in certain circumstances the lenders will receive the benefit of a guaranty of the subsidiary and liens on its assets and a pledge of its stock.

As of November 30, 2014, the Company was in compliance with the terms of the Credit Agreement, and will continuously monitor its compliance with the covenants contained in its credit agreement.

Notes Payable and Other

In connection with certain of its acquisitions through fiscal 2015, the Company issued subordinated notes payable to the sellers. The maturity of these notes range from two to five years from the date of acquisition with stated interest rates ranging from 0% to 4%. The Company has discounted these obligations to reflect a 2% to 4% market interest. Unamortized discount on the notes was de minimis as of November 30, 2014 and May 31, 2014. Amortization is recorded as interest expense in the consolidated statements of income.

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 capital lease obligations approximates their carrying amounts based on anticipated interest rates which management believes would currently be available to the Company for similar issues of debt.

11. 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. The three levels of the hierarchy are defined as follows:

Level 1 — Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 — Observable inputs other than quoted prices included in Level 1, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability and inputs derived principally from or corroborated by observable market data.

Level 3 — Unobservable inputs reflecting the Company's own assumptions about inputs that market participants would use in pricing the asset or liability based on the best information available.

In accordance with the fair value hierarchy described above, the following table shows the fair value of the Company's financial liabilities that are required to be remeasured at fair value on a recurring basis:

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	November 30, 2014			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Contingent consideration	\$ —	\$ —	\$ 12,531	\$ 12,531
Total Liabilities	\$ —	\$ —	\$ 12,531	\$ 12,531

	May 31, 2014			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Contingent consideration	\$ —	\$ —	\$ 14,145	\$ 14,145
Total Liabilities	\$ —	\$ —	\$ 14,145	\$ 14,145

The fair value of contingent consideration liabilities that was classified as Level 3 in the table above 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.

12. Commitments and Contingencies

Litigation

The Company is subject to periodic lawsuits, investigations and claims that arise in the ordinary course of business. Although the Company cannot predict with certainty the ultimate resolution of lawsuits, investigations and claims asserted against it, 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 in such matters may be covered by insurance.

In January 2012, the Company received notice of a governmental investigation concerning an environmental incident which occurred in February 2011 outside on the premises of its Cudahy, California location. No human injury or property damage was reported or appears to have been caused as a result of this incident. While management cannot predict the ultimate outcome of this matter, based on its internal investigation to date, the Company does not believe the outcome will have a material effect on its financial condition or results of operations.

During fiscal 2012 and 2013, the Company performed radiography work on the construction of pipeline projects in Georgia. The Company has received notice that the owner of the pipeline projects contends that certain of the x-ray images the Company's technicians prepared did not meet the code quality interpretation standards required by API (American Petroleum Institute) 1104. The owner of the projects is claiming damages as a result of the alleged quality defects of the Company's x-ray images. No lawsuit has been filed at this time. The Company is currently unable to determine the likely outcome or reasonably estimate the amount or range of potential liability related to this matter, and accordingly, has not established any reserves for this matter.

The Company has received a notice from an insurance company of a chemical plant alleging that the Company is liable due to faulty inspections for all or part of \$46 million of damages paid by the insurance company as a result of an explosion at the facility. The Company believes it was not involved in inspecting the portion of the plant where the explosion occurred and therefore has no liability for the claim. Accordingly, the Company has not established a reserve for this matter.

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Acquisition-related contingencies

The Company is liable for contingent consideration in connection with certain of its acquisitions. As of November 30, 2014, total potential acquisition-related contingent consideration ranged from zero to approximately \$26.9 million and would be payable upon the achievement of specific performance metrics by certain of the acquired companies over the next three years of operations. See Note 4 - *Acquisitions* to these consolidated financial statements for further discussion of the Company's acquisitions.

13. Segment Disclosure

The Company's three operating segments are:

- *Services*. This segment provides asset protection solutions primarily in North America with the largest concentration in the United States and the Canadian services business, consisting primarily of non-destructive testing and inspection and engineering services that are used to evaluate the structural integrity and reliability of critical energy, industrial and public infrastructure.
- *International*. This segment offers services, products and systems similar to those of the Company's other two segments to global markets, principally in 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*. 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.

Allocations for general corporate services, including accounting, audit, and contract management, 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. All such intersegment transactions are eliminated in the Company's consolidated financial reporting.

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 determined based on internal performance measures used by the Chief Executive Officer, who is the chief operating decision maker, to assess the performance of each business in a given period and to make decisions as to resource allocations. In connection with that assessment, the Chief Executive Officer may exclude matters such as charges for share-based compensation and certain other acquisition-related charges and balances, technology and product development costs, certain gains and losses from dispositions, and litigation settlements or other charges. Certain general and administrative costs such as human resources, information technology and training are allocated to the segments. Segment income from operations also 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 depreciation on the corporate office facilities and equipment, administrative charges related to corporate personnel and other charges that cannot be readily identified for allocation to a particular segment.

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Selected consolidated financial information by segment for the periods shown was as follows:

	Three months ended November 30,		Six months ended November 30,	
	2014	2013	2014	2013
Revenues				
Services	\$ 160,874	\$ 108,862	\$ 282,806	\$ 204,672
International	41,018	43,209	81,056	80,968
Products and Systems	7,495	8,604	14,062	15,189
Corporate and eliminations	(2,494)	(3,920)	(4,458)	(8,236)
	\$ 206,893	\$ 156,755	\$ 373,466	\$ 292,593

	Three months ended November 30,		Six months ended November 30,	
	2014	2013	2014	2013
Gross profit				
Services	\$ 44,252	\$ 30,918	\$ 74,023	\$ 57,665
International	11,309	13,293	20,777	23,413
Products and Systems	3,328	3,718	5,992	6,102
Corporate and eliminations	150	48	241	74
	\$ 59,039	\$ 47,977	\$ 101,033	\$ 87,254

	Three months ended November 30,		Six months ended November 30,	
	2014	2013	2014	2013
Income (loss) from operations				
Services	\$ 20,071	\$ 14,400	\$ 28,951	\$ 25,246
International	3,177	7,293	2,478	9,108
Products and Systems	417	469	(16)	1,060
Corporate and eliminations	(5,473)	(6,910)	(9,557)	(10,587)
	\$ 18,192	\$ 15,252	\$ 21,856	\$ 24,827

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

	Three months ended November 30,		Six months ended November 30,	
	2014	2013	2014	2013
Depreciation and amortization				
Services	\$ 5,579	\$ 4,156	\$ 10,964	\$ 8,391
International	2,050	1,983	4,211	3,905
Products and Systems	605	583	1,201	1,166
Corporate and eliminations	152	63	289	88
	\$ 8,386	\$ 6,785	\$ 16,665	\$ 13,550

	November 30, 2014		May 31, 2014	
Goodwill				
Services	\$ 115,039	\$ 73,767		
International	40,852	43,552		
Products and Systems	13,197	13,197		
	\$ 169,088	\$ 130,516		

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	November 30, 2014	May 31, 2014
Total assets		
Services	\$ 345,133	\$ 249,378
International	143,527	155,571
Products and Systems	35,697	38,041
Corporate and eliminations	7,714	982
	<u>\$ 532,071</u>	<u>\$ 443,972</u>

Revenues by geographic area for the three and six months ended November 30, 2014 and 2013, respectively, were as follows:

	Three months ended November 30,		Six months ended November 30,	
	2014	2013	2014	2013
Revenues				
United States	\$ 140,308	\$ 99,497	\$ 252,248	\$ 182,654
Other Americas	25,266	13,752	39,564	27,172
Europe	38,081	37,399	74,726	72,805
Asia-Pacific	3,238	6,107	6,928	9,962
	<u>\$ 206,893</u>	<u>\$ 156,755</u>	<u>\$ 373,466</u>	<u>\$ 292,593</u>

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

The following Management’s Discussion and Analysis (“MD&A”) includes a narrative explanation and analysis of our results of operations and financial condition for the three and six months ended November 30, 2014 and 2013. The MD&A should be read together with our 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 fiscal 2014 (“2014 Annual Report”). In this quarterly report, our fiscal years, which end on May 31, are identified according to the calendar year in which they end (e.g., the fiscal year ending May 31, 2015 is referred to as “fiscal 2015”), and 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 disclosure in the following areas:

- Forward-Looking Statements
- Overview
- 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 (Securities Act), 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, unknown risks, uncertainties or other factors. 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 2014 Annual Report as well as those discussed in our other Securities and Exchange Commission (SEC) filings.

Overview

We offer our customers “one source for asset protection solutions” ® and are a leading global provider of technology-enabled asset protection solutions used to evaluate the structural integrity and reliability of critical energy, industrial and public infrastructure. We combine industry-leading products and technologies, expertise in mechanical integrity (MI), Non-Destructive Testing (NDT), Destructive Testing (DT) and predictive maintenance (PdM) services, process and fixed asset engineering and consulting services, proprietary data analysis and our world class enterprise inspection database management and analysis software, PCMS, to deliver a comprehensive portfolio of customized solutions, ranging from routine inspections to complex, plant-wide asset integrity management and assessments. These mission critical solutions enhance our customers’ ability to comply with governmental safety and environmental regulations, extend the useful life of their assets, increase productivity, minimize repair costs, manage risk and avoid catastrophic disasters. 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 along with a growing Canadian services business, consisting primarily of NDT, and inspection and engineering services that are used to evaluate the structural integrity and reliability of critical energy, industrial and public infrastructure.
- *International* offers services, products and systems similar to those of the other segments to global markets, principally in 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 ensuring the safe and efficient operation of infrastructure, we have historically provided a majority of our services to our customers on a regular, recurring basis. We serve a global customer base of companies with asset-intensive infrastructure, including companies in the oil and gas (downstream, midstream, upstream and petrochemical), power generation (natural gas, fossil, nuclear, alternative, renewable, and transmission and distribution), public infrastructure, chemicals, commercial aerospace and defense, transportation, primary metals and metalworking, pharmaceutical/biotechnology and food processing industries and research and engineering institutions.

For the last several years, we have focused on introducing 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. During this period, the demand for outsourced asset protection solutions, in general, has increased, creating demand from which our entire industry has benefited. We believe continued growth can be realized in all of our target markets. Concurrent with this growth, we have worked to build our infrastructure to profitably absorb additional growth and have made a number of acquisitions in an effort to leverage our fixed costs, grow our base of experienced, certified personnel, expand our product and technical capabilities and increase our geographical reach.

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 products, technologies, resources and customers that we believe will enhance our advantages over our competition.

The global economy continues to be fragile. Global financial markets continue to experience uncertainty, including tight liquidity and credit availability, relatively low consumer confidence, slow economic growth, persistently high unemployment rates and volatile currency exchange rates. However, we believe these conditions have allowed us to selectively hire new talented individuals that otherwise might not have been available to us, to acquire new technologies in order to aggressively expand our proprietary portfolio of customized solutions, and to make acquisitions of complementary businesses at reasonable valuations.

Results of Operations

Our consolidated results of operations for the three and six months ended November 30, 2014 and 2013 were as follows:

	Three Months Ended November 30,		Six Months Ended November 30,	
	2014	2013	2014	2013
	(\$ in thousands)		(\$ in thousands)	
Revenues	\$ 206,893	\$ 156,755	\$ 373,466	\$ 292,593
Gross profit	59,039	47,977	101,033	87,254
<i>Gross profit as a % of Revenue</i>	29%	31%	27%	30%
Total operating expenses	40,847	32,725	79,177	62,427
<i>Operating expenses as a % of Revenue</i>	20%	21%	21%	21%
Income from operations	18,192	15,252	21,856	24,827
<i>Income from Operations as a % of Revenue</i>	9%	10%	6%	8%
Interest expense	1,352	772	2,257	1,517
Income before provision for income taxes	16,840	14,480	19,599	23,310
Provision for income taxes	6,428	5,196	7,516	8,391
Net income	10,412	9,284	12,083	14,919
Less: net loss (income) attributable to noncontrolling interests, net of taxes	15	(27)	10	(21)
Net income attributable to Mistras Group, Inc.	\$ 10,427	\$ 9,257	\$ 12,093	\$ 14,898

Our EBITDA and Adjusted EBITDA, non-GAAP measures explained below, for the three and six months ended November 30, 2014 and 2013 were as follows:

	Three Months Ended November 30,		Six Months Ended November 30,	
	2014	2013	2014	2013
	(\$ in thousands)		(\$ in thousands)	
EBITDA and Adjusted EBITDA data				
Net income attributable to Mistras Group, Inc.	\$ 10,427	\$ 9,257	\$ 12,093	\$ 14,898
Interest expense	1,352	772	2,257	1,517
Provision for income taxes	6,428	5,196	7,516	8,391
Depreciation and amortization	8,386	6,785	16,665	13,550
EBITDA	\$ 26,593	\$ 22,010	\$ 38,531	\$ 38,356
Share-based compensation expense	2,090	1,040	4,257	2,747
Acquisition-related expense, net	(434)	(411)	(1,395)	(2,508)
Adjusted EBITDA	\$ 28,249	\$ 22,639	\$ 41,393	\$ 38,595

Note About Non-GAAP Measures

Adjusted EBITDA is a performance measure used by management that is not calculated in accordance with U.S. generally accepted accounting principles (GAAP). EBITDA is defined in this Report as net income attributable to Mistras Group, Inc. plus: interest expense, provision for income taxes and depreciation and amortization. Adjusted EBITDA is defined in this Report as net income attributable to Mistras Group, Inc. 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) and, if applicable, certain non-recurring items which we note.

Our management uses Adjusted EBITDA as a measure of operating performance 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. Adjusted EBITDA is also used as a performance evaluation metric for our executive and employee incentive compensation programs.

Later in the MD&A under the heading "Income for Operations", the non-GAAP financial performance measures "Income from operations before acquisition-related expense (benefit), net" are used for each of our three segments and the "Total Company", with tables reconciling the measures to financial measures under GAAP. These non-GAAP measures exclude from the GAAP measures income from operations (a) transaction expenses related to acquisitions, such as professional fees and due diligence costs and (b) the net changes in the fair value of acquisition-related contingent consideration liabilities. These items have been excluded from the GAAP measures because these expenses and credits are not related to the Company's or Segment's core business operations and are related solely to the Company's or Segment's acquisition activities. Changes in the fair value of acquisition-related contingent consideration liabilities can be a net expense or credit in any given period, and fluctuate based upon the then current value of cash consideration the Company expects to pay in the future for prior acquisitions, without impacting cash generated from the Company's business operations.

We believe investors and other users of our financial statements benefit from the presentation of EBITDA, Adjusted EBITDA and "Income from operations before acquisition-related expense (benefit), net" for each of our three segments and the "Total Company" in evaluating our operating performance because they provide additional tools to compare our operating performance on a consistent basis and measure underlying trends and results in our business. EBITDA and Adjusted EBITDA remove the impact of certain items that management believes do not directly reflect our core operations. For instance, Adjusted EBITDA generally excludes interest expense, taxes and depreciation and amortization, each of which can vary substantially from company to company depending upon accounting methods and the book value and age of assets, capital structure, capital investment cycles and the method by which assets were acquired. It also eliminates share-based compensation, which is a non-cash expense and is excluded by management when evaluating the underlying performance of our business operations. Similarly, we believe that "Income from operations before acquisition-related expense (benefit), net" for each of our three segments and the "Total Company", provides investors with useful information and more meaningful period over period comparisons by identifying and excluding these acquisition-related costs so that the performance of the core business operations can be identified and compared.

While Adjusted EBITDA is a term and financial measurement commonly used by investors and securities analysts, it has limitations. As a non-GAAP measurement, Adjusted EBITDA has no standard meaning and, therefore, may not be comparable with similar measurements for other companies. Adjusted EBITDA is generally limited as an analytical tool because it excludes charges and expenses we do incur as part of our operations. For example, Adjusted EBITDA excludes income taxes, but we generally incur significant U.S. federal, state and foreign income taxes each year and the provision for income taxes is a necessary cost. EBITDA and Adjusted EBITDA should not be considered in isolation or as a substitute for analyzing our results as reported under U.S. generally accepted accounting principles. In addition, acquisitions are a part of our growth strategy, and therefore acquisition-related items are a necessary cost of the Company's business. "Income from operations before acquisition-related expense (benefit), net" for each of our three segments and for the consolidated company are not metrics used to determine incentive compensation for executives or employees.

Revenue

Revenues were \$206.9 million for the three months ended November 30, 2014 compared to \$156.8 million for the three months ended November 30, 2013. Revenues were \$373.5 million for the six months ended November 30, 2014 compared to \$292.6 million for the six months ended November 30, 2013.

Revenues by segment for the three and six months ended November 30, 2014 and 2013 were as follows:

	Three months ended November 30,		Six months ended November 30,	
	2014	2013	2014	2013
	(\$ in thousands)		(\$ in thousands)	
Revenues				
Services	\$ 160,874	\$ 108,862	\$ 282,806	\$ 204,672
International	41,018	43,209	81,056	80,968
Products and Systems	7,495	8,604	14,062	15,189
Corporate and eliminations	(2,494)	(3,920)	(4,458)	(8,236)
	<u>\$ 206,893</u>	<u>\$ 156,755</u>	<u>\$ 373,466</u>	<u>\$ 292,593</u>

Our growth rates for the three and six months ended November 30, 2014 and 2013 were as follows:

	Three months ended November 30,		Six months ended November 30,	
	2014	2013	2014	2013
	(\$ in thousands)		(\$ in thousands)	
Revenue growth	\$ 50,138	\$ 19,026	\$ 80,873	\$ 41,477
% Growth over prior year	32.0 %	13.8%	27.6%	16.5 %
Comprised of:				
% of organic growth	14.0 %	4.3%	11.4%	4.4 %
% of acquisition growth	18.7 %	9.4%	16.0%	12.2 %
% foreign exchange increase	(0.7)%	0.1%	0.2%	(0.1)%
	<u>32.0 %</u>	<u>13.8%</u>	<u>27.6%</u>	<u>16.5 %</u>

Three Months

In the second quarter of fiscal 2015, our revenue growth was entirely driven by our Services segment. Services segment revenues increased approximately 48% due to acquisition growth of approximately 26% and organic growth of approximately 22%. International Segment's revenues declined by approximately 5%, driven by projects in the United Kingdom and product sales in Japan and Russia in fiscal 2014 that did not repeat. Products and Systems segment revenues declined by approximately 13% driven by lower revenue in our Acoustic Emission and NDT product lines.

The Company continued to experience year-on-year growth in its key vertical markets during the second quarter of fiscal 2015. Oil and gas revenues grew by approximately 49% and remained the Company's most significant vertical market, reflecting 54% and 48% of total Company revenues in the second quarter of fiscal 2015 and 2014, respectively. We also experienced growth in several of our other target markets, primarily industrials, process industries and power generation and transmission. The Company's top ten customers comprised approximately 35% of total revenues in the second quarter of fiscal 2015 compared with 36% in the second quarter of the prior fiscal year.

Six Months

In the first six months of fiscal 2015, our revenue growth was primarily driven by our Services segment. Services segment revenues increased 38% due to acquisition growth of approximately 22% and organic growth of approximately 16%. International Segment's revenues were flat compared with prior year. Products and Systems segment revenues declined approximately 7% primarily due to lower revenue in our Acoustic Emission product line.

The Company continued to experience year-on-year growth in its key vertical markets during the first six months of fiscal 2015. Oil and gas revenues grew by approximately 37% and remained the Company's most significant vertical market, reflecting 52% and 48% of total Company revenues in the first six months of fiscal 2015 and 2014, respectively. We also experienced growth in several of our other target markets, primarily industrials, power generation and transmission, process industries and public infrastructure. The Company's top ten customers comprised approximately 32% of total revenues in the first six months of fiscal 2015 compared with 35% in the first six months of the prior fiscal year.

Gross Profit

Gross profit increased by \$11.1 million, or 23%, to \$59.0 million in the second quarter of fiscal 2015, compared with \$48.0 million in the second quarter of fiscal 2014. Gross profit increased by \$13.8 million, or 16%, to \$101.0 million during the first six months of fiscal 2015, compared with \$87.3 million in the first six months of fiscal 2014.

Gross profit by segment for the three and six months ended November 30, 2014 and 2013 was as follows:

	Three months ended November 30,		Six months ended November 30,	
	2014	2013	2014	2013
	(\$ in thousands)		(\$ in thousands)	
Gross profit				
Services	\$ 44,252	\$ 30,918	\$ 74,023	\$ 57,665
International	11,309	13,293	20,777	23,413
Products and Systems	3,328	3,718	5,992	6,102
Corporate and eliminations	150	48	241	74
	<u>\$ 59,039</u>	<u>\$ 47,977</u>	<u>\$ 101,033</u>	<u>\$ 87,254</u>

Three Months

As a percentage of revenues, gross profit was 29% and 31% for the second quarters of fiscal 2015 and 2014, respectively. The decrease in gross profit percentage was primarily attributable to the Services and International segments. Service segment gross profit margin was 28%, a decline of 90 basis points from the second quarter of fiscal 2014, due primarily to a continued investment in expanding the Company's capability to service the Canadian oil sands region, wage increases that exceeded price increases, and a lower mix of advanced services. International segment gross margins decreased to 28% in the second quarter of fiscal 2015 compared with 31% in the prior year, due primarily to a lower level of project sales in the U.K. and product sales which typically have higher margins. Products and Systems segment gross margin improved to 44% compared to 43% in the prior year driven by cost reductions and higher margin sales.

Six Months

As a percentage of revenues, gross profit was 27% and 30% for the first six months of fiscal 2015 and 2014, respectively. The decrease in gross profit percentage was primarily attributable to the Services and International segments. Service segment gross profit margin declined to 26% compared to 28% in the first six months of fiscal 2014, due primarily to a continued investment in expanding the Company's capability to service the Canadian oil sands region, wage increases that exceeded price increases, and a lower mix of advanced services. International segment gross margins decreased to 26% in the first six months of fiscal 2015 compared with 29% in the prior year, due primarily to a lower level of project sales in the U.K. and of product sales which typically have higher margins. Products and Systems segment gross margin improved to 43% compared to 40% in the prior year driven by cost reductions and higher margin sales.

Income from Operations

The following table shows a reconciliation of the income from operations before acquisition-related expense (benefit), net, to income from operations for each of the Company's three segments and for the Company in total:

	Three months ended November 30,		Six months ended November 30,	
	2014	2013	2014	2013
	(\$ in thousands)		(\$ in thousands)	
Services:				
Income from operations before acquisition-related expense, net	\$ 20,596	\$ 14,387	\$ 29,737	\$ 25,402
Acquisition-related expense (benefit), net	525	(13)	786	156
Income from operations	20,071	14,400	28,951	25,246
International:				
Income from operations before acquisition-related expense (benefit), net	\$ 2,130	\$ 3,992	\$ 1,542	\$ 5,337
Acquisition-related (benefit), net	(1,047)	(3,301)	(936)	(3,771)
Income from operations	3,177	7,293	2,478	9,108
Products and Systems:				
Loss from operations before acquisition-related (benefit), net	\$ 417	\$ 450	\$ (16)	\$ 25
Acquisition-related (benefit), net	—	(19)	—	(1,035)
Income (Loss) from operations	417	469	(16)	1,060
Corporate and Eliminations:				
Loss from operations before acquisition-related (benefit), net	\$ (5,385)	\$ (3,988)	\$ (10,802)	\$ (8,445)
Acquisition-related expense (benefit), net	88	2,922	(1,245)	2,142
Loss from operations	(5,473)	(6,910)	(9,557)	(10,587)
Total Company				
Income from operations before acquisition-related (benefit), net	\$ 17,758	\$ 14,841	\$ 20,461	\$ 22,319
Acquisition-related (benefit), net	(434)	(411)	(1,395)	(2,508)
Income from operations	\$ 18,192	\$ 15,252	\$ 21,856	\$ 24,827

Three Months

For the three months ended November 30, 2014, income from operations exclusive of acquisition-related costs increased \$2.9 million, or 20%, compared with the prior year's quarter. As a percentage of revenues, income from operations excluding acquisition-related items was 9% for the second quarters of fiscal 2015 and 2014, respectively.

Operating expenses excluding acquisition-related items increased by \$8.1 million or 25%, compared with the prior year's second quarter. This increase was primarily from the Services segment, which incurred a year-on-year operating expense increase of \$7.1 million, or 43%, exclusive of acquisition-related charges. The impact of recent acquisitions accounted for \$4.9 million of this increase. The remainder of the increase in Services operating expenses was primarily due to increased salary, benefits and facility-related costs incurred due to growth in Canada and in the United States.

Six Months

For the six months ended November 30, 2014, income from operations exclusive of acquisition-related costs decreased \$1.9 million or 8%, compared with the prior year's first half. As a percentage of revenues, income from operations excluding acquisition-related items was 5% and 8% for the first half of fiscal 2015 and 2014, respectively.

Operating expenses increased by \$16.8 million, or 27% compared with the prior year's first half, and by \$15.6 million, or 24%, excluding acquisition-related items. This increase was driven by the Services segment, which incurred a year-on-year operating expense increase of \$12.0 million or 37%, exclusive of acquisition-related charges. The impact of recent acquisitions accounted for \$7.6 million of this increase. The remainder of the increase in Services operating expenses was primarily due to increased salary, benefits and facility-related costs incurred due to growth in Canada and in the United States. Corporate operating

expenses increased \$2.5 million or 30%, exclusive of acquisition-related charges primarily due to increased share-based compensation expense, and higher salary and benefits expenses due to growth. Operating expenses in the International segment increased \$1.2 million or 6%, exclusive of acquisition-related charges primarily due to increased salary and benefits costs from increased headcount and recent acquisitions.

Interest Expense

Interest expense was approximately \$1.4 million and \$0.8 million for the second quarters of fiscal 2015 and 2014, respectively. The increase was primarily related to an increase in average borrowings in the second quarter of fiscal 2015. Interest expense was approximately \$2.3 million and \$1.5 million for the first six months of fiscal 2015 and 2014, respectively. The increase was primarily related to an increase in average borrowings in the first six months of fiscal 2015.

Income Taxes

The Company's effective income tax rate was approximately 38% and 36% for the second quarter of fiscal 2015 and 2014, respectively. The increase was primarily due to a lower proportion of income from various foreign jurisdictions that carry lower tax rates and higher state income taxes, partially offset by lower permanent tax differences. The Company's effective income tax rate was approximately 38% and 36% for the first six months of fiscal 2015 and 2014, respectively. The increase was primarily due to the same items described above for the second quarter of fiscal 2015.

Liquidity and Capital Resources

Cash Flows Table

Our cash flows are summarized in the table below:

	Six months ended November 30,	
	2014	2013
	(\$ in thousands)	
Net cash provided by (used in):		
Operating Activities	\$ 3,230	\$ 15,634
Investing Activities	(40,666)	(20,237)
Financing Activities	46,810	13,130
Effect of exchange rate changes on cash	205	(89)
Net change in cash and cash equivalents	\$ 9,579	\$ 8,438

Cash Flows from Operating Activities

During the six months ended November 30, 2014, cash provided by our operating activities was \$3.2 million, a decrease of \$12.4 million from the comparable period of fiscal 2014. The decrease of cash provided by our operating activities was primarily attributable to a reduction in working capital items of \$17.6 million, primarily accounts receivable, accounts payable, and accrued expenses and other liabilities. This was partially offset by an increase in our net income, excluding depreciation, amortization and other non-cash expenses of \$5.2 million.

Cash Flows from Investing Activities

During the six months ended November 30, 2014, cash used in investing activities was \$40.7 million, an increase of \$20.4 million, principally due to acquisitions totaling \$33.0 million, net of cash acquired in fiscal 2015. Cash used in investing activities also included purchases of property, plant and equipment of \$7.9 million.

Cash Flows from Financing Activities

Net cash provided by financing activities was \$46.8 million for the six months ended November 30, 2014, an increase of \$33.7 million from the comparable period of fiscal 2014. The increase in cash provided by financing activities was driven by net borrowings of \$62.6 million from our revolving credit facility to fund acquisitions, offset by payments of notes payable, other long-term debt and capital lease obligations and totaling \$14.0 million.

Effect of Exchange Rate Changes on Cash and Cash Equivalents

The effect of exchange rate changes on our cash and cash equivalents was approximately \$0.2 million and \$(0.1) million for the six months ended November 30, 2014 and 2013, respectively.

Cash Balance and Credit Facility Borrowings

On October 31, 2014, the Company entered into a Third Amendment and Modification Agreement (the “Amendment”), to our \$125.0 million revolving line of credit, the Third Amended and Restated Credit Agreement (“Credit Agreement”), dated December 21, 2011, with Bank of America, N.A., as agent for the lenders and a lender, and JPMorgan Chase Bank, N.A., Keybank, National Association and TD Bank, N.A., as lenders. The Amendment increased the Company’s revolving line of credit to \$175.0 million and provides that under certain circumstances the line of credit can be increased to \$225.0 million. The Company may continue to borrow up to \$30.0 million in non-U.S. Dollar currencies and use up to \$10.0 million of the credit limit for the issuance of letters of credit. The Amendment also extended the original maturity date of the Credit Agreement from December 20, 2016 to October 30, 2019. See Note 10 — *Long-Term Debt* included in this report, under the heading “Senior Credit Facility” for further detail.

As of November 30, 2014, we had cash and cash equivalents totaling \$19.6 million and available borrowing capacity of \$47.0 million under our Credit Agreement with borrowings of \$123.8 million and \$4.2 million of letters of credit outstanding. We finance our 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.

As of November 30, 2014, we were in compliance with the terms of the Credit Agreement, and we will continuously monitor our compliance with the covenants contained in our Credit Agreement.

Contractual Obligations

Other than the amendment to the Credit Agreement, discussed above under “Liquidity and Capital Resources- Cash Balance and Credit Facility Borrowings”, there have been no significant changes in our contractual obligations and outstanding indebtedness as disclosed in the 2014 Annual Report.

Off-balance Sheet Arrangements

During the six months ended November 30, 2014, 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 2014 Annual Report.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no significant changes to the Company’s quantitative and qualitative disclosures about market risk as discussed in Part II, Item 7A “Quantitative and Qualitative Disclosures About Market Risk,” included in the 2014 Annual Report.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of November 30, 2014, the Company carried out an evaluation, under the supervision and with the participation of the Company’s management, including the Company’s Chief Executive Officer and the Company’s Chief Financial Officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures, as such term is defined in Rule 13a-15(e) of the Exchange Act. Based on the evaluation, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that the Company’s disclosure controls and procedures are effective to ensure that information required

to be disclosed by the Company in the reports it files or submits under the Exchange Act, as amended, is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

Changes in Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting that occurred during the Company's quarter ended November 30, 2014 that has materially affected, or is reasonably likely to materially affect, such internal control over financial reporting.

PART II—OTHER INFORMATION**ITEM 1. Legal Proceedings**

There have been no material developments with regard to any matters disclosed under Part I, Item 3 “Legal Proceedings” in our 2014 Annual Report.

See Note 12 - *Commitments and Contingencies* to the consolidated financial statements included in this report for a description of our other legal proceedings.

ITEM 1.A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the risk factors discussed under the “Risk Factors” section included in our 2014 Annual Report. There have been no material changes to the risk factors previously disclosed in the 2014 Annual Report.

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 sets forth the shares of our common stock we acquired during the quarter pursuant to the surrender of shares by employees to satisfy the minimum tax withholding obligations in connection with the vesting of restricted stock units.

Fiscal Month Ending	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)
September 30, 2014	684	\$ 20.25
October 31, 2014	226	\$ 15.98
November 30, 2014	2,116	\$ 16.94

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Mine Safety Disclosures

Not applicable.

ITEM 5. Other Information

None.

ITEM 6. Exhibits

Exhibit No.	Description
10.1	Third Amendment and Modification Agreement, dated October 31, 2014 to the Third Amended and Restated Credit Agreement, dated December 21, 2011
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/ Jonathan H. Wolk

Jonathan H. Wolk

Executive Vice President, Chief Financial Officer and Treasurer

(Principal Financial and Accounting Officer and duly authorized officer)

Date: January 9, 2015

THIRD AMENDMENT AND MODIFICATION AGREEMENT

by and among

MISTRAS GROUP, INC.,
as the Borrower,

BANK OF AMERICA, N.A.,
as Administrative Agent, a Lender and L/C Issuer,

JPMORGAN CHASE BANK, N.A.,
as a Lender
and

The Other Lenders Party Hereto

**MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED and
J.P. MORGAN SECURITIES LLC,**

as
Joint Lead Arrangers and Joint Bookrunners

and

KEYBANK NATIONAL ASSOCIATION,
as Documentation Agent

Dated October ___, 2104

THIRD AMENDMENT AND MODIFICATION AGREEMENT

THIS THIRD AMENDMENT AND MODIFICATION AGREEMENT (hereinafter referred to as this "Third Amendment") is made this _____ day of October, 2014, by and among

MISTRAS GROUP, INC., a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, having its principal office located at 195 Clarksville Road, Princeton Junction, New Jersey 08550 (hereinafter referred to as the "Borrower"),

AND

VIRTUAL MEDIA INTEGRATION, LTD., formerly known as "SJVMI Acquisition Corp.", a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware having an address of 195 Clarksville Road, Princeton, New Jersey 08540 (hereinafter referred to as "VMI"),

AND

QUALITY SERVICES LABORATORIES, INC., a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware having an address of 195 Clarksville Road, Princeton, New Jersey 08540 (hereinafter referred to as "QSL", and hereinafter VMI and QSL shall be collectively referred to as the "Guarantors"),

AND

BANK OF AMERICA, N.A., a national banking association duly organized and validly existing under the laws of the United States of America, having an office located at 750 Walnut Avenue, Cranford, New Jersey 07016, in its capacity as a Lender, the letter of credit issuer and the swing line lender (hereinafter referred to as "Bank of America"),

AND

JPMORGAN CHASE BANK, N.A., a national banking association duly organized and validly existing under the laws of the United States of America, having an office located at 695 Route 46 West, Suite 101, Fairfield, New Jersey 07004, in its capacity as a lender hereunder (hereinafter referred to as "JPMorgan"),

AND

THOSE OTHER LENDERS SIGNATORY HERETO (hereinafter said lenders, together with Bank of America and JPMorgan, shall be sometimes individually referred to as a "Lender" and collectively referred to as the "Lenders"),

AND

BANK OF AMERICA, N.A., a national banking association duly organized and validly existing under the laws of the United States of America, having an office located at 750 Walnut Avenue, Cranford, New Jersey 07016, in its capacity as administrative agent for the Lenders (hereinafter referred to as the "Administrative Agent").

WITNESSETH:

WHEREAS, pursuant to the terms, conditions, and provisions of that certain Third Amended and Restated Credit Agreement dated December 21, 2011, executed by and among the Borrower, as borrower, Bank of America, as a Lender, JPMorgan, as a Lender, KeyBank, N.A. (hereinafter referred to as “KeyBank”), as a Lender, TD Bank, N.A. (hereinafter referred to as “TD Bank”), as a Lender, Bank of America, as letter of credit issuer, and the Administrative Agent, as administrative agent (hereinafter referred to as the “Original Credit Agreement”), the Lenders made available to the Borrower a five (5) year senior secured amended and restated revolving credit facility in the aggregate maximum principal amount of up to US\$125,000,000.00, such aggregate maximum principal amount increasing up to US\$150,000,000.00 under certain circumstances more particularly set forth in the Credit Agreement (hereinafter referred to as the “Original Credit Facility”), which Original Credit Facility includes (i) a US\$10,000,000.00 sublimit for the issuance of standby and commercial letters of credit and (ii) a US\$30,000,000.00 sublimit for multicurrency borrowings in readily available and freely transferable and convertible currencies, including, but not limited to, Euros, Pounds Sterling, Canadian Dollars, and Japanese Yen, all to be made available to the Borrower for working capital and other lawful corporate purposes; and

WHEREAS, pursuant to the terms, conditions, and provisions of that certain Third Amended and Restated Guaranty Agreement dated December 21, 2011 executed by VMI, as guarantor, in favor of the Administrative Agent, for the benefit of the Lenders (hereinafter referred to as the “Full Guaranty”), VMI guaranteed the payment and performance of all of the obligations of the Borrower owed to the Administrative Agent and the Lenders under the Original Credit Agreement and the other “Loan Documents” (as such term is defined in the Original Credit Agreement) (hereinafter collectively referred to as the “Original Loan Documents”); and

WHEREAS, pursuant to the terms, conditions, and provisions of that certain Non-Recourse Guaranty Agreement dated December 21, 2011 executed by QSL, as guarantor, in favor of the Administrative Agent, for the benefit of the Lenders (hereinafter referred to as the “Non-Recourse Guaranty”, and hereinafter the Full Guaranty and the Non-Recourse Guaranty shall be collectively referred to as the “Guaranties” and individually referred to as a “Guaranty”), QSL guaranteed, on a non-recourse basis, the payment and performance of all of the obligations of the Borrower owed to the Administrative Agent and the Lenders under the Original Credit Agreement and the other Original Loan Documents; and

WHEREAS, pursuant to that certain letter agreement dated March 13, 2012 executed by and among the Borrower, the Guarantors, the Lenders, and the Administrative Agent (hereinafter referred to as the “First Amendment”), the Borrower, the Guarantors, the Lenders, and the Administrative Agent agreed to amend and modify the terms, conditions, and provisions of the Original Credit Agreement for the purposes more fully set forth and described in the First Amendment; and

WHEREAS, pursuant to that certain letter agreement dated March 8, 2013 executed by and among the Borrower, the Guarantors, the Lenders, and the Administrative Agent (hereinafter referred to as the “Second Amendment”), the Borrower, the Guarantors, the Lenders, and the Administrative Agent agreed to further amend and modify the terms, conditions, and provisions of the Original Credit Agreement for the purposes more fully set forth and described in the Second Amendment; and

WHEREAS, effective as of October 15, 2014, the Borrower exercised its option pursuant to the terms, conditions, and provisions of Section 2.13 of the Credit Agreement to increase the Commitments in the aggregate amount of US\$15,000,000.00, thereby increasing the current Aggregate Commitments to US\$140,000,000.00; and

WHEREAS, the parties hereto have agreed to further amend and modify the terms, conditions, and provisions of the Original Credit Agreement, as amended and modified up through the Second Amendment

(hereinafter referred to as the “Credit Agreement”) and the other Original Loan Documents, in each case as amended and modified up through and including the Second Amendment (hereinafter collectively referred to as the “Loan Documents”), pursuant to the terms, conditions, and provisions of this Third Amendment for the purposes more fully set forth and described herein; and

WHEREAS, defined terms used but not expressly defined herein shall have the same meanings when used herein as set forth in the Credit Agreement.

NOW, THEREFORE, intending to be legally bound hereby, the parties hereto hereby promise, covenant, and agree as follows:

1. **Increase in Commitments and Applicable Percentages; Amendment of Maximum Amount of Credit Facility.** The aggregate maximum principal amount of the Original Credit Facility, as amended and modified up through and including the Second Amendment (hereinafter referred to as the “Credit Facility”) is hereby increased to an aggregate maximum principal amount of US\$175,000,000.00 and, as a result and to give effect to such increase, the Commitments and Applicable Percentages set forth and contained on the existing Schedule 2.01 of the Credit Agreement are hereby deleted in their entirety and the Commitments and Applicable Percentages set forth on Schedule 1 attached hereto are hereby inserted in their place and stead. In furtherance of the foregoing, all references in the Credit Agreement and each of the other Loan Documents to the aggregate maximum principal amount of the Credit Facility shall be deemed to refer to such aggregate maximum principal amount in the increased amount of US\$175,000,000.00.

2. **Amendments to Credit Agreement.** The Credit Agreement is hereby amended and modified as follows:

(i) Section 1.01 of the Credit Agreement is hereby amended and modified by deleting the existing definition of “Administrative Agent Fee Letter” in its entirety and inserting the following new definition of “Administrative Agent Fee Letter” in its place and stead:

“Administrative Agent Fee Letter” means, collectively, (a) that certain letter agreement dated December 2, 2011, by and among the Borrower and the Lead Arranger and (b) that certain letter agreement dated October 1, 2014, by and among the Borrower and the Lead Arranger.

(ii) Section 1.01 of the Credit Agreement is hereby amended and modified by deleting the pricing grid in the existing definition of “Applicable Rate” and inserting the following new pricing grid in its place and stead:

Pricing Level	Funded Debt Leverage Ratio	LIBOR Margin	Base Rate Margin	Commitment Fee	SBLC Fee/Comm'l L/C Fee
1	≤ 0.50:1	100.0 bps	-125.0 bps	20.0 bps	100.0 bps
2	> 0.50 but ≤ 1.00:1	125.0 bps	-100.0 bps	20.0 bps	125.0 bps
3	> 1.00 but ≤ 1.50:1	137.5 bps	-87.5 bps	25.0 bps	137.5 bps
4	> 1.50 but ≤ 2.00:1	150.0 bps	-75.0 bps	30.0 bps	150.0 bps
5	> 2.00	175.0 bps	-37.5 bps	35.0 bps	175.0 bps

The Applicable Rate in effect from October __, 2014 until receipt of the Compliance Certificate for the period ended November 30, 2014 shall be determined based upon Pricing Level 4.

(iii) Section 1.01 of the Credit Agreement is hereby amended and modified by deleting the existing definition of “Assignment and Assumption” in its entirety and inserting the following new definition of “Assignment and Assumption” in its place and stead:

“Assignment and Assumption” means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 10.06(b)), and accepted by the Administrative Agent, in substantially the form of Exhibit “D” or any other form (including electronic documentation generated by use of MarkitClear or other electronic platform) approved by the Administrative Agent.

(iv) Section 1.01 of the Credit Agreement is hereby amended and modified by deleting the existing definition of “Committed Loan Notice” in its entirety and inserting the following new definition of “Committed Loan Notice” in its place and stead:

“Committed Loan Notice” means a notice of (a) a Committed Borrowing, (b) a conversion of Committed Loans from one Type to the other, or (c) a continuation of Eurocurrency Rate Loans, pursuant to Section 2.02(a), substantially in the form of Exhibit “A” or such other form as may be approved by the Administrative Agent (including any form on an electronic platform or electronic transmission system which form, platform and system shall be approved by the Administrative Agent), appropriately completed and signed by a Responsible Officer of the Borrower.

(v) Section 1.01 of the Credit Agreement is hereby amended and modified by deleting the existing definition of “Eurocurrency Rate” in its entirety and inserting the following new definition of “Eurocurrency Rate” in its place and stead:

“Eurocurrency Rate” means:

(a) for any Interest Period with respect to a Eurocurrency Rate Loan, the rate per annum equal to the London Interbank Offered Rate (“LIBOR”) or a comparable or successor rate, which rate is approved by the Administrative Agent, as published on the applicable Bloomberg screen page (or such other commercially available source providing such quotations as may be designated by the Administrative Agent from time to time) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, for deposits in the relevant currency (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period; and

(b) for any interest calculation with respect to a Base Rate Loan on any date, the rate per annum equal to LIBOR, at or about 11:00 a.m., London time determined two Business Days prior to such date for U.S. Dollar deposits with a term of one month commencing that day;

provided that to the extent a comparable or successor rate is approved by the Administrative Agent in connection herewith, the approved rate shall be applied in a manner consistent with market practice and as applied by the Administrative Agent to other similar credit facilities; provided, further that to the extent such market practice is not administratively feasible for the Administrative Agent, such approved rate shall be applied in a manner as otherwise reasonably determined by the Administrative Agent consistent with the provisions of this Agreement. In the event the Eurocurrency Rate as determined based upon the foregoing shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

(vi) Section 1.01 of the Credit Agreement is hereby amended and modified by deleting the existing definition of “Excluded Taxes” in its entirety and inserting the following new definition of “Excluded Taxes” in its place and stead:

“Excluded Taxes” means any of the following Taxes imposed on or with respect to any Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its Lending Office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loan or Commitment (other than pursuant to an assignment request by the Borrower under Section 10.13) or (ii) such Lender changes its Lending Office, except in each case to the extent that, pursuant to Section 3.01(a)(ii), (a)(iii) or (c), amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its Lending Office, (c) Taxes attributable to such Recipient's failure to comply with Section 3.01(e) and (d) any U.S. federal withholding Taxes imposed pursuant to FATCA.

(vii) Section 1.01 of the Credit Agreement is hereby amended and modified by deleting the existing definition of “Guarantor” in its entirety and inserting the following new definition of “Guarantor” in its place and stead:

“Guarantor” means, individually and collectively, as the context may require, (a) Virtual Media Integration, Ltd., formerly known as “SJVMI Acquisition Corp.”, a Delaware corporation, (b) The Nacher Corporation, a Louisiana corporation, (c) any additional guarantors added pursuant to the terms, conditions, and provisions of Section 6.13 hereof, all on a joint and several basis, and (d) with respect to the payment and performance by each Specified Loan Party of its obligations under its Guaranty with respect to Swap Obligations, the Borrower.

(viii) Section 1.01 of the Credit Agreement is hereby amended and modified by deleting the existing definition of “Lending Office” in its entirety and inserting the following new definition of “Lending Office” in its place and stead:

“Lending Office” means, as to any Lender, the office or offices of such Lender described as such in such Lender's Administrative Questionnaire, or such other office or offices as a Lender may from time to time notify the Borrower and the Administrative Agent, which office may include any Affiliate of such Lender or any domestic or foreign branch of such Lender or such Affiliate. Unless the context otherwise requires each reference to a Lender shall include its applicable Lending Office.

(ix) Section 1.01 of the Credit Agreement is hereby amended and modified by deleting the reference in the definition of “Maturity Date” to the date of “December 20, 2016” and replacing it with “October _____, 2019”.

(x) Section 1.01 of the Credit Agreement is hereby amended and modified by adding the following proviso to the end of the definition of “Obligations”: “; provided that the ‘Obligations’ shall exclude any Excluded Swap Obligations.”

(xi) Section 1.01 of the Credit Agreement is hereby amended and modified by deleting the existing definition of “Responsible Officer” in its entirety and inserting the following new definition of “Responsible Officer” in its place and stead:

“Responsible Officer” means the chief executive officer, president, chief financial officer, treasurer, assistant treasurer or controller of a Loan Party, and solely for purposes of the delivery of incumbency certificates pursuant to Section 4.01, the secretary or any assistant secretary of a Loan Party, and, solely for purposes of notices given pursuant to Article II, any other officer or employee of the applicable Loan Party so designated by any of the foregoing officers in a notice to the Administrative Agent or any other officer or employee of the applicable Loan Party designated in or pursuant to an agreement between the applicable Loan Party and the Administrative Agent. Any document delivered hereunder that is signed by a Responsible Officer of a Loan Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Loan Party and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Loan Party.

(xii) Section 1.01 of the Credit Agreement is hereby amended and modified by adding the following new definitions:

“Anti-Corruption Laws” means all laws, rules, and regulations of any jurisdiction applicable to the Borrower or any of its Subsidiaries from time to time concerning or relating to bribery or corruption.

“Commodity Exchange Act” means the Commodity Exchange Act (7 U.S.C. § 1 *et seq.*), as amended from time to time, and any successor statute.

“Connection Income Taxes” means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

“Designated Jurisdiction” means any country or territory to the extent that such country or territory itself is the subject of any Sanction.

“Excluded Swap Obligation” means, with respect to any Guarantor, any Swap Obligation if, and to the extent that, all or a portion of the Guaranty of such Guarantor of, or the grant by such Guarantor of a security interest to secure, such Swap Obligation (or any Guaranty thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Guarantor’s failure for any reason to constitute an “eligible contract participant” as defined in the Commodity Exchange Act (determined after giving effect to Section 10.21 of this Agreement and any other “keepwell, support or other agreement” for the benefit of such Guarantor and any and all guarantees of such Guarantor’s Swap Obligations by other Loan Parties) at the time the Guaranty of such Guarantor, or a grant by such Guarantor of a security interest, becomes effective with respect to such Swap Obligation. If a Swap Obligation arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to swaps for which such Guaranty or security interest is or becomes excluded in accordance with the first sentence of this definition.

“FATCA” means Sections 1471 through 1474 of the Code, as of October ____, 2014 (or any amended or successor version that is substantively comparable and not materially more

onerous to comply with), any current or future regulations or official interpretations thereof and any agreements entered into pursuant to Section 1471 (b) (1) of the Code.

“LIBOR” has the meaning specified in the definition of Eurocurrency Rate.

“Notice of Loan Prepayment” means a notice of prepayment with respect to a Loan, which notice shall be substantially in the form of Exhibit “F” attached hereto or such other form as may be approved by the Administrative Agent (including any form on an electronic platform or electronic transmission system which form, platform and system shall be approved by the Administrative Agent), appropriately completed and signed by a Responsible Officer.

“OFAC” means the Office of Foreign Assets Control of the United States Department of the Treasury.

“Qualified ECP Guarantor” shall mean, at any time, each Loan Party with total assets exceeding \$10,000,000.00 or that qualifies at such time as an “eligible contract participant” under the Commodity Exchange Act and can cause another person to qualify as an “eligible contract participant” at such time under §1a(18)(A)(v)(II) of the Commodity Exchange Act.

“Sanction(s)” means any sanction administered or enforced by the United States Government (including without limitation, OFAC), the United Nations Security Council, the European Union, Her Majesty’s Treasury or other relevant sanctions authority.

“Specified Loan Party” means any Loan Party that is not an “eligible contract participant” under the Commodity Exchange Act (determined prior to giving effect to Section 10.21 of this Agreement).

“Swap Obligations” means with respect to any Guarantor any obligation to pay or perform under any agreement, contract or transaction that constitutes a “swap” within the meaning of Section 1a(47) of the Commodity Exchange Act.

(xiii) Section 2.02 of the Credit Agreement is hereby amended and modified by deleting the existing Section 2.02(a) in its entirety and inserting the following new Section 2.02(a) in its place and stead:

(a) Each Committed Borrowing, each conversion of Committed Loans from one Type to the other, and each continuation of Eurocurrency Rate Loans shall be made upon Borrower’s irrevocable notice to Administrative Agent, which shall be given by a Committed Loan Notice. Each such Committed Loan Notice must be received by Administrative Agent not later than 11:00 a.m. (i) three Business Days prior to the requested date of any Borrowing of, conversion to or continuation of Eurocurrency Rate Loans denominated in U.S. Dollars or of any conversion of Eurocurrency Rate Loans denominated in U.S. Dollars to Base Rate Loans, (ii) four Business Days (or five Business Days in the case of a Special Notice Currency) prior to the requested date of any Borrowing or continuation of Eurocurrency Rate Loans denominated in Alternative Currencies, and (iii) on the requested date of any Borrowing of Base Rate Loans. Each Borrowing of, conversion to or continuation of Eurocurrency Rate Loans shall be in a principal amount of \$500,000.00 or a whole multiple of \$100,000.00 in excess thereof. Except as provided in Section 2.03(c), each conversion to Base Rate Loans shall be in a principal amount of \$500,000.00 or a whole multiple of \$100,000.00 in excess thereof. Each Committed Loan Notice shall specify (A) whether the Borrower is requesting a Committed Borrowing, a conversion of Committed Loans from

one Type to the other, or a continuation of Eurocurrency Rate Loans, (B) the requested date of the Borrowing, conversion or continuation, as the case may be (which shall be a Business Day), (C) the principal amount of Committed Loans to be borrowed, converted or continued, (D) the Type of Committed Loans to be borrowed or to which existing Committed Loans are to be converted, (E) if applicable, the duration of the Interest Period with respect thereto, and (F) the currency of the Committed Loans to be borrowed. If the Borrower fails to specify a currency in a Committed Loan Notice requesting a Borrowing, then the Committed Loans so requested shall be made in Dollars. If the Borrower fails to specify a Type of Committed Loan in a Committed Loan Notice or if the Borrower fails to give a timely notice requesting a conversion or continuation, then the applicable Committed Loans shall be made as, or converted to, Base Rate Loans; provided, however, that in the case of a failure to timely request a continuation of Committed Loans denominated in an Alternative Currency, such Loans shall be continued as Eurocurrency Rate Loans in their original currency with an Interest Period of one month. Any such automatic conversion to Base Rate Loans shall be effective as of the last day of the Interest Period then in effect with respect to the applicable Eurocurrency Rate Loans. If the Borrower requests a Borrowing of, conversion to, or continuation of Eurocurrency Rate Loans in any such Committed Loan Notice, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one (1) month. No Committed Loan may be converted into or continued as a Committed Loan denominated in a different currency, but instead must be prepaid in the original currency of such Committed Loan and reborrowed in the other currency.

(xiv) Section 2.05 of the Credit Agreement is hereby amended and modified by deleting the existing Section 2.05(a) in its entirety and inserting the following new Section 2.05(a) in its place and stead:

(a) The Borrower may, upon notice to the Administrative Agent pursuant to delivery to the Administrative Agent of a Notice of Loan Prepayment, at any time or from time to time voluntarily prepay Committed Loans in whole or in part without premium or penalty; provided that (i) such notice must be received by the Administrative Agent not later than 11:00 a.m. (A) three Business Days prior to any date of prepayment of Eurocurrency Rate Loans denominated in Dollars, (B) four Business Days (or five, in the case of prepayment of Loans denominated in Special Notice Currencies) prior to any date of prepayment of Eurocurrency Rate Loans denominated in Alternative Currencies, and (C) on the date of prepayment of Base Rate Loans; (ii) any prepayment of Eurocurrency Rate Loans denominated in Dollars shall be in a principal amount of \$500,000.00 or a whole multiple of \$100,000.00 in excess thereof; (iii) any prepayment of Eurocurrency Rate Loans denominated in Alternative Currencies shall be in a minimum principal amount of \$500,000.00 or a whole multiple of \$100,000.00 in excess thereof; and (iv) any prepayment of Base Rate Loans shall be in a principal amount of \$500,000.00 or a whole multiple of \$100,000.00 in excess thereof or, in each case, if less, the entire principal amount thereof then outstanding. Each such notice shall specify the date and amount of such prepayment and the Type(s) of Committed Loans to be prepaid and, if Eurocurrency Rate Loans are to be prepaid, the Interest Period(s) of such Loans. The Administrative Agent will promptly notify each Lender of its receipt of each such notice, and of the amount of such Lender's Applicable Percentage of such prepayment. If such notice is given by the Borrower, the Borrower shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein. Any prepayment of a Eurocurrency Rate Loan shall be accompanied by all accrued interest on the amount prepaid, together with any additional amounts required pursuant to Section 3.05. Each such prepayment shall be applied to the Committed Loans of the Lenders in accordance with their respective Applicable Percentages.

(xv) In Section 2.13(a) of the Credit Agreement, the existing reference to “\$25,000,000.00” is hereby deleted in its entirety, and a new reference to “\$50,000,000.00” is hereby inserted in its place and stead.

(xvi) Section 3.01 of the Credit Agreement is hereby amended and modified by deleting the existing Section 3.01 in its entirety and inserting the following new Section 3.01 in its place and stead:

3.01 Taxes.

(a) Payments Free of Taxes; Obligation to Withhold; Payments on Account of Taxes.

(i) Any and all payments by or on account of any obligation of any Loan Party under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable Laws. If any applicable Laws (as determined in the good faith discretion of the Administrative Agent) require the deduction or withholding of any Tax from any such payment by the Administrative Agent or a Loan Party, then the Administrative Agent or such Loan Party shall be entitled to make such deduction or withholding, upon the basis of the information and documentation to be delivered pursuant to subsection (e) below.

(ii) If any Loan Party or the Administrative Agent shall be required by the Code to withhold or deduct any Taxes, including both United States Federal backup withholding and withholding taxes, from any payment, then (A) the Administrative Agent shall withhold or make such deductions as are determined by the Administrative Agent to be required based upon the information and documentation it has received pursuant to subsection (e) below, (B) the Administrative Agent shall timely pay the full amount withheld or deducted to the relevant Governmental Authority in accordance with the Code, and (C) to the extent that the withholding or deduction is made on account of Indemnified Taxes, the sum payable by the applicable Loan Party shall be increased as necessary so that after any required withholding or the making of all required deductions (including deductions applicable to additional sums payable under this Section 3.01) the applicable Recipient receives an amount equal to the sum it would have received had no such withholding or deduction been made.

(iii) If any Loan Party or the Administrative Agent shall be required by any applicable Laws other than the Code to withhold or deduct any Taxes from any payment, then (A) such Loan Party or the Administrative Agent, as required by such Laws, shall withhold or make such deductions as are determined by it to be required based upon the information and documentation it has received pursuant to subsection (e) below, (B) such Loan Party or the Administrative Agent, to the extent required by such Laws, shall timely pay the full amount withheld or deducted to the relevant Governmental Authority in accordance with such Laws, and (C) to the extent that the withholding or deduction is made on account of Indemnified Taxes, the sum payable by the applicable Loan Party shall be increased as necessary so that after any required withholding or the making of all required deductions (including deductions applicable to additional sums payable under this Section 3.01) the applicable Recipient receives an amount equal to the sum it would have received had no such withholding or deduction been made.

(iv) For purposes of determining withholding Taxes imposed under FATCA from and after October _____, 2014, the Borrower and the Administrative Agent shall treat (and the Lenders hereby authorize the Administrative Agent to treat) the Facility as not

qualifying as a “grandfathered obligation” within the meaning of Treasury Regulation Section 1.1471-2(b)(2)(i).

(b) Payment of Other Taxes by the Borrower. Without limiting the provisions of subsection (a) above, the Borrower shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes.

(c) Tax Indemnifications.

(i) Each of the Loan Parties shall, and does hereby, jointly and severally indemnify each Recipient, and shall make payment in respect thereof within 10 days after written demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section 3.01) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender or the L/C Issuer (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender or the L/C Issuer, shall be conclusive absent manifest error. The Borrower shall, and do hereby, jointly and severally indemnify the Administrative Agent, and shall make payment in respect thereof within 15 days after written demand therefor, for any amount which a Lender or the L/C Issuer for any reason fails to pay indefeasibly to the Administrative Agent as required pursuant to Section 3.01(c)(ii) below.

(ii) Each Lender and the L/C Issuer shall, and does hereby, severally (and not jointly) indemnify, and shall make payment in respect thereof within 10 days after written demand therefor, (x) the Administrative Agent against any Indemnified Taxes attributable to such Lender or the L/C Issuer (but only to the extent that any Loan Party has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of such Loan Party to do so), (y) the Administrative Agent and the Loan Parties, as applicable, against any Taxes attributable to such Lender’s failure to maintain a participant register and (z) the Administrative Agent and the Loan Parties, as applicable, against any Excluded Taxes attributable to such Lender or the L/C Issuer, in each case, that are payable or paid by the Administrative Agent or the Loan Parties in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender and the L/C Issuer hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender or the L/C Issuer, as the case may be, under this Agreement or any other Loan Document against any amount due to the Administrative Agent under this clause (ii).

(d) Evidence of Payments. Upon request by the Borrower or the Administrative Agent, as the case may be, after any payment of Taxes by the Borrower or by the Administrative Agent to a Governmental Authority as provided in this Section 3.01, the Borrower shall deliver to the Administrative Agent or the Administrative Agent shall deliver to the Borrower, as the case may be, the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of any return required by Laws to report such

payment or other evidence of such payment reasonably satisfactory to the Borrower or the Administrative Agent, as the case may be.

(e) Status of Lenders; Tax Documentation.

(i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 3.01(e)(ii)(A), (ii)(B) and (ii)(D) below) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing, in the event that the Borrower is a U.S. Person,

(A) any Lender that is a U.S. Person shall deliver to the Borrower and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed originals of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), whichever of the following is applicable:

(I) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed originals of IRS Form W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(II) executed originals of IRS Form W-8ECI;

(III) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate substantially in the form of Exhibit "E-1" to the effect that such Foreign Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10 percent shareholder"

of the Borrower within the meaning of Section 881(c)(3)(B) of the Code, or a “controlled foreign corporation” described in Section 881(c)(3)(C) of the Code (a “U.S. Tax Compliance Certificate”) and (y) executed originals of IRS Form W-8BEN-E; or

(IV) to the extent a Foreign Lender is not the beneficial owner, executed originals of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN-E, a U.S. Tax Compliance Certificate substantially in the form of Exhibit “E-2” or Exhibit “E-3”, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit “E-4” on behalf of each such direct and indirect partner;

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed originals of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower or the Administrative Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C) (i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender’s obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), “FATCA” shall include any amendments made to FATCA after the date of this Agreement.

(iii) Each Lender agrees that if any form or certification it previously delivered pursuant to this Section 3.01 expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

(f) Treatment of Certain Refunds. Unless required by applicable Laws, at no time shall the Administrative Agent have any obligation to file for or otherwise pursue on behalf of a Lender or the L/C Issuer, or have any obligation to pay to any Lender or the L/C Issuer, any refund of Taxes withheld or deducted from funds paid for the account of such Lender or the L/C Issuer, as the case may be. If any Recipient determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified by any Loan Party or with respect to which any Loan Party has paid additional amounts pursuant to this Section 3.01, it shall pay to the Loan Parties an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by the Loan Parties under this Section 3.01 with respect to the Taxes giving rise to such refund), net of

all out-of-pocket expenses (including Taxes) incurred by such Recipient, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund), provided that such Loan Party, upon the request of the Recipient, agrees to repay the amount paid over to such Loan Party (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Recipient in the event the Recipient is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this subsection, in no event will the applicable Recipient be required to pay any amount to any Loan Party pursuant to this subsection the payment of which would place the Recipient in a less favorable net after-Tax position than such Recipient would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This subsection shall not be construed to require any Recipient to make available its tax returns (or any other information relating to its taxes that it deems confidential) to any Loan Party or any other Person.

(g) Survival. Each party's obligations under this Section 3.01 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender or the L/C Issuer, the termination of the Commitments and the repayment, satisfaction or discharge of all other Obligations.

(xvii) In Article V of the Credit Agreement, the following new Section 5.20 shall be added:

5.20 OFAC; Anti-Corruption Laws; Sanctions. None of the Borrower, any of its Subsidiaries, or, to the knowledge of the Borrower and its Subsidiaries, any director, officer, employee, agent, affiliate or representative thereof, is an individual or entity that is, or is owned or controlled by any individual or entity (other than another Subsidiary) that is, (i) currently the subject or target of any Sanctions or (ii) located, organized or resident in a Designated Jurisdiction; provided, however, if, after October ____, 2014, new or additional Sanctions are imposed which would render the foregoing representation and warranty false, such event shall not constitute a breach of such representation and warranty or an Event of Default under this Section 5.20 provided that the Borrower and its Subsidiaries are diligently taking all appropriate steps necessary to make such representation and warranty true and correct and such representation and warranty is true and correct within ninety (90) days following the imposition of such Sanctions. The Borrower has implemented and maintains in effect policies and procedures designed to ensure compliance by the Borrower, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions, and the Borrower, its Subsidiaries and their respective officers and employees and, to the knowledge of the Borrower, its directors and agents, are in compliance with Anti-Corruption Laws and applicable Sanctions in all material respects.

(xviii) Sections 6.01 and 6.02 of the Credit Agreement are each hereby amended and modified by adding the following new sentence at the end of each said section:

Notwithstanding the foregoing provisions of this Section to the contrary, the Borrower shall not be obligated to provide to the Administrative Agent and the Lenders any financial statements, reports or other information required herein which has been filed with or furnished to the SEC and which is publicly available through the SEC's electronic data gathering and retrieval system ("EDGAR").

(xix) In Section 6.12(b) of the Credit Agreement, the existing reference to the maximum permitted Funded Debt Leverage Ratio of “3.00 -to- 1.0” is hereby deleted and a new maximum permitted Funded Debt Leverage Ratio of “3.25 -to- 1.0” is hereby inserted in its place and stead.

(xx) In Article VII of the Credit Agreement, the following new Section 7.12 shall be added:

7.12 Anti-Corruption Laws; Sanctions. Directly or indirectly, use the proceeds of any Credit Extension, or lend, contribute or otherwise make available such proceeds to any Subsidiary, joint venture partner or other individual or entity, (a) to fund (i) any activities of or business with any individual or entity or (ii) any activities or business in any Designated Jurisdiction, which individual, entity or Designated Jurisdiction, at the time of such funding, is the subject of Sanctions, or (b) in any other manner that will result in a violation by any individual or entity (including any individual or entity participating in the transaction, whether as Lender, Lead Arranger, Administrative Agent, L/C Issuer, or otherwise) of Sanctions, and/or directly or indirectly permit or allow any Credit Extension, use of proceeds hereunder or other transaction contemplated by this Agreement to violate any Anti-Corruption Law or applicable Sanctions; provided, however, if, after October ____, 2014, new or additional Sanctions are imposed which would cause the Borrower or its Subsidiaries to violate the foregoing covenant, the imposition of such Sanctions shall not constitute a violation of such covenant or an Event of Default under this Section 7.12 provided that the Borrower and its Subsidiaries (1) provide prompt written notice thereof to the Administrative Agent (copies of which notice the Administrative Agent shall provide promptly to the Lenders), which notice shall include a brief description of the cause for the violation and the Borrower’s proposed plan to correct such violation and (2) are diligently taking all appropriate steps necessary to correct such violation and such violation is corrected within ninety (90) days following the imposition of such Sanctions.

(xxi) In Section 8.03 of the Credit Agreement, the following new sentence shall be added to the end of Section 8.03:

Excluded Swap Obligations with respect to any Guarantor shall not be paid with amounts received from such Guarantor or its assets, but appropriate adjustments shall be made with respect to payments from other Loan Parties to preserve the allocation to Obligations otherwise set forth above in this Section 8.03.

(xxii) Section 10.17 of the Credit Agreement is hereby amended and modified by deleting the existing Section 10.17 in its entirety and inserting the following new Section 10.17 in its place and stead:

10.17 Electronic Execution of Assignments and Certain Other Documents. The words “execute,” “execution,” “signed,” “signature,” and words of like import in or related to any document to be signed in connection with this Agreement and the transactions contemplated hereby (including without limitation Assignment and Assumptions, amendments or other modifications, Committed Loan Notices, waivers and consents) shall be deemed to include electronic signatures, the electronic matching of assignment terms and contract formations on electronic platforms approved by the Administrative Agent, or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act; provided that notwithstanding anything contained herein to the contrary

the Administrative Agent is under no obligation to agree to accept electronic signatures in any form or in any format unless expressly agreed to by the Administrative Agent pursuant to procedures approved by it and provided further, without limiting the foregoing, upon the request of any party, any electronic signature shall be promptly followed by a manually executed signature.

(xxiii) In Article X of the Credit Agreement, the following new Section 10.21 shall be added:

10.21 Keepwell. Each Loan Party that is a Qualified ECP Guarantor at the time the Guaranty by any Specified Loan Party, becomes effective with respect to any Swap Obligation, hereby jointly and severally, absolutely, unconditionally and irrevocably undertakes to provide such funds or other support to each Specified Loan Party with respect to such Swap Obligation as may be needed by such Specified Loan Party from time to time to honor all of its obligations under its Guaranty in respect of such Swap Obligation (but, in each case, only up to the maximum amount of such liability that can be hereby incurred without rendering such Qualified ECP Guarantor's obligations and undertakings under this Section 10.21 voidable under applicable law relating to fraudulent conveyance or fraudulent transfer, and not for any greater amount). The obligations and undertakings of each Qualified ECP Guarantor under this Section 10.21 shall remain in full force and effect until the Obligations have been indefeasibly paid and performed in full. Each Qualified ECP Guarantor intends this Section 10.21 to constitute, and this Section 10.21 shall be deemed to constitute, a guarantee of the obligations of, and a "keepwell, support, or other agreement" for the benefit of, each Specified Loan Party for all purposes of the Commodity Exchange Act.

(xxiv) Exhibits "E-1", "E-2", "E-3" and "E-4" attached hereto are hereby added in place of the existing Exhibit "E" attached to the Credit Agreement. Exhibit "F" attached hereto is hereby added as a new Exhibit "F" to the Credit Agreement.

2. **Amounts Outstanding.** There is, as of October __, 2014, due and owing on the Credit Facility the principal amount of \$_____, consisting of (i) Committed Loans in the aggregate principal amount of \$_____, and (ii) issued and outstanding Letters of Credit in the aggregate stated amount of \$_____, in the case of each of the foregoing together with unpaid accrued interest, fees, costs and expenses due and owing to the Lenders under the Credit Agreement, all without offset, defense or counterclaim, all of which are hereby expressly waived by the Borrower and the Guarantors as of the date hereof. As of such date, there were no amounts due and owing to the Lenders in connection with any unreimbursed draws on any Letter of Credit.

3. **Amendments to all Loan Documents.** The Guaranties and each of the other Loan Documents are hereby amended and modified as follows:

(i) Any and all references contained therein to the aggregate maximum amount of the Credit Facility shall be deemed to refer to such aggregate maximum principal amount in the increased amount of US\$175,000,000.00.

(ii) Any and all references contained therein to the Credit Agreement and/or any of the other Loan Documents shall be deemed to refer to the Credit Agreement or such other Loan Document, as amended and modified up through and including this Third Amendment.

4. **Further Agreements and Representations.** The Borrower and the Guarantors do hereby: (i) ratify, confirm and acknowledge that, as amended and modified up through and including this Third

Amendment, the Credit Agreement, the Guaranties, and all of the other Loan Documents continue to be valid, binding and in full force and effect; (ii) acknowledge and agree that, as of the date hereof, none of the Borrower or any of the Guarantors has any defense, set-off, counterclaim or challenge against the payment of any sums due and owing to the Administrative Agent or any Lender or the enforcement of any of the terms of the Credit Agreement, the Guaranties and/or any of the other Loan Documents; (iii) acknowledge and agree that all representations and warranties of the Borrower and the Guarantors contained in the Credit Agreement, the Guaranties, and the other Loan Documents are true, accurate and correct as of the date hereof as if made on and as of the date hereof, except to the extent any such representation or warranty is by its terms limited to a certain date or dates in which case it remains true, accurate and correct as of such date or dates, and that, none of the corporate governing documents of the Borrower or the Guarantors have been amended, modified or supplemented since the date of the execution and delivery of the Original Credit Agreement; and (iv) represent and warrant that the Borrower and the Guarantors have taken all necessary action required by law and by their respective corporate governing documents to execute and deliver this Third Amendment and that such execution and delivery constitutes the legal and validly binding action of such entities.

5. **No Novation.** It is the intention of the parties hereto that this Third Amendment shall not constitute a novation.

6. **Additional Documents; Further Assurances.** The Borrower and the Guarantors hereby covenant and agree to execute and deliver to the Administrative Agent, on behalf of the Lenders, or to cause to be executed and delivered to the Administrative Agent, on behalf of the Lenders, contemporaneously herewith, at their sole cost and expense, any other documents, agreements, statements, resolutions, certificates, opinions, consents, searches and information as the Administrative Agent or any Lender may reasonably request in connection with the matters or actions described herein. The Borrower and the Guarantors hereby further covenant and agree to execute and deliver to the Administrative Agent, on behalf of the Lenders, or to use reasonable efforts to cause to be executed and delivered to the Administrative Agent, on behalf of the Lenders, at the sole cost and expense of the Borrower and the Guarantors, from time to time, any and all other documents, agreements, statements, certificates and information as the Administrative Agent or any Lender shall reasonably request to evidence or effect the terms of the Credit Agreement, the Guaranties, and/or any of the other Loan Documents. All such documents, agreements, statements, etc., shall be in form and content reasonably acceptable to the Administrative Agent and the Lenders.

7. **Waiver, Release and Indemnification by the Borrower and the Guarantors.** To induce the Administrative Agent and the Lenders to enter into this Third Amendment, the Borrower and the Guarantors, and any person or entity claiming by or through any or all of them, each waives and releases and forever discharges the Administrative Agent and the Lenders and their respective officers, directors, shareholders, agents, parent corporation, subsidiaries, affiliates, trustees, administrators, attorneys, predecessors, successors and assigns and the heirs, executors, administrators, successors and assigns of any such person or entity, as releasees (hereinafter collectively referred to as the "Releasees") from any liability, damage (whether direct or indirect, consequential, special, exemplary, or punitive), claim (including, without limitation, any claim for contribution or indemnity), loss or expense of any kind, in each case whether now known or unknown, past or present, asserted or unasserted, contingent or liquidated, at law or in equity, that it may have against any Releasee arising from the beginning of time to the date hereof arising out of or relating to the Credit Facility, other than those arising from the Releasees own gross negligence or willful misconduct. The Borrower and the Guarantors each further agrees to indemnify and hold the Releasees harmless from any loss, damage, judgment, liability or expense (including attorneys' fees) suffered by or rendered against the Administrative Agent or any Lender on account of any claims of third parties arising out of or relating to the Credit Facility. The Borrower and the Guarantors each further states that it has carefully read the foregoing release and indemnity, knows the contents thereof and grants the same as its own free act and deed.

8. **Status of Parties.** The relationship between the Administrative Agent and the Lenders, on the one hand, and the Borrower, on the other hand, is solely that of administrative agent and lenders, on the one hand, and borrower, on the other hand. Neither the Administrative Agent nor the Lenders have any fiduciary or other special relationship with or duty to the Borrower and none is created by the Loan Documents. Nothing contained in the Loan Documents, and no action taken or omitted pursuant to the Loan Documents, is intended or shall be construed to create any partnership, joint venture, association, or special relationship between the Borrower, on the one hand, and the Administrative Agent and the Lenders, on the other hand, or in any way make the Administrative Agent or any Lender a co-principal with the Borrower. In no event shall the Administrative Agent's or any Lender's rights and interests under the Loan Documents be construed to give the Administrative Agent or any Lender the right to control, or be deemed to indicate that the Administrative Agent or any Lender is in control of, the business, properties, management or operations of the Borrower.

9. **Fees, Costs, Expenses and Expenditures.** The Borrower shall pay all of the Administrative Agent's and the Lenders' reasonable costs and expenses in connection with this Third Amendment, including, without limitation, the reasonable fees and disbursements of the Administrative Agent's and the Lenders' legal counsel.

10. **No Waiver.** Nothing contained in this Third Amendment constitutes an agreement or obligation by the Administrative Agent or the Lenders to grant any further amendments to any of the Loan Documents, as amended and modified hereby, and nothing contained herein constitutes a waiver or release by the Administrative Agent or any Lender of any rights or remedies available to the Administrative Agent or any Lender under the Loan Documents, as amended and modified hereby, at law or in equity.

11. **Inconsistencies.** To the extent of any inconsistency between the terms, conditions, and provisions of this Third Amendment and the terms, conditions, and provisions of the Credit Agreement, the Guaranties, and all other Loan Documents, the terms, conditions, and provisions of this Third Amendment shall govern and control. All terms, conditions, and provisions of the Credit Agreement, the Guaranties, and all other Loan Documents not inconsistent herewith shall remain in full force and effect and are hereby ratified and confirmed by each party hereto.

12. **Binding Effect; Governing Law.** This Third Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and/or assigns. This Third Amendment shall be governed by and construed in accordance with the laws of the State of New York.

13. **WAIVER OF JURY TRIAL.** EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS THIRD AMENDMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS THIRD AMENDMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS PARAGRAPH 13.

14. **Headings.** The headings of the Articles, Sections, paragraphs and clauses of this Third Amendment are inserted for convenience only and shall not be deemed to constitute a part of this Third Amendment.

15. **Counterparts.** This Third Amendment may be executed in any number of counterparts, all of which, when taken together, shall be deemed one and the same instrument. This Third Amendment may be delivered by the exchange of signed signature pages by facsimile transmission or by e-mail, and any printed or copied version of any signature page so delivered will have the same force and effect as an original signed signature page.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK;
SIGNATURE PAGES FOLLOW]**

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[THIRD AMENDMENT AGREEMENT
(MISTRAS GROUP, INC.)]

US_ACTIVE-119613345.4-CJMAURER

IN WITNESS WHEREOF, the Borrower, the Guarantors, the Lenders, and the administrative Agent have duly executed and delivered this Third Amendment, all as of the day and year first written above.

BORROWER:

MISTRAS GROUP, INC., a Delaware corporation

By: _____
Jonathan Wolk
Executive Vice President,
Chief Financial Officer and Treasurer

GUARANTORS:

VIRTUAL MEDIA INTEGRATION, LTD., a Delaware corporation

By: _____
Jonathan Wolk
Vice President and Treasurer

QUALITY SERVICES LABORATORIES, INC., a Delaware corporation

By: _____
Jonathan Wolk
Vice President and Treasurer

[SIGNATURES CONTINUED ON NEXT PAGE]

LENDERS:

BANK OF AMERICA, N.A., as a Lender and L/C Issuer

By: __

David J. Bardwil
Senior Vice President

[SIGNATURES CONTINUED ON NEXT PAGE]

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[THIRD AMENDMENT AGREEMENT
(MISTRAS GROUP, INC.)]
US_ACTIVE-119613345.4-CJMAURER

JPMORGAN CHASE BANK, N.A., as a Lender

By: __

Name: __

Title: __

[SIGNATURES CONTINUED ON NEXT PAGE]

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[THIRD AMENDMENT AGREEMENT
(MISTRAS GROUP, INC.)]
US_ACTIVE-119613345.4-CJMAURER

KEYBANK, NATIONAL ASSOCIATION, as a Lender

By: __

Name: __

Title: __

[SIGNATURES CONTINUED ON NEXT PAGE]

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[THIRD AMENDMENT AGREEMENT
(MISTRAS GROUP, INC.)]
US_ACTIVE-119613345.4-CJMAURER

TD BANK, N.A., as a Lender

By: __

Name: __

Title: __

[SIGNATURES CONTINUED ON NEXT PAGE]

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[THIRD AMENDMENT AGREEMENT
(MISTRAS GROUP, INC.)]
US_ACTIVE-119613345.4-CJMAURER

ADMINISTRATIVE AGENT:

BANK OF AMERICA, N.A., as the Administrative Agent

By: _____

Name:

Title:

[END OF SIGNATURES]

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[THIRD AMENDMENT AGREEMENT
(MISTRAS GROUP, INC.)]
US_ACTIVE-119613345.4-CJMAURER

SCHEDULE 1

COMMITMENTS AND APPLICABLE PERCENTAGES

Lender	Commitment	Applicable Percentage
Bank of America, N.A.	\$60,000,000.00	34.285714290%
JPMorgan Chase Bank, N.A.	\$60,000,000.00	34.285714290%
KeyBank, National Association	\$35,000,000.00	20.000000000%
<u>TD Bank, N.A.</u>	<u>\$20,000,000.00</u>	<u>11.428571430%</u>
Total	\$175,000,000.00	100.000000000%

**FORM OF
U.S. TAX COMPLIANCE CERTIFICATE**
(For Foreign Lenders That Are Not Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Third Amended and Restated Credit Agreement dated as of December 21, 2011 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Mistras Group, Inc., a Delaware corporation, as Borrower (hereinafter referred to as the "Borrower"), and each lender from time to time party thereto.

Pursuant to the provisions of Section 3.01(e) of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code and (iv) it is not a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Administrative Agent and the Borrower with a certificate of its non-U.S. Person status on IRS Form W-8BEN. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent, and (2) the undersigned shall have at all times furnished the Borrower and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]

By: _____

Name: _____

Title: _____

Date: _____, 20[]

**FORM OF
U.S. TAX COMPLIANCE CERTIFICATE**
(For Foreign Participants That Are Not Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Third Amended and Restated Credit Agreement dated as of December 21, 2011 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Mistras Group, Inc., a Delaware corporation, as Borrower (hereinafter referred to as the "Borrower"), and each lender from time to time party thereto.

Pursuant to the provisions of Section 3.01(e) of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the participation in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code, and (iv) it is not a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished its participating Lender with a certificate of its non-U.S. Person status on IRS Form W-8BEN. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender in writing, and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF PARTICIPANT]

By: _____

Name: _____

Title: _____

Date: _____, 20[]

**FORM OF
U.S. TAX COMPLIANCE CERTIFICATE**
(For Foreign Participants That Are Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Third Amended and Restated Credit Agreement dated as of December 21, 2011 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Mistras Group, Inc., a Delaware corporation, as Borrower (hereinafter referred to as the "Borrower"), and each lender from time to time party thereto.

Pursuant to the provisions of Section 3.01(e) of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the participation in respect of which it is providing this certificate, (ii) its direct or indirect partners/members are the sole beneficial owners of such participation, (iii) with respect such participation, neither the undersigned nor any of its direct or indirect partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members is a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code and (v) none of its direct or indirect partners/members is a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished its participating Lender with IRS Form W-8IMY accompanied by one of the following forms from each of its partners/members that is claiming the portfolio interest exemption: (i) an IRS Form W-8BEN or (ii) an IRS Form W-8IMY accompanied by an IRS Form W-8BEN from each of such partner's/member's beneficial owners that is claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF PARTICIPANT]

By: _____

Name: _____

Title: _____

Date: _____, 20[]

**FORM OF
U.S. TAX COMPLIANCE CERTIFICATE**
(For Foreign Lenders That Are Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Third Amended and Restated Credit Agreement dated as of December 21, 2011 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Mistras Group, Inc., a Delaware corporation, as Borrower (hereinafter referred to as the "Borrower"), and each lender from time to time party thereto.

Pursuant to the provisions of Section 3.01(e) of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) its direct or indirect partners/members are the sole beneficial owners of such Loan(s) (as well as any Note(s) evidencing such Loan(s)), (iii) with respect to the extension of credit pursuant to this Credit Agreement or any other Loan Document, neither the undersigned nor any of its direct or indirect partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members is a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code and (v) none of its direct or indirect partners/members is a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Administrative Agent and the Borrower with IRS Form W-8IMY accompanied by one of the following forms from each of its partners/members that is claiming the portfolio interest exemption: (i) an IRS Form W-8BEN or (ii) an IRS Form W-8IMY accompanied by an IRS Form W-8BEN from each of such partner's/member's beneficial owners that is claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent, and (2) the undersigned shall have at all times furnished the Borrower and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]

By: _____

Name: _____

Title: _____

Date: _____, 20[]

EXHIBIT "F"

**FORM OF
NOTICE OF LOAN PREPAYMENT**

TO: Bank of America, N.A., as Administrative Agent

RE: Third Amended and Restated Credit Agreement dated as of December 21, 2011, among Mistras Group, Inc., as Borrower, the Lenders and Bank of America, N.A., as Administrative Agent and L/C Issuer (as amended, modified, extended, restated, replaced, or supplemented from time to time, the "Credit Agreement"; capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Credit Agreement)

DATE: _____, 20__

—

The Borrower hereby notifies the Administrative Agent that on _____ pursuant to the terms of Section 2.05 (Prepayments) of the Credit Agreement, the Borrower intend to prepay/repay the following Loans as more specifically set forth below:

Optional prepayment of Committed Loans in the following amount(s):

Eurocurrency Rate Loans: \$ _____
Applicable Interest Period: _____

Base Rate Loans: \$ _____

Delivery of an executed counterpart of a signature page of this notice by fax transmission or other electronic mail transmission (e.g. "pdf" or "tif") shall be effective as delivery of a manually executed counterpart of this notice.

BORROWER:

MISTRAS GROUP, INC.

By: _____
Name:
Title:

CERTIFICATION PURSUANT TO RULE 13A-14(a) OF THE SECURITIES

EXCHANGE ACT OF 1934

I, Sotirios J. Vahaviolos, 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: January 9, 2015

/s/ Sotirios J. Vahaviolos

Sotirios J. Vahaviolos

Chairman, President and Chief Executive Officer

(Principal Executive Officer)

CERTIFICATION PURSUANT TO RULE 13A-14(a) OF THE SECURITIES

EXCHANGE ACT OF 1934

I, Jonathan H. Wolk, 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: January 9, 2015

/s/ Jonathan H. Wolk

Jonathan H. Wolk

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 August 31, 2014 (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: January 9, 2015

/s/ Sotirios J. Vahaviolos

Sotirios J. Vahaviolos

Chairman, President and Chief Executive Officer
(Principal Executive Officer)

/s/ Jonathan H. Wolk

Jonathan H. Wolk

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