UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For The Fiscal Year Ended March 31, 2013

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to
Commission File Number: 001-35159

THERMON GROUP HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**27-2228185**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
100 Thermon Drive, San Marcos, Texas	**78666**
(Address of principal executive offices)	(Zip Code)

(512) 396-5801
(Registrant's telephone number, including area code)

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

Title of each class	**Name of each exchange on which registered**
Common Stock, $0.001 par value per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

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

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

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

Indicate by check mark whether the registrant has submitted electronically 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer ☐	Accelerated filer ☒
Non-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

The aggregate market value of the registrant's common equity held by non-affiliates as of September 30, 2012 was $684,651,380 based on the closing price of $24.99 as reported on the New York Stock Exchange. Solely for the purposes of this calculation, directors and officers of the registrant are deemed to be affiliates.

As of June 4, 2013, the registrant had 31,358,176 shares of common stock, par value $0.001 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

As permitted by General Instruction G of Form 10-K, certain portions, as expressly described in this report, of the registrant's Definitive Proxy Statement for the 2013 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

THERMON GROUP HOLDINGS, INC.

ANNUAL REPORT
FOR THE FISCAL YEAR ENDED MARCH 31, 2013

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K ("this annual report") includes forward-looking statements within the meaning of the U.S. federal securities laws in addition to historical information. These forward looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are included throughout this annual report, including in the sections entitled “Risk Factors”, “Management's Discussion and Analysis of Financial Condition and Results of Operations” and “Business” and include, without limitation, statements regarding our industry, business strategy, plans, goals and expectations concerning our market position, future operations, margins, profitability, capital expenditures, liquidity and capital resources and other financial and operating information. When used in this discussion, the words “anticipate”, “assume”, “believe”, “budget”, “continue”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “potential”, “predict”, “project”, “will”, “future” and similar terms and phrases are intended to identify forward-looking statements in this annual report.

Forward-looking statements reflect our current expectations regarding future events, results or outcomes. These expectations may or may not be realized. Some of these expectations may be based upon assumptions, data or judgments that prove to be incorrect. In addition, our business and operations involve numerous risks and uncertainties, many of which are beyond our control, which could result in our expectations not being realized or otherwise materially affect our financial condition, results of operations and cash flows. The statements include but are not limited to statements regarding: (i) our plans to strategically pursue emerging growth opportunities in diverse regions and across industry sectors; (ii) our plans to secure more new facility, or Greenfield, project bids; (iii) our ability to generate more facility maintenance, repair and operations or upgrades or expansions, or MRO/UE, revenue from our existing and future installed base; (iv) our ability to timely deliver backlog; (v) our ability to respond to new market developments and technological advances; (vi) our expectations regarding energy consumption and demand in the future and its impact on our future results of operations; (vii) our plans to develop strategic alliances with major customers and suppliers; (viii) our expectations that our revenues will continue to increase; (ix) our belief in the sufficiency of our cash flows to meet our needs for the next year; and (x) our expectations regarding anticipated benefits from the recently completed expansion of our principal manufacturing facility in San Marcos, Texas.

Actual events, results and outcomes may differ materially from our expectations due to a variety of factors. Although it is not possible to identify all of these factors, they include, among others, (i) general economic conditions and cyclicality in the markets we serve; (ii) future growth of energy and chemical processing capital investments; (iii) changes in relevant currency exchange rates; (iv) our ability to comply with the complex and dynamic system of laws and regulations applicable to international operations; (v) a material disruption at any of our manufacturing facilities; (vi) our dependence on subcontractors and suppliers; (vii) our ability to obtain standby letters of credit, bank guarantees or performance bonds required to bid on or secure certain customer contracts; (viii) competition from various other sources providing similar heat tracing products and services, or other alternative technologies, to customers; (ix) our ability to attract and retain qualified management and employees, particularly in our overseas markets; (x) our ability to continue to generate sufficient cash flow to satisfy our liquidity needs; and (xi) the extent to which federal, state, local and foreign governmental regulation of energy, chemical processing and power generation products and services limits or prohibits the operation of our business. Any one of these factors or a combination of these factors could materially affect our future results of operations and could influence whether any forward-looking statements contained in this annual report ultimately prove to be accurate. See also Item 1A, “Risk Factors” for information regarding the additional factors that have impacted or may impact our business and operations.

Our forward-looking statements are not guarantees of future performance, and actual results and future performance may differ materially from those suggested in any forward-looking statements. We do not intend to update these statements unless we are required to do so under applicable securities laws.

PART I

References in this annual report to "we", "our", "us" or the "Company" mean Thermon Group Holdings, Inc. ("TGH") and its consolidated subsidiaries taken together as a combined entity. A particular fiscal year is the twelve months ended on March 31 of the given calendar year (e.g. "fiscal 2013", "fiscal 2012" and "fiscal 2011" mean the Company's fiscal years ended March 31, 2013, March 31, 2012 and March 31, 2011, respectively). We are a holding company that conducts all of our business through our subsidiaries. Our common stock is listed on the New York Stock Exchange under the symbol "THR".

ITEM 1. BUSINESS

Business Overview

We are one of the largest providers of highly engineered thermal solutions for process industries. For almost 60 years, we have served a diverse base of thousands of customers around the world in attractive and growing markets, including energy, chemical processing and power generation. We are a global leader and one of the few thermal solutions providers with a global footprint and a full suite of products (heating cables, tubing bundles and control systems) and services (design optimization, engineering, installation and maintenance services) required to deliver comprehensive solutions to complex projects. We serve our customers locally through a global network of sales and service professionals and distributors in more than 30 countries and through our four manufacturing facilities on three continents. These global capabilities and longstanding relationships with some of the largest multinational energy, chemical processing, power and engineering, procurement and construction, or "EPC", companies in the world have enabled us to diversify our revenue streams and opportunistically access high growth markets worldwide. For fiscal 2013, approximately 70.6% of our revenues were generated outside of the United States.

Our thermal solutions, also referred to as heat tracing, provide an external heat source to pipes, vessels and instruments for the purposes of freeze protection, temperature and flow maintenance, environmental monitoring, and surface snow and ice melting. Customers typically purchase our products when constructing a new facility, which we refer to as Greenfield projects, or when performing maintenance, repair and operations on a facility's existing heat-traced pipes or upgrading or expanding a current facility, which we refer to collectively as "MRO/UE". A large processing facility may require our thermal solutions for a majority of its pipes, with the largest facilities containing hundreds of thousands of feet of heat-tracing cable and thousands of control points. Our products are low in cost relative to the total cost of a typical processing facility, but critical to the safe and profitable operation of the facility. These facilities are often complex, with numerous classified areas that are inherently hazardous and where product safety concerns are paramount. We believe that our strong brand and established reputation for safety, reliability and customer service are critical contributors to our customers' purchasing decisions.

Our customers' need for MRO/UE solutions provides us with an attractive recurring revenue stream. Customers typically use the incumbent heat tracing provider for MRO/UE projects to avoid complications and compatibility problems associated with switching providers. We typically begin to realize meaningful MRO/UE revenue from new Greenfield installations one to three years after completion of the project as customers begin to remove and replace our products during routine and preventative maintenance on in-line mechanical equipment, such as pipes and valves. As a result, our growth has been driven by new facility construction, as well as by servicing our continually growing base of solutions installed around the world, which we refer to as our installed base. Approximately 58% of our revenues for fiscal 2013 were derived from such MRO/UE activities.

Our corporate offices are located at 100 Thermon Drive, San Marcos, TX 78666. Our telephone number is (512) 396-5801. Our website address is *www.thermon.com.* Copies of the charters of the committees of our board of directors, our code of business conduct and ethics and our corporate governance guidelines are available on our website. All reports that we have filed with the Securities and Exchange Commission ("SEC"), including this Annual Report on Form 10-K and our Current Reports on Form 8-K, can be obtained free of charge from the SEC's website at www.sec.gov or through our website. In addition, all reports filed with the SEC may be read and copied at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549-1090. Information regarding the operation of the public reference room may be obtained by calling the SEC at 1-800-SEC-0330. None of the information on our website or any other website identified herein is incorporated by reference in this annual report and should not be considered a part of this annual report.

Company History

Thermon Manufacturing Company, historically our principal operating subsidiary, was founded as a partnership in October 1954 and later incorporated in Texas in 1960. At that time, our primary product was a thermally conductive heat transfer compound invented by our founder, Richard Burdick. Under Mr. Burdick's leadership, we experienced steady growth by diversifying our products and expanding our geographic reach. Mr. Burdick and his family maintained a controlling interest in us until August 2007, when the controlling interest was sold to an affiliate of the Audax Group private equity firm in the Audax Transaction. During Audax's tenure as our majority owner, we positioned ourselves to take advantage of rising demand in the energy end market and secured significant capital projects. Over the last five years, our management team has focused on significant organic growth opportunities, particularly in high growth markets such as the Canadian oil sands region and Russia.

On April 30, 2010, an investor group led by entities affiliated with CHS Capital LLC and two other private equity firms, which we refer to collectively as our former private equity sponsors acquired Audax's controlling interest in us. The acquisition and related transaction fees and expenses were financed through (i) the issuance of $210.0 million aggregate principal amount of our senior secured notes and (ii) a $129.3 million equity investment by our private equity sponsors and certain members of our current and former management team. Concurrent with the closing of the acquisition, we entered into a five-year, $40.0 million senior secured revolving credit facility, of which up to $20.0 million was available to our Canadian subsidiary, subject to borrowing base availability. As used in this annual report, the “CHS Transactions” refer collectively to such acquisition, the equity investment in us by CHS, our other former private equity sponsors and certain members of our management team, the entry into such revolving credit facility, the repayment of amounts owed under, and the termination of, certain then-existing revolving credit and term loan facilities, the issuance of our senior secured notes and the application of the gross proceeds from the offering of our senior secured notes and the equity investment to complete such acquisition and to pay related fees and expenses of these transactions.

In May 2011, we completed the initial public offering of our common stock (or “IPO”), and our common stock became listed on The New York Stock Exchange under the ticker symbol “THR.” Our former private equity sponsors sold shares of our common stock in both the IPO and a secondary public offering in September 2012. As of March 31, 2013, our former private equity sponsors had sold or otherwise disposed of all of their shares of common stock in the Company.

Industry Overview

Alvarez & Marsal Private Equity Performance Improvement Group, LLC, or "A&M", estimates that the market for industrial electric heat tracing is approximately $1.2 billion in annual revenues and estimates that it is growing its share of the overall heat tracing market as end users appear to continue to favor electric heat tracing solutions over steam heat tracing solutions for new installations. When revenues for steam heat tracing parts are included, A&M estimates the overall addressable market for heat tracing to be approximately $2.8 billion in annual revenues. The industrial electric heat tracing industry is fragmented and consists of more than 30 companies that typically only serve discrete local markets with manufactured products and provide a limited service offering. Heat tracing providers differentiate themselves through the quality and reputation of their products, the length and quality of their customer relationships and their ability to provide comprehensive solutions. Large multinational companies drive the majority of spending for the types of major industrial facilities that require heat tracing, and we believe that they prefer providers who have a global footprint and a comprehensive suite of products and services. We believe we are one of only a few companies that meet these criteria.

The major end markets that drive demand for heat tracing include energy, chemical processing and power generation. We believe that there are attractive near- to medium-term trends in each of these end markets. In addition, we believe that the growth rate of the electric heat tracing market is accelerating as end-users continue to favor electric-based heat tracing solutions over steam-based heat tracing solutions for new installations.

- ***Energy.*** Heat tracing is used to facilitate the processing, transportation and freeze protection of energy products in both upstream and downstream oil and gas applications. In order to meet growing demand and offset natural declines in existing oil and gas production, a significant increase in capital expenditures in upstream infrastructure will be required, with a particular focus on reservoirs that are in harsher climates, are deeper or have other complex characteristics that magnify the need for heat tracing. A&M estimates that the oil and gas end market accounted for approximately 67% of the total market for electric heat tracing in 2012, or approximately $800 million. Additionally, A&M forecasts an 8.2% compound annual growth rate through 2017 for electric heat tracing within the oil and gas production industry.

- ***Chemical Processing.*** Heat tracing is required for temperature maintenance and freeze protection in a variety of chemical processing applications. Factors that may impact heat tracing demand in chemicals end markets include

the rapid industrialization of the developing world, a shift in base chemical processing operations to low-cost feedstock regions, a transition of Western chemical processing activities from commodity products to specialty products and environmental compliance. A&M estimates that the chemicals end market accounted for approximately 10% of the total market for electric heat tracing in 2012, or approximately $123 million and forecasts a compound annual growth rate of 6.8% through 2017.

- ***Power Generation.*** Heat tracing is required in high-temperature processes, freeze protection and environmental regulation compliance in coal and gas facilities and for safety injection systems in nuclear facilities. An important driver of demand for heat tracing solutions for power generation is increasing demand for electricity worldwide. A&M estimates that the power generation end market accounted for approximately 20% of the total market for electric heat tracing in 2012, or approximately $243 million. The U.S. Energy Information Administration, or "EIA", projects that global net electricity generation will increase 84% between 2008 and 2035. We believe capital spending on new and existing power generation infrastructure will be required to meet this demand.

- ***Continuing selection of electric-based heat tracing solutions over steam-based solutions.*** Beginning in the 1960s, electric heat tracing products entered the market as an alternative to steam heat tracing products. While steam-based products are still used today for heavy oil, chemical and processing applications, electric-based products generally offer greater cost savings and operating efficiencies. As a consequence, Greenfield projects commissioned in recent years are increasingly designed to incorporate electric heat tracing.

Segments

We operate in one reportable segment, thermal engineered solutions. We have further defined our reportable segment based on four geographic countries or regions; United States, Canada, Europe and Asia. See Note 18, “Geographic Information” to our consolidated financial statements for fiscal 2013 contained elsewhere in this annual report for geographic financial data relating to our business.

Products and Services

Our products include a wide range of electric heat tracing cables, steam tracing components, and tubing bundles, as well as instrument and control products, including:

- self-regulating and power limiting heating cables, which automatically increase or decrease heat output as pipe temperature changes;

- mineral insulated, or "MI", cable, which is a high performance heat tracing cable for generating high temperatures that is typically used in harsh environments;

- heat traced tube bundles for environmental gas sampling systems;

- heat transfer compounds and steam tracers for comprehensive steam tracing solutions;

- control and monitoring systems for electric tracing of pipes, tanks, hoppers and instrument sampling systems; and

- turnkey solutions that provide customers with complete solutions for heat tracing, including design, optimization, installation and ongoing maintenance.

Electric Heat Tracing Applications

We manufacture critical components of an electric heat tracing system, including heating cables, control and monitoring systems and heating systems for tanks and hoppers. We customize these products to fit the specific design parameters for each client's installation. We offer various electric heating cables, including conductive polymer self-regulating heating cables, power limiting cables and MI high temperature heating cables.

Self-regulating heating cables-Our self-regulating heating cables are flexible and engineered to automatically increase or decrease heat output as pipe or vessel temperature changes. BSX™ self-regulating cables are designed to provide freeze protection or process temperature maintenance to metallic and non-metallic piping, vessels and equipment. HTSX™ self-regulating heating cable is suitable for heat tracing applications involving crude oil and most chemicals. VSX™ premium self-

regulating cable is rated for maintenance temperatures of 300°F/149°C and exposure temperatures of up to 450°F/232°C and has among the highest self-regulating temperature ratings in the industry.

Power-limiting and constant watt heating cables-Power limiting and constant watt heating cables are flexible parallel resistance cables used to heat trace piping in lengths longer than 500 feet. Such intermediate lengths of pipe are commonly found in pipe racks that connect process units within a plant. These heaters allow longer lengths between power supply points than self-regulating cables.

TEK™ HTEK™ and MIQ™ cables-The TEK™ and HTEK™ series resistance, constant watt heating cables are used where circuit lengths exceed the limitations of parallel resistance heating cables. By using series constant watt heating cables, a single power supply point can energize circuit lengths up to 12,000 feet. MIQ™ high performance mineral insulated heating cables are used for high temperature maintenance, high temperature exposure and/or high watt density applications that exceed the limitations of thermoplastic insulated cables. MIQ™ cables are composed of a high nickel/chromium alloy sheath, which is well-suited for high temperature service and offers high resistance to stress corrosion in chloride, acid, salt and alkaline environments.

Steam Heat Tracing

In 1954, we began manufacturing heat transfer compounds that greatly improved the heat delivery of steam tracing systems. Today, in addition to the broad range of heat transfer compounds, we also offer steam tracers and tubing bundles that provide our customers with comprehensive steam tracing solutions. We manufacture our heat transfer compounds in various configurations so that they can be applied to different surfaces, which increases the heat transfer rate of steam or fluid tracers.

Our heat transfer compounds create an efficient thermal connection between the heat tracing system and the process equipment. Through the elimination of air voids, heat is directed into the pipe wall primarily through conduction rather than convection and radiation. This requires fewer tracing pipes to maintain specified temperature requirements, substantially reducing operating and investment cost. Steam tracing offers the most cost effective solution for certain heavy oil and natural gas processing applications.

Temperature Controls and Monitoring

We supply a wide range of control and monitoring products, from simple mechanical thermostats to sophisticated microprocessor-based systems that control and monitor the status of electric heat tracing systems. We provide individual units for smaller projects, as well as multi-point controllers that can be integrated into and communicate with a plant's central operating controls.

Our TraceNet™ temperature control monitoring system allows up to 180 monitoring circuits to be controlled from a single control module. The temperature controllers work in conjunction with our TraceView control system software. The TraceView system collects and analyzes data from all heat tracing sensors of a facility, which is then analyzed and controlled by a single technician at a workstation.

Instrumentation

We specialize in pre-insulated and heat-traced tubing bundles with accessories that offer a complete instrument heating system. Our complete range of products includes both electric- and steam-heated bundles containing various types of tubing (such as copper, stainless steel and polymer) to meet the needs of process and environmental applications. Such applications include transporting samples of gas or liquid in our customized, temperature-controlled tubing bundles to an instrument that typically performs an analysis for purposes of process management or ensuring compliance with internal requirements or applicable environmental laws and regulations.

Tank Insulation and Heating Systems

In 1992, we introduced the ThermaSeam™ Tank Insulation System, which provides a product for insulating large vessels that commonly contain petroleum, chemical, asphalt, anhydrous ammonia, beverages or chilled water for HVAC storage. The design of the ThermaSeam™ Tank Insulation Systems enables installation without the use of scaffolding and is durable, low maintenance and cost-effective. The machine-formed, double-locking standing seams between adjacent panels that create a weatherproof barrier and also extend the entire height of the tank enhance the system's strength and durability. The

system's external banding eliminates traditional weak spots in the tank insulation process. In addition to ThermaSeam™, we also offer the RT FlexiPanel® flexible heating panel, designed specifically for use on metallic tanks or vessels.

Hopper Heating

The HT Hopper Heating Module is a self-contained heater designed for operation on surfaces prone to vibration. In cement plants and fossil fuel power facilities, hoppers facilitate the filtering of a facility's ash emissions. Hopper heaters maintain the walls of the hopper at a temperature above the dew point to prevent moisture from combining with ash, thus clogging the filtering equipment. We engineer each system based on the heating requirements of the specific application. The HT Hopper Heating Module has multiple flow paths for electrical current, which eliminates the burnout potential common with series wire-based designs. Protection of the heating element from vibration is accomplished with a cushion layer of insulation that also directs the flow of heat from the module to the surface being heated. The module provides mechanical protection during handling, installation and operation, and its low profile design helps facilitate installation.

Turnkey Services

We provide customers with complete turnkey solutions for their heat tracing needs. Turnkey services include project planning, product supply, engineering services, system integration, installation, commissioning and maintenance. Specialized, turnkey heat tracing services meet the needs of many of our industrial customers who have downsized and outsourced their non-core competencies and are requiring their vendor base to have multi-service and multi-site capabilities.

Our turnkey business in the United States is based in Houston, Texas and Baton Rouge, Louisiana. We currently have over 217 turnkey clients; the largest project as of the date of this annual report is approximately $1.5 million. Engineering and construction companies in the United States often subcontract their heat tracing projects to outside parties, including us, because of the field's highly specialized nature.

Design and Engineering Services

We offer heat tracing design and engineering services during every stage of a project. Providing design services within the quote process is a core element of our business strategy. By delivering design drawings in conjunction with early project specifications, we can determine the customer's heat tracing requirements which leads to subsequent sales of heat tracing products for that project.

We are focused on providing comprehensive solutions to fulfill the heat tracing needs of our customers. As a manufacturer of a wide range of heat tracing products, we believe that we are well positioned to evaluate and optimize a system for a customer without bias towards a particular product, and rely on almost 60 years of experience to craft the most appropriate heat tracing solution for a customer's situation and demands.

We provide design and engineering services to our customers through our full-time staff of engineers and technicians. Through the design and engineering process, our engineers and technicians located throughout the world provide our customers with design optimization studies, product selection assistance, computer-generated drawing packages and detailed wiring diagrams.

Manufacturing and Operations

We have four manufacturing facilities on three continents. We manufacture the products that generate a majority of our total sales at our principal facility in San Marcos, Texas including flexible heating cables, heat tracing compound and tubing bundles. Our facilities are highly automated, which reduces labor costs. Our facilities incorporate numerous manufacturing processes that utilize computer-controlled equipment and laser technology. We maintain a ready supply of spare parts and have on-site personnel trained to repair and perform preventative maintenance on our specialized equipment, reducing the likelihood of long term interruptions at our manufacturing facilities. Our manufacturing facilities are equipped to provide us with maximum flexibility to manufacture our products efficiently and with short lead times. This in turn allows for lower inventory levels and faster responses to customer demands.

In April 2012, we opened a new manufacturing building at our production facility in San Marcos, Texas. The expansion was completed at an approximate cost of $6.2 million. The new manufacturing building has approximately 48,000 square feet of floor space, including offices. In addition to purchasing new manufacturing equipment, we have moved certain of our existing manufacturing lines to the new building, which we believe will create efficiencies in the cable production process. We expect the new manufacturing building will enable us to approximately double production capacity for our low temperature

cables, as well as increase our high temperature cable production capacity by approximately 30%. We currently estimate that the facility expansion, when operating at full capacity, will support revenue levels of up to $400 to $500 million. This should satisfy our core cable growth needs for the next several years, assuming that current trends in product mix continue.

Our electronic cross-linking facility, which we refer to as our "ECLF", is also located at the San Marcos facility. Cross-linking enhances the thermal, chemical and electrical stability of our low-temperature self-regulating heater cables. By performing cross-linking in-house, we condense the overall manufacturing cycle by approximately six weeks. This enhances our ability to ensure a high level of product quality and to better control the production process.

Our pre-insulated tubing products are manufactured in our facilities in San Marcos and the Netherlands. The majority of our pre-insulated tubing product is custom ordered and made to customers' specifications in a two-part process. The thermal insulation is first applied over the heating cable and process tubing, and a protective plastic outer jacket is extruded onto the bundle to protect the insulation.

Our MI cable manufacturing facility in Calgary, Canada gives us adequate capacity to service the demands of clients in the oil sands projects of Western Canada in a time efficient manner. The facility's strategic location has enabled us to expand our sale of MI cable, which is well-suited for high temperature applications and harsh, arctic environments, into a global business.

We maintain quality control testing standards in all of our manufacturing operations and perform various quality control checks on our products during the manufacturing process. We believe that our highly automated manufacturing process and multiple quality control checkpoints create high levels of operational efficiency.

Purchasing Strategy-We have multiple suppliers for all of our critical raw materials, including polymer, graphite, copper and stainless steel. For each of these raw materials, a minimum of two suppliers are selected and approved. We evaluate pricing and performance of these suppliers annually. For our low-volume custom-built electronic controller components, we select a single supplier based on past performance reliability and monitor the process closely as volumes are too low to divide this product over multiple suppliers. Our purchase specifications are usually based on industry or manufacturer standards. Testing of the raw materials is performed and documented by our suppliers and is reviewed by us at the time of receipt.

Distribution-We maintain three central distribution centers located in San Marcos, Texas, Calgary, Alberta and the Netherlands. Inventory is typically shipped directly from these distribution centers to customers, the construction site or our regional sales agents or distributors. Our sales agents may maintain “safety stocks” of core products to service the immediate MRO/UE requirements of customers who are time-sensitive and cannot wait for delivery from one of the central distribution centers. In the United States, a network of agents maintains safety stocks of core products. In Canada, customers are serviced from the central distribution center in Calgary. In Europe, customers are serviced from the central distribution center in the Netherlands. In Asia, safety stock of materials are kept in Yokohama, Japan; Seoul, Korea; Shanghai, China; Pune, India and Melbourne, Australia. Safety stocks are also warehoused in Moscow, Russia.

Customers

We serve a broad base of large multinational customers, many of which we have served for almost 60 years. We have a diversified revenue mix with thousands of customers. None of our customers represented more than 10% of total revenues in fiscal 2013.

Sales and Marketing

Our direct sales force, consisting of 97 employees, is focused on positioning us with major end-users and EPC companies during the development phase of Greenfield projects with the goal of providing reliable, cost-effective heat tracing solutions. We utilize a network of more than 100 independent sales agents and distributors in over 30 countries to provide local support to customer facilities for MRO/UE. We actively participate in the growth and development of the domestic and international heat tracing standards established in the countries in which we sell products. We believe that we have established credibility as a reliable provider of high quality heat tracing products. In addition, we believe that our 14 registered trademarks in the United States and numerous additional brand names are recognized globally, giving us excellent brand recognition.

Standards and Certifications-We continually test our products to demonstrate that they can withstand harsh operating environments. Our heating cable products and associated design practices are subjected to various tests, including heat output, thermal stability and long-term aging, with the goal of producing products capable of performing at or beyond the expectations

of our customers. All products are further tested and certified by various approval agencies to verify compliance with applicable industry standards.

Our products comply with national and international heat tracing industry standards such as ANSI/IEEE-515 in the United States, Canadian Standards Association 130.03 in Canada; International Electrical Commission 60079-30-1 in Europe, IECEx in Australia and ANSI/IEC in the Middle East. We also hold product certifications from approval agencies around the world.

Competition

The global industrial electric heat tracing industry is fragmented and consists of more than 30 companies, which typically only serve discrete local markets and provide a limited service offering. We believe that we are the second largest participant in the industrial electric heat tracing market and one of only a few solutions providers with a comprehensive suite of products and services, global capabilities and local on-site presence. Our most significant competitor is the Thermal Controls subdivision of Pentair, Inc. (NYSE: PNR). In September 2012, Tyco Thermal Controls, a subdivision of Tyco International Ltd. was combined with Pentair, Inc. in a stock-for-stock merger transaction. The combined company provides comprehensive heat tracing solutions, manufactures water pumps, water filtration products and enclosures for electronics and electrical components.

Heat tracing providers differentiate themselves through value-added services, long-term customer relationship management and the ability to provide a full range of solutions. We differentiate ourselves from local providers by a global footprint, a full suite of products and services and a track record with some of the largest multinational energy, chemical processing, power and EPC companies in the world. In addition, we are dedicated solely to providing thermal solutions, whereas some of our competitors' thermal solutions operations constitute only one of numerous operating segments.

Intellectual Property and Technology

The heat tracing industry is highly competitive and subject to the introduction of innovative techniques and services using new technologies. We have at least 40 registered patents in the United States, some of which have foreign equivalents. Of our United States registered patents, seven remain active, along with several foreign equivalents. While we have patented some of our products and processes, we historically have not relied upon patents to protect our design or manufacturing processes or products, and our patents are not material to our operations or business. Instead, we rely significantly on maintaining confidential our trade secrets, manufacturing know-how and other proprietary rights and other information related to our operations. Accordingly, we require all employees to sign a nondisclosure agreement to protect our trade secrets, business strategy and other proprietary information. We have 14 registered trademarks in the United States and an additional 20 recognized brand names. We also rely on a significant number of unregistered trademarks, primarily abroad, but also in the United States, in the day-to-day operation of our business.

Research and Development

Our research and development group is focused on identifying new technologies to enhance our industrial heat tracing solutions through identifying opportunities to maximize product reliability and reduce the customer's total cost of ownership, which consists of capital expenses, maintenance costs and energy costs. Current initiatives include conductive polymer technology research and the development of integrated control systems and advanced communication software for our electric heat tracing systems.

Employees

As of March 31, 2013, we employed approximately 821 persons on a full-time basis worldwide. None of our employees is covered by a collective-bargaining agreement, and we have never experienced any organized work stoppage or strike. We consider our employee relations to be good.

Governmental Regulation

Due to the international scope of our operations, we are subject to complex United States and foreign laws governing, among others, anti-corruption matters, export controls, economic sanctions, antiboycott rules, currency exchange controls and transfer pricing rules. These laws are administered, among others, the U.S. Department of Justice, the SEC, the Internal Revenue Service, Customs and Border Protection, the Bureau of Industry and Security, or "BIS", the Office of Antiboycott Compliance, or "OAC", and the Office of Foreign Assets Control, or "OFAC", as well as the counterparts of these agencies in

foreign countries. Our policies mandate compliance with these laws. Despite our training and compliance programs, no assurances can be made that we will be found to be operating in full compliance with, or be able to detect every violation of, any such laws. For example, in fiscal 2009, we paid penalties of $176,000 and $14,613 to BIS and OFAC, respectively, to settle allegations that certain of our subsidiaries had committed apparent export control and economic sanctions violations that we voluntarily disclosed to the agencies. In August 2010, we paid a penalty of $32,500 to OAC to settle allegations that certain of our subsidiaries had committed apparent violations of antiboycott laws. We cannot predict the nature, scope or effect of future regulatory requirements to which our international operations might be subject or the manner in which existing laws might be administered or interpreted.

Environmental Compliance

Our operations and properties are subject to a variety of federal, state, local and foreign environmental laws and regulations, including those governing the discharge of pollutants into the air or water, the management and disposal of hazardous substances or wastes, the cleanup of contaminated sites, the emission of greenhouse gases, and workplace health and safety. Certain environmental laws, including the Comprehensive Environmental Response, Compensation, and Liability Act, impose joint and several liability for cleanup costs, without regard to fault, on persons who have disposed of or released hazardous substances into the environment. In addition, we could become liable to third parties for damages resulting from the disposal or release of hazardous substances into the environment. Some of our sites are affected by soil and groundwater contamination relating to historical site operations, which could require us to incur expenses to investigate and remediate the contamination in compliance with environmental laws. Some of our operations require environmental permits and controls to prevent and reduce air and water pollution, and these permits are subject to modification, renewal and revocation by issuing authorities. A failure to obtain, maintain, and comply with these permit requirements could result in substantial penalties, including facility shutdowns. From time to time, we could be subject to requests for information, notices of violation, and/or investigations initiated by environmental regulatory agencies relating to our operations and properties, Violations of environmental and health and safety laws can result in substantial penalties, civil and criminal sanctions, permit revocations, and facility shutdowns. Environmental and health and safety laws may change rapidly and have tended to become more stringent over time. As a result, we could incur costs for past, present, or future failure to comply with all environmental and health and safety laws and regulations. In addition, we could become subject to potential regulations concerning the emission of greenhouse gasses, and while the effect of such future regulations cannot be determined at this time, they could require us to incur substantial costs in order to achieve and maintain compliance. In the ordinary course of business, we may be held responsible for any environmental damages we may cause to our customers' premises.

Seasonality

For information on seasonality, see Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations-Seasonality”, which is hereby incorporated by reference into this Item 1.

Backlog

For information on backlog, see Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations- Overview- Revenue”, which is hereby incorporated by reference into this Item 1.

ITEM 1A. RISK FACTORS

The following risk factors address the material risks concerning our business. If any of the risks discussed in this annual report were to occur, our business, prospects, financial condition, results of operation and our ability to service our debt could be materially and adversely affected and the trading price of our common stock could decline significantly. Some statements in this annual report, including statements in the following risk factors, constitute forward-looking statements. Please refer to the section entitled “Forward-Looking Statements”.

Risks Related to Our Business and Industry

The markets we serve are subject to general economic conditions and cyclical demand, which could harm our business and lead to significant shifts in our results of operations from quarter to quarter that make it difficult to project long-term performance.

Our operating results have been and may in the future be adversely affected by general economic conditions and the cyclical pattern of certain industries in which our customers and end users operate. Demand for our products and services depends in large part upon the level of capital and maintenance expenditures by many of our customers and end users, in particular those in the energy, chemical processing and power generation industries, and firms that design and construct facilities for these industries. These customers' expenditures historically have been cyclical in nature and vulnerable to economic downturns. Prolonged periods of little or no economic growth could decrease demand for oil and gas which, in turn, could result in lower demand for our products and a negative impact on our results of operations and cash flows. In addition, this historically cyclical demand may lead to significant shifts in our results of operations from quarter to quarter, which limits our ability to make accurate long-term predictions about our future performance.

A sustained downturn in the energy industry, due to oil and gas prices decreasing or otherwise, could decrease demand for some of our products and services, which could materially and adversely affect our business, financial condition and results of operations.

A significant portion of our revenue historically has been generated by end-users in the upstream oil and gas markets. The businesses of most of our customers in the energy industry are, to varying degrees, cyclical and historically have experienced periodic downturns. Profitability in the energy industry is highly sensitive to supply and demand cycles and commodity prices, which historically have been volatile, and our customers in this industry historically have tended to delay large capital projects, including expensive maintenance and upgrades, during industry downturns. Customer project delays may limit our ability to realize value from our backlog as expected and cause fluctuations in the timing or the amount of revenue earned and the profitability of our business in a particular period. In addition, such delays may lead to significant fluctuations in results of operations from quarter to quarter, making it difficult to predict our financial performance on a quarterly basis.

Demand for a significant portion of our products and services depends upon the level of capital expenditure by companies in the energy industry, which depends, in part, on energy prices. Prices of oil and gas have been very volatile over the past five years, with significant increases until achieving historic highs in July 2008, followed immediately by a steep decline through 2009. Since 2009, the price of oil has increased 86% with a moderate price decrease in 2013. A sustained downturn in the capital expenditures of our customers, whether due to a decrease in the market price of oil and gas or otherwise, may delay projects, decrease demand for our products and services and cause downward pressure on the prices we charge, which, in turn, could have a material adverse effect on our business, financial condition and results of operations. Such downturns, including the perception that they might continue, could have a significant negative impact on the market price of our common stock.

As a global business, we are exposed to economic, political and other risks in a number of countries, which could materially reduce our revenues, profitability or cash flows or materially increase our liabilities. If we are unable to continue operating successfully in one or more foreign countries, it may have a material adverse effect on our business and financial condition.

For fiscal 2013, approximately 70.6% of our revenues were generated outside of the United States, and approximately 35.5% were generated outside North America. In addition, one of our key growth strategies is to continue to expand our global footprint in emerging and high growth markets around the world, although we may not be successful in expanding our international business.

Conducting business outside the United States is subject to additional risks, including the following:

- changes in a specific country's or region's political, social or economic conditions, particularly in emerging markets;
- trade relations between the United States and those foreign countries in which our customers and suppliers have operations, including protectionist measures such as tariffs and import or export licensing requirements;
- restrictions on our ability to own or operate subsidiaries in, expand in and repatriate cash from, foreign jurisdictions;
- exchange controls and currency restrictions;
- the burden of complying with multiple and potentially conflicting laws;
- potentially negative consequences from changes in U.S. and foreign tax laws;

- difficulty in staffing and managing (including ensuring compliance with internal policies and controls) geographically widespread operations;

- different regulatory regimes controlling the protection of our intellectual property;

- difficulty in the enforcement of contractual obligations in non-U.S. jurisdictions and the collection of accounts receivable from foreign accounts; and

- transportation delays or interruptions.

One or more of these factors could prevent us from successfully expanding our presence in international markets, could have a material adverse effect on our revenues, profitability or cash flows or cause an increase in our liabilities. We may not succeed in developing and implementing policies and strategies to counter the foregoing factors effectively in each location where we do business.

A failure to deliver our backlog on time could affect our future sales and profitability and our relationships with our customers, and if we were to experience a material amount of modifications or cancellations of orders, our sales could be negatively impacted.

Our backlog is comprised of the portion of firm signed purchase orders or other written contractual commitments received from customers that we have not recognized as revenue. The dollar amount of backlog as of March 31, 2013 was $95.2 million. The timing of our recognition of revenue out of our backlog is subject to a variety of factors that may cause delays, many of which, including fluctuations in our customers' delivery schedules, are beyond our control. Such delays may lead to significant fluctuations in results of operations from quarter to quarter, making it difficult to predict our financial performance on a quarterly basis. Further, while we have historically experienced few order cancellations and the amount of order cancellations has not been material compared to our total contract volume, if we were to experience a significant amount of cancellations of or reductions in purchase orders, it would reduce our backlog and, consequently, our future sales and results of operations.

Our ability to meet customer delivery schedules for our backlog is dependent on a number of factors including, but not limited to, access to raw materials, an adequate and capable workforce, engineering expertise for certain projects, sufficient manufacturing capacity and, in some cases, our reliance on subcontractors. The availability of these factors may in some cases be subject to conditions outside of our control. A failure to deliver in accordance with our performance obligations may result in financial penalties and damage to existing customer relationships, our reputation and a loss of future bidding opportunities, which could cause the loss of future business and could negatively impact our financial performance.

Our future revenue depends in part on our ability to bid and win new contracts. Our failure to effectively obtain future contracts could adversely affect our profitability.

Our future revenue and overall results of operations require us to successfully bid on new contracts and, in particular, contracts for large Greenfield projects, which are frequently subject to competitive bidding processes. Our revenue from major projects depends in part on the level of capital expenditures in our principal end markets, including the energy, chemical processing and power generation industries. The number of such projects we win in any year fluctuates, and is dependent upon the number of projects available and our ability to bid successfully for such projects. Contract proposals and negotiations are complex and frequently involve a lengthy bidding and selection process, which is affected by a number of factors, such as competitive position, market conditions, financing arrangements and required governmental approvals. For example, a client may require us to provide a bond or letter of credit to protect the client should we fail to perform under the terms of the contract. If negative market conditions arise, or if we fail to secure adequate financial arrangements or required governmental approvals, we may not be able to pursue particular projects, which could adversely affect our profitability.

We may be unable to compete successfully in the highly competitive markets in which we operate.

We operate in competitive domestic and international markets and compete with highly competitive domestic and international manufacturers and service providers. The fragmented nature of the industrial electric heat tracing industry, which consists of more than 30 companies, makes the market for our products and services highly competitive. A number of our direct and indirect competitors are major multinational corporations, some of which have substantially greater technical, financial and marketing resources than us, and additional competitors may enter these markets. Our competitors may develop products that are superior to our products, develop methods of more efficiently and effectively providing products and services, or adapt

more quickly than we do to new technologies or evolving customer requirements. Any increase in competition may cause us to lose market share or compel us to reduce prices to remain competitive, which could result in reduced sales and earnings.

Volatility in currency exchange rates may adversely affect our financial condition, results of operations or cash flows.

We may not be able to effectively manage our exchange rate and/or currency transaction risks. Volatility in currency exchange rates may decrease our revenues and profitability, adversely affect our liquidity and impair our financial condition. While we have entered into hedging instruments to manage our exchange rate risk as it relates to certain intercompany balances with certain of our foreign subsidiaries, these hedging activities do not eliminate this exchange rate risk, nor do they reduce risk associated with total foreign sales.

Our non-U.S. subsidiaries generally sell their products and services in the local currency, but obtain a significant amount of their products from our facilities located in another country, primarily the United States, Canada or Europe. In particular, significant fluctuations in the Canadian Dollar, the Russian Ruble, the Euro or the Pound Sterling against the U.S. Dollar could adversely affect our results of operations. We also bid for certain foreign projects in U.S. dollars or Euros. If the U.S. dollar or Euro strengthens relative to the value of the local currency, we may be less competitive in bidding for those projects. See Item 7A, “Quantitative and Qualitative Disclosures about Market Risk” for additional information regarding our foreign currency exposure relating to operations.

In order to meet our global cash management needs, we often transfer cash between the United States and foreign operations and sometimes between foreign entities. In addition, our debt service requirements are primarily denominated in U.S. dollars and a substantial portion of our cash flow is generated in foreign currencies, and we may need to repatriate cash to the United States in order to meet our U.S. debt service obligations. These transfers of cash expose us to currency exchange rate risks, and significant changes in the value of the foreign currencies relative to the U.S. dollar could limit our ability to meet our debt obligations, and impair our financial condition.

Because our consolidated financial results are reported in U.S. dollars, and we generate a substantial amount of our sales and earnings in other currencies, the translation of those results into U.S. dollars can result in a significant decrease in the amount of those sales and earnings. In addition, fluctuations in currencies relative to the U.S. dollar may make it more difficult to perform period-to-period comparisons of our reported results of operations.

Due to the nature of our business, we may be liable for damages based on product liability claims. We are also exposed to potential indemnity claims from customers for losses due to our work or if our employees are injured performing services.

We face a risk of exposure to claims in the event that the failure, use or misuse of our products results, or is alleged to result, in death, bodily injury, property damage or economic loss. Although we maintain quality controls and procedures, we cannot be sure that our products will be free from defects. If any of our products prove to be defective, we may be required to replace the product. In addition, we may be required to recall or redesign such products, which could result in significant unexpected costs. Some of our products contain components manufactured by third parties, which may also have defects. In addition, if we are installing our products, we may be subject to claims that our installation caused damage or loss. Our products are often installed in our customers' or end users' complex and capital intensive facilities in inherently hazardous or dangerous industries, including energy, chemical processing and power generation, where the potential liability from risk of loss could be substantial. Although we currently maintain product liability coverage, which we believe is adequate for the continued operation of our business, we cannot be certain that this insurance coverage will continue to be available to us at a reasonable cost or, if available, will be adequate to cover any potential liabilities. With respect to components manufactured by third-party suppliers, the contractual indemnification that we seek from our third-party suppliers may be insufficient to cover claims made against us. In the event that we do not have adequate insurance or contractual indemnification, product liabilities could have a material adverse effect on our business, financial condition or results of operations.

Under our customer contracts, we often indemnify our customers from damages and losses they incur due to our work or services performed by us, as well as for losses our customers incur due to any injury or loss of life suffered by any of our employees or our subcontractor's personnel occurring on our customer's property. Many, but not all, of our customer contracts include provisions designed to limit our potential liability by excluding consequential damages and lost profits from our indemnity obligations. However, substantial indemnity claims may exceed the amount of insurance we maintain and could have a material adverse effect on our reputation, business, financial condition or results of operations.

A material disruption at any of our manufacturing facilities could adversely affect our results of operations.

If operations at any of our manufacturing facilities were to be disrupted as a result of significant equipment failures, natural disasters, power outages, fires, explosions, terrorism, adverse weather conditions, labor disputes or other reasons, we may be unable to fill customer orders and otherwise meet customer demand for our products, which could adversely affect our financial performance. For example, our marketing and research & development buildings, located on the same campus as our corporate headquarters and primary manufacturing facility in San Marcos, Texas, were destroyed by a tornado in January 2007.

Interruptions in production, in particular at our manufacturing facilities in San Marcos, Texas, or Calgary, Canada, at which we manufacture the majority of our products, could increase our costs and reduce our sales. Any interruption in production capability could require us to make substantial capital expenditures to fill customer orders, which could negatively affect our profitability and financial condition. We maintain property damage insurance that we believe to be adequate to provide for reconstruction of facilities and equipment, as well as business interruption insurance to mitigate losses resulting from any production interruption or shutdown caused by an insured loss. However, any recovery under our insurance policies may not offset the lost sales or increased costs that may be experienced during the disruption of operations, which could adversely affect our financial performance.

Our international operations and non-U.S. subsidiaries are subject to a variety of complex and continually changing laws and regulations and, in particular, export control regulations.

Due to the international scope of our operations, we are subject to a complex system of laws and regulations, including regulations issued by the U.S. Department of Justice, or the "DOJ", the SEC, the Internal Revenue Service, or the "IRS", Customs and Border Protection, BIS, OAC and OFAC, as well as the counterparts of these agencies in foreign countries. While we believe we are in material compliance with these regulations and maintain programs intended to achieve compliance, we may currently or may in the future be in violation of these regulations. In 2009, we entered into settlement agreements with BIS and OFAC, and in 2010, we entered into a settlement agreement with OAC, in each case with respect to matters we voluntarily disclosed to such agencies.

Any alleged or actual violations may subject us to government scrutiny, investigation and civil and criminal penalties and may limit our ability to export our products or provide services outside the United States. Additionally, we cannot predict the nature, scope or effect of future regulatory requirements to which our international operations might be subject or the manner in which existing laws might be administered or interpreted.

In addition, our geographically widespread operations, coupled with our relatively smaller offices in many countries and our reliance on third party subcontractors, suppliers and manufacturers in the completion of our projects, make it more difficult to oversee and ensure that all our offices and employees comply with our internal policies and control procedures. We have in the past experienced employee theft, although the amounts involved have not been material, and we cannot assure you that we can ensure compliance with our internal control policies and procedures.

We operate in many different jurisdictions and we could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and similar foreign anti-corruption laws.

The U.S. Foreign Corrupt Practices Act, which we refer to as the "FCPA", and similar foreign anti-corruption laws generally prohibit companies and their intermediaries from making improper payments or providing anything of value to influence foreign government officials for the purpose of obtaining or retaining business or obtaining an unfair advantage. Recent years have seen a substantial increase in the global enforcement of anti-corruption laws, with more frequent voluntary self-disclosures by companies, aggressive investigations and enforcement proceedings by both the DOJ and the SEC resulting in record fines and penalties, increased enforcement activity by non-U.S. regulators, and increases in criminal and civil proceedings brought against companies and individuals. Because many of our customers and end users are involved in infrastructure construction and energy production, they are often subject to increased scrutiny by regulators. Our internal policies mandate compliance with these anti-corruption laws. We operate in many parts of the world that are recognized as having governmental corruption problems to some degree and where strict compliance with anti-corruption laws may conflict with local customs and practices. Our continued operation and expansion outside the United States, including in developing countries, could increase the risk of such violations in the future. Despite our training and compliance programs, we cannot assure you that our internal control policies and procedures always will protect us from unauthorized reckless or criminal acts committed by our employees or agents. In the event that we believe or have reason to believe that our employees or agents have or may have violated applicable anti-corruption laws, including the FCPA, we may be required to investigate or have outside counsel investigate the relevant facts and circumstances, which can be expensive and require significant time and attention from senior management. Violations of these laws may result in severe criminal or civil sanctions, which could disrupt our business and result in a material adverse effect on our reputation, business, results of operations or financial condition.

Our dependence on subcontractors could adversely affect our results of operations.

We often rely on third party subcontractors as well as third party suppliers and manufacturers to complete our projects. To the extent that we cannot engage subcontractors or acquire supplies or materials, our ability to complete a project in a timely fashion or at a profit may be impaired. If the amount we are required to pay for these goods and services exceeds the amount we have estimated in bidding for fixed-price contracts, we could experience losses on these contracts. In addition, if a subcontractor or supplier is unable to deliver its services or materials according to the negotiated contract terms for any reason, including the deterioration of its financial condition or over-commitment of its resources, we may be required to purchase the services or materials from another source at a higher price. This may reduce the profit to be realized or result in a loss on a project for which the services or materials were needed.

We may lose money on fixed-price contracts, and we are exposed to liquidated damages risks in many of our customer contracts.

We often agree to provide products and services under fixed-price contracts, including our turnkey solutions. Under these contracts, we are typically responsible for all cost overruns, other than the amount of any cost overruns resulting from requested changes in order specifications. Our actual costs and any gross profit realized on these fixed-price contracts could vary from the estimated costs on which these contracts were originally based. This may occur for various reasons, including errors in estimates or bidding, changes in availability and cost of labor and raw materials and unforeseen technical and logistical challenges, including with managing our geographically widespread operations and use of third party subcontractors, suppliers and manufacturers in many countries. These variations and the risks inherent in our projects may result in reduced profitability or losses on projects. Depending on the size of a project, variations from estimated contract performance could have a material adverse impact on our operating results. In addition, many of our customer contracts, including fixed-price contracts, contain liquidated damages provisions in the event that we fail to perform our obligations thereunder in a timely manner or in accordance with the agreed terms, conditions and standards.

If we lose our senior management or other key employees, our business may be adversely affected.

Our ability to successfully operate and grow our global business and implement our strategies is largely dependent on the efforts, abilities and services of our senior management and other key employees. If we lose the services of our senior management or other key employees and are unable to find qualified replacements with comparable experience in the industry, our business could be negatively affected. Our future success will also depend on, among other factors, our ability to attract and retain qualified personnel, such as engineers and other skilled labor, and in particular management and skilled employees for our foreign operations.

Our business strategy includes acquiring smaller, value-added companies and making investments that complement our existing business. These acquisitions and investments could be unsuccessful or consume significant resources, which could adversely affect our operating results.

Acquisitions and investments may involve cash expenditures, debt incurrence, operating losses and expenses that could have a material adverse effect on our financial condition and operating results. Acquisitions involve numerous other risks, including:

- diversion of management time and attention from daily operations;
- difficulties integrating acquired businesses, technologies and personnel into our business;
- potential loss of key employees, key contractual relationships or key customers of acquired companies or of us; and
- assumption of the liabilities and exposure to unforeseen liabilities of acquired companies.

We have limited experience in acquiring or integrating other businesses or making investments or undertaking joint ventures with others. It may be difficult for us to complete transactions quickly and to integrate acquired operations efficiently into our current business operations. Any acquisitions or investments may ultimately harm our business or financial condition, as such acquisitions may not be successful and may ultimately result in impairment charges.

We are subject to numerous environmental and health and safety laws and regulations, as well as potential environmental liabilities, which may require us to make substantial expenditures.

Our operations and properties are subject to a variety of federal, state, local and foreign environmental laws and regulations, including those governing the discharge of pollutants into the air or water, the management and disposal of hazardous substances or wastes, the cleanup of contaminated sites and workplace health and safety. As an owner or operator of real property, or generator of waste, we could become subject to liability for environmental contamination, regardless of whether we caused such contamination. Certain environmental laws, including the Comprehensive Environmental Response, Compensation, and Liability Act, impose joint and several liability for cleanup costs, without regard to fault, on persons who have disposed of or released hazardous substances into the environment. In addition, we could become liable to third parties for damages resulting from the disposal or release of hazardous substances into the environment. Some of our operations require environmental permits and controls to prevent and reduce air and water pollution, and these permits are subject to modification, renewal and revocation by issuing authorities. From time to time, we could be subject to requests for information, notices of violation, and/or investigations initiated by environmental regulatory agencies relating to our operations and properties. Violations of environmental and health and safety laws can result in substantial penalties, civil and criminal sanctions, permit revocations, and facility shutdowns. Environmental and health and safety laws may change rapidly and have tended to become more stringent over time. As a result, we could incur costs for past, present, or future failure to comply with all environmental and health and safety laws and regulations. In addition, we could become subject to potential regulations concerning the emission of greenhouse gases, and while the effect of such future regulations cannot be determined at this time, they could require us to incur substantial costs in order to achieve and maintain compliance. In the ordinary course of business, we may be held responsible for any environmental damages we may cause to our customers' premises.

Additional liabilities related to taxes or potential tax adjustments could adversely impact our financial results, financial condition and cash flow.

We are subject to tax and related obligations in the jurisdictions in which we operate or do business, including state, local, federal and foreign taxes. The taxing rules of the various jurisdictions in which we operate or do business often are complex and subject to varying interpretations. Tax authorities may challenge tax positions that we take or historically have taken, and may assess taxes where we have not made tax filings or may audit the tax filings we have made and assess additional taxes, as they have done from time to time in the past. Some of these assessments may be substantial, and also may involve the imposition of substantial penalties and interest. Significant judgment is required in evaluating our tax positions and in establishing appropriate reserves. The resolutions of our tax positions are unpredictable. The payment of substantial additional taxes, penalties or interest resulting from any assessments could materially and adversely impact our results of operations, financial condition and cash flow.

Even though we have increased and may in the future increase our repatriation of cash earned by our non-U.S. subsidiaries to fund one-time redemptions of our outstanding senior secured notes or other extraordinary corporate events in the

United States, we will leave a portion of such cash outside the United States as permanently reinvested earnings and profits. Accordingly, our current estimated annual effective tax rate is based on partial, and not full, repatriation of cash earned by our non-U.S. subsidiaries. If we underestimate our need for repatriated cash, or our needs change, significant tax adjustments may result.

The obligations associated with being a public company require significant resources and management attention.

Because we are a public company with equity securities listed on a national securities exchange we are required to comply with certain laws, regulations and requirements, including the requirements of the Securities Exchange Act of 1934, as amended, which we refer to the "Exchange Act", certain corporate governance provisions of the Sarbanes-Oxley Act of 2002, which we refer to as the "Sarbanes-Oxley Act", related regulations of the SEC and requirements of the NYSE. Complying with these statutes, regulations and requirements occupies a significant amount of time of our board of directors and management and results in significant legal, accounting and other expenses. We maintain, and will continue to maintain, internal controls and procedures for financial reporting and accounting systems to meet our reporting obligations as a public company. However, the measures we take may not be sufficient to satisfy our obligations. In addition, we cannot predict or estimate the amount of additional costs incurred in order to comply with these requirements.

Section 404 of the Sarbanes-Oxley Act requires annual management assessments and attestation by our independent registered public accounting firm of the effectiveness of our internal control over financial reporting. In connection with the necessary procedures and practices related to internal control over financial reporting, we or our independent registered public accounting firm may identify deficiencies that we may not be able to remediate in time to meet the deadline imposed by the Sarbanes-Oxley Act for compliance with the requirements of Section 404. If we fail to comply with Section 404, or if we or our independent registered public accounting firm identify and report a material weakness, it may affect the reliability of our internal control over financial reporting, which could adversely affect the market price of our common stock and subject us to sanctions or investigations by the NYSE, the SEC or other regulatory authorities, which would require additional financial and management resources.

Our current or future indebtedness could impair our financial condition and reduce the funds available to us for other purposes. Our debt agreements impose certain operating and financial restrictions, with which failure to comply could result in an event of default that could adversely affect our results of operations.

We have substantial indebtedness. At March 31, 2013, we had $118.1 million outstanding in senior secured notes. On May 20, 2013, we redeemed all of the remaining outstanding senior secured notes pursuant to the optional make-whole redemption provisions of the senior secured notes indenture. We financed the make-whole redemption through a $135 million variable rate term loan. If our cash flows and capital resources are insufficient to fund the interest payments on our outstanding borrowings under our new credit facility and other debt service obligations and keep us in compliance with the covenants under our debt agreements or to fund our other liquidity needs, we may be forced to reduce or delay capital expenditures, sell assets or operations, seek additional capital or restructure or refinance our indebtedness. We cannot ensure that we would be able to take any of these actions, that these actions would permit us to meet our scheduled debt service obligations or that these actions would be permitted under the terms of our existing or future debt agreements, which may impose significant operating and financial restrictions on us and could adversely affect our ability to finance our future operations or capital needs; obtain standby letters of credit, bank guarantees or performance bonds required to bid on or secure certain customer contracts; make strategic acquisitions or investments or enter into alliances; withstand a future downturn in our business or the economy in general; engage in business activities, including future opportunities, that may be in our interest; and plan for or react to market conditions or otherwise execute our business strategies.

We are also subject to interest rate risk related to borrowings under our new credit facility. When the LIBOR rate increases, our interest expense could increase, which would require us to dedicate a larger portion of cash flow from operations to service our debt obligations, thereby reducing the availability of our cash flow for other purposes, including working capital, capital expenditures and general corporate purposes.

If we cannot make scheduled payments on our debt, or if we breach any of the covenants in debt agreements, we will be in default and, as a result, our debt holders could declare all outstanding principal and interest to be due and payable, the lenders under our new credit facility could terminate their commitments to lend us money and foreclose against the assets securing our borrowings, and we could be forced into bankruptcy or liquidation.

In addition, we and certain of our subsidiaries may incur significant additional indebtedness, including additional secured indebtedness. Although the terms of our debt agreements contain restrictions on the incurrence of additional

indebtedness, these restrictions are subject to a number of qualifications and exceptions, and additional indebtedness incurred in compliance with these restrictions could be significant. Incurring additional indebtedness could increase the risks associated with our substantial indebtedness, including our ability to service our indebtedness.

A significant portion of our business is conducted through foreign subsidiaries and our failure to generate sufficient cash flow from these subsidiaries, or otherwise repatriate or receive cash from these subsidiaries, could result in our inability to repay our indebtedness.

Approximately 70.6% of our fiscal 2013 revenues were generated outside of the United States. While we have been able to meet the regular interest payment obligations on our senior secured notes to date from cash generated through our U.S. operations and expect to be able to continue to do so in the future, we may seek to repatriate cash for other uses, and our ability to withdraw cash from foreign subsidiaries will depend upon the results of operations of these subsidiaries and may be subject to legal, contractual or other restrictions and other business considerations. Our foreign subsidiaries may enter into financing arrangements that limit their ability to make loans or other payments to fund payments of our debt. In particular, to the extent our foreign subsidiaries incur additional indebtedness; the ability of our foreign subsidiaries to provide us with cash may be limited. In addition, dividend and interest payments to us from our foreign subsidiaries may be subject to foreign withholding taxes, which could reduce the amount of funds we receive from our foreign subsidiaries. Dividends and other distributions from our foreign subsidiaries may also be subject to fluctuations in currency exchange rates and legal and other restrictions on repatriation, which could further reduce the amount of funds we receive from our foreign subsidiaries.

In general, when an entity in a foreign jurisdiction repatriates cash to the United States, the amount of such cash is treated as a dividend taxable at current U.S. tax rates. Accordingly, upon the distribution of cash to us from our foreign subsidiaries, we will be subject to U.S. income taxes. Although foreign tax credits may be available to reduce the amount of the additional tax liability, these credits may be limited based on our tax attributes. Therefore, to the extent that we must use cash generated in foreign jurisdictions, there may be a cost associated with repatriating cash to the United States.

We rely heavily on trade secrets to gain a competitive advantage in the market and the unenforceability of our nondisclosure agreements may adversely affect our operations.

The heat tracing industry is highly competitive and subject to the introduction of innovative techniques and services using new technologies. While we have patented some of our products and processes, we historically have not relied upon patents to protect our design or manufacturing processes or products, and our patents are not material to our operations or business. Instead, we rely significantly on maintaining confidential our trade secrets and other information related to our operations. Accordingly, we require all employees to sign a nondisclosure agreement to protect our trade secrets, business strategy and other proprietary information. If the provisions of these agreements are found unenforceable in any jurisdiction within which we operate, the disclosure of our proprietary information may place us at a competitive disadvantage. Even where the provisions are enforceable, the confidentiality clauses may not provide adequate protection of our trade secrets and proprietary information in every jurisdiction.

We may be unable to prevent third parties from using our intellectual property rights, including trade secrets and know-how, without our authorization or from independently developing intellectual property that is the same as or similar to ours, particularly in those countries where the laws do not protect our intellectual property rights as fully as in the United States. The unauthorized use of our trade secrets or know-how by third parties could reduce or eliminate any competitive advantage we have developed, cause us to lose sales or otherwise harm our business or increase our expenses as we attempt to enforce our rights.

Our intellectual property rights may not be successfully asserted in the future or may be invalidated, circumvented or challenged.

We have obtained and applied for some U.S. and, to a lesser extent, foreign trademark registrations and will continue to evaluate the registration of additional trademarks. We cannot guarantee that any of our pending applications will be approved. Moreover, even if the applications are approved, third parties may seek to oppose or otherwise challenge them. In addition, we rely on a number of significant unregistered trademarks, primarily abroad, but also in the United States, in the day-to-day operation of our business. Without the protections afforded by registration, our ability to protect and use our trademarks may be limited and could negatively affect our business.

In addition, while we have not faced intellectual property infringement claims from others in recent years, in the event successful infringement claims are brought against us, particularly claims (under patents or otherwise) against our product

design or manufacturing processes, such claims could have a material adverse effect on our business, financial condition or results of operation.

Risks Related to Ownership of Our Common Stock

Our quarterly operating results may vary significantly, which could negatively impact the price of our common stock.

Our quarterly results of operations have fluctuated in the past and will continue to fluctuate in the future. You should not rely on the results of any past quarter or quarters as an indication of future performance in our business operations or the price of our common stock. Factors that might cause our operating results to vary from quarter to quarter include, but are not limited to:

- general economic conditions and cyclicality in the end markets we serve;
- future growth of energy and chemical processing capital investments;
- a material disruption at any of our manufacturing facilities;
- delays in our customers' projects for which our products are a component;
- competition from various other sources providing similar heat tracing products and services, or other alternative technologies, to customers; and
- the seasonality of demand for MRO/UE orders, which is typically highest during the second and third fiscal quarters.

If our results of operations from quarter to quarter fail to meet the expectations of securities analysts and investors, the price of our common stock could be negatively impacted.

The market price of our common stock may fluctuate significantly, and this may make it difficult for holders to resell our common stock when they want or at prices that they find attractive.

The price of our common stock on the NYSE constantly changes. We expect that the market price of our common stock will continue to fluctuate. The market price of our common stock may fluctuate as a result of a variety of factors, many of which are beyond our control. These factors include:

- quarterly fluctuations in our operating results;
- changes in investors' and analysts' perception of the business risks and conditions of our business or our competitors;
- our ability to meet the earnings estimates and other performance expectations of financial analysts or investors;
- unfavorable commentary or downgrades of our stock by equity research analysts;
- the emergence of new sales channels in which we are unable to compete effectively;
- disruption to our operations;
- fluctuations in the stock prices of our peer companies or in stock markets in general; and
- general economic or political conditions.

In addition, in recent years, global equity markets have experienced extreme price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies for reasons often unrelated to their operating performance. These broad market fluctuations may adversely affect the market price of our common stock, regardless of our operating results.

Anti-takeover provisions contained in our amended and restated certificate of incorporation and amended and restated bylaws could impair a takeover attempt that our stockholders may find beneficial.

Our second amended and restated certificate of incorporation, amended and restated bylaws and Delaware law contain provisions that could have the effect of rendering more difficult or discouraging an acquisition deemed undesirable by our board of directors. Our corporate governance documents include provisions:

- authorizing our board of directors, without further action by the stockholders, to issue blank check preferred stock;
- limiting the ability of our stockholders to call and bring business before special meetings and to take action by written consent in lieu of a meeting;
- requiring advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nominations of candidates for election to our board of directors;
- authorizing our board of directors, without stockholder approval, to amend our amended and restated bylaws;
- limiting the determination of the number of directors on our board of directors and the filling of vacancies or newly created seats on our board of directors to our board of directors then in office; and
- subject to certain exceptions, limiting our ability to engage in certain business combinations with an "interested stockholder" for a three-year period following the time that the stockholder became an interested stockholder.

These provisions, alone or together, could delay hostile takeovers and changes in control of our company or changes in our management.

Though we have opted out of the Delaware anti-takeover statute, our second amended and restated certificate of incorporation contains provisions that are similar to the Delaware anti-takeover statute, which may impair a takeover attempt that our stockholders may find beneficial. Any provision of our second amended and restated certificate of incorporation or amended and restated bylaws that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock.

We do not currently intend to pay dividends on our common stock and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

We do not expect to pay dividends on our common stock. Any future dividend payments are within the absolute discretion of our board of directors or a duly authorized committee of the board of directors and will depend on, among other things, our results of operations, working capital requirements, capital expenditure requirements, financial condition, level of indebtedness, contractual restrictions with respect to payment of dividends, business opportunities, anticipated cash needs, provisions of applicable law and other factors that our board of directors may deem relevant. In particular, our new credit facility limits our ability to pay dividends from cash generated from operations. We may not generate sufficient cash from operations in the future to pay dividends on our common stock. See Item 5, "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities-Dividend Policy".

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our headquarters and principal executive offices are located at 100 Thermon Drive, San Marcos, Texas. A summary of the physical properties that we use as of March 31, 2013 follows in the table below. We believe that our facilities are suitable for their purpose and adequate to meet our business operations requirements. We have manufacturing facilities in the United States, Canada, Europe and India. Most of our operations are registered to International Organization for Standardization (ISO) 9001 quality standards.

Location	Country	Approximate Size	Function	Owned/Leased
Corporate Headquarters San Marcos ,TX	United States	198,000 sq. ft. on 30 acres	Manufacturing, fabrication, , sales, engineering, marketing, research & development, warehouse and Corporate Headquarters	Owned
Hunter Road Facility San Marcos, TX	United States	3,500 sq. ft.	Fabrication, engineering, and warehouse	Leased
McCarty Lane Property San Marcos, TX	United States	6.6 acres	Storage	Owned
Houston, TX	United States	41,000 sq. ft.	Fabrication, engineering, and sales	Leased
Houston, TX	United States	44,000 sq. ft.	Office and warehouse	Owned
Baton Rouge, LA	United States	10,000 sq. ft.	Sales, engineering and warehouse	Owned
Newark, DE	United States	500 sq. ft.	Sales	Leased
Office: Calgary, AB	Canada	34,000 sq. ft.	Fabrication, sales, engineering and warehouse	Leased
MI Plant: Calgary, AB	Canada	46,000 sq. ft.	Manufacturing, fabrication, and warehouse	Leased
Edmonton, AB	Canada	9,800 sq. ft.	Sales and warehouse	Leased
Sarnia, ON	Canada	4,500 sq. ft.	Sales and warehouse	Leased
London, ON	Canada	1,240 sq. ft.	Sales	Leased
Mexico City	Mexico	2,000 sq. ft.	Sales and Engineering	Leased
Pijnacker	Netherlands	35,000 sq. ft. on 1.5 acres	Manufacturing, fabrication, sales, engineering, warehouse, marketing and European Headquarters	Owned
Moscow	Russia	4,400 sq. ft.	Sales and engineering	Leased
Paris	France	2,000 sq. ft.	Sales and engineering	Leased
Gateshead, Tyne & Wear	United Kingdom	5,000 sq. ft.	Sales, engineering, and warehouse	Leased
Bergisch Gladbach	Germany	2,750 sq. ft.	Sales and engineering	Leased
Manama	Bahrain	700 sq. ft.	Sales and engineering	Leased
Shanghai	China	2,500 sq. ft.	Sales and engineering	Leased
Shanghai	China	4,500 sq. ft.	Warehouse	Leased
Shanghai	China	400 sq. ft.	Warehouse	Leased
Beijing	China	1,650 sq. ft.	Sales and engineering	Leased
Mumbai	India	3,750 sq. ft.	Sales and engineering	Leased
Koregon Bhima, Pune	India	15,000 sq. ft. on 3 acres	Manufacturing, fabrication and warehouse	Owned
Delhi	India	2,800 sq. ft.	Engineering	Leased
Caringbah, New South Wales	Australia	200 sq. ft.	Sales	Leased

Bayswater, Victoria	Australia	1,350 sq. ft.	Fabrication, sales, engineering and warehouse	Owned
Kuala Lumpur	Malaysia	475 sq. ft.	Sales and engineering	Leased
Yokohama	Japan	1,500 sq. ft.	Sales and engineering	Leased
Seoul	South Korea	2,900 sq. ft.	Sales and engineering	Leased
Seoul	South Korea	950 sq. ft.	Warehouse	Leased

ITEM 3. LEGAL PROCEEDINGS

For information on legal proceedings, see Note 12, “Commitments and Contingencies” to our consolidated financial statements contained elsewhere in this annual report, which is hereby incorporated by reference into this Item 3.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

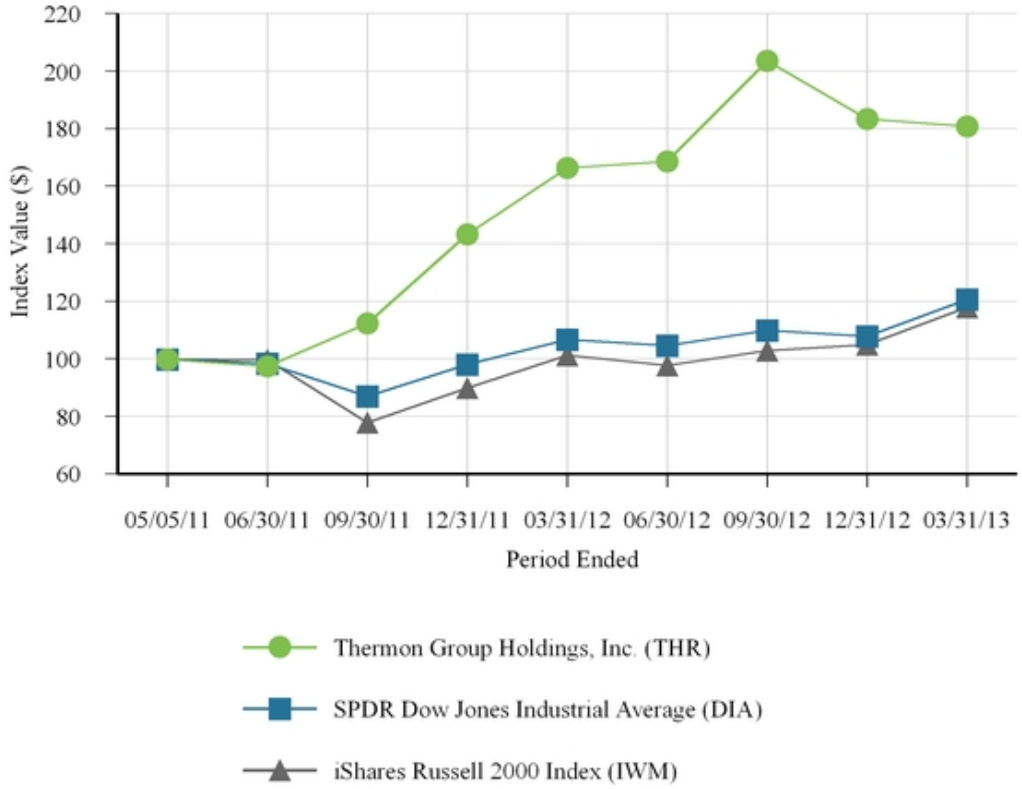
The common stock of the Company began trading on the NYSE under the symbol “THR” in connection with our IPO, on May 5, 2011. Prior to that date, there was no public market for the common stock of the Company. The IPO price on May 5, 2011 was $12.00 per share of common stock. The following table sets forth for each period indicated the reported high and low sales prices for the common stock of the Company on the NYSE.

	Thermon Common Stock		
	High	Low	Dividends Paid
For the quarterly period ended:			
June 30, 2011 (from May 5, 2011)	$ 13.14	$ 11.05	
September 30, 2011	$ 16.42	$ 11.87	
December 31, 2011	$ 17.79	$ 12.75	
March 31, 2012	$ 21.53	$ 16.50	
For the quarterly period ended:			
June 30, 2012	$ 23.17	$ 19.28	—
September 30, 2012	$ 26.14	$ 19.94	—
December 31, 2012	$ 26.24	$ 21.76	—
March 31, 2013	$ 24.50	$ 20.03	—
For the quarterly period ended:			
June 30, 2013 (Through June 4, 2013)	$ 22.25	$ 17.99	—

On June 4, 2013, the closing sale price of our common stock, as reported by the NYSE, was $20.76. As of June 4, 2013, there were approximately 78 holders of our common stock of record.

Stock Performance

The following line graph and table present a comparison of cumulative total returns for our common stock on a quarterly basis since our IPO, as compared to the Dow Jones Industrial Average and the Russell 2000 Index for the same period. The plotted points in the line graph are based on the closing price on the last trading date of the quarter. The values assume an initial investment of $100 was made in our common stock and the respective indexes on May 5, 2011, the date our common stock began trading on the NYSE in connection with our IPO. The stock price performance shown below is not necessarily indicative of future price performance.



	Cumulative Total Return								
	May 5, 2011	June 30, 2011	September 30, 2011	December 31, 2011	March 31, 2012	June 30, 2012	September 30, 2012	December 31, 2012	March 31, 2013
Thermon Group Holdings, Inc.	$ 100.00	$ 97.72	$ 112.54	$ 143.49	$ 166.53	$ 168.65	$ 203.50	$ 183.47	$ 180.86
SPDR Dow Jones Industrial Average	$ 100.00	$ 98.54	$ 87.24	$ 98.29	$ 106.93	$ 104.87	$ 110.14	$ 108.05	$ 120.93
iShares Russell 2000 Index	$ 100.00	$ 99.96	$ 78.16	$ 90.09	$ 101.46	$ 97.96	$ 103.14	$ 105.13	$ 118.07

The information in this "Stock Performance" section shall not be deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Exchange Act.

Dividend Policy

Since the completion of the CHS Transactions on April 30, 2010, we have not declared or paid any cash dividends on our capital stock, and we do not currently intend to pay any cash dividends on our common stock. We currently intend to retain earnings to finance the growth and development of our business and for working capital and general corporate purposes. Any payment of dividends will be at the discretion of our board of directors and will depend upon earnings, financial condition, capital requirements, level of indebtedness, contractual restrictions with respect to payment of dividends, restrictions imposed by applicable law and other factors. In particular, our new credit facility limits our ability to pay dividends from cash generated from operations. See Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources.”

Equity Compensation Plan Information

For information on our equity compensation plans, see Item 12, “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters-Equity Compensation Plan Information”. See also Note 15, “Stock-Based Compensation Expense” to our consolidated financial statements included elsewhere in this annual report.

Issuer Purchases of Equity Securities

None.

Recent Sales of Unregistered Securities

None.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth certain selected historical consolidated financial and operating data as of and for the fiscal years ended March 31, 2009 (“fiscal 2009”), March 31, 2010 (“fiscal 2010”), March 31, 2011 (“fiscal 2011”), March 31, 2012 (“fiscal 2012”) and March 31, 2013 ("fiscal 2013"). The data set forth below should be read in conjunction with Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations”, which is contained elsewhere in this annual report, and our consolidated financial statements and the notes thereto as of March 31, 2012 and 2013 and for fiscal 2011, fiscal 2012 and fiscal 2013, which are contained elsewhere in this annual report.

In this annual report, we have included the consolidated financial statements of Thermon Group Holdings, Inc. (“successor”) for fiscal 2013, fiscal 2012 and the period from May 1, 2010 through March 31, 2011 and the consolidated financial statements of Thermon Holdings, LLC (“predecessor”) for the period from April 1, 2010 to April 30, 2010 and for fiscal 2010 and fiscal 2009. Concurrent with the completion of the CHS Transactions on April 30, 2010, predecessor no longer owned any interest in us, and, beginning with the period from May 1, 2010 through March 31, 2011, we have reported the consolidated financial statements of successor. We do not anticipate that there would have been any material difference in our consolidated financial statements and notes thereto for fiscal 2009, fiscal 2010 and the period from April 1, 2010 to April 30, 2010 had such statements been prepared for Thermon Group Holdings, Inc., except as it relates to purchase accounting in connection with the CHS Transactions.

The presentation of fiscal 2011 includes the combined results of the predecessor and successor periods. We have presented the combination of these periods because it provides an easier-to-read discussion of the results of operations and provides the investor with information from which to analyze our financial results in a manner that is consistent with the way management reviews and analyzes our results of operations. In addition, the combined results provide investors with the most meaningful comparison between our results for prior and future periods. Please refer to Note 1 to the table set forth below for a separate presentation of the results for the predecessor and successor periods, for fiscal 2011. Please also refer to the historical consolidated financial statements and notes thereto for fiscal 2013 included elsewhere in this annual report.

	Predecessor		Predecessor/Successor Combined (Non-GAAP) (1)	Successor	
	Year Ended March 31,				
	2009	2010	2011	2012	2013
	(dollars in thousands, except share and per share data)				
Consolidated Statements of Operations Data:					
Sales	$ 204,171	$ 194,096	$ 241,063	$ 272,323	$ 284,036
Cost of sales	106,872	102,784	131,348	140,208	151,204
Purchase accounting adjustments (2)	—	—	7,614	—	—
Gross profit	$ 97,299	$ 91,312	$ 102,101	$ 132,115	$ 132,832
Operating expenses:					
Marketing, general and administrative and engineering	49,825	47,344	58,893	76,280	64,633
Amortization of intangible assets	6,627	2,426	18,245	11,379	11,211
Income from operations	$ 40,847	$ 41,542	$ 24,963	$ 44,456	$ 56,988
Interest income	94	6	49	122	112
Interest expense (3)	(9,625)	(7,357)	(29,000)	(19,584)	(15,225)
Loss on retirement of debt	—	—	(630)	(3,825)	—
Success fees to owners related to the CHS Transactions (4)	—	—	(7,738)	—	—
Miscellaneous income/(expense) (5)	(3,120)	(1,285)	(14,125)	(1,671)	(325)
Income (loss) from continuing operations before provision for income taxes	$ 28,196	$ 32,906	$ (26,481)	$ 19,498	$ 41,550
Income tax expense (benefit)	1,795	13,966	(11,274)	7,468	14,576
Net income (loss)	$ 26,401	$ 18,940	$ (15,207)	$ 12,030	$ 26,974
Net income (loss) per common share: (6)					
Basic	nm	nm	nm	$ 0.41	$ 0.88
Diluted	nm	nm	nm	0.40	0.85
Weighted-average shares used in computing net income (loss) per common share (thousands) (5):					
Basic	nm	nm	nm	29,083	30,797
Diluted	nm	nm	nm	30,454	31,797
Cash dividends per share	—	$ 182.18	—	—	—
Other Financial and Operating Data:					
Capital expenditures	$ 2,708	$ 1,587	$ 1,799	$ 8,883	6,264
Backlog at end of period (7)	$ 66,779	$ 82,459	$ 76,298	$ 117,748	95,228

	Predecessor		Predecessor/Successor Combined (Non-GAAP)	Successor	
	2009	2010	At March 31, 2011	2012	2013
	(dollars in thousands)				
Balance Sheet Data:					
Cash and cash equivalents	$ 13,402	$ 30,147	$ 51,266	$ 21,468	$ 43,847
Accounts receivable, net	37,874	41,882	40,013	50,037	56,123
Inventory, net	25,103	22,835	31,118	38,453	34,391
Total assets	193,736	221,116	451,032	425,579	435,523
Total debt	99,032	109,249	212,063	139,145	118,145
Total shareholders' equity	38,214	55,074	126,532	192,480	226,047

(1) The closing of the CHS Transactions on April 30, 2010 established a new basis of accounting that primarily affected inventory, intangible assets, goodwill, taxes, debt and equity. This resulted in additional amortization expense, interest expense and tax expense for the period from May 1, 2010 through March 31, 2011 ("successor") as compared to the period from April 1, 2010 through April 30, 2010 ("predecessor"). Except for purchase accounting adjustments, the results for the two combined periods are comparable. Therefore, we believe that combining the two periods into a single period for comparative purposes gives the most clarity for the users of this financial information. Please refer to our historical consolidated financial statements and notes thereto for the fiscal year ended March 31, 2011 included elsewhere in this annual report for a separate presentation of the results for the predecessor and successor periods in accordance with U.S. generally accepted accounting principles ("GAAP").

	For the Period from April 1, Through April 30 2010 (Predecessor)	For the Period From May 1, 2010 Through March 31, 2011 (Successor)	Fiscal Year Ended March 31, 2011 (Predecessor/Successor Combined)
	(dollars in thousands)		
Consolidated Statements of Operations Data:			
Sales	$ 13,183	$ 227,880	$ 241,063
Cost of sales	6,567	124,781	131,348
Purchase accounting non-cash adjustment	—	7,614	7,614
Gross profit	6,616	95,485	102,101
Marketing, general and administrative and engineering	4,263	54,630	58,893
Amortization of intangible assets	215	18,030	18,245
Income from operations	2,138	22,825	24,963
Interest income	7	42	49
Interest expense	(6,229)	(22,771)	(29,000)
Loss on retirement of debt	—	(630)	(630)
Success fees to owners related to the CHS Transactions	(4,716)	(3,022)	(7,738)
Miscellaneous income/(expense)	(8,901)	(5,224)	(14,125)
Loss before provision for income taxes	(17,701)	(8,780)	(26,481)
Income tax expense (benefit)	(17,434)	6,160	(11,274)
Net loss	$ (267)	$ (14,940)	$ (15,207)
Statement of Cash Flows Data:			
Net cash used in:			
Capital expenditures	$ 97	$ 1,702	$ 1,799

(2) In fiscal 2011, there was a non-cash negative impact of $7.6 million to cost of sales and, consequently, gross profit due to a purchase accounting adjustment related to the CHS Transactions.

(3) Interest expense for fiscal 2011 of $29.0 million reflected in part increased interest expense on our senior secured notes issued in connection with the CHS Transactions. In addition, we recorded $4.9 million in acceleration of amortized loan costs of the predecessor as well as $1.6 million of amortized loan costs related to the successor. Interest expense for fiscal 2012 included $3.1 million of accelerated amortized loan costs due to certain partial redemptions of our senior secured notes and $1.0 million of amortized loan costs. Interest expense in fiscal 2013 included accelerated amortized loan costs of $2.3 million due to partial redemptions of our senior secured notes and a refinancing of our prior revolving credit facility. $1.0 million of amortized loan costs were recorded in the period.

(4) We paid fees to both the predecessor and successor owners related to the successful completion of the CHS Transactions. As related party transactions, they were reported separately from other CHS Transactions expenses included in miscellaneous expense.

(5) Miscellaneous expense for fiscal 2011 of $14.1 million consisted primarily of $15.0 million of non-recurring expenses related to the CHS Transactions, partially offset by $0.6 million of income related to the reversal of our compliance reserve.

(6) While we have presented net income (loss) per common share and weighted-average shares used in computing net income (loss) per common share for fiscal 2012 and fiscal 2013, we have not presented such information for the prior periods, as the capital structures of the predecessor and successor are substantially different, and the net income (loss) per share amounts and weighted-average shares used in computing net income (loss) per common share are therefore not comparable or meaningful. Please refer to our consolidated financial statements and notes thereto for, fiscal 2011, fiscal 2012 and for fiscal 2013, which are contained elsewhere in this annual report, for a presentation of the net income (loss) per share and the weighted average shares outstanding for the predecessor and successor periods.

(7) Represents the future revenue attributable to signed, but unperformed, purchase orders that set forth specific revenue amounts at the end of the applicable period.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with, and is qualified in its entirety by reference to, Item 6, "Selected Financial Data" and our consolidated financial statements and related notes included elsewhere in this annual report. The discussions in this section contain forward-looking statements that involve risks and uncertainties, including, but not limited to, those described in Item 1A, "Risk Factors". Actual results could differ materially from those discussed below.

Overview

We are one of the largest providers of highly engineered thermal solutions for process industries. For almost 60 years, we have served a diverse base of thousands of customers around the world in attractive and growing markets, including energy, chemical processing and power generation. We are a global leader and one of the few thermal solutions providers with a global footprint and a full suite of products and services required to deliver comprehensive solutions to complex projects. We serve our customers locally through a global network of sales and service professionals and distributors in more than 30 countries and through our four manufacturing facilities on three continents. These global capabilities and longstanding relationships with some of the largest multinational energy, chemical processing, power and EPC companies in the world have enabled us to diversify our revenue streams and opportunistically access high growth markets worldwide. For fiscal 2013, approximately 70.6% of our revenues were generated outside of the United States.

Revenue. Our revenues are derived from providing customers with a full suite of innovative and reliable heat tracing solutions, including electric and steam heat tracing, tubing bundles, control systems, design optimization, engineering services and installation services. Our sales are primarily to industrial customers for petroleum and chemical plants, oil and gas production facilities and power generation facilities. Demand for industrial heat tracing solutions falls into two categories: (i) new facility construction, which we refer to as Greenfield projects, and (ii) recurring maintenance, repair and operations and facility upgrades or expansions, which we refer to as MRO/UE. Greenfield construction projects often require comprehensive heat tracing solutions. We believe that Greenfield revenue consists of sales revenues by customer in excess of $1 million

annually (excluding sales to resellers), and typically includes most orders for projects related to facilities that are new or that are built independent of existing facilities. We refer to sales revenues by customer of less than $1 million annually, which we believe are typically derived from MRO/UE, as MRO/UE revenue. Based on our experience, we believe that $1 million in annual sales is an appropriate threshold for distinguishing between Greenfield revenue and MRO/UE revenue. However, we often sell our products to intermediaries or subcontract our services; accordingly, we have limited visibility into how our products or services may ultimately be used and can provide no assurance that our categorization may accurately reflect the sources of such revenue. Furthermore, our customers do not typically enter into long-term forward maintenance contracts with us. In any given year, certain of our smaller Greenfield projects may generate less than $1 million in annual sales, and certain of our larger plant expansions or upgrades may generate in excess of $1 million in annual sales, though we believe that such exceptions are few in number and insignificant to our overall results of operations.

We believe that our pipeline of planned projects, in addition to our backlog of signed purchase orders, provides us with strong visibility into our future revenue, as historically we have experienced few order cancellations, and the cancellations that have occurred in the past have not been material compared to our total contract volume or total backlog. The small number of order cancellations is attributable in part to the fact that a large portion of our solutions are ordered and installed toward the end of Greenfield project construction. Our backlog at March 31, 2013 was $95.2 million, as compared to $117.7 million at March 31, 2012. The decline in backlog is mostly attributable to the completion of several large Greenfield projects in fiscal 2013 and a decrease in new order volume of the same magnitude. The timing of recognition of revenue out of backlog is not always certain, as it is subject to a variety of factors that may cause delays, many of which are beyond our control (such as customers' delivery schedules and levels of capital and maintenance expenditures). When delays occur, the recognition of revenue associated with the delayed project is likewise deferred.

Cost of sales. Our cost of revenues includes primarily the cost of raw material items used in the manufacture of our products, cost of ancillary products that are sourced from external suppliers and construction labor cost. Additional costs of revenue include contract engineering cost directly associated to projects, direct labor cost, external sales commissions, and other costs associated with our manufacturing/fabrication shops. The other costs associated with our manufacturing/fabrication shops are mainly indirect production costs, including depreciation, indirect labor costs, and the costs of manufacturing support functions such as logistics and quality assurance. Key raw material costs include polymers, copper, stainless steel, insulating material, and other miscellaneous parts related to products manufactured or assembled as part of our heat tracing solutions. Historically, the costs of our primary raw materials have been stable and readily available from multiple suppliers, and we have been generally successful with passing along raw material cost increases to our customers. Therefore, increases in the cost of key raw materials of our products have not generally affected our gross margins. We cannot provide any assurance that we may be able to pass along such cost increases to our customers in the future, and if we are unable to do so, our results of operations may be adversely affected.

Operating expenses. Our marketing, general and administrative and engineering expenses are primarily comprised of compensation and related costs for sales, marketing, pre-sales engineering and administrative personnel, as well as other sales related expenses and other costs related to research and development, insurance, professional fees, the global integrated business information system, provisions for bad debts and warranty.

Key drivers affecting our results of operations. Our results of operations and financial condition are affected by numerous factors, including those described above under Item 1A, “Risk Factors” and elsewhere in this annual report and those described below:

Timing of Greenfield projects. Our results of operations in recent years have been impacted by the various construction phases of large Greenfield projects. On very large projects, we are typically designated as the heat tracing provider of choice by the project owner. We then engage with multiple contractors to address incorporating various heat tracing solutions throughout the overall project. Our largest Greenfield projects may generate revenue for several quarters. In the early stages of a Greenfield project, our revenues are typically realized from the provision of engineering services. In the middle stages, or the material requirements phase, we typically experience the greatest demand for our heat tracing cable, at which point our revenues tend to accelerate. Revenues tend to decrease gradually in the final stages of a project and are generally derived from installation services and demand for electrical panels and other miscellaneous electronic components used in the final installation of heat tracing cable, which we frequently outsource from third-party manufacturers. Therefore, we typically provide a mix of products and services during each phase of a Greenfield project, and our margins fluctuate accordingly.

Cyclicality of end-users' markets. Demand for our products and services depends in large part upon the level of capital and maintenance expenditures of our customers and end users, in particular those in the energy, chemical

processing and power generation industries, and firms that design and construct facilities for these industries. These customers' expenditures historically have been cyclical in nature and vulnerable to economic downturns. Greenfield projects, and in particular large Greenfield projects (*i.e.*, new facility construction projects generating in excess of $5 million in annual sales), have been a substantial source of revenue growth in recent years, and Greenfield revenues tend to be more cyclical than MRO/UE revenues. In recent years we have noted particular cyclicality in capital spending for new facilities in Asia, Eastern Europe and the Middle East. Revenues derived from Europe, including the Middle East, accounted for 21% and 25% of our total revenues during fiscal 2013 and fiscal 2012, respectively, and revenues derived from the Asia region accounted for 15% and 11% of our total revenues during fiscal 2013 and fiscal 2012, respectively. A sustained decrease in capital and maintenance spending or in new facility construction by our customers could have a material adverse effect on the demand for our products and services and our business, financial condition and results of operations.

Impact of product mix. Typically, both Greenfield and MRO/UE customers require our products as well as our engineering and construction services. The level of service and construction needs will affect the profit margin for each type of revenue. We tend to experience lower margins from our design optimization, engineering, installation and maintenance services than we do from sales of our heating cable, tubing bundle and control system products. We also tend to experience lower margins from our outsourced products, such as electrical switch gears and transformers, than we do from our manufactured products. Accordingly, our results of operations are impacted by our mix of products and services.

We estimate that Greenfield and MRO/UE have each made the following contribution as a percentage of revenue in the periods listed:

	Fiscal Year Ended March 31,		
	2011	**2012**	**2013**
Greenfield	45 %	39 %	42 %
MRO/UE	55 %	61 %	58 %

We believe that our analysis of Greenfield and MRO/UE is an important measurement to explain the trends in our business to investors. Greenfield revenue is an indicator of both our ability to successfully compete for new contracts as well as the economic health of the industries we serve. Furthermore, Greenfield revenue is an indicator of potential MRO/UE revenue in future years.

For MRO/UE orders, the sale of our manufactured products typically represents a higher proportion of the overall revenues associated with such order than the provision of our services. Greenfield projects, on the other hand, require a higher level of our services than MRO/UE orders, and often require us to purchase materials from third party vendors. Therefore, we typically realize higher margins from MRO/UE revenues than Greenfield revenues.

Large and growing installed base. Customers typically use the incumbent heat tracing provider for MRO/UE projects to avoid complications and compatibility problems associated with switching providers. Therefore, with the significant Greenfield activity we have experienced in recent years, our installed base has continued to grow, and we expect that such installed base will continue to generate ongoing high margin MRO/UE revenues. For fiscal 2013, MRO/UE sales comprised approximately 58% of our consolidated revenues.

Seasonality of MRO/UE revenues. Revenues realized from MRO/UE orders tend to be less cyclical than Greenfield projects and more consistent quarter over quarter, although MRO/UE revenues are impacted by seasonal factors. MRO/UE revenues are typically highest during the second and third fiscal quarters, as most of our customers perform preventative maintenance prior to the winter season.

Results of Operations

The following table sets forth data from our statements of operations and comprehensive income (loss) as a percentage of sales for the periods indicated.

	Predecessor/Successor Combined (Non-GAAP)(1)		Successor			
	Fiscal Year Ended March 31,					
	2011		2012		2013	
	(dollars in thousands)					
Consolidated Statements of Operations Data:						
Sales	$ 241,063	100 %	$ 272,323	100 %	$ 284,036	100 %
Cost of sales	131,348	54	140,208	51	151,204	53
Purchase accounting adjustments (2)	7,614	3	—	—	—	—
Gross profit	$ 102,101	42 %	$ 132,115	49 %	$ 132,832	47 %
Operating Expenses:						
Marketing, general, and administrative and engineering	58,893	24 %	76,280	28 %	64,633	23 %
Amortization of intangible assets	18,245	8	11,379	4	11,211	4
Income from operations	$ 24,963	10 %	$ 44,456	16 %	$ 56,988	20 %
Interest expense, net (3)	(28,951)	(12)	(19,462)	(7)	(15,113)	(5)
Loss on redemption of debt	(630)	—	(3,825)	(1)	—	—
Success fees to owners related the CHS Transactions (4)	(7,738)	(3)	—	—	—	—
Miscellaneous income/(expense) (5)	(14,125)	(6)	(1,671)	(1)	(325)	—
Income (loss) before provision for income taxes	$ (26,481)	(11)%	$ 19,498	7 %	$ 41,550	15 %
Income tax expense (benefit)	(11,274)	(5)	7,468	3	14,576	5
Net income/(loss)	$ (15,207)	(6)%	$ 12,030	4 %	$ 26,974	9 %

(1) The closing of the CHS Transactions on April 30, 2010 established a new basis of accounting that primarily affected inventory, intangible assets, goodwill, taxes, debt and equity. This resulted in additional amortization expense, interest expense and tax expense for the period from May 1, 2010 through March 31, 2011 ("successor") as compared to the period from April 1, 2010 through April 30, 2010 ("predecessor"). Except for purchase accounting adjustments, the results for the two combined periods are comparable. Therefore, we believe that combining the two periods into a single period for comparative purposes gives the most clarity for the users of this financial information. Please refer to Note 1 to the table set forth in Item 6, "Selected Financial Data" and our consolidated financial statements and notes thereto for fiscal 2013 included elsewhere in this annual report for a separate presentation of the 2011 results for the predecessor and successor periods in accordance with GAAP.

(2) In fiscal 2011, there was a non-cash negative impact of $7.6 million to cost of sales and, consequently, gross profit due to a purchase accounting adjustment related to the CHS Transactions.

(3) Interest expense for fiscal 2011 of $29.0 million reflected in part increased interest expense on our senior secured notes issued in connection with the CHS Transactions. In addition, we recorded $4.9 million in acceleration of amortized loan costs of the predecessor as well as $1.6 million of amortized loan costs related to the successor. Interest expense for fiscal 2012 included $3.1 million of accelerated amortized loan costs due to certain partial redemptions of our senior secured notes and $1.0 million of amortized loan costs. During fiscal 2013, we accelerated amortized loan

costs of $2.3 million associated with the refinancing of our prior revolving credit facility and a partial redemption of our senior secured notes, in addition to $1.0 million of scheduled amortized loan costs.

(4) We paid fees to both the predecessor and successor owners related to the successful completion of the CHS Transactions. As related party transactions, they were reported separately from other CHS Transactions expenses included in miscellaneous expense.

(5) Miscellaneous expense for fiscal 2011 of $14.1 million, which includes "Success fees to owners related to the CHS Transactions," consisted primarily of $15.0 million of non-recurring expenses related to the CHS Transactions, partially offset by $0.6 million of income related to the reversal of our compliance reserve.

Year Ended March 31, 2013 Compared to the Year Ended March 31, 2012

Revenues. Revenues for fiscal 2013 were $284.0 million, compared to $272.3 million for fiscal 2012, an increase of $11.7 million, or 4%. During fiscal 2013, we experienced growth in both Greenfield and MRO/UE sales. In fiscal 2013, we experienced higher than usual Greenfield sales at approximately 42% of total revenue. In fiscal 2012, Greenfield sales contributed approximately 39% to total revenue, whereas MRO/UE sales contributed approximately 61%, which is more in line with our expected product mix based on historical results.

In fiscal 2013, we experienced growth of $16.3 million and $12.3 million in our Canada and Asia regions, respectively. We continued to see strong demand from customers in the Canadian oil sands region, as well as continued growth in our MRO/UE business as we grow our installed base. In Asia, our growth was driven by several large Greenfield jobs. In the United States, revenue declined $9.6 million in fiscal 2013 compared to fiscal 2012. The decline in the United States was attributable to a strong comparable year in fiscal 2012 when we experienced $5.0 million of unexpected revenue due to freeze protection initiatives after an unusually cold winter in the southern United States. Within Europe, our fiscal 2013 revenue decreased $7.2 million from fiscal 2012, which is primarily attributable to macroeconomic volatility in the region, as well as the depreciation of the Euro relative to the U.S. dollar in fiscal 2013.

We expect that revenue contributed from large Greenfield projects will fluctuate from period to period as construction schedules are inherently difficult to estimate. While our percentage of revenue from MRO/UE during fiscal 2013 was comparable to historical averages, we expect MRO/UE percentage to fluctuate as large project volume increases or decreases.

Gross profit and margin. Gross profit totaled $132.8 million in fiscal 2013, compared to $132.1 million in fiscal 2012, an increase of $0.7 million, or 0.5%. As a percentage of revenues, profit margin decreased to 46.8% in fiscal 2013 from 48.5% in fiscal 2012. This decrease is attributable to the higher mix of Greenfield sales during fiscal 2013 as we typically realize higher margins from MRO/UE revenue. Within our Greenfield sales in fiscal 2013, we had two large projects that were competitively bid and generated comparatively lower margins which in turn reduced overall margins.

Marketing, general and administrative and engineering. Marketing, general and administrative and engineering costs were $64.6 million in fiscal 2013, compared to $76.3 million in fiscal 2012, a decrease of $11.7 million, or 15.3%. The decrease is primarily attributable to expenses incurred during fiscal 2012 related to our IPO. In connection with our IPO, $7.4 million was paid to our former private equity sponsors to terminate our management services agreement. Additionally, we incurred $6.1 million of stock compensation expense relating to the vesting of all outstanding stock options in connection with our IPO. These decreases were offset by increases in our salaries and benefits of approximately $3.4 million, which were primarily incurred to meet the needs of our growing sales and engineering operations. Excluding stock compensation and other expenses associated with our IPO, marketing, general and administrative and engineering expenses were 23% in both fiscal 2013 and 2012.

Amortization of intangible assets. Amortization of intangible assets was $11.2 million in fiscal 2013, compared to $11.4 million in fiscal 2012, a decrease of $0.2 million. The decrease is attributed to foreign currency translation adjustments. We expect fiscal 2013 and fiscal 2012 to be representative of our annual amortization expense for the foreseeable future.

Interest expense, net. Interest expense and loss on redemptions of debt totaled $15.1 million in fiscal 2013, compared to $23.3 million in fiscal 2012, a decrease of $8.2 million. In fiscal 2013 and fiscal 2012, we made redemptions on our senior notes totaling $21.0 million and $70.9 million, respectively. The decrease in our senior secured notes outstanding resulted in an approximate decrease of $3.6 million of interest expense during fiscal 2013. In connection with the senior note redemptions, we accelerated the amortization of our deferred debt issuance costs in the amounts of $0.9 million and $3.1 million in fiscal 2013 and fiscal 2012, respectively. In fiscal 2013, we refinanced our prior revolving credit facility and incurred $1.4 million in

acceleration of deferred debt issuance costs. In fiscal 2012, we experienced a $3.8 million loss on retirement of debt related to early redemption premium payments on the senior notes.

Miscellaneous expense. Miscellaneous expense was $0.3 million in fiscal 2013, compared to $1.7 million in fiscal 2012, a decrease in expense of $1.4 million due mostly to decreased losses on foreign exchange transactions in fiscal 2013. Miscellaneous expense consisted primarily of losses on foreign exchange transactions and our use of foreign currency forward contracts which were $0.4 million and $1.6 million in fiscal 2013 and 2012, respectively.

Income taxes. We reported an income tax expense of $14.6 million in fiscal 2013, compared to $7.5 million in fiscal 2012, an increase of $7.1 million due to an increase of $22.1 million of taxable income in fiscal 2013. The effective tax rates were 35.1% in fiscal 2013 and 38.3% in fiscal 2012, respectively.

We have subsidiaries in multiple foreign locations and the statutory income tax rate in many of our foreign subsidiaries is lower than the U.S. federal rate of 35%. To the extent that we expect to repatriate dividends from these subsidiaries, we are required to accrue the estimated incremental U.S. tax in anticipation of the foreign dividends being repatriated. The accrual for these estimated taxes results in an effective tax rate which is nearly the same as the U.S. federal statutory rate plus state and other miscellaneous taxes. In fiscal 2012, our effective tax rate was higher due to the permanent tax effect of items related to our IPO such as the accelerated vesting of stock options. Some of the accelerated stock options had been granted to employees in foreign jurisdictions in which there is no tax deduction for stock compensation expense. See also Note 16, “Income Taxes” to our consolidated financial statements.

Net income. Net income was $27.0 million in fiscal 2013 as compared to $12.0 million in fiscal 2012, an increase of $15.0 million. In connection with our IPO, during fiscal 2012 we incurred $13.5 million of expenses related to the termination of our management services agreement and the acceleration of stock compensation expenses. Expenses related to our debt redemptions and refinancing of our prior revolving credit facility and the decrease in interest expense on our senior secured notes resulted in a decrease in interest expenses of $8.2 million in fiscal 2013. These decreases in expenses were partially offset by an increase of $7.1 million in income taxes as a result of a $22.1 million increase in pre-tax income in fiscal 2013.

Year Ended March 31, 2012 (Successor) Compared to the Year Ended March 31, 2011 (Predecessor/Successor)(Non-GAAP)

We have prepared our consolidated and combined financial statements as if Thermon Group Holdings, Inc. ("successor") had been in existence throughout all relevant periods. The historical financial and other data prior to the CHS Transactions, which occurred on April 30, 2010 and which established a new basis of accounting, have been prepared using the historical results of operations and assets and liabilities of Thermon Holdings, LLC and its subsidiaries ("predecessor"). Our historical financial data prior to April 30, 2010 may not necessarily be indicative of our future performance. For comparability to the periods discussed herein, please refer to Note 1 to the table set forth in Item 6, “Selected Financial Data.”

Revenues. Revenues for fiscal 2012 were $272.3 million, compared to $241.0 million for fiscal 2011, an increase of $31.3 million, or 13.0%. During fiscal 2012, we experienced growth in both Greenfield and MRO/UE sales. In fiscal 2011, we experienced higher than usual Greenfield sales at approximately 45% of total revenue. In fiscal 2012, Greenfield sales contributed approximately 39% to total revenue, whereas MRO/UE sales contributed approximately 61%, which is more in line with our expected product mix based on historical results. During fiscal 2012, we continued to experience sales growth from oil and gas production and refining, especially as it relates to activity in Arctic climates. Also in fiscal 2012, we experienced approximately $5.0 million in unanticipated sales due to freeze protection initiatives on existing electrical power plants located in the southern United States. These projects were in response to power disruptions due to an unusually-cold weather during the previous winter.

Revenues increased in all geographies in which we operate during fiscal 2012. We experienced growth of $18.4 million, $6.7 million, $3.7 million and $2.5 million in the United States, Canada, Europe and Asia, respectively.

Gross profit and margin. Gross profit totaled $132.1 million in fiscal 2012, compared to $102.1 million in fiscal 2011, an increase of $30.0 million, or 29.4%. As a percentage of revenues, profit margin increased to 48.5% in fiscal 2012 from 42.4% in fiscal 2011. In fiscal 2011, there was a non-cash $7.6 million negative impact to gross profit due to a purchase accounting adjustment related to the CHS Transactions. Under purchase accounting rules, inventories that were carried at lower of cost or fair value are stepped up to fair value, which eliminates gross profit in the period in which the units are sold. Excluding the purchase accounting adjustment, gross margin would have been 45.5% in fiscal 2011. On an adjusted basis, profit margin was 3.0% higher in fiscal 2012. This increase is attributable to the higher mix of MRO/UE sales during the year as MRO/UE revenue generally provides us with higher gross margins.

Marketing, general and administrative and engineering. Marketing, general and administrative and engineering costs were $76.3 million in fiscal 2012, compared to $58.9 million in fiscal 2011, an increase of $17.4 million, or 29.5%. The increase is mostly attributable to an increase in salaries and benefits of $11.1 million to support our growing business. Of this amount, we had a $4.6 million increase in stock compensation expense associated with the acceleration of employee stock options at the IPO date. During fiscal 2012, we added 178 additional employees to support our growing sales and engineering needs. Fiscal 2012 also reflected an increase of $6.1 million in management fees paid to our former private equity sponsors over fiscal 2011. Management fee expense of $8.1 million during fiscal 2012 included a payment of $7.4 million in connection with the termination of the management services agreement at the time of the IPO. As a percentage of revenues, marketing, general and administrative and engineering expenses were 28.0% in fiscal 2012 and 24.4% in fiscal 2011. Excluding the management fees, that will no longer be recurring, marketing, general and administrative and engineering would have been 25.0% of revenue.

Amortization of intangible assets. Amortization of intangible assets was $11.4 million in fiscal 2012, compared to $18.2 million in fiscal 2011, a decrease of $6.8 million. We expect that fiscal 2012 is more representative of our estimated expense for amortization of intangible assets for the foreseeable future. Amortization of intangible assets was higher in fiscal 2011 because it included the amortization of estimated backlog that was expensed over five months, which was the estimated life for that intangible asset generated by the CHS Transactions. The amortization related to backlog accounted for the entire $6.8 million difference between the comparative periods.

Interest expense, net. Interest expense and loss on debt redemptions totaled $23.3 million in fiscal 2012, compared to $29.6 million in fiscal 2011, a decrease of $6.3 million. In fiscal 2012, we made redemptions on our senior notes totaling $70.9 million and in fiscal 2011, our predecessor repaid $109.0 million of debt in connection with the completion of the CHS Transactions which occurred April 30, 2010. As a result of these repayments, deferred debt cost acceleration and other prepayment costs totaled $6.9 million and $4.9 million for fiscal 2012 and fiscal 2011, respectively. Interest expense on our senior secured notes was $17.6 million and $21.3 million for fiscal 2012 and fiscal 2011, respectively.

Miscellaneous expense. Miscellaneous expense was $1.7 million in fiscal 2012, compared to $14.1 million in fiscal 2011, a decrease in expense of $12.4 million. Miscellaneous expense in fiscal 2012 consisted primarily of a $1.6 million loss on foreign exchange transactions. Miscellaneous expense in fiscal 2011 consisted primarily of $15.0 million in fees and expenses related to the CHS Transactions. We did not incur any CHS Transaction expenses in fiscal 2012.

Income taxes. We reported an income tax expense of $7.5 million in fiscal 2012, compared to an $11.3 million tax benefit in fiscal 2011, an increase of $18.8 million. The effective tax rates were 38.3% in fiscal 2012 and a benefit rate of 42.6% in fiscal 2011.

We have subsidiaries in multiple foreign locations and the statutory income tax rate in many of our foreign subsidiaries is lower than the U.S. federal rate of 35%. To the extent that we expect to repatriate dividends from these subsidiaries, we are required to accrue the estimated incremental U.S. tax in anticipation of the foreign dividends being repatriated. The accrual for these estimated taxes results in an effective tax rate which is nearly the same as the U.S. federal statutory rate plus state and other miscellaneous taxes.

The effective tax rate for fiscal 2011 was significantly impacted by the CHS Transactions. Permanent items recorded in fiscal 2011 included non-deductible portions of the CHS Transactions costs as well a recorded valuation allowance on foreign tax carry forwards.

Net income (loss). Net income was $12.0 million in fiscal 2012, as compared to a net loss of $15.2 million in fiscal 2011, an increase of $27.2 million. The increase in net income was primarily due to increased gross profit in fiscal 2012 of $30.0 million. Increased net income was also impacted by the elimination or reduction of expenses incurred in fiscal 2011 in connection with the CHS Transactions. These included the transaction fees and expenses of $22.7 million and a decrease in amortization of intangible assets of $6.9 million. In addition, interest expense decreased by $6.3 million as compared to fiscal 2011 due to decreased levels of indebtedness. In total, the increase in gross profit and the decreases in amortization of intangible assets, interest expense and transaction costs related to the CHS Transactions contributed $65.9 million in positive impacts to fiscal 2012 net income. These were offset in fiscal 2012 by increased marketing, general, and administrative expenses of $17.4 million and income tax expense of $18.8 million and other increased miscellaneous expense (after excluding the CHS Transactions expense in fiscal 2011) of $2.5 million.

Contractual Obligations and Contingencies

Contractual Obligations. The following table summarizes our significant contractual payment obligations as of March 31, 2013 and the effect such obligations are expected to have on our liquidity position assuming all obligations reach maturity.

		Payment Due By Period			
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
	(dollars in thousands)				
Senior secured notes (1)	$ 118,145	$ —	$ —	$ 118,145	$ —
Interest payments on senior secured notes (1)	45,831	11,224	22,448	12,159	—
Operating lease obligations (2)	12,453	3,077	4,938	2,631	1,807
Obligations in settlement of the CHS Transaction (3)	3,239	3,239	—	—	—
Raw Material Supply Agreement (4)	3,543	3,543	—	—	—
Information technology services agreements (5)	1,276	630	608	38	—
Total	$ 184,487	$ 21,713	$ 27,994	$ 132,973	$ 1,807

(1) Our senior secured notes, scheduled to mature on May 1, 2017, accrue interest at a fixed rate of 9.5%. We redeemed these notes on May 20, 2013. We have presented the obligation as though they were outstanding to maturity. Subsequent to March 31, 2013, we entered into an amended and restated credit agreement pursuant to which we borrowed $135 million under a variable rate term loan and used the proceeds to redeem all of the outstanding senior secured notes and pay associated make-whole premiums to the respective noteholders. See Note 20, "Subsequent Events" to our consolidated financial statements contained elsewhere in this annual report.

(2) We enter into operating leases in the normal course of business. Our operating leases include the leases on certain of our manufacturing and warehouse facilities.

(3) Consists of estimated amounts owed to sellers in the CHS Transactions for restricted cash and in satisfaction of the post-closing adjustment for estimated income tax refunds.

(4) Represents the future committed supply purchases of nickel alloy tubing, a raw material used in our manufacturing process. We are committed to take delivery of a minimum of 700 pieces of nickel alloy tubing monthly over a one year period, at a fixed price.

(5) Represents the future annual service fees associated with certain information technology service agreements with several vendors.

Contingencies. We are involved in various legal and administrative proceedings and disputes that arise from time to time in the ordinary course of doing business. Some of these proceedings may result in fines, penalties or judgments being assessed against us, which, from time to time, may adversely affect our financial results. For a discussion of contingencies that may adversely affect our results of operations, see Note 12, “Commitments and Contingencies” to our audited consolidated financial statements contained elsewhere in this annual report. We have considered these proceedings and disputes in determining the necessity of any reserves for losses that are probable and reasonably estimable. Our recorded reserves are based on estimates developed with consideration given to the potential merits of claims or quantification of any performance obligations. In doing so, we take into account our history of claims, the limitations of any insurance coverage, advice from outside counsel, the possible range of outcomes to such claims and obligations and their associated financial impact (if known and reasonably estimable), and management's strategy with regard to the settlement or defense of such claims and obligations. While the ultimate outcome of those claims, lawsuits or performance obligations cannot be predicted with certainty, we believe, based on our understanding of the facts of these claims and performance obligations, that adequate provisions have been recorded in the accounts where required. In addition, we do not believe that the outcome of any of these proceedings would have a significant adverse effect on our financial position, long-term results of operations, or cash flows. It is possible, however, that charges related to these matters could be significant to our results or cash flows in any one accounting period.

On June 13, 2011, we received notice from the Canada Revenue Agency, which we refer to as the "Agency", advising us that they disagree with the tax treatment we proposed with respect to certain asset transfers that were completed in August 2007 by our predecessor owners. During fiscal 2013, we were informed by the Agency that their initial audit was concluded but they intended to make an assessment under Canada's General Anti Avoidance Rule. Under this rule, the Agency may assess a withholding tax on dividends deemed to have been made on loans made to our Canadian subsidiary during 2007. Such assessment may exceed $3 million plus penalties and interest. At March 31, 2013, we have not recorded a tax liability reserve due for this matter with the Agency as we believe it is more likely than not that we will be able to sustain our tax position. While we will vigorously contest this ruling, we expect that any liability, if any, will be covered under an indemnity agreement with the predecessor owners.

Other than the items noted above, there are no other gains or losses or litigation settlements that are not provided for in the accounts.

To bid on or secure certain contracts, we are required at times to provide a performance guaranty to our customers in the form of a surety bond, standby letter of credit or foreign bank guaranty. On March 31, 2013, we had in place standby letters of credit, bank guarantees and performance bonds totaling $15.4 million to back our various customer contracts. Our Indian subsidiary also has $4.3 million in customs bonds outstanding.

Liquidity and Capital Resources

Our primary sources of liquidity are cash flows from operations and funds available under our new revolving credit facility and other revolving lines of credit. Our primary liquidity needs are to finance our working capital, capital expenditures and debt service needs. On May 20, 2013, we completed a $118.1 million redemption of all of our outstanding senior secured notes. In connection with the redemption, we entered into a five year $135.0 million variable rate term loan. Based on the variable interest rate of 2.75% at the time of borrowing on May 20, 2013, we expect our annual interest expense to decrease by approximately $7.5 million.

Cash and cash equivalents. At March 31, 2013, we had $43.8 million in cash and cash equivalents. We maintain cash and cash equivalents at various financial institutions located in many countries throughout the world. Approximately $19.3 million, or 44%, of these amounts were held in domestic accounts with various institutions and approximately $24.5 million, or 56%, of these amounts were held in accounts outside of the United States with various financial institutions.

Revolving credit facility, senior secured notes and refinancing under a term loan.

Revolving credit facility. On August 7, 2012, Thermon Industries, Inc. and Thermon Canada Inc. terminated their existing revolving credit facility, and entered into a credit facility agreement with a new syndicate of lenders led by JP Morgan Chase Bank, N.A. as administrative agent. As a result of the termination, we accelerated the remaining $1.4 million of unamortized deferred debt costs associated with the previous revolving credit facility, which is included as interest expense. Under our August 2012 revolving credit facility, which we refer to as our "prior revolving credit facility", we had availability of up to $40.0 million of aggregate loans, of which up to $20.0 million was available to our Canadian subsidiary, subject to borrowing base availability. At March 31, 2013, $37.4 million of capacity was available under our prior revolving credit facility.

On April 19, 2013, we entered into an amended and restated credit agreement with a group of lenders in the United States and Canada with JP Morgan Chase Bank, N.A. continuing to serve as lead administrative agent, which provided for a (i) a five year $135.0 million senior secured term loan facility and (ii) a five year $60.0 million senior secured revolving credit facility which we refer to collectively as our "new credit facility". On May 20, 2013, we borrowed $135.0 million under a five year term loan under our new credit facility. Proceeds from the term loan were used to redeem our outstanding senior secured notes, see "senior secured notes and refinancing under a term loan" below.

Under our new credit facility in no case shall availability exceed commitments thereunder. In addition to our new credit facility, we have various short term revolving lines of credit available to us at our foreign affiliates. At March 31, 2013, we had no outstanding borrowings under our prior revolving credit facility. Had there been any outstanding borrowings thereunder, the interest rate would have been approximately 3%. The new credit facility will mature in April 2018. Any borrowings on our new credit facility will bear interest, at our option, at a rate equal to either (i) a base rate determined by reference to the greatest of (a) JPMorgan Chase Bank's prime rate in New York City, (b) the federal funds effective rate in effect on such day plus ½ of 1% and (c) the adjusted LIBOR rate for a one month interest period on such day plus 1%, in each case plus an applicable margin dictated by our leverage ratio, or (ii) the LIBOR rate , plus an applicable margin dictated by our leverage ratio. Borrowings denominated in Canadian Dollars under the Canadian facility bear interest at our option, at a rate

equal to either (i) a base rate determined by reference to the greater of (a) JPMorgan Chase Bank, Toronto branch's prime rate and (b) the sum of (x) the yearly interest rate to which the one-month Canadian deposit offered rate is equivalent plus (y) 1.0%, in each case plus an applicable margin dictated by our leverage ratio, or (ii) a Canadian deposit offered rate determined by the sum of (a) the annual rate of interest determined with reference to the arithmetic average of the discount rate quotations of all institutions listed in respect of the relevant period for Canadian dollar-denominated bankers' acceptances plus (b) 0.10% per annum, plus an applicable margin dictated by our leverage ratio. In addition to paying interest on outstanding borrowings under our new credit facility, we are currently required to pay a 0.4% per annum commitment fee to the lenders in respect of the unutilized commitments thereunder, which commitment fee could change based on our leverage ratio, and letter of credit fees equal to the LIBOR margin or the Canadian deposit offered rate, as applicable, on the undrawn amount of all outstanding letters of credit, in addition to a 0.125% annual fronting fee.

Senior secured notes and refinancing under a term loan. We have incurred substantial indebtedness in connection with the CHS Transactions in which we issued senior secured notes. As of March 31, 2013, we had $118.1 million of aggregate principal amount outstanding of our senior secured notes, which bear interest at a fixed rate of 9.5% or approximately $11.2 million annually. On May 20, 2013, we borrowed $135.0 million under a new variable rate term loan to redeem all of our outstanding senior secured notes and pay $15.5 million in call premiums. The variable rate term loan used to finance the redemption bears interest at the LIBOR rate plus an applicable margin dictated by our leverage ratio. At the time of borrowing, the interest rate was 2.75%. As a result of this refinancing our annual estimated interest expense is expected to be approximately $3.7 million reflecting an annual expected reduction of $7.5 million after accounting for the call premiums, which will be expensed in fiscal 2014. The term loan includes quarterly principal reduction payments beginning June 30, 2013 which in the aggregate total $81.0 million over the five year term, with the remaining $54.0 million due in April 2018.

Guarantees; security. The obligations under our new credit facility are guaranteed on a senior secured basis by each of our existing and future domestic restricted subsidiaries, including Thermon Industries, Inc., U.S. borrower under our new credit facility. The obligations under our new credit facility are secured by a first priority perfected security interest in substantially all of our assets, subject to certain exceptions, permitted liens and encumbrances reasonably acceptable to the administrative agent under our new credit facility.

Restrictive covenants. The new credit facility contains various restrictive covenants that include restrictions or limitations on our ability to: incur additional indebtedness or issue disqualified capital stock unless certain financial tests are satisfied; pay dividends, redeem subordinated debt or make other restricted payments; make certain investments or acquisitions; issue stock of subsidiaries; grant or permit certain liens on our assets; enter into certain transactions with affiliates; merge, consolidate or transfer substantially all of our assets; incur dividend or other payment restrictions affecting certain of our subsidiaries; transfer or sell assets, including capital stock of our subsidiaries; and change the business we conduct. However, all of these covenants are subject to exceptions.

Repatriation considerations. A substantial portion of our cash flows are generated by our non-U.S. subsidiaries. In general, when an entity in a foreign jurisdiction repatriates cash to the United States, the amount of such cash is treated as a dividend taxable at current U.S. tax rates. Accordingly, upon the distribution of cash to us from our non-U.S. subsidiaries, we will be subject to U.S. income taxes. Although foreign tax credits may be available to reduce the amount of the additional tax liability, these credits may be limited based on our tax attributes.

Since the issuance of our senior secured notes on April 30, 2010, we have been able to meet our regular debt service obligations through cash generated through our U.S. operations, and it is our expectation that we will continue to be able to do so in the future. We did, however, repatriate $24.6 million and $5.4 million in fiscal 2013 and 2012, respectively, in the form of incremental dividends from our non-U.S. subsidiaries in order to complete optional partial redemptions of our outstanding senior secured notes. Through March 31, 2013, we expected to make further repatriations of our foreign earnings. Accordingly, we accrued the estimated incremental taxes on the earnings of our foreign subsidiaries that we expect to repatriate as dividends. The accrual for these estimated tax resulted in an effective tax rate of 35.1% and 38.3% in fiscal 2013 and fiscal 2012, respectively, which is nearly the same as the U.S. federal statutory rate, plus state and other miscellaneous taxes. See also Note 16, “Income Taxes” to our consolidated financial statements.

Our ability to repatriate cash from our foreign subsidiaries may be subject to legal, contractual or other restrictions and other business considerations. See Item 1A,- "Risk Factors-Risks Related to Our Business and Industry-A significant portion of our business is conducted through foreign subsidiaries and our failure to generate sufficient cash flow from these subsidiaries, or otherwise repatriate or receive cash from these subsidiaries, could result in our inability to repay our indebtedness.”

Future capital requirements. Based on our current level of operations, we believe that cash flow from operations and available cash, together with available borrowings under our new credit facility, will be adequate to meet our liquidity needs for

the next 12 months. We cannot assure you, however, that our business will generate sufficient cash flow from operations or that future borrowing will be available to us in an amount sufficient to enable us to service our indebtedness, including our new credit facility borrowings, or to fund our other liquidity needs. In addition, upon the occurrence of certain events, such as a change of control, we could be required to repay or refinance our indebtedness. We cannot assure you that we will be able to refinance any of our indebtedness, our new credit facility, on commercially reasonable terms or at all.

In fiscal 2013, we invested $6.3 million in capital expenditures, of which $4.7 million was incurred for upgrades and enhancements to our manufacturing facilities and equipment in San Marcos, Texas and $0.5 million was incurred for the development of a new heat tracing design software solution. The remaining $1.1 million represents our annual expected investments in furniture and fixture replacements, and minor maintenance. Going forward, we expect to invest approximately $5.9 million in fiscal 2014, including $3.7 million of investments to replace or extend the lives of plant and equipment, $0.5 million to enhance our proprietary software solutions, and $0.4 million to build a new warehouse in Europe and the remainder to address general capital maintenance needs.

Year Ended March 31, 2013 Compared to the Year Ended March 31, 2012

Net cash provided by operating activities totaled $41.4 million for fiscal 2013 compared to $3.1 million for fiscal 2012, an increase of $38.3 million. Our net income increased from $12.0 million in fiscal 2012 to $27.0 million in fiscal 2013, an increase of $15.0 million. In fiscal 2013, increases in accounts receivable resulted in a use of cash of $7.1 million compared to a use of cash of $11.4 million in fiscal 2012, an improvement of $4.3 million. In fiscal 2013, our inventories declined and thereby generated cash of $3.4 million compared to fiscal 2012 when our inventory grew in preparation for a temporary shutdown as we moved into our new manufacturing facility. Improvement in our accounts receivable are attributed to the timing and collection of our billings. Our accounts payable and accrued liabilities in fiscal 2013 were a source of cash of $1.5 million compared to a use of cash of $4.8 million in fiscal 2012, an improvement of $6.3 million.

Net cash used in investing activities totaled $6.6 million for fiscal 2013 compared to $9.6 million for fiscal 2012, a decrease of $3.0 million. The decrease is primarily attributable to expenditures to improve our manufacturing facilities. In fiscal 2012, we incurred $5.8 million of expenses for our new manufacturing facility, where in fiscal 2013 we only invested $2.1 million on facility enhancements as we completed the project.

Net cash used in financing activities totaled $12.2 million in fiscal 2013, compared to $22.7 million used in financing activities for fiscal 2012. In fiscal 2012, we received net proceeds on our IPO of $48.5 million. From a combination of IPO proceeds and cash on hand, we redeemed $70.9 million in aggregate principal of our senior secured notes for a use of cash totaling $74.7 million including cash premiums paid. In fiscal 2013, redemption and premiums paid on redemption of our senior secured notes were a use of cash of $21.6 million. Stock option exercises and our associated tax benefit were a source of cash of $9.7 million in fiscal 2013 compared to $5.6 million in fiscal 2012.

Year Ended March 31, 2012 (Successor) Compared to the Year Ended March 31, 2011 (Predecessor/Successor Combined) (Non-GAAP)

Net cash provided by operating activities totaled $3.1 million for fiscal 2012, compared to $32.6 million for the combined periods in fiscal 2011, a decrease of $29.5 million. In fiscal 2012, our operations improved from a loss of $15.2 million in fiscal 2011 to net income of $12.0 million in fiscal 2012. While this improvement amounted to an increase to cash flows of $27.2 million, the overall decrease in cash flows from operating activities was primarily due to the reduction of liabilities during fiscal 2012. During fiscal 2011, our cash flow from operations reflected the increase in accounts payable, interest payable, customer prepayments and taxes payable that totaled $42.8 million. In fiscal 2012, these same liabilities, as a group, decreased and therefore reflect a use of cash of $11.7 million. This change is mostly due to the reduction in taxes payable of $13.9 million. With the additional debt from the CHS Transactions, fiscal 2011 reflected an $8.8 million increase in interest payable. In total the change in liabilities as presented in our cash flow from operations amounted to a decrease of $56.7 million.

During fiscal 2012, our receivables grew due to higher sales and our inventory increased as we maintained higher stock levels for higher demand. The change from all current assets resulted in a decrease in cash flows from operations of $9.5 million. Also, the change in non-cash items such as depreciation, amortization, stock compensation expense and deferred taxes resulted in an increase in cash flow from operations of $11.7 million.

Net cash used in investing activities totaled $9.6 million for fiscal 2012 compared to $318.1 million for fiscal 2011. The significant increase in cash flows used in investing activities in fiscal 2011 was attributable to the $314.4 million purchase price in the CHS Transactions. Subsequent to the transaction date on April 30, 2010, we paid $3.0 million in partial settlement of obligations related to the CHS Transactions. Payment of the $3.5 million that is estimated to be due to the former

shareholders will be reported as additional cash consideration paid for the CHS Transactions, in future periods. Investing activities in fiscal 2012 also consisted of $8.9 million of capital expenditures. This included a $5.8 million investment in a new manufacturing facility on our San Marcos, Texas campus. Investing activities in fiscal 2011 consisted of $1.8 million of capital expenditures.

Net cash (used in) provided by financing activities totaled $22.7 million used in fiscal 2012, compared to $306.9 million provided by financing activities for fiscal 2011. In fiscal 2012, we received net proceeds from our IPO of $48.5 million. From a combination of IPO proceeds and cash on hand, we redeemed $70.9 million in aggregate principal of our senior secured notes for a use of cash totaling $74.7 million including cash premiums paid. Financing activities in fiscal 2011 consisted of proceeds from the issuance of $210.0 million under the senior secured notes and $129.3 million received from equity investments in us offset by $15.5 million used for the payment of deferred debt costs.

Off-Balance Sheet Arrangements

As of March 31, 2013, we do not have any off balance sheet arrangements. In addition, we do not have any interest in entities referred to as variable interest entities, which include special purposes entities and other structured finance entities.

Effect of Inflation

While inflationary increases in certain input costs, such as wages, have an impact on our operating results, inflation has had minimal net impact on our operating results during the last three years, as overall inflation has been offset by increased selling prices and cost reduction actions. We cannot assure you, however, that we will not be affected by general inflation in the future.

Seasonality

Our quarterly revenues are impacted by the level of large Greenfield projects that may be occurring at any given time. Demand for our products depends in large part upon the level of capital and maintenance expenditures by many of our customers and end users, in particular those customers in the oil and gas, refining, and chemical processing markets. These customers' expenditures historically have been cyclical in nature and vulnerable to economic downturns.

Our operating expenses remain relatively consistent with some variability related to overall headcount of the Company which increased during fiscal 2013.

Our quarterly operating results may fluctuate based on the cyclical pattern of industries to which we provide heat tracing solutions and the seasonality of MRO/UE demand for our products. Most of our customers perform preventative maintenance prior to the winter season, thus in our experience making the months of October and November typically our largest for MRO/UE revenue. However, revenues from Greenfield projects are not seasonal and tend to be level throughout the year, depending on the capital spending environment. Overall, seasonality does not have a material effect on our business.

Critical Accounting Policies and Estimates

The preparation of our financial statements in accordance with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures of contingent assets and liabilities. We base our estimates on past experience and other assumptions that we believe are reasonable under the circumstances, and we evaluate these estimates on an ongoing basis. Our critical accounting policies are those that materially affect our financial statements and involve difficult, subjective or complex judgments by management. Our most significant financial statement estimates include revenue recognition, allowances for bad debts, warranty reserves, inventory reserves and potential litigation claims and settlements.

Although these estimates are based on management's best knowledge of current events and actions that may impact the Company in the future, actual results may be materially different from the estimates.

Revenue recognition. Revenues from sales of products are recognized when persuasive evidence of an agreement exists, delivery of the product has occurred, the fee is fixed or determinable, and collectability is probable.

On average, less than 20% of our annual revenues are derived from the installation of heat tracing solutions for which we apply construction-type accounting. These construction-related contracts are awarded on a competitive bid and negotiated basis. We offer our customers a range of contracting options, including cost-reimbursable, fixed-price and hybrid, which has both cost-reimbursable and fixed-price characteristics. Most of our construction contract revenue is recognized using either the percentage-of-completion method, based on the percentage that actual costs-to-date bear to total estimated costs to complete each contract or as it relates to cost-reimbursable projects, revenue is recognized as work is performed. We follow the guidance of FASB ASC Revenue Recognition Topic 605-35 for accounting policies relating to our use of the percentage-of-completion method, estimating costs and revenue recognition, including the recognition of profit incentives, unapproved change orders and claims and combining and segmenting contracts. We utilize the cost-to-cost approach to measure the extent of progress toward completion, as we believe this method is less subjective than relying on assessments of physical progress. Under the cost-to-cost approach, the use of total estimated cost to complete each contract is a significant variable in the process of determining recognized revenue and is a significant factor in the accounting for contracts. Significant estimates that impact the cost to complete each contract are costs of engineering, materials, components, equipment, labor and subcontracts; labor productivity; schedule durations, including subcontract and supplier progress; liquidated damages; contract disputes, including claims; achievement of contractual performance requirements; and contingency, among others. The cumulative impact of revisions in total cost estimates as contracts progress is reflected in the period in which these changes become known, including the recognition of any losses expected to be incurred on contracts in progress. Due to the various estimates inherent in our construction contract accounting, actual results could differ from those estimates. Our historical construction contract cost estimates have generally been accurate, and management does not believe that there is a reasonable likelihood that there will be a material change in future estimates or the methodology used to calculate these estimates.

Sales which are not accounted for under ASC 605-35 may have multiple elements, including heat tracing product, engineering and “field” services such as inspection, repair and/or training. We assess such revenue arrangements to determine the appropriate units of accounting. Each deliverable provided under multiple-element arrangements is considered a separate unit of accounting. Revenues associated with the sale of a product are recognized upon delivery, while the revenue for engineering and field services are recognized as services are rendered, limited to the amount of consideration which is not contingent upon the successful provision of future products or services under the arrangement. Amounts assigned to each unit of accounting are based on an allocation of total arrangement consideration using a hierarchy of estimated selling price for the deliverables. The selling price used for each deliverable will be based on Vendor Specific Objective Evidence (“VSOE”), if available, Third Party Evidence (“TPE”), if VSOE is not available, or estimated selling price, if neither VSOE nor TPE is available.

Estimating allowances, specifically the allowance for doubtful accounts and the adjustment for excess and obsolete inventories. The Company's receivables are recorded at cost when earned and represent claims against third parties that will be settled in cash. The carrying value of the Company's receivables, net of allowance for doubtful accounts, represents their estimated net realizable value. If events or changes in circumstances indicate specific receivable balances may be impaired, further consideration is given to the Company's ability to collect those balances and the allowance is adjusted accordingly. The Company has established an allowance for doubtful accounts based upon an analysis of aged receivables. Past-due receivable balances are written-off when the Company's internal collection efforts have been unsuccessful in collecting the amounts due.

The Company's primary base of customers operates in the oil, chemical processing and power generation industries. Although the Company has a concentration of credit risk within these industries, the Company has not experienced significant collection losses on sales to these customers. The Company's foreign receivables are not concentrated within any one geographic region nor are they subject to any current economic conditions that would subject the Company to unusual risk. The Company does not generally require collateral or other security from customers.

We perform credit evaluations of new customers and sometimes require deposits, prepayments or use of trade letters of credit to mitigate our credit risk. Allowance for doubtful account balances are $1.1 million and $1.4 million as of March 31, 2013 and 2012, respectively. Although we have fully provided for these balances, we continue to pursue collection of these receivables.

We write down our inventory for estimated excess or obsolete inventory equal to the difference between the cost of inventory and estimated fair market value based on assumptions of future demand and market conditions. Fair market value is determined quarterly by comparing inventory levels of individual products and components to historical usage rates, current backlog and estimated future sales and by analyzing the age and potential applications of inventory, in order to identify specific products and components of inventory that are judged unlikely to be sold. Our finished goods inventory consists primarily of completed electrical cable that has been manufactured for various heat tracing solutions. Most of our manufactured product offerings are built to industry standard specifications that have general purpose applications and therefore are sold to a variety of customers in various industries. Some of our products, such as custom orders and ancillary components outsourced from

third-party manufacturers, have more specific applications and therefore may be at a higher risk of inventory obsolescence. Inventory is written-off in the period in which the disposal occurs. Actual future write-offs of inventory for salability and obsolescence reasons may differ from estimates and calculations used to determine valuation allowances due to changes in customer demand, customer negotiations, product application, technology shifts and other factors. Our allowance for excess and obsolete inventories was $1.1 million at both March 31, 2013 and 2012. Historically, inventory obsolescence and potential excess cost adjustments have been within our expectations, and management does not believe that there is a reasonable likelihood that there will be a material change in future estimates or assumptions used to calculate the inventory valuation reserves.

Significant judgments and estimates must be made and used in connection with establishing these allowances. If our assumptions used to calculate these allowances do not agree with our future ability to collect outstanding receivables, actual demand for our inventory, or the number of products and installations returned under warranty, additional provisions may be needed and our future results of operations could be adversely affected.

Valuation of long-lived, goodwill and other intangible assets. We evaluate goodwill for impairment annually during the fourth quarter of our fiscal year, or more frequently when indicators of impairment are present. We operate as a single reportable segment with four geographic reporting units, each of which are assessed. We perform a qualitative analysis to determine whether it is more likely than not that the fair value of goodwill is less than its carrying amount. Some of the impairment indicators we consider include significant differences between the carrying amount and the estimated fair value of our assets and liabilities; macroeconomic conditions such as a deterioration in general economic condition or limitations on accessing capital; industry and market considerations such as a deterioration in the environment in which we operate and an increased competitive environment; cost factors such as increases in raw materials, labor, or other costs that have a negative effect on earnings and cash flows; overall financial performance such as negative or declining cash flows or a decline in actual or planned revenue or earnings compared with actual and projected results of relevant prior periods; other relevant events such as litigation, changes in management, key personnel, strategy or customers; the testing for recoverability of our long-lived assets and a potential decrease in share price. We evaluate the significance of identified events and circumstances on the basis of the weight of evidence along with how they could affect the relationship between the reporting unit's fair value and carrying amount, including positive mitigating events and circumstances. If we determine it is more likely than not that the fair value of goodwill is less than its carrying amount, then a second step is performed to quantify the amount of goodwill impairment. If impairment is indicated, a goodwill impairment charge is recorded to write the goodwill down to its implied fair value. The Company determined that no impairment of goodwill existed during fiscal 2013 and fiscal 2012.

Other intangible assets include indefinite lived intangible assets for which we must also perform an annual test of impairment. The Company's indefinite lived intangible assets consist primarily of trademarks. The fair value of the Company's trademarks is calculated using a “relief from royalty payments” methodology. This approach involves first estimating reasonable royalty rates for each trademark, then applying these royalty rates to a net sales stream and discounting the resulting cash flows to determine the fair value. The royalty rate is estimated using both a market and income approach. The market approach relies on the existence of identifiable transactions in the marketplace involving the licensing of trademarks similar to those owned by the Company. The income approach uses a projected pretax profitability rate relevant to the licensed income stream. We believe the use of multiple valuation techniques results in a more accurate indicator of the fair value of each trademark. This fair value is then compared with the carrying value of each trademark. The results of this test during the fourth quarter of our fiscal year indicated that there was no impairment of our indefinite life intangible assets during fiscal 2013 or 2012.

Accounting for income taxes. We account for income taxes under the asset and liability method that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in our financial statements or tax returns. Judgment is required in assessing the future tax consequences of events that have been recognized in our financial statements or tax returns. Variations in the actual outcome of these future tax consequences could materially impact our financial position, results of operations or effective tax rate.

Significant judgment is required in determining our worldwide income tax provision. In the ordinary course of a global business, there are many transactions and calculations where the ultimate tax outcome is uncertain. Some of these uncertainties arise as a consequence of revenue sharing and cost reimbursement arrangements among related entities, the process of identifying items of revenues and expenses that qualify for preferential tax treatment, and segregation of foreign and domestic earnings and expenses to avoid double taxation. Although we believe that our estimates are reasonable, the final tax outcome of these matters could be different from that which is reflected in our historical income tax provisions and accruals. Such differences could have a material effect on our income tax provision and net income in the period in which such determination is made.

In estimating future tax consequences, all expected future events are considered other than enactments of changes in tax laws or rates. Valuation allowances are established when necessary to reduce deferred tax assets to amounts which are more likely than not to be realized. We consider future growth, forecasted earnings, future taxable income, the mix of earnings in the jurisdictions in which we operate, historical earnings, taxable income in prior years, if carryback is permitted under the law, and prudent and feasible tax planning strategies in determining the need for a valuation allowance. In the event we were to determine that we would not be able to realize all or part of our net deferred tax assets in the future, an adjustment to the deferred tax assets valuation allowance would be charged to earnings in the period in which we make such a determination, or goodwill would be adjusted at our final determination of the valuation allowance related to an acquisition within the measurement period. If we later determine that it is more likely than not that the net deferred tax assets would be realized, we would reverse the applicable portion of the previously provided valuation allowance as an adjustment to earnings at such time. The amount of income tax we pay is subject to ongoing audits by federal, state and foreign tax authorities, which often result in proposed assessments. Our estimate of the potential outcome for any uncertain tax issue is highly judgmental. We account for these uncertain tax issues pursuant to ASC 740, *Income Taxes*, which contains a two-step approach to recognizing and measuring uncertain tax positions taken or expected to be taken in a tax return. The first step is to determine if the weight of available evidence indicates that it is more likely than not that the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. Although we believe we have adequately reserved for our uncertain tax positions, no assurance can be given with respect to the final outcome of these matters. We adjust reserves for our uncertain tax positions due to changing facts and circumstances, such as the closing of a tax audit, judicial rulings, refinement of estimates or realization of earnings or deductions that differ from our estimates. To the extent that the final outcome of these matters is different than the amounts recorded, such differences generally will impact our provision for income taxes in the period in which such a determination is made. Our provisions for income taxes include the impact of reserve provisions and changes to reserves that are considered appropriate and also include the related interest and penalties.

As of March 31, 2013, we expect to repatriate earnings from our foreign operations to the extent that a foreign subsidiary generates earnings in excess of its working capital or other investment requirements. If available, such earnings may be monetized in the form of dividends to the U.S. parent. Accordingly, we have accrued the estimated incremental tax on the earnings of our foreign subsidiaries that we expect to repatriate as dividends. In developing our estimate of foreign earnings that are available to be repatriated, we consider the required levels of working capital at each subsidiary and accrue a deferred tax liability for the earnings and profits in excess of those requirements. We consider our original investment and our working capital portion of retained earnings at each of our foreign subsidiaries to be permanently reinvested. The deferred tax liability recorded on the U.S. financial statements is subject to fluctuations in the local currency exchange rates each year.

Loss contingencies. We accrue for probable losses from contingencies including legal defense costs, on an undiscounted basis, when such costs are considered probable of being incurred and are reasonably estimable. We periodically evaluate available information, both internal and external, relative to such contingencies and adjust this accrual as necessary. Disclosure of a contingency is required if there is at least a reasonable possibility that a loss has been incurred. In determining whether a loss should be accrued we evaluate, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss.

Stock-based compensation expense. We account for share-based payments to employees in accordance with ASC 718, *Compensation-Stock Compensation*, which requires that share-based payments (to the extent they are compensatory) be recognized in our consolidated statements of operations and comprehensive income based on their fair values.

As required by ASC 718, we recognize stock-based compensation expense for share-based payments that are expected to vest. In determining whether an award is expected to vest, we use an estimated, forward-looking forfeiture rate based upon our historical forfeiture rates. Stock-based compensation expense recorded using an estimated forfeiture rate is updated for actual forfeitures quarterly. To the extent our actual forfeitures are different than our estimates, we record a true-up for the differences in the period that the awards vest, and such true-ups could materially affect our operating results. We also consider on a quarterly basis whether there have been any significant changes in facts and circumstances that would affect our expected forfeiture rate.

We are also required to determine the fair value of stock-based awards at the grant date. For option awards that are subject to service conditions and/or performance conditions, we estimate the fair values of employee stock options using a Black-Scholes-Merton valuation model. Some of our option grants and awards included a market condition for which we used a Monte Carlo pricing model to establish grant date fair value. These determinations require judgment, including estimating expected volatility. If actual results differ significantly from these estimates, stock- based compensation expense and our results of operations could be impacted.

Recent Accounting Pronouncements

Presentation of Comprehensive Income - The Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") in February 2013 that provides entities the option of presenting information related to reclassification adjustments on the face of the financial statements or in the notes to the financial statements for items that are reclassified from other comprehensive income to net income in the statement where those components are presented. The requirements from the new ASU are effective for fiscal years and interim periods within those years beginning after December 15, 2012. The Company expects that adoption of this ASU will not have a material impact on our consolidated financial statements.

Fair Value Measurements and Disclosures - The FASB issued an ASU in December 2011, which requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of these arrangements on its financial position. The guidance requires entities to disclose both gross and net information about both instruments and transactions eligible for offset in the balance sheet and instruments and transactions subject to an agreement similar to a master netting arrangement. In January 2013, the FASB amended and clarified the scope of the disclosures to include only derivative instruments, repurchase agreements and securities lending transactions. The provisions for this ASU are effective for annual periods and interim periods within those years beginning on or after January 1, 2013. The Company expects that the adoption of this ASU will not have a material impact on our consolidated financial statements.

Non-GAAP Financial Measures

References in this annual report to "Adjusted EPS," "Adjusted EBITDA," "Adjusted net income", and "Free cash flow per share" which are "non-GAAP financial measures" as defined under the rules of the SEC, are intended as supplemental measures of our financial performance that are not required by, or presented in accordance with, U.S. generally accepted accounting principles ("GAAP"). "Adjusted net income" represents net income before certain transaction expenses and expenses related to the CHS Transactions, debt redemptions and refinancing of our revolving line of credit, and "Adjusted EPS" represents Adjusted net income per fully-diluted common share. "Adjusted EBITDA" represents net income before interest expense (net of interest income), income tax expense, depreciation and amortization expense and other non-cash charges such as stock-based compensation expense, transaction expenses related to the CHS Transactions, our IPO, shelf registration and secondary offering, and other transactions not associated with our ongoing operations, such as the loss on retirement of debt. "Free cash flow per share" represents cash provided by operations less cash used for the purchase of property plant and equipment. The resultant cash provided or used is then divided by the fully diluted common shares outstanding.

We believe these non-GAAP financial measures are meaningful to our investors to enhance their understanding of our financial performance and are frequently used by securities analysts, investors and other interested parties to compare our performance with the performance of other companies that report Adjusted EPS, Adjusted EBITDA, Adjusted net income or Free cash flow per share. Adjusted EPS, Adjusted EBITDA, Adjusted net income and Free cash flow per share should be considered in addition to, and not as substitutes for, income from operations, net income, net income per share, net cash provided by operating activities and other measures of financial performance reported in accordance with GAAP. Our calculation of Adjusted EPS, Adjusted EBITDA, Adjusted net income and Free cash flow per share may not be comparable to similarly titled measures reported by other companies.

The following table reconciles net income (loss) to Adjusted EBITDA for the periods presented:

	Predecessor/Successor Combined	Successor	
	Year Ended March 31,		
	2011	2012	2013
Net income (loss)	$ (15,207)	$ 12,030	$ 26,974
Interest expense, net	28,951	19,462	15,113
Income tax expense	(11,274)	7,468	14,576
Depreciation and amortization			
Expense	27,930	13,971	13,831
Stock-based compensation			
Expense	1,939	6,514	1,341
Loss on retirement of debt (a)	630	3,825	—
CHS Transactions expenses (b)	22,694	—	—
Management fees (c)	2,003	8,105	—
Secondary offering expenses (d)	—	—	536
Adjusted EBITDA	$ 57,666	$ 71,375	$ 72,371

(a) Represents premium expense associated with redemptions totaling $70.9 million of our senior secured notes. These redemptions took place between April 30, 2011 and April 30, 2012.

(b) Represents expenses related to the sale process that culminated with the successful completion of the CHS Transactions, which were incurred during fiscal 2011.

(c) Represents management fees paid to our former private equity sponsors that terminated in connection with our May 2011 IPO.

(d) Represents legal, financial and other advisory and consulting fees and expenses incurred during fiscal 2013 in connection with our shelf registration and secondary offering in which our former private equity sponsors sold 11.5 million shares of our common stock.

The following table reconciles net income (loss) to Adjusted net income and Adjusted EPS for the periods presented:

	Year ended March 31,		
	Predecessor/Successor Combined	Successor	
	2011 (a)	2012	2013
Net income (loss)	$ (15,207)	$ 12,030	$ 26,974
Fair value adjustment to gross profit	7,614	—	—
Acceleration of stock compensation in connection with the IPO	—	6,341	—
Management fees which terminated at the IPO	2,003	8,105	—
Transaction expense related to the CHS CHS Transactions	22,694	—	—
Premium charges on long term debt	630	3,825	—
Acceleration of unamortized debt costs	4,932	3,096	2,318
Discrete tax items related to the CHS Transactions	(6,339)	—	—
Secondary offering expenses			536
Tax effect of financial adjustments	(13,265)	(7,500)	(1,007)
Adjusted Net Income - non-GAAP basis	$ 3,062	$ 25,897	$ 28,821
Adjusted fully-diluted earnings per common share - non-GAAP basis	$ 0.10	$ 0.85	$ 0.91
Fully-diluted common shares - non-GAAP basis (thousands)	30,454	30,454	31,797

(a) The combined predecessor/successor period in fiscal 2011 includes 11 months under the current capital structure of the successor. We have presented Adjusted earnings per share using the fully diluted shares for fiscal 2012. We used the fiscal 2012 denominator for the calculation because the fiscal 2011 fully diluted share count was substantially different and therefore not comparable due to the CHS Transactions, and we believe that using the fiscal 2012 fully diluted shares offers a more meaningful comparison to fiscal 2011.

The following table reconciles cash provided by operating activities to Free cash flow per share for the periods presented:

	Year Ended March 31,		
	Predecessor/Successor Combined	Successor	
	2011 (a)	2012	2013
Cash provided by operating activities	32,560	3,112	41,370
Less: Purchases of property, plant and equipment	(1,799)	(8,883)	(6,264)
Free cash flow provided (used)	30,761	(5,771)	35,106
Free cash flow provided (used) per fully-diluted common share	1.01	(0.19)	1.10
Fully-diluted common shares (a)	30,454	30,454	31,797

(a) The combined predecessor/successor period in fiscal 2011 includes 11 months under the current capital structure of the successor. We have presented free cash flow provided (used) per fully-diluted common shares using the fully diluted shares for fiscal 2012. We used the fiscal 2012 denominator for the calculation because the fiscal 2011 fully diluted share count was substantially different and therefore not comparable due to the CHS Transactions, and we believe that using the fiscal 2012 fully diluted shares offers a more meaningful comparison to fiscal 2011.

Recent Developments

On April 19, 2013, we entered into an amended and restated credit agreement, with certain lenders in the United States and Canada, pursuant to which, on May 20, 2013, we borrowed $135 million under a new variable rate term loan and our revolving credit facility was increased to $60 million. Both the term loan and new revolving credit facility will mature in April 2018.

In connection with our entry into the amended and restated credit agreement, the Company delivered a notice of optional redemption to registered holders of its outstanding 9.5% senior secured notes due 2017. The outstanding notes were redeemed on May 20, 2013, with a redemption price equaling the sum of the aggregate principal amount of $118.1 million and a $15.5 million call premium. The premium payment will be expensed in our first quarter of fiscal 2014.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our primary market risk exposures include the effect of fluctuations in foreign exchange rates, interest rates and commodity prices.

Foreign currency risk relating to operations. We transact business globally and are subject to risks associated with fluctuating foreign exchange rates. Approximately 70.6% of our fiscal 2013 consolidated revenue was generated by sales from our non-U.S. subsidiaries. Our non-U.S. subsidiaries generally sell their products and services in the local currency, but obtain a significant amount of their products from our facilities located in another country, primarily the United States, Canada or Europe. Significant changes in the relevant exchange rates could adversely affect our margins on foreign sales of products. Our non-U.S. subsidiaries incur most of their expenses (other than intercompany expenses) in their local functional currency. These currencies include the Canadian Dollar, Euro, British Pound, Russian Ruble, Australian Dollar, South Korean Won, Chinese Renminbi, Indian Rupee, Mexican Peso, and Japanese Yen.

During fiscal 2012, we established a program that primarily utilizes foreign currency forward contracts to offset the risk associated with the effects of certain foreign currency exposures. Under this program, increases or decreases in our foreign currency exposures are offset by gains or losses on the forward contracts, to mitigate the possibility of foreign currency transaction gains or losses. These foreign currency exposures typically arise from intercompany transactions. Our forward contracts generally have terms of 30 days or less. We do not use forward contracts for trading purposes nor do we designate these forward contracts as hedging instruments pursuant to ASC 815. We adjust the carrying amount of all contracts to their fair value at the end of each reporting period and unrealized gains and losses are included in our results of operations for that period. These gains and losses largely offset gains and losses resulting from settlement of payments received from our foreign operations which are settled in U.S. dollars. All outstanding foreign currency forward contracts are marked to market at the end of the period with unrealized gains and losses included in miscellaneous expense. The fair value is determined by quoted prices on identical forward contracts (Level 2 fair value). The balance sheet reflects unrealized gains within accounts receivable and unrealized losses within accrued liabilities. Our ultimate realized gain or loss with respect to currency fluctuations will depend on the currency exchange rates and other factors in effect as the contracts mature. As of March 31, 2013 and 2012, the notional amounts of forward contracts we held to sell U.S. dollars in exchange for other major international currencies were $10.1 million and $14.4 million, respectively.

During fiscal 2013, our largest exposures to foreign exchange rates consisted primarily of the Canadian Dollar and the Euro against the U.S. dollar. The market risk related to the foreign currency exchange rates is measured by estimating the potential impact of a 10% change in the value of the U.S. dollar relative to the local currency exchange rates. The rates used to perform this analysis were based on a weighted average of the market rates in effect during the relevant period. A 10% appreciation of the U.S. dollar relative to the Canadian Dollar would result in a net decrease in net income of $2.0 million for

fiscal 2013. Conversely, a 10% depreciation of the U.S. dollar relative to the Canadian Dollar would result in a net increase in net income of $2.4 million for fiscal 2013. A 10% appreciation of the U.S. dollar relative to the Euro would result in a net decrease in net income of $0.1 million for fiscal 2013. Conversely, a 10% depreciation of the U.S. dollar relative to the Euro would result in a net increase in net income of $0.1 million for fiscal 2013.

The geographic areas outside the United States in which we operate are generally not considered to be highly inflationary. Nonetheless, these foreign operations are sensitive to fluctuations in currency exchange rates arising from, among other things, certain intercompany transactions that are generally denominated in U.S. dollars rather than their respective functional currencies. The impact of foreign currency transaction gains and losses on our consolidated statements of operations for fiscal 2013 was a loss of $0.4 million compared to a loss of $1.1 million in fiscal 2012.

Because our consolidated financial results are reported in U.S. dollars, and we generate a substantial amount of our sales and earnings in other currencies, the translation of those results into U.S. dollars can result in a significant decrease in the amount of those sales and earnings. In addition, fluctuations in currencies relative to the U.S. dollar may make it more difficult to perform period-to-period comparisons of our reported results of operations.

At each balance sheet date, we translate our assets and liabilities denominated in foreign currency to U.S. dollars. The balances of our foreign equity accounts are translated at their historical value. The difference between the current rates and the historical rates are posted to our currency translation account and reflected in the shareholders' equity section of our balance sheet. The unrealized effect of foreign currency translation was a loss of $4.1 million in fiscal 2013, compared to a loss of $6.5 million in fiscal 2012. Currency translation gains or losses are reported as part of comprehensive income or loss in our accompanying consolidated financial statements.

Interest rate risk and foreign currency risk relating to debt. Any borrowings on our new credit facility will incur interest expense that is variable in relation to the LIBOR rate. Had there been any outstanding borrowings, at March 31, 2013, the interest rate on amounts outstanding on our prior revolving credit facility was 3%. Based on our average outstanding borrowings under our prior revolving credit facility during fiscal 2013, a one percentage point increase or decrease in our interest rate would result in a net increase or decrease, respectively, of our annual interest expense of approximately $42 thousand.

The term loan under our amended and restated credit agreement pursuant to which we borrowed $135.0 million on April 19, 2013 is a variable rate LIBOR-based loan. Based on the outstanding borrowings thereunder at April 19, 2013, a 1% change in the interest rate could result in a $1.4 million increase or decrease in our annual interest expense.

Commodity price risk. We use various commodity-based raw materials in our manufacturing processes. Generally, we acquire such components at market prices and do not typically enter into long-term purchase commitments with suppliers or hedging instruments to mitigate commodity price risk. As a result, we are subject to market risks related to changes in commodity prices and supplies of key components of our products. Historically, the costs of our primary raw materials have been stable and readily available from multiple suppliers. Typically, we have been able to pass on raw material cost increases to our customers. We cannot provide any assurance, however, that we may be able to pass along such cost increases to our customers or source sufficient amounts of key components on commercially reasonable terms or at all in the future, and if we are unable to do so, our results of operations may be adversely affected.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Thermon Group Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Thermon Group Holdings, Inc. (the Company or Successor) as of March 31, 2013 and 2012, and the related consolidated statements of operations and comprehensive income (loss), shareholders'/members' equity and cash flows for each of the two years in the period ended March 31, 2013, for the period from May 1, 2010 to March 31, 2011 (Successor), and for the period from April 1, 2010 to April 30, 2010 (Predecessor) of Thermon Holdings, LLC. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Thermon Group Holdings, Inc. at March 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the two years in the period ended March 31, 2013, the period from May 1, 2010 to March 31, 2011 (Successor), and for the period from April 1, 2010 to April 30, 2010 (Predecessor) of Thermon Holdings, LLC., in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Thermon Group Holdings, Inc.'s internal control over financial reporting as of March 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 10, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
San Antonio, Texas
June 10, 2013

Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting

The Board of Directors and Shareholders of Thermon Group Holdings, Inc.

We have audited Thermon Group Holdings, Inc. internal control over financial reporting as of March 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Thermon Group Holdings, Inc. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Thermon Group Holdings, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of March 31, 2013, based on the COSO criteria**.**

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Thermon Group Holdings, Inc. as of March 31, 2013 and 2012, and the related consolidated statements of operations and comprehensive income (loss), shareholders'/members' equity and cash flows for each of the two years in the period ended March 31, 2013, the period from May 1, 2010 to March 31, 2011 of Thermon Group Holdings, Inc., and for the period from April 1, 2010 to April 30, 2010 of Thermon Holdings, LLC and our report dated June 10, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
San Antonio, Texas
June 10, 2013

Thermon Group Holdings, Inc.

Consolidated Statements of Operations and Comprehensive Income (Loss)
(Dollars in Thousands, except share and per share data)

	Year Ended March 31, 2013 (Successor)	Year Ended March 31, 2012 (Successor)	For the Period From May 1, 2010 Through March 31, 2011 (Successor)	For the Period from April 1, Through April 30, 2010 (Predecessor)
Sales	$ 284,036	$ 272,323	$ 227,880	$ 13,183
Cost of sales	151,204	140,208	132,395	6,567
Gross profit	132,832	132,115	95,485	6,616
Operating expenses:				
Marketing, general and administrative and engineering	64,633	76,280	54,630	4,263
Amortization of intangible assets	11,211	11,379	18,030	215
Income from operations	56,988	44,456	22,825	2,138
Other income/(expenses):				
Interest income	112	122	42	7
Interest expense	(15,225)	(19,584)	(22,771)	(6,229)
Loss on retirement of senior secured notes	—	(3,825)	(630)	—
Success fees to owners related to the CHS Transaction	—	—	(3,022)	(4,716)
Miscellaneous expense	(325)	(1,671)	(5,224)	(8,901)
Income (loss) before provision for income taxes	41,550	19,498	(8,780)	(17,701)
Income tax expense (benefit)	14,576	7,468	6,160	(17,434)
Net income (loss)	$ 26,974	$ 12,030	$ (14,940)	$ (267)
Other comprehensive income (loss):				
Net income (loss)	$ 26,974	$ 12,030	$ (14,940)	$ (267)
Foreign currency translation adjustment	(4,133)	(6,517)	10,031	(576)
Other	(304)	(152)	—	—
Total comprehensive income (loss)	$ 22,537	$ 5,361	$ (4,909)	$ (843)
Net income (loss) per common share:				
Basic	$ 0.88	$ 0.41	$ (0.60)	$ (5.11)
Diluted	0.85	0.40	(0.60)	(5.11)
Weighted-average shares used in computing net income (loss) per common share:				
Basic	30,796,675	29,083,478	24,900,332	52,253
Diluted	31,796,830	30,454,255	24,900,332	52,253

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

Thermon Group Holdings, Inc.

Consolidated Balance Sheets
(Dollars in Thousands, except share and per share data)

	March 31, 2013	March 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ 43,847	$ 21,468
Accounts receivable, net of allowance for doubtful accounts of $1,141 and $1,434 as of March 31, 2013 and March 31, 2012, respectively	56,123	50,037
Inventories, net	34,391	38,453
Costs and estimated earnings in excess of billings on uncompleted contracts	3,515	1,996
Income taxes receivable	5,287	5,193
Prepaid expenses and other current assets	6,203	6,853
Deferred income taxes	2,211	3,664
Total current assets	151,577	127,664
Property, plant and equipment, net	31,211	27,661
Goodwill	116,303	118,007
Intangible assets, net	131,916	144,801
Debt issuance costs, net	4,373	7,446
Other long term assets	143	—
Total assets	$ 435,523	$ 425,579
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ 20,370	$ 15,728
Accrued liabilities	18,715	22,442
Current portion of long term debt	—	21,000
Billings in excess of costs and estimated earnings on uncompleted contracts	1,629	2,446
Income taxes payable	1,706	1,374
Obligations due to settle the CHS Transactions	3,239	3,528
Total current liabilities	45,659	66,518
Long-term debt, net of current maturities	118,145	118,145
Deferred income taxes	42,599	45,999
Other noncurrent liabilities	3,073	2,437
Common stock: $.001 par value; 150,000,000 authorized; 31,307,582 and 30,208,084 shares issued and outstanding at March 31, 2013 and March 31, 2012, respectively	31	30
Preferred stock: $.001 par value; 10,000,000 authorized; no shares issued and outstanding	—	—
Additional paid in capital	203,027	191,998
Accumulated other comprehensive income (loss)	(1,075)	3,362
Retained earnings (accumulated deficit)	24,064	(2,910)
Shareholders' equity	226,047	192,480
Total liabilities and shareholders' equity	$ 435,523	$ 425,579

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

Thermon Group Holdings, Inc.

Consolidated Statements of Shareholders'/Members' Equity
(Dollars in Thousands)

	Ownership Units Outstanding (Predecessor)	Shares Outstanding (Successor)	Stock/Capital Amount	Retained Earnings/ (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
Predecessor:						
Balances at March 31, 2010	52,253	—	$ 37,501	$ 16,513	$ 1,060	$ 55,074
Net Loss	—	—	—	(267)	—	(267)
Foreign currency translation adjustment	—	—	—	—	(576)	(576)
Balances at April 30,2010	52,253	—	$ 37,501	$ 16,246	$ 484	$ 54,231
Successor:						
Initial Capitalization at May 1, 2010:						
Issuance of common stock for cash	—	21,658,530	$ 112,536	$ —	$ —	$ 112,536
Exchange for certain units of Thermon Holdings, LLC	—	2,825,293	14,680	—	—	14,680
Issuance of common stock for cash to certain members of management	—	391,846	2,036	—	—	2,036
Issuance of common stock in lieu of compensation	—	9,623	50	—	—	50
Stock-based compensation expense	—	—	1,889	—	—	1,889
Issuance of common stock for cash to directors	—	48,115	250	—	—	250
Net loss	—	—	—	(14,940)	—	(14,940)
Foreign currency translation adjustment (net of $197 tax expense)	—	—	—	—	10,031	10,031
Balances at March 31, 2011	—	24,933,407	$ 131,441	$ (14,940)	$ 10,031	$ 126,532
Issuance of common stock on initial public offering net of issuance costs	—	4,575,098	48,459	—	—	48,459
Issuance of common stock in exercise of stock options	—	683,443	3,433	—	—	3,433
Stock-based compensation expense	—	—	6,514	—	—	6,514
Issuance of restricted stock as deferred compensation to employees and directors	—	16,136	—	—	—	—
Excess tax deduction from stock option exercises	—	—	2,181	—	—	2,181
Net Income	—	—	—	12,030	—	12,030
Foreign currency translation adjustment (net of $135 tax expense)	—	—	—	—	(6,517)	(6,517)
Other	—	—	—	—	(152)	(152)
Balances at March 31, 2012	—	30,208,084	$ 192,028	$ (2,910)	$ 3,362	$ 192,480
Issuance of common stock in exercise of stock options	—	1,086,486	5,558	—	—	5,558
Issuance of restricted stock as deferred compensation to employees and directors	—	13,012	—	—	—	—
Stock Compensation expense	—	—	1,341	—	—	1,341
Excess tax deduction from stock options	—	—	4,131	—	—	4,131
Net Income	—	—	—	26,974	—	26,974
Foreign currency translation adjustment	—	—	—	—	(4,133)	(4,133)

Other	—	—	—	—	(304)	(304)
Balance at March 31, 2013	—	31,307,582	$ 203,058	$ 24,064	$ (1,075)	$ 226,047

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

Thermon Group Holdings, Inc.

Consolidated Statement of Cash Flows
(Dollars in Thousands)

	Year Ended March 31, 2013 (Successor)	Year Ended March 31, 2012 (Successor)	For the Period From May 1, 2010 Through March 31, 2011 (Successor)	For the Period From April 1, Through April 30, 2010 (Predecessor)
Operating activities				
Net income (loss)	$ 26,974	$ 12,030	$ (14,940)	$ (267)
Adjustment to reconcile net income to net cash (used in), provided by operating activities:				
Depreciation and amortization	13,831	13,971	27,538	392
Amortization of debt costs	3,321	4,127	3,948	2,586
Stock compensation expense	1,341	6,514	1,939	—
Benefit for deferred income taxes	(1,919)	(4,947)	(8,393)	(15,122)
Premiums paid on redemptions, included as financing activities	—	3,825	—	—
Loss on disposition of property, plant and equipment	—	—	1,101	—
Other non-cash operating activities	551	721	(287)	33
Changes in operating assets and liabilities:				
Accounts receivable	(7,120)	(11,435)	2,294	1,365
Inventories	3,389	(8,189)	(5,403)	(1,719)
Costs and estimated earnings in excess of billings on uncompleted contracts	(1,807)	(478)	(365)	34
Other current and noncurrent assets	611	1,591	(2,113)	(3,151)
Accounts payable	4,895	(1,292)	7,253	825
Accrued liabilities and noncurrent liabilities	(3,354)	(3,549)	19,175	9,482
Income taxes payable	657	(9,777)	7,215	(860)
Net cash (used in) provided by operating activities	41,370	3,112	38,962	(6,402)
Investing activities				
Purchases of property, plant and equipment	(6,264)	(8,883)	(1,702)	(97)
Cash paid for Thermon Holding Corp.	(289)	(685)	(314,410)	—
Other investing activities	—	—	(493)	(1,397)
Net cash used in investing activities	(6,553)	(9,568)	(316,605)	(1,494)
Financing activities				
Proceeds from senior secured notes	—	—	210,000	—
Payments on senior secured notes	(21,000)	(70,855)	—	—
Payments on long term debt	—	—	—	(19,385)
Proceeds or payments on revolving lines of credit	—	(2,063)	2,063	
Proceeds from Initial Public Offering, net of transaction costs	—	48,459	—	—
Issuance costs associated with debt financing	(248)	—	(15,249)	—

Capital contributions	—	—	129,252	—
Issuance of common stock including exercise of stock options	5,558	3,432	250	—
Benefit from excess tax deduction from option exercises	4,131	2,181	—	—
Premium paid on redemption of senior secured notes	(630)	(3,825)	—	—
Net cash (used in) provided by financing activities	(12,189)	(22,671)	326,316	(19,385)
Effect of exchange rate changes on cash and cash equivalents	(249)	(671)	2,593	(14)
Change in cash and cash equivalents	22,379	(29,798)	51,266	(27,295)
Cash and cash equivalents at beginning of period	21,468	51,266	—	30,147
Cash and cash equivalents at end of period	$ 43,847	$ 21,468	$ 51,266	$ 2,852
Cash paid for interest and income taxes				
Interest, net	$ 12,734	$ 19,022	$ 10,370	$ 3,923
Income taxes paid	$ 10,639	$ 17,723	$ 5,605	$ 860
Income tax refunds received	$ (207)	$ (512)	$ (1,172)	$ —

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

1. Organization and Summary of Significant Accounting Policies

Organization

On April 30, 2010, a group of investors led by entities affiliated with CHS Capital LLC ("CHS") and two other private equity firms acquired a controlling interest in Thermon Holding Corp. and its subsidiaries from Thermon Holdings, LLC ("Predecessor") for approximately $321,500 in a transaction that was financed by approximately $129,252 of equity investments by CHS, two other private equity firms and certain members of our current and former management team (collectively, the "management investors") and $210,000 of debt raised in an exempt Rule 144A senior secured note offering to qualified institutional investors (collectively, the "CHS Transactions"). The proceeds from the equity investments and debt financing were used both to finance the acquisition and pay related transaction costs. As a result of the CHS Transactions, Thermon Group Holdings, Inc. became the ultimate parent of Thermon Holding Corp. Thermon Group Holdings, Inc. and its direct and indirect subsidiaries are referred to collectively as "we", "our", the "Company" or "Successor" herein. We refer to CHS and the two other private equity fund investors collectively as "our former private equity sponsors".

In the CHS Transactions, the senior secured notes were issued by Thermon Finance, Inc., which immediately after the closing of the CHS Transactions was merged into our wholly-owned subsidiary Thermon Industries, Inc.

The CHS Transactions was accounted for as a purchase combination. The purchase price was allocated to the assets acquired based on their estimated fair values, and liabilities assumed were recorded based upon their actual value. While the Company takes responsibility for the allocation of assets acquired and liabilities assumed, it consulted with an independent third party to assist with the appraisal process.

Pushdown accounting was employed to reflect the purchase price paid by our new owner.

We have prepared our consolidated financial statements as if Thermon Group Holdings, Inc. had been in existence throughout all relevant periods. The historical financial and other data prior to the closing of the CHS Transactions on April 30, 2010 have been prepared using the historical results of operations and bases of the assets and liabilities of the Predecessor. Our historical financial data prior to May 1, 2010 may not be indicative of our future performance.

Thermon Holdings, LLC ("Predecessor") was organized by Audax Private Equity Fund II, L.P. and its affiliates ("Audax") to acquire a controlling interest in Thermon Industries, Inc. and its subsidiaries, which acquisition occurred on August 30, 2007 (such acquisition, the "Audax Transaction"). The CHS Transactions which closed on April 30, 2010, resulted in the liquidation of the equity balances that belonged to the Predecessor. The settlement of equity balances and associated transaction expenses of the Predecessor are reported in the Period from April 1, 2010 to April 30, 2010. In May 2011, Thermon Group Holdings, Inc. completed its initial public offering ("IPO") of common shares in which it issued 4,575,098 new common shares and received net proceeds of $48,600, net of underwriting discounts and commissions and estimated offering expenses.

Corrections of classification errors in previously reported Consolidated Statements of Operations and Comprehensive Income (Loss)

During fiscal 2013, we identified a classification error in our consolidated statements of operations and comprehensive income (loss) for all previously reported periods. We determined that charges that were invoiced to customers had been recorded as a reduction to cost of sales instead of as additional sales. The result of this error was an understatement of sales and cost of sales of $1,808 for the year ended March 31, 2012, $2,135 for the period from May 1, 2010 to March 31, 2011, and $120 for the period from April 1, 2010 through April 30, 2010. The classification errors had no effect on the reported gross profit, income from operations or net income and also had no effect on the consolidated balance sheets, the consolidated statements of cash flows or the consolidated statement of shareholders'/members' equity.

Though the correction of the classification errors had no effect on our gross profit, it did result in a slight reduction to our previously reported gross margin as a percentage of revenue as follows below:

	Year Ended March 31, 2012	For the Period From May 1, 2010 Through March 31, 2011	For the Period From April 1, Through April 30, 2010
	(Successor)	(Successor)	(Predecessor)
As reported:			
Sales	$ 270,515	$ 225,745	$ 13,063
Cost of sales	138,400	130,260	6,447
Gross profit	132,115	95,485	6,616
Gross profit as a percentage of revenue	48.8%	42.3%	50.6%

	Year Ended March 31, 2012	For the Period From May 1, 2010 Through March 31, 2011	For the Period From April 1, Through April 30, 2010
	(Successor)	(Successor)	(Predecessor)
As corrected:			
Sales	$ 272,323	$ 227,880	$ 13,183
Cost of sales	140,208	132,395	6,567
Gross profit	132,115	95,485	6,616
Gross profit as a percentage of revenue	48.5%	41.9%	50.2%

The quarterly impact of our classification error was an understatement of sales and cost of sales of $80, $491 and $477 for the three months ended December 31, 2012, September 30, 2012 and June 30, 2012, respectively. In fiscal 2012, the results of the error were an understatement of sales and cost of sales of $531, $443, $376, and $458, for the three months ended March 31, 2012, December 31, 2011, September 30, 2011, and June 30, 2011, respectively. These amounts have been corrected in the quarterly results disclosed in Note 19. "Quarterly Results".

	Three Months Ended December 31, 2012	Three Months Ended September 30, 2012	Three Months Ended June 30, 2012	Three Months Ended March 31, 2012	Three Months Ended December 31, 2011	Three Months Ended September 30, 2011	Three Months Ended June 30, 2011
As reported:							
Sales	$ 76,750	$ 67,358	$ 67,213	$ 69,037	$ 68,837	$ 68,023	$ 64,618
Cost of sales	41,799	34,719	33,874	34,553	35,146	36,072	32,629
Gross profit	34,951	32,639	33,339	34,484	33,691	31,951	31,989
Gross profit as a percentage of revenue	45.5%	48.5%	49.6%	50.0%	48.9%	47.0%	49.5%

	Three Months Ended December 31, 2012	Three Months Ended September 30, 2012	Three Months Ended June 30, 2012	Three Months Ended March 31, 2012	Three Months Ended December 31, 2011	Three Months Ended September 30, 2011	Three Months Ended June 30, 2011
As corrected:							
Sales	$ 76,830	$ 67,849	$ 67,690	$ 69,568	$ 69,280	$ 68,399	$ 65,076
Cost of sales	41,879	35,210	34,351	35,084	35,589	36,448	33,087
Gross profit	34,951	32,639	33,339	34,484	33,691	31,951	31,989
Gross profit as a percentage of revenue	45.5%	48.1%	49.3%	49.6%	48.6%	46.7%	49.2%

Corrections of classification errors in previously reported Consolidated Statements of Cash Flows

During the second quarter of fiscal 2013, the Company identified a classification error in its cash flow statements for the year ended March 31, 2012 and for the three months ended June 30, 2012 related to the classification of excess income tax benefits associated with stock option exercises. Such benefits were improperly classified as a cash inflow from operating activities rather than a cash inflow from financing activities in the fourth quarter of fiscal 2012 and in the first quarter of fiscal 2013. The result of this error was an overstatement of cash flows from operating activities of $2,181 for the year ended March 31, 2012 and $1,243 in the first quarter of fiscal 2013. The classification errors had no effect on the reported changes in cash and cash equivalents, and also had no effect on the consolidated balance sheets, the consolidated statement of operations and comprehensive income (loss), or the consolidated statements of stockholders'/members' equity.

The reduction to cash flows from operating activities for the excess tax deduction has been properly reflected in the cash flow statement for the year ended March 31, 2013. Based on our evaluation of relevant quantitative and qualitative factors, we determined that the classification errors are immaterial to our prior period financial statements and did not warrant an amendment of our financial statements for fiscal 2012. The Company has corrected the comparative presentation of the prior period in the consolidated statements of cash flows for the year ended March 31, 2012 as follows:

	Year Ended March 31, 2012
Cash flows from operating activities:	
As reported	$5,293
Error correction	(2,181)
As adjusted	3,112
Cash flows from financing activities:	
As reported	$(24,852)
Error correction	2,181
As adjusted	(22,671)

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant inter-company balances and transactions have been eliminated in consolidation. Consolidated subsidiaries domiciled in foreign countries comprised approximately 71%, 66%, 62%, and 70% of the Company's consolidated sales and $36,358, $33,912 $16,271 and $18,509 of the Company's consolidated pretax income for fiscal 2013, fiscal 2012, for the periods from May 1, 2010 to March 31, 2011 and from April 1, 2010 to April 30, 2010 (the two periods which represent fiscal 2011), respectively, and 54% and 54%, of the Company's consolidated total assets at March 31, 2013 and 2012, respectively.

Segment Reporting

The Company's senior management allocates resources and assesses the performance of its electrical and steam heat tracing of piping, vessels, instrumentation and associated equipment sales activities as one reportable segment. Resources are further allocated to four operating segments which are the United States, Canada, Europe and Asia.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results inevitably will differ from those estimates, and such differences may be material to the financial statements.

Cash Equivalents

Cash and cash equivalents consist of cash in bank and money market funds. All highly liquid investments purchased with maturities of three months or less from time of purchase are considered to be cash equivalents.

Receivables

The Company's receivables are recorded at cost when earned and represent claims against third parties that will be settled in cash. The carrying value of the Company's receivables, net of allowance for doubtful accounts, represents their estimated net realizable value. If events or changes in circumstances indicate specific receivable balances may be impaired, further consideration is given to the Company's ability to collect those balances and the allowance is adjusted accordingly. The Company has established an allowance for doubtful accounts based upon an analysis of aged receivables. Past-due receivable balances are written-off when the Company's internal collection efforts have been unsuccessful in collecting the amounts due.

The Company's primary base of customers operates in the oil, chemical processing and power generation industries. Although the Company has a concentration of credit risk within these industries, the Company has not experienced significant collection losses on sales to these customers. The Company's foreign receivables are not concentrated within any one geographic region nor are they subject to any current economic conditions that would subject the Company to unusual risk. The Company does not generally require collateral or other security from customers.

The Company performs credit evaluations of new customers and sometimes require deposits, prepayments or use of trade letters of credit to mitigate our credit risk. Allowance for doubtful account balances are $1,141 and $1,434 as of March 31, 2013 and 2012, respectively. Although we have fully provided for these balances, we continue to pursue collection of these receivables.

The following table summarizes the annual changes in our allowance for doubtful accounts:

Predecessor:		
Balance at March 31, 2010	$	1,835
Reductions to expense		(53)
Write-off of uncollectible accounts		—
Balance at April 30, 2010	$	1,782
Successor:		
Balance at May 1, 2010	$	1,782
Additions charged to expense		792
Write-off of uncollectible accounts		(1,087)
Balance at March 31, 2011	$	1,487
Additions charged to expense		307
Write-off of uncollectible accounts		(360)
Balance at March 31, 2012	$	1,434
Reductions to expense		(21)
Write-off of uncollectible accounts		(272)
Balance at March 31, 2013	$	1,141

Inventories

Inventories, principally raw materials and finished goods, are valued at the lower of cost (weighted average cost) or market.

We write down our inventory for estimated excess or obsolete inventory equal to the difference between the cost of inventory and estimated fair market value based on assumptions of future demand and market conditions. Fair market value is determined quarterly by comparing inventory levels of individual products and components to historical usage rates, current backlog and estimated future sales and by analyzing the age and potential applications of inventory, in order to identify specific products and components of inventory that are judged unlikely to be sold. Our finished goods inventory consists primarily of completed electrical cable that has been manufactured for various heat tracing solutions. Most of our manufactured product offerings are built to industry standard specifications that have general purpose applications and therefore are sold to a variety

of customers in various industries. Some of our products, such as custom orders and ancillary components outsourced from third-party manufacturers, have more specific applications and therefore may be at a higher risk of inventory obsolescence. Inventory is written-off in the period in which the disposal occurs. Actual future write-offs of inventory for salability and obsolescence reasons may differ from estimates and calculations used to determine valuation allowances due to changes in customer demand, customer negotiations, product application, technology shifts and other factors. Historically, inventory obsolescence and potential excess cost adjustments have been within our expectations, and management does not believe that there is a reasonable likelihood that there will be a material change in future estimates or assumptions used to calculate the inventory valuation reserves.

Significant judgments and estimates must be made and used in connection with establishing these allowances. If our assumptions used to calculate these allowances do not agree with our future ability to collect outstanding receivables, actual demand for our inventory, or the number of products and installations returned under warranty, additional provisions may be needed and our future results of operations could be adversely affected.

Revenue Recognition

Revenues from sales of products are recognized when persuasive evidence of an agreement exists, delivery of the product has occurred, the fee is fixed or determinable, and collectability is probable.

On average, less than 20% of our annual revenues are derived from the installation of heat tracing solutions for which we apply construction-type accounting. These construction-related contracts are awarded on a competitive bid and negotiated basis. We offer our customers a range of contracting options, including cost-reimbursable, fixed-price and hybrid, which has both cost-reimbursable and fixed-price characteristics. Most of our construction contract revenue is recognized using either the percentage-of-completion method, based on the percentage that actual costs-to-date bear to total estimated costs to complete each contract or as it relates to cost-reimbursable projects, revenue is recognized as work is performed. We follow the guidance of FASB ASC Revenue Recognition Topic 605-35 for accounting policies relating to our use of the percentage-of-completion method, estimating costs and revenue recognition, including the recognition of profit incentives, unapproved change orders and claims and combining and segmenting contracts. We utilize the cost-to-cost approach to measure the extent of progress toward completion, as we believe this method is less subjective than relying on assessments of physical progress. Under the cost-to-cost approach, the use of total estimated cost to complete each contract is a significant variable in the process of determining recognized revenue and is a significant factor in the accounting for contracts. Significant estimates that impact the cost to complete each contract are costs of engineering, materials, components, equipment, labor and subcontracts; labor productivity; schedule durations, including subcontract and supplier progress; liquidated damages; contract disputes, including claims; achievement of contractual performance requirements; and contingency, among others. The cumulative impact of revisions in total cost estimates as contracts progress is reflected in the period in which these changes become known, including the recognition of any losses expected to be incurred on contracts in progress. Due to the various estimates inherent in our construction contract accounting, actual results could differ from those estimates. Our historical construction contract cost estimates have generally been accurate, and management does not believe that there is a reasonable likelihood that there will be a material change in future estimates or the methodology used to calculate these estimates.

Sales which are not accounted for under ASC 605-35 may have multiple elements, including heat tracing product, engineering and "field" services such as inspection, repair and/or training. We assess such revenue arrangements to determine the appropriate units of accounting. Each deliverable provided under multiple-element arrangements is considered a separate unit of accounting. Revenues associated with the sale of a product are recognized upon delivery, while the revenue for engineering and field services are recognized as services are rendered, limited to the amount of consideration which is not contingent upon the successful provision of future products or services under the arrangement. Amounts assigned to each unit of accounting are based on an allocation of total arrangement consideration using a hierarchy of estimated selling price for the deliverables. The selling price used for each deliverable will be based on Vendor Specific Objective Evidence ("VSOE"), if available, Third Party Evidence ("TPE"), if VSOE is not available, or estimated selling price, if neither VSOE nor TPE is available.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Expenditures for renewals and improvements that significantly extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs of assets are charged to operations as

incurred when assets are sold or retired, the cost and accumulated depreciation are removed from the accounts and any gain or loss is credited or changed to operations.

Depreciation is computed using the straight-line method over the following lives:

	Useful Lives in Years
Land improvements	15 - 20
Buildings and improvements	10 - 40
Machinery and equipment	3 - 25
Office furniture and equipment	3 - 10
Internally developed software	5 - 7

Goodwill and Other Intangible Assets

We evaluate goodwill for impairment annually during the fourth quarter of our fiscal year, or more frequently when indicators of impairment are present. We operate as a single reportable segment with four geographic reporting units, each of which are assessed. We perform a qualitative analysis to determine whether it is more likely than not that the fair value of goodwill is less than its carrying amount. Some of the impairment indicators we consider include significant differences between the carrying amount and the estimated fair value of our assets and liabilities; macroeconomic conditions such as a deterioration in general economic condition or limitations on accessing capital; industry and market considerations such as a deterioration in the environment in which we operate and an increased competitive environment; cost factors such as increases in raw materials, labor, or other costs that have a negative effect on earnings and cash flows; overall financial performance such as negative or declining cash flows or a decline in actual or planned revenue or earnings compared with actual and projected results of relevant prior periods; other relevant events such as litigation, changes in management, key personnel, strategy or customers; the testing for recoverability of our long-lived assets and a potential decrease in share price. We evaluate the significance of identified events and circumstances on the basis of the weight of evidence along with how they could affect the relationship between the reporting unit's fair value and carrying amount, including positive mitigating events and circumstances. If we determine it is more likely than not that the fair value of goodwill is less than its carrying amount, then a second step is performed to quantify the amount of goodwill impairment. If impairment is indicated, a goodwill impairment charge is recorded to write the goodwill down to its implied fair value. The Company determined that no impairment of goodwill existed during fiscal 2013 and fiscal 2012.

Other intangible assets include indefinite lived intangible assets for which we must also perform an annual test of impairment. The Company's indefinite lived intangible assets consist primarily of trademarks. The fair value of the Company's trademarks is calculated using a “relief from royalty payments” methodology. This approach involves first estimating reasonable royalty rates for each trademark then applying these royalty rates to a net sales stream and discounting the resulting cash flows to determine the fair value. The royalty rate is estimated using both a market and income approach. The market approach relies on the existence of identifiable transactions in the marketplace involving the licensing of trademarks similar to those owned by the Company. The income approach uses a projected pretax profitability rate relevant to the licensed income stream. We believe the use of multiple valuation techniques results in a more accurate indicator of the fair value of each trademark. This fair value is then compared with the carrying value of each trademark. The results of this test during the fourth quarter of our fiscal year indicated that there was no impairment of our indefinite life intangible assets during fiscal 2013 or 2012.

Debt Issuance Costs

The Company defers the costs associated with the debt and financing arrangements. These costs are amortized over the life of the loan or financing as interest expense using the effective interest method. When debt or the contract is retired prematurely, the proportionate unamortized deferred issuance costs are expensed as loss on retirement. Deferred debt issuance costs expensed as part of interest expense for fiscal 2013 and fiscal 2012, for the period from May 1, 2010 to March 31, 2011 and April 1 to April 30, 2010, were $3,321, $4,127, $3,948 and $2,586, respectively. Included in these amounts are the acceleration of amortization associated with early retirements of our senior secured notes and our prior revolving credit facility.

Long-Lived Assets

The Company evaluates its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of these assets is measured by comparison of the carrying amounts to the future undiscounted cash flows that the assets are expected to generate. If the long-lived assets are considered impaired, the impairment to be recognized equals the amount by which the carrying value of the asset exceeds the estimated fair value and is recorded in the period the determination was made.

Stock-based Compensation

We account for share-based payments to employees in accordance with ASC 718, *Compensation-Stock Compensation*, which requires that share-based payments (to the extent they are compensatory) be recognized in our consolidated statements of operations and comprehensive income based on their fair values.

As required by ASC 718, we recognize stock-based compensation expense for share-based payments that are expected to vest. In determining whether an award is expected to vest, we use an estimated, forward-looking forfeiture rate based upon our historical forfeiture rates. Stock-based compensation expense recorded using an estimated forfeiture rate is updated for actual forfeitures quarterly. To the extent our actual forfeitures are different than our estimates, we record a true-up for the differences in the period that the awards vest, and such true-ups could materially affect our operating results. We also consider on a quarterly basis whether there have been any significant changes in facts and circumstances that would affect our expected forfeiture rate.

We are also required to determine the fair value of stock-based awards at the grant date. For option awards that are subject to service conditions and/or performance conditions, we estimate the fair values of employee stock options using a Black-Scholes-Merton valuation model. Some of our option grants and awards included a market condition for which we used a Monte Carlo pricing model to establish grant date fair value. These determinations require judgment, including estimating expected volatility. If actual results differ significantly from these estimates, stock- based compensation expense and our results of operations could be impacted.

Income Taxes

We account for income taxes under the asset and liability method that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in our financial statements or tax returns. Judgment is required in assessing the future tax consequences of events that have been recognized in our financial statements or tax returns. Variations in the actual outcome of these future tax consequences could materially impact our financial position, results of operations or effective tax rate.

Significant judgment is required in determining our worldwide income tax provision. In the ordinary course of a global business, there are many transactions and calculations where the ultimate tax outcome is uncertain. Some of these uncertainties arise as a consequence of revenue sharing and cost reimbursement arrangements among related entities, the process of identifying items of revenues and expenses that qualify for preferential tax treatment, and segregation of foreign and domestic earnings and expenses to avoid double taxation. Although we believe that our estimates are reasonable, the final tax outcome of these matters could be different from that which is reflected in our historical income tax provisions and accruals. Such differences could have a material effect on our income tax provision and net income in the period in which such determination is made.

In estimating future tax consequences, all expected future events are considered other than enactments of changes in tax laws or rates. Valuation allowances are established when necessary to reduce deferred tax assets to amounts which are more likely than not to be realized. We consider future growth, forecasted earnings, future taxable income, the mix of earnings in the jurisdictions in which we operate, historical earnings, taxable income in prior years, if carryback is permitted under the law, and prudent and feasible tax planning strategies in determining the need for a valuation allowance. In the event we were to determine that we would not be able to realize all or part of our net deferred tax assets in the future, an adjustment to the deferred tax assets valuation allowance would be charged to earnings in the period in which we make such a determination, or goodwill would be adjusted at our final determination of the valuation allowance related to an acquisition within the measurement period. If we later determine that it is more likely than not that the net deferred tax assets would be realized, we would reverse the applicable portion of the previously provided valuation allowance as an adjustment to earnings at such time. The amount of income tax we pay is subject to ongoing audits by federal, state and foreign tax authorities, which often result in proposed assessments. Our estimate of the potential outcome for any uncertain tax issue is highly judgmental. We account for

these uncertain tax issues pursuant to ASC 740, *Income Taxes*, which contains a two-step approach to recognizing and measuring uncertain tax positions taken or expected to be taken in a tax return. The first step is to determine if the weight of available evidence indicates that it is more likely than not that the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. Although we believe we have adequately reserved for our uncertain tax positions, no assurance can be given with respect to the final outcome of these matters. We adjust reserves for our uncertain tax positions due to changing facts and circumstances, such as the closing of a tax audit, judicial rulings, refinement of estimates or realization of earnings or deductions that differ from our estimates. To the extent that the final outcome of these matters is different than the amounts recorded, such differences generally will impact our provision for income taxes in the period in which such a determination is made. Our provisions for income taxes include the impact of reserve provisions and changes to reserves that are considered appropriate and also include the related interest and penalties.

As of March 31, 2013, we expect to repatriate earnings from our foreign operations to the extent that a foreign subsidiary generates earnings in excess of its working capital or other investment requirements. If available, such earnings may be monetized in the form of dividends to the U.S. parent. Accordingly, we have accrued the estimated incremental tax on the earnings of our foreign subsidiaries that we expect to repatriate as dividends. In developing our estimate of foreign earnings that are available to be repatriated, we consider the required levels of working capital at each subsidiary and accrue a deferred tax liability for the earnings and profits in excess of those requirements. We consider our original investment and our working capital portion of retained earnings at each of our foreign subsidiaries to be permanently reinvested. The deferred tax liability recorded on the U.S. financial statements is subject to fluctuations in the local currency exchange rates each year.

Foreign Currency Transactions and Translation

Exchange adjustments resulting from foreign currency transactions are recognized in income as realized. For the Company's non-U.S. dollar functional currency subsidiaries, assets and liabilities of foreign subsidiaries are translated into U.S. dollars using year-end exchange rates. Income and expense items are translated at a weighted average exchange rate prevailing during the year. Adjustments resulting from translation of financial statements are reflected as a separate component of shareholders' equity.

Loss Contingencies

We accrue for probable losses from contingencies on an undiscounted basis, when such costs are considered probable of being incurred and are reasonably estimable. We periodically evaluate available information, both internal and external, relative to such contingencies and adjust this accrual as necessary. Disclosure of a contingency is required if there is at least a reasonable possibility that a loss has been incurred. In determining whether a loss should be accrued we evaluate, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss.

Warranties

The Company offers a standard warranty on product sales in which they will replace a defective product for a period of one year. Warranties on construction projects are negotiated individually, are typically one year in duration, and may include the cost of labor to replace products. Factors that affect the Company's warranty liability include the amount of sales, historical and anticipated rates of warranty claims, and cost per claim. The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

Research and Development

Research and development expenditures are expensed when incurred and are included in marketing, general and administrative and engineering expenses. Research and development expenses include salaries, direct costs incurred, and building and overhead expenses. The amounts expensed for fiscal 2013, fiscal 2012, for the period from May 1, 2010 to March 31, 2011 and April 1 to April 30, 2010, were $2,832, $881, $1,770, and $1,676, respectively.

Shipping and Handling Cost

The Company includes shipping and handling as part of cost of goods sold, and freight collections from customers is included as part of revenue.

Economic Dependence

No customer represented more than 10% of the Company's accounts receivable at March 31, 2013 or 2012.

Reclassifications

Certain reclassifications have been made within these consolidated financial statements to conform prior periods to current year presentation.

Recent Accounting Pronouncements

Presentation of Comprehensive Income - The Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") in February 2013 that provides entities the option of presenting information related to reclassification adjustments on the face of the financial statements or in the notes to the financial statements for items that are reclassified from other comprehensive income to net income in the statement where those components are presented. The requirements from the new ASU are effective for fiscal years and interim periods within those years beginning after December 15, 2012. The Company expects that adoption of this ASU will not have a material impact on our consolidated financial statements.

Fair Value Measurements and Disclosures - The FASB issued an ASU in December 2011, which requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of these arrangements on its financial position. The guidance requires entities to disclose both gross and net information about both instruments and transactions eligible for offset in the balance sheet and instruments and transactions subject to an agreement similar to a master netting arrangement. In January 2013, the FASB amended and clarified the scope of the disclosures to include only derivative instruments, repurchase agreements and securities lending transactions. The provisions for this ASU are effective for annual periods and interim periods within those years beginning on or after January 1, 2013.The Company expects that the adoption of this ASU will not have a material impact on our consolidated financial statements.

2. Fair Value Measurements

Fair Value. We measure fair value based on authoritative accounting guidance, which defines fair value, establishes a framework for measuring fair value and expands on required disclosures regarding fair value measurements.

Inputs are referred to as assumptions that market participants would use in pricing the asset or liability. The uses of inputs in the valuation process are categorized into a three-level fair value hierarchy.

- Level 1 — uses quoted prices in active markets for identical assets or liabilities we have the ability to access.
- Level 2 — uses observable inputs other than quoted prices in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — uses one or more significant inputs that are unobservable and supported by little or no market activity, and that reflect the use of significant management judgment.

Financial assets and liabilities with carrying amounts approximating fair value include cash, trade accounts receivable, accounts payable, accrued expenses and other current liabilities. The carrying amount of these financial assets and liabilities approximates fair value because of their short maturities. At March 31, 2013 and March 31, 2012, no assets or liabilities were valued using Level 3 criteria.

Information about our long-term debt that is not measured at fair value follows:

	March 31, 2013		March 31, 2012		
	Carrying Value	Fair Value	Carrying Value	Fair Value	Valuation Technique
Financial Liabilities					
Long-term debt	$ 118,145	$ 131,436	$ 139,145	$ 153,755	Level 2 - Market Approach

Our senior secured notes trade on over the counter markets. As the quoted price is only available through a dealer, the Company concluded the market is not active enough to be classified as a Level 1 valuation. However, the pricing is indirectly

observable through dealers and has been classified as Level 2. Differences between carrying value and fair value are primarily due to instruments that provide fixed interest rates or contain fixed interest rate elements. Inherently, such instruments are subject to fluctuations in fair value due to movements in interest rates.

Foreign Currency Forward Contracts

We transact business in various foreign currencies and have established a program that primarily utilizes foreign currency forward contracts to offset the risk associated with fluctuations of certain foreign currencies. Under this program, increases or decreases in our foreign currency exposures are offset by gains or losses on the forward contracts to mitigate foreign currency transaction gains or losses. These foreign currency exposures typically arise from intercompany transactions. Our forward contracts generally have terms of 30 days. We do not use forward contracts for trading purposes or designate these forward contracts as hedging instruments pursuant to ASC 815. We adjust the carrying amount of all contracts to their fair value at the end of each reporting period and unrealized gains and losses are included in our results of operations for that period. These gains and losses largely offset gains and losses resulting from settlement of payments received from our foreign operations which are settled in U.S. dollars. All outstanding foreign currency forward contracts are marked to market at the end of the period with unrealized gains and losses included in miscellaneous expense. The fair value is determined by quoted prices from active foreign currency markets (Level 2 fair value). The consolidated balance sheets reflect unrealized gains within accounts receivable, net and unrealized losses within accrued liabilities. Our ultimate realized gain or loss with respect to currency fluctuations will depend on the currency exchange rates and other factors in effect as the contracts mature. As of March 31, 2013 and March 31, 2012, the notional amounts of forward contracts we held to sell U.S. dollars in exchange for other major international currencies were as follows:

Notional amount of foreign exchange forward contracts by currency

	March 31, 2013	March 31, 2012
Russian Ruble	$ 4,233	$ 5,625
Euro	2,510	7,495
Canadian Dollar	2,134	1,309
South Korean Won	919	—
Other	329	—
Total notional amounts	$ 10,125	$ 14,429

The consolidated balance sheets reflects unrealized gains and losses at their fair value as of the reporting date. Unrealized gains are reflected in accounts receivable, net and unrealized losses within accrued liabilities.

	March 31, 2013 Fair Value		March 31, 2012 Fair Value	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange contract forwards	$ 87	$ 32	$ 8	$ 196

Realized foreign currency gains or losses related to our forward contracts in the accompanying consolidated statements of operations and comprehensive income (loss) were a gain of $3, and a loss of $554 for fiscal 2013 and fiscal 2012, respectively. We did not enter any foreign currency forward contracts for the period from May 1, 2010 to March 31, 2011 and the period from April 1, 2010 to April 30, 2010. Gains and losses from our forward contracts were offset by transaction gain and losses from the settlement of transactions denominated in foreign currencies. Our net foreign currency losses were $423, $1,625, and $276 for fiscal 2013, fiscal 2012, and the period from May 1, 2010 to March 31, 2011, respectively and a gain of $254 for the period from April 1, 2010 to April 30, 2010.

3. Net Income (Loss) per Common Share

Basic net income or loss per share is computed by dividing net income or loss by the weighted average number of common shares outstanding during each period. Diluted net income or loss per share is computed by dividing net income or loss by the weighted average number of common shares and common share equivalents outstanding (if dilutive) during each period. The number of common share equivalents, which includes options and both restricted and performance stock units, is computed using the treasury stock method. With regard to the performance stock units, we assumed that the associated performance targets will be met at the target level of performance for purposes of calculating diluted net income per common share for fiscal 2013, the only period in which the performance stock units were outstanding.

The reconciliation of the denominators used to calculate basic EPS and diluted EPS for fiscal 2013, fiscal 2012, and for the periods from May 1, 2010 to March 31, 2011 and from April 1, 2010 to April 30, 2010, respectively, is as follows:

	Year Ended March 31, 2013	Year Ended March 31, 2012	For the Period From May 1, 2010 Through March 31, 2011	For the Period From April 1, Through April 30, 2010
	(Successor)	(Successor)	(Successor)	(Predecessor)
Basic net income (loss) per common share				
Net income (loss)	$ 26,974	$ 12,030	$ (14,940)	$ (267)
Weighted-average common shares outstanding	30,796,675	29,083,478	24,900,332	52,253

Basic net income (loss) per common share	$ 0.88	$ 0.41	$ (0.60)	$ (5.11)

	Year Ended March 31, 2013	Year Ended March 31, 2012	For the Period From May 1, 2010 Through March 31, 2011	For the Period From April 1, Through April 30, 2010
	(Successor)	(Successor)	(Successor)	(Predecessor)
Diluted net income (loss) per common share				
Net income (loss)	$ 26,974	$ 12,030	$ (14,940)	$ (267)
Weighted-average common shares outstanding	30,796,675	29,083,478	24,900,332	52,253
Common share equivalents:				
Stock options issued	953,710	1,370,777	—	—
Restricted and performance stock units issued	46,445	—	—	—
Weighted average shares outstanding – dilutive	31,796,830	30,454,255	24,900,332	52,253
Diluted net income (loss) per common share (1)	$ 0.85	$ 0.40	$ (0.60)	$ (5.11)

(1) As the Company was in a net loss position for the period from May 1, 2010 through March 31, 2011 and for the period from April 1, 2010 through April 30, 2010, there was no dilutive effect on net loss per common share as the Class P units issued by the predecessor and options issued by the successor are anti-dilutive. Therefore, both basic and diluted net loss per common share were $(0.60) for the period from May 1, 2010 through March 31, 2011 and $(5.11) for the period from April 1, 2010 through April 30, 2010.

In those periods in which the Company was in a net income position, all stock options outstanding were dilutive and no options had a strike price below the average market price of the stock during the year.

See Note 14. "Shareholders' Equity (Successor)", for additional information regarding the stock split on March 31, 2011. The Board of Directors of Thermon Group Holdings, Inc. (“Successor”) approved a 192.4586811-for-one split of Successor's issued and outstanding common stock. These consolidated financial statements and notes to consolidated financial

statements have been restated to reflect the 192.458681-for-one split. Note that the capital structures of the predecessor and successor are substantially different and the reported per common share amounts are not comparable.

4. Inventories

Inventories consisted of the following at March 31:

	2013	2012
Raw materials	$ 10,232	$ 11,721
Work in process	1,685	1,402
Finished goods	23,550	26,424
	35,467	39,547
Valuation reserves	(1,076)	(1,094)
Inventories, net	$ 34,391	$ 38,453

The following table summarizes the annual changes in our valuation reserve accounts:

Predecessor:	
Balance at March 31, 2010	$ 1,172
Additions charged to expense	42
Charged to reserve	(16)
Balance at April 30, 2010	$ 1,198
Successor:	
Balance at May 1, 2010	$ 1,198
Additions charged to expense	507
Balance at March 31, 2011	$ 1,705
Reduction in reserve (reducing cost of goods sold)	(594)
Charged to reserve	(17)
Balance at March 31, 2012	$ 1,094
Additions charged to expense	179
Charged to reserve	(197)
Balance at March 31, 2013	$ 1,076

5. Property, Plant and Equipment

Property, plant and equipment consisted of the following at March 31:

	2013	2012
Land, buildings and improvements	$ 19,372	$ 16,391
Machinery and equipment	12,114	9,276
Office furniture and equipment	3,110	1,848
Internally developed software	1,744	816
Construction in Progress	1,042	2,687
Accumulated depreciation	(6,171)	(3,357)
	$ 31,211	$ 27,661

Depreciation expense was $2,619, $2,593, $1,894, and $177 in fiscal 2013 and fiscal 2012, the period from May 1, 2010 to March 31, 2011, and the period from April 1 to April 30, 2010, respectively.

Included within depreciation expense was amortization of internally developed software of $237, $151, $137, and $12 in fiscal 2013, fiscal 2012, the period from May 1, 2010 to March 31, 2011, and the period from April 1 to April 30, 2010, respectively.

6. Goodwill and Other Intangible Assets

The carrying amount of goodwill as of March 31, 2013, is as follows:

	Amount
Balance as of March 31, 2012	$ 118,007
Foreign currency translation impact	(1,704)
Balance as of March 31, 2013	$ 116,303

The Company does not expect goodwill recorded to be deductible for tax purposes.

At March 31, 2013, approximately $3,589 of the purchase related to the CHS Transactions was held in escrow to secure the Predecessor's indemnification obligations in the event of any breaches of representation and warranties contained in the definitive agreements.

Intangible assets at March 31, 2013 and March 31, 2012 consisted of the following:

	Gross Carrying Amount at March 31, 2013	Accumulated Amortization	Net Carrying Amount at March 31, 2013	Gross Carrying Amount at March 31, 2012	Accumulated Amortization	Net Carrying Amount at March 31, 2012
Trademarks	$ 47,693	$ —	$ 47,693	$ 48,348	$ —	$ 48,348
Developed technology	10,929	(1,659)	9,270	11,080	(1,135)	9,945
Customer relationships	101,355	(27,723)	73,632	102,492	(17,569)	84,923
Backlog	10,167	(10,167)	—	10,287	(10,287)	—
Certification	498	—	498	505	—	505
Other	1,630	(807)	823	1,633	(553)	1,080
Total	$ 172,272	$ (40,356)	$ 131,916	$ 174,345	$ (29,544)	$ 144,801

Trademarks and certifications have indefinite lives. Developed technology, customer relationships, backlog and other intangible assets have estimated lives of 20 years, 10 years, 4 months and 6 years, respectively. The weighted average useful life for the group is 10 years. Portions of intangible assets are valued in foreign currencies; accordingly changes in indefinite life intangible assets at March 31, 2013 and 2012 were the results of foreign currency translation adjustments.

The Company recorded amortization expense of $11,211, $11,379, $18,030 and $215 in fiscal 2013. fiscal 2012, the period from May 1, 2010 through March 31, 2011, and the period April 1, 2010 through April 30, 2010, respectively. Annual amortization for the next five years and thereafter will approximate the following:

2014	$	11,151
2015		11,151
2016		11,151
2017		11,151
2018		11,151
Thereafter		27,970
Total	$	83,725

7. Accrued Liabilities

Accrued current liabilities consisted of the following:

	March 31, 2013	March 31, 2012
Accrued employee compensation and related expenses	$ 8,047	$ 10,970
Interest	4,703	6,162
Customer prepayment	2,197	1,518
Warranty reserve	552	857
Professional fees	1,436	1,346
Sales tax payable	175	183
Other	1,605	1,406
Total accrued current liabilities	$ 18,715	$ 22,442

8. Short-Term Revolving Credit Facilities

The Company's subsidiary in the Netherlands has a revolving credit facility in the amount of Euro 4,000 (equivalent to $5,126 USD at March 31, 2013). The facility is collateralized by receivables, inventory, equipment, furniture and real estate. No loans were outstanding on this facility at March 31, 2013 or March 31, 2012.

The Company's subsidiary in India has a revolving credit facility in the amount of 80,000 Rupees (equivalent to $1,471 USD at March 31, 2013). The facility is collateralized by receivables, inventory, real estate, a letter of credit and cash. No loans were outstanding under the facility at March 31, 2013 or March 31, 2012.

The Company's subsidiary in Australia has a revolving credit facility in the amount of $325 Australian Dollars (equivalent to $339 USD at March 31, 2013). The facility is collateralized by real estate. No loans were outstanding under the facility at March 31, 2013 or March 31, 2012.

The Company's subsidiary in Japan has a revolving credit facility in the amount of 45,000 Japanese Yen (equivalent to $477 USD at March 31, 2013). No loans were outstanding under the Japanese revolving credit facility at March 31, 2013 or March 31, 2012.

Under the Company's principal revolving credit facility described below in Note 9, "Long-Term Debt," there were no outstanding borrowings at either March 31, 2013, or March 31, 2012, respectively.

9. Long-Term Debt

Long-term debt consisted of the following:

	March 31, 2013	March 31, 2012
9.500% Senior Secured Notes, due May 2017	$ 118,145	$ 139,145
	118,145	139,145
Less current portion	—	(21,000)
	$ 118,145	$ 118,145

Revolving Credit Facility and Senior Secured Notes

Revolving credit facility. On August 7, 2012, Thermon Industries, Inc. and Thermon Canada Inc. terminated their existing revolving credit facility, and entered into a new credit facility agreement with a new syndicate of lenders led by JP Morgan Chase Bank, N.A. as administrative agent. As a result of the termination, we accelerated the remaining $1,447 of unamortized deferred debt costs associated with the prior revolving credit facility, which is included as interest expense. Under the August 2012 revolving credit facility, we had available up to $40,000 of aggregate loans, of which up to $20,000 was available to our Canadian subsidiary, subject to borrowing base availability. In no case shall availability under our revolving credit facility exceed the commitments thereunder. As of March 31, 2013, we had $37,420 of capacity available under our revolving credit facility after taking into account the borrowing base, outstanding loan advances and letters of credit. In addition to our August 2012 revolving credit facility, we have various short term revolving lines of credit

available to us at our foreign affiliates. At March 31, 2013, we had no outstanding borrowings under the revolving credit facility. Had there been any outstanding borrowings, the interest rate would have been approximately 3%.

On April 19, 2013, the August 2012 revolving credit facility was amended and restated. See Note 20. "Subsequent Events".

Senior secured notes. As of March 31, 2013, we had $118,145 of aggregate principal amount outstanding of our senior secured notes with annual cash interest expense of approximately $11,224. Our senior secured notes mature on May 1, 2017 and accrue interest at a fixed rate of 9.5%. We pay interest in cash semi-annually on May 1 and November 1 of each year. Our senior secured notes were issued in a Rule 144A exempt senior secured note offering to qualified institutional investors. The proceeds were used to fund the purchase price for the CHS Transactions and related transaction costs. The senior secured notes are secured by all of the assets of the Company.

During fiscal 2013 and 2012, the Company made partial redemptions of the senior secured notes in the amount of $21,000 and $70,855, respectively. In connection with these redemptions, the Company paid early redemption premiums of $630 and $3,825 for fiscal 2013 and fiscal 2012, respectively. As a result of these partial redemptions, we accelerated the amortization of deferred debt cost of $871 and $3,096 for fiscal 2013 and fiscal 2012, respectively. These expenses were included in interest expense for the periods reported.

On May 20, 2013, the Company completed an optional redemption of all outstanding senior secured notes in connection with the amended and restated revolving credit facility in which the Company borrowed $135,000 under a five-year variable rate term loan. See Note 20. "Subsequent Events".

Guarantees; security. The obligations under August 2012 revolving credit facility are guaranteed on a senior secured basis by the Company and each of its existing and future domestic restricted subsidiaries. The obligations under our revolving credit facility are secured by a first priority perfected security interest in substantially all of our and the guarantors' assets, subject to certain exceptions, permitted liens and encumbrances reasonably acceptable to the administrative agent under our revolving credit facility. Our guarantees are also secured by liens on substantially all of our and the guarantors' assets, subject to certain exceptions; provided, however, that the liens are contractually subordinated to the liens thereon that secure our revolving credit facility.

Restrictive covenants. The revolving credit facility contains various restrictive covenants that include restrictions or limitations on our ability to: incur additional indebtedness or issue disqualified capital stock unless certain financial tests are satisfied; pay dividends, redeem subordinated debt or make other restricted payments; make certain investments or acquisitions; issue stock of subsidiaries; grant or permit certain liens on our assets; enter into certain transactions with affiliates; merge, consolidate or transfer substantially all of our assets; incur dividend or other payment restrictions affecting certain of our subsidiaries; transfer or sell assets, including capital stock of our subsidiaries; and change the business we conduct. However, all of these covenants are subject to customary exceptions.

Maturities of long-term debt are as follows for the years ended March 31:

2014	$ —
2015	—
2016	—
2017	—
2018	118,145
Total	$ 118,145

10. Related-Party Transactions

Included in our consolidated balance sheet is "Obligations due to settle the CHS Transactions," which totaled $3,239 and $3,528 at March 31, 2013 and March 31, 2012, respectively. These amounts represent amounts due to the predecessor owners in final settlement of the acquisition by our former private equity sponsors of a controlling interest in us that was completed on April 30, 2010. During fiscal 2013, fiscal 2012, and for the period from May 1, 2010 to March 31, 2011 we paid $289, $685, and $2,962, respectively, to the predecessor owners, in each case reflected in "Obligations due to settle the CHS Transactions". At March 31, 2013, the amount outstanding represents the estimate of tax refunds due from government entities that have not been received but are related to the final tax periods filed by the predecessor and remaining encumbered cash to be released as letters of credit expire.

We paid management and transaction success fees to, and reimbursed the out of pocket expenses of, our former private equity sponsors of $8,158 and $8,569 in fiscal 2012 and in the period from May 1, 2010 to March 31, 2011, respectively. The amount in fiscal 2012 was reported as part of marketing general and administrative and engineering expense and included $7,400 paid to the former private equity sponsors in fees for the termination of their respective management agreements. Of the amount in the period from May 1, 2010 to March 31, 2011, $620 was included in prepaid expenses and has since been expensed, $2,605 was included as debt issuance costs, net on the consolidated balance sheet, $3,022 was included in success fees to owners related to the CHS Transactions expense, $398 was included in miscellaneous expense, and $1,924 of management fees to our former private equity sponsors was included in marketing, general and administrative and engineering expense.

The predecessor paid management fees and expenses to its private equity sponsor, Audax, in the period from April 1 to April 30, 2010 of $4,795. Of this amount $79 was included in marketing, general and administrative and engineering expense and $4,716 was included in Success fees to owners related to the CHS Transactions.

11. Employee Benefits

The Company has defined contribution plans covering substantially all domestic employees and certain foreign subsidiary employees who meet certain service and eligibility requirements. Participant benefits are 100% vested upon participation. The Company matches employee contributions, limited to 50% of the first 6% of each employee's salary contributed. The Company's matching contributions to defined contribution plans on a consolidated basis were approximately $1,458, $1,357, $673 and $125 in fiscal 2013, fiscal 2012, the period ended May 1, 2010 to March 31, 2011 and the period from April 1 to April 30, 2010, respectively.

The Company has an incentive compensation program to provide employees with incentive pay based on the Company's ability to achieve certain profitability objectives. The Company recorded approximately $4,268, $6,943, $5,131, and $273, for incentive compensation earned in fiscal 2013, fiscal 2012, the period ended May 1, 2010 to March 31, 2011 and the period from April 1 to April 30, 2010, respectively.

The Company paid a bonus totaling $3,545 to certain employees in connection with the CHS Transactions, which is included as miscellaneous expense in the period from April 1, 2010 to April 30, 2010.

12. Commitments and Contingencies

At March 31, 2013, the Company had in place letter of credit guarantees and performance bonds securing performance obligations of the Company. These arrangements totaled approximately $15,398. Of this amount, $1,978 is secured by cash deposits at the Company's financial institutions. The remaining $13,420 represents a reduction of the available amount of the company's short term and long term revolving lines of credit. Included in prepaid expenses and other current assets at March 31, 2013 and March 31, 2012, was approximately $1,978 and $2,398, respectively, of cash deposits pledged as collateral on performance bonds and letters of credit.

The Company leases various property and equipment under operating leases. Lease expense was approximately $2,362, $2,021, $1,712 and $156 in fiscal 2013, fiscal 2012, the period from May 1, 2010 to March 31, 2011 and the period from April 1 to April 30, 2010, respectively. Future minimum annual lease payments under these leases are as follows for the years ended March 31:

2014	$	3,077
2015		2,634
2016		2,304
2017		1,493
2018		1,138
Thereafter		1,807
	$	12,453

The Company has entered into information technology service agreements with several vendors. The service fees expense amounted to $1,160, $1,026, $1,010 and $92 in fiscal 2013, fiscal 2012, the period from May 1, 2010 to March 31, 2011 and the period from April 1 to April 30, 2010, respectively. The future annual service fees under the service agreements are as follows for the fiscal years ended March 31:

2014	$	630
2015		453
2016		155
2017		38
2018		—
Thereafter		—
	$	1,276

In addition to the foregoing, we are committed to take delivery of a 700 pieces of nickel alloy tubing monthly over a one year period, at a fixed price, which in total is $3,543

In the ordinary course of conducting its business, the Company becomes involved in various lawsuits and administrative proceedings. Some of these proceedings may result in fines, penalties, or judgment being assessed against the Company, which, from time to time, may have an impact on earnings. We do not currently expect any of the following proceedings will have a material adverse effect on the Company's operations or financial position. We cannot, however, provide any assurances that we will prevail in any of these matters.

Notice of Tax Dispute with the Canada Revenue Agency- On June 13, 2011, we received notice from the Canada Revenue Agency, which we refer to as the "Agency", advising us that they disagree with the tax treatment we proposed with respect to certain asset transfers that were completed in August 2007 by our predecessor owners. During fiscal 2013, we were informed by the Agency that their initial audit was concluded but they intended to make an assessment under Canada's General Anti Avoidance Rule. Under this rule, the Agency may assess a withholding tax on dividends deemed to have been made on loans made to our Canadian subsidiary during 2007. Such assessment could be $3.0 million plus penalties and interest. At March 31, 2013, we have not recorded a tax liability reserve due for this matter with the Agency as we consider it more likely than not that our tax position will be sustained. While we will vigorously contest this ruling, we expect that any liability, if any, will be covered under an indemnity agreement with the predecessor owners.

Changes in the Company's warranty reserve are as follows:

Predecessor:		
Balance at March 31, 2010	$	699
Reserve for warranties issued during the period		58
Settlements made during the period		(1)
Balance at April 30, 2010	$	756
Successor:		
Balance at May 1, 2010	$	756
Reserve for warranties issued during the period		1,662
Settlements made during the period		(1,093)
Balance at March 31, 2011	$	1,325
Reserve for warranties issued during the period		445
Settlements made during the period		(913)
Balance at March 31, 2012	$	857
Reserve for warranties issued during the period		15
Settlements made during the period		(320)
Balance at March 31, 2013	$	552

Management Employment Contracts-Our four senior executive officers are subject to employment contracts that provide for benefits under various circumstances of termination which include continued payment of their salary for up to twelve months. As a group, the combined possible salary payment would be $1,000 if they were terminated in connection with circumstances such as a change of control.

13. Members' Equity (Predecessor)

The limited liability company agreement (Operating Agreement) entered into in August 2007 in connection with the acquisition of Thermon set forth that ownership interests were comprised of Class A Units for investors and a series of Class P Units as profits interest units. The Operating Agreement set forth the terms of ownership and how the profits, losses and gains were allocated to the capital accounts of its members. The timing and aggregate amount of distributions to unit holders were determined at the sole discretion of the Board of Managers. Only Class A Units were voting units. Unless specifically agreed, holders of the Company's ownership interest had no liability for the Company's obligations.

Units were not transferable, except in limited circumstances as set out in the Operating Agreement.

Class P Units were additionally subject to the terms of the certificate documenting the award, including vesting and repurchase rights at the lower of original cost of fair market value upon separation of service.

With the close of the CHS Transactions, all Class A Units and all vested Class P Units were liquidated through cash distributions to their respective holders.

14. Shareholders' Equity (Successor)

On March 31, 2011, the Board of Directors of Thermon Group Holdings, Inc. (“Successor”) approved an increase in the number of authorized shares to 150,000,000 shares of common stock and a 192.458681-for-one split of Successor's issued and outstanding common stock. The increase in the authorized shares and the stock split became effective on March 31, 2011. The common share and per common share amounts in these consolidated financial statements and notes to consolidated financial statements have been presented to reflect the 192.458681-for-one split for the period from May 1, 2010 to March 31, 2011. The stock split only applied to the Successor and had no effect on capital structure of the Predecessor, which is reported within these financial statements.

We have 10,000,000 shares of preferred stock authorized. The board of directors has the authority to issue the preferred stock and to fix or alter the rights, privileges, preferences and restrictions related to the preferred stock, and the

number of shares constituting any such series or designation. No shares of preferred stock were issued or outstanding at March 31, 2013 or 2012.

15. Stock-Based Compensation Expense

Since the completion of the CHS Transactions on April 30, 2010, the board of directors has adopted and the shareholders have approved two stock option award plans. The 2010 Thermon Group Holdings, Inc. Restricted Stock and Stock Option Plans (“2010 Plan”) was approved on July 28, 2010. The plan authorized the issuance of 2,767,171 stock options or restricted shares (on a post stock split basis). On April 8, 2011, the board of directors approved the Thermon Group Holdings, Inc. 2011 Long-Term Incentive Plan (“2011 LTIP”). The 2011 LTIP made available 2,893,341 shares of the Company's common stock that may be awarded to employees, directors or non-employee contractors compensation in the form of stock options or restricted stock awards. Collectively, the 2010 Plan and the 2011 LTIP are referred to as the “Stock Plans.”

At the completion of the IPO on May 5, 2011, 2,757,524 options that were then unvested became vested and exercisable. Accordingly, the Company recorded stock compensation expense of $6,310 which represented all unamortized stock compensation expense related to the outstanding stock options under the 2010 Plan.

Unvested options outstanding are scheduled to vest over five years with 20% vesting on the anniversary date of the grant each year. Stock options must be exercised within ten years from date of grant. Stock options were issued with an exercise price which was equal to the market price of our common stock at the grant date. We estimate potential forfeitures of stock grants and adjust compensation cost recorded accordingly. The estimate of forfeitures will be adjusted over the requisite service period to the extent that actual forfeitures differ, or are expected to differ, from such estimates. Changes in estimated forfeitures will be recognized through a cumulative catch-up adjustment in the period of change and will also impact the amount of stock compensation expense to be recognized in future periods. During fiscal 2013, we did not make any changes in accounting principles or methods of estimates relating to stock-based compensation expense.

A summary of activity under our Stock Plans for fiscal 2013, fiscal 2012 and for the period from May 1, 2010 to March 31, 2011 is as follows (no options were issued or outstanding in fiscal 2010 or for the period from April 1 to April 30, 2010, see Note 13, "Members' Equity (Predecessor)"):

	Options Outstanding	
	Number of Shares	Weighted Average Exercise Price
Balance at March 31, 2010	—	$ —
Granted	—	—
Exercised	—	—
Forfeited	—	—
Balance at April 30, 2010	—	$ —
Granted	2,757,524	5.38
Exercised	—	—
Forfeited	—	—
Balance at March 31, 2011	2,757,524	$ 5.38
Granted	117,600	12.00
Exercised	(683,443)	5.38
Forfeited	(12,056)	6.46
Balance at March 31, 2012	2,179,625	$ 5.74
Granted	56,532	21.52
Exercised	(1,086,486)	5.31
Forfeited	(16,891)	7.98
Balance at March 31, 2013	1,132,780	$ 6.98

For fiscal 2013 and fiscal 2012, the intrinsic value of stock option exercises was $18,387, and $8,860 respectively.

	Unvested Options	
	Number of Shares	Weighted Average Grant Date Fair Value
Balance at March 31, 2010	—	—
Granted	—	—
Vested	—	—
Forfeited	—	—
Balance at April 30, 2010	—	—
Granted	2,757,524	2.97
Vested	—	—
Forfeited	—	—
Balance at March 31, 2011	2,757,524	2.97
Granted	117,600	5.99
Vested	(2,757,524)	2.97
Forfeited	—	—
Balance at March 31, 2012	117,600	5.99
Granted	56,532	12.26
Vested	(23,520)	5.99
Forfeited	(4,386)	8.32
Balance at March 31, 2013	146,226	8.34

For fiscal 2013, fiscal 2012, we recorded stock based compensation of $1,341 and $6,514, respectively, and from the period from May 1, 2010 to March 31, 2011, we recorded expense of $1,939. No options were issued for the period from April 1, 2010 to April 30, 2010. Total unrecognized expense related to non-vested stock option awards was approximately $1,053 as of March 31, 2013. We anticipate this expense will be recognized over a weighted average period of approximately 3.51 years.

The following table summarizes information about stock options outstanding as of March 31, 2013:

	Options Outstanding				Options Vested and Exercisable			
Exercise Prices	Number Outstanding	Weighted Average Contractual Life (Years)	Weighted Average Exercise Price	Aggregate Intrinsic Value at March 31, 2013	Number Vested and Exercisable	Weighted Average Contractual Life (Years)	Weighted Average Exercise Price	Aggregate Intrinsic Value at March 31, 2013
$5.20	883,904	7.55	$ 5.20	$ 15,035,207	883,904		$ 5.20	
$9.82	89,740	7.91	$ 9.82	1,111,879	89,740		$ 9.82	
$12.00	104,230	8.12	$ 12.00	1,064,188	10,150		$ 12.00	
$21.52	54,906	9.34	$ 21.52	37,885	—			
$5.20-$21.52	1,132,780	7.71	$ 6.98	$ 17,249,159	983,794	7.66	$ 5.71	$ 16,250,718

The aggregate intrinsic value in the preceding table represents the total intrinsic value based on our closing price of $22.21 as of March 31, 2013, which would have been received by the option holders had all option holders exercised as of that date.

Stock options are valued by using a Black-Scholes-Merton option pricing model. We calculate the value of our stock option awards when they are granted. Accordingly, we update our valuation assumptions for volatility and the risk free interest rate each quarter that option grants are awarded. Annually, we prepare an analysis of the historical activity within our option plans as well as the demographic characteristics of the grantees of options within our stock option plan to determine the

estimated life of the grants and possible ranges of estimated forfeiture. The expected life was determined using the simplified method for estimating expected option life, which qualify as “plain-vanilla” options. Due to the fact that the common stock underlying the options was not publicly traded for an equivalent period of the expected term of the options, the expected volatility was based on a comparable group of companies in conjunction with the historical volatility from traded shares of our stock. The risk-free interest rate is based on the rate of a zero-coupon U.S. Treasury instrument with a remaining term approximately equal to the expected term. We do not expect to pay dividends in the near term and therefore do not incorporate the dividend yield as part of our assumptions.

The following table reflects the assumptions used for the past two fiscal years and in the period from May 1, 2010 to March 31, 2011. No options were granted in the period from April 1, 2010 to April 30, 2010.

	Year Ended March 31, 2013	Year Ended March 31, 2012	Period from May 1, 2010 to March 31, 2011
Expected life	6.5	6.66	6.66
Expected volatility	59.9 %	45.0 %	45.0 %
Risk free interest rate	0.98 %	3.25 %	2.02 %
Dividend expense yield	—	—	—

Restricted Stock Awards and Units

Restricted stock awards have been issued to members of our board of directors and restricted stock units have been issued to certain employees. For restricted stock awards, the actual common shares have been issued with voting rights and are included as part of our total common shares outstanding. The common shares may not be sold or exchanged until the vesting period is completed. For restricted stock units, no common shares are issued until the vesting period is completed. For both restricted stock awards and units, fair value is determined by the market value of our common stock on the date of the grant

The following table summarizes the activity with regard to unvested restricted stock awards during fiscal 2013 and fiscal 2012. (No restricted stock awards were issued or outstanding in fiscal 2010, for the period from April 1 to April 30, 2010, or for the period from May 1, 2010 to March 31, 2011, see Note 13, "Members' Equity (Predecessor)")

Restricted Stock Awards	Number of Shares	Weighted Average Grant Price
Balance at March 31, 2011	—	$ —
Granted	16,136	12.42
Exercised	—	—
Forfeited	—	—
Balance of unvested awards at March 31, 2012	16,136	12.42
Granted	13,012	21.52
Exercised	(8,068)	12.42
Forfeited	—	—
Balance of unvested awards at March 31, 2013	21,080	$ 18.09

Based on our closing stock price of $22.21, the aggregate intrinsic value of the unvested restricted stock awards at March 31, 2013 was $468. Total unrecognized expense related to unvested restricted stock awards was approximately $130 as of March 31, 2013. We anticipate this expense to be recognized over a weighted average period of approximately 0.3 years.

The following table summarizes the activity with regard to unvested restricted stock units during fiscal 2013 and fiscal 2012. (No restricted stock awards were issued or outstanding in fiscal 2010, for the period from April 1 to April 30, 2010, or for the period from May 1, 2010 to March 31, 2011, see Note 13, "Members' Equity (Predecessor)")

Restricted Stock Units	Number of Shares	Weighted Average Grant Fair Value
Balance at March 31, 2011	—	—
Granted	—	—
Exercised	—	—
Forfeited	—	—
Balance of unvested units at March 31, 2012	—	—
Granted	71,923	21.52
Exercised	—	—
Forfeited	(814)	—
Balance of unvested units at March 31, 2013	71,109	21.52

Based on our closing stock price of $22.21, the aggregate intrinsic value of the unvested restricted stock units at March 31, 2013 was $1,579. Total unrecognized expense related to unvested restricted stock awards was approximately $1,204 as of March 31, 2013. We anticipate this expense to be recognized over a weighted average period of approximately 1.41 years.

Performance Stock Units

During fiscal 2013, performance stock unit awards were issued to our four named executive officers had a total fair value at grant date of $960. The performance indicator for these stock awards is based on the market performance of our stock price as compared to a pre-determined peer group of companies with similar business characteristics as ours. Since the performance indicator is market based, we prepared a Monte Carlo valuation model to calculate the probable outcome of the performance measure to arrive at the fair value. The fair value of the performance units will be expensed over three years, whether or not the market condition is met. At the end of each fiscal year, one-third of the performance units will be evaluated. It will then be determined how many shares of stock will be issued. In each year, the possible number of shares that will be issued ranges from zero to 29,430 in the aggregate. Shares that are not awarded in a given year will be forfeited. At March 31, 2013, there was $438 in stock compensation that remained to be expensed.

16. Income Taxes

Income taxes included in the consolidated income statement consisted of the following:

	Year Ended March 31, 2013	Year Ended March 31, 2012	For the Period from May, 1 2010 to March 31, 2011	For the Period from April 1, 2010 to April 30, 2010
	(Successor)	(Successor)	(Successor)	(Predecessor)
Current provision:				
Federal provision (benefit)	$ 3,835	$ (1,072)	$ 4,878	$ (2,016)
Foreign provision (benefit)	12,352	12,551	9,394	(177)
State provision (benefit)	422	356	281	(119)
Deferred provision:				
Federal deferred provision (benefit)	(376)	(1,424)	(4,975)	(14,730)
Foreign deferred provision (benefit)	(1,646)	(2,788)	(3,288)	(354)
State deferred provision (benefit)	(11)	(155)	(130)	(38)
Total provision for income taxes (benefit)	$ 14,576	$ 7,468	$ 6,160	$ (17,434)

Deferred income tax assets and liabilities were as follows:

	March 31,	
	2013	2012
Deferred tax assets:		
Current		
Accrued liabilities and reserves	$ 946	$ 2,411
Unrealized gain on hedge	11	68
Inventories	433	383
International, net	945	912
Total current deferred tax assets	2,335	3,774
Non-current		
Foreign tax credit carry forward	1,159	—
Capitalized transaction costs	740	809
Stock option compensation	963	1,434
Other	18	72
Total non-current deferred tax assets	2,880	2,315
Deferred tax liabilities:		
Current		
Prepaid expenses	(124)	(110)
Total current deferred tax liabilities	(124)	(110)
Non-current		
Intangible assets	(38,783)	(42,498)
Property, plant and equipment	(3,011)	(2,246)
Undistributed foreign earnings	(3,685)	(3,570)
Total non-current tax liabilities	(45,479)	(48,314)
Net current deferred tax asset	$ 2,211	$ 3,664
Net non-current deferred tax liability	$ (42,599)	$ (45,999)

As of March 31, 2013, the Company had foreign tax credit carryforwards of approximately $1,159. These carryforwards expire in fiscal 2023. Recognition of these credit carryforwards is subject to an annual limit, which may cause them to expire before they are used.

The U.S. and non-U.S. components of income (loss) from continuing operations before income taxes were as follows:

	Successor			Predecessor
	Year Ended March 31, 2013	Year Ended March 31, 2012	For the Period from May 1, 2010 Through March 31, 2011	For the Period from April 1, 2010 Through April 30, 2010
	(Successor)	(Successor)	(Successor)	(Predecessor)
U.S.	$ 4,951	$ (14,480)	$ (13,894)	$ (16,652)
Non-U.S.	36,599	33,978	5,114	(1,049)
Income (loss) from continuing operations	$ 41,550	$ 19,498	$ (8,780)	$ (17,701)

The difference between the provision for income taxes and the amount that would result from applying the U.S. statutory tax rate to income before provision for income taxes is as follows:

	Successor			Predecessor
	Year Ended March 31, 2013	Year Ended March 31, 2012	For the Period From May 1, 2010 Through March 31, 2011	For the Period from April 1, 2010 Through April 30, 2010
	(Successor)	(Successor)	(Successor)	(Predecessor)
Notional U.S. federal income tax expense (benefit) at statutory rate	$ 14,543	$ 6,825	$ (3,073)	$ (6,196)
Adjustments to reconcile to the income tax provision (benefit):				
U.S. state income tax provision (benefit), net	263	77	61	—
Undistributed foreign earnings	44	1,728	1,978	—
Effects on Canadian debt facility	—	—	—	(8,713)
Rate difference-international subsidiaries	(270)	(1,974)	5,190	(3,587)
Nondeductible expenses	115	774	1,541	1,041
Charges related to uncertain tax positions	143	211	582	—
Other	(262)	(173)	(119)	21
Provision (benefit) for income taxes	$ 14,576	$ 7,468	$ 6,160	$ (17,434)

The Company views undistributed earnings of its foreign subsidiaries as eligible for repatriation to the extent that the earnings have exceeded their local working capital requirements and therefore the foreign subsidiary has the ability to distribute earnings to the U.S. parent. The Company considers its original investment and the working capital portion of retained earnings of each foreign subsidiary to be permanently reinvested. The deferred tax liability recorded on the U.S. financial statements is subject to fluctuations in the U.S. dollar/foreign currency exchange rate each year. The translation effect to our deferred tax liability was a$52 decrease and a $287 increase as of March 31, 2013 and 2012, respectively.

In connection with the Audax Transaction in 2007, the Predecessor obtained financing in Canada, which was repaid through the CHS Transactions. In completing the Audax Transaction, the stock of Thermon Canada, a subsidiary of Thermon Manufacturing Company (“TMC”), was distributed to Thermon Holding Corp. (“THC”). This caused TMC to realize a gain on the difference between its tax basis in Thermon Canada and the fair market value of Thermon Canada's stock under Section 311(b) of the Internal Revenue Code; however, the gain was deferred under the consolidated return rules and created a “deferred intercompany gain”. This deferred gain is a tax attribute that is not reflected on the financial statements of the Company since it is avoidable.

As of March 31, 2013, the tax years 2006 through 2011 remain open to examination by the major taxing jurisdictions to which we are subject. The Company’s U.S. federal income tax returns are under exam for the Predecessor’s tax period ending April 30, 2010 and the tax years ended March 31, 2010, 2009 and 2008. The Company’s Canadian federal income tax returns are under exam for the Predecessor’s tax years ended March 31, 2008, 2009 and 2010. See Note 12, “Commitments and Contingencies”.

No additional liability was booked during fiscal 2013 relating to uncertain positions however; $142 of interest and penalties were accrued on previously established reserves. Such penalties and interest are recorded as a component of the Company's income tax expense. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	Year Ended March 31, 2013	Year Ended March 31, 2012
Beginning balance	$ 1,509	$ 1,298
Additions based on tax positions related to the current year	—	70
Interest and penalties on prior reserves	142	141
Reserve for uncertain income taxes	$ 1,651	$ 1,509

17. Miscellaneous Income (Expense)

Miscellaneous income (expense) included in the consolidated statement of operations and comprehensive income (loss) consisted of the following:

	Successor			Predecessor
	Year Ended March 31, 2013	Year Ended March 31, 2012	For the Period From May 1, 2010 Through March 31, 2011	For the Period from April 1, 2010 Through April 30, 2010
Professional fees and expenses related to CHS Transactions and debt registration	$ —	$ —	$ (5,752)	$ (5,660)
Employee bonus payments paid in connection with the CHS Transactions	—	—	—	(3,545)
Foreign currency transaction gain or (loss)	(426)	(1,071)	(276)	254
Gain (loss) on foreign exchange forwards	3	(554)	—	—
Compliance fees and costs	55	—	600	—
Other	43	(46)	204	50
Total	$ (325)	$ (1,671)	$ (5,224)	$ (8,901)

18. Geographic Information

We have defined our operating segments based on geographic regions. These regions share similar economic characteristics, product mix, customers and distribution methods. Accordingly, we have elected to aggregate these geographic regions into a single reportable segment.

Within our single reportable segment, we present additional detail for those countries or regions that generate significant revenue and operating income. During fiscal 2013, we changed our basis of presentation of additional geographic information from the Eastern and Western Hemispheres to the four geographic regions of the United States, Canada, Europe and Asia. Each of these regions were reported previously within the hemisphere presentation, therefore there is no material difference with this change in presentation of geographic information. For purposes of this note, revenue is attributed to individual countries on the basis of the physical location and jurisdiction of organization of the subsidiary that invoices the material and services.

Total sales, income from operations and long-lived assets, classified by major geographic area in which the Company operates are as follows:

	Year Ended March 31, 2013	Year Ended March 31, 2012	For the Period May 1, 2010 Through March 31, 2011	For the Period April 1, 2010 Through April 30, 2010
	(Successor)	(Successor)	(Successor)	(Predecessor)
Sales by geographic area:				
United States	$ 83,458	$ 93,074	$ 69,659	$ 5,057
Canada	99,808	83,532	72,861	3,997
Europe	59,495	66,709	60,017	3,006
Asia	41,275	29,008	25,343	1,123
	$ 284,036	$ 272,323	$ 227,880	$ 13,183
Income from Operations:				
United States	$ 14,209	$ 9,619	$ 2,348	$ 1,096
Canada	34,352	29,648	16,053	1,066
Europe	4,080	8,252	4,516	125
Asia	5,943	5,095	2,922	18
Unallocated:				
Management fees	—	(8,158)	(1,924)	(79)
Other	(1,596)	—	(1,090)	(88)
	$ 56,988	$ 44,456	$ 22,825	$ 2,138

	March 31,	
	2013	2012
Property, plant and equipment, net:		
United States	$ 25,906	$ 21,889
Canada	1,573	1,933
Europe	3,069	3,225
Asia	663	614
	$ 31,211	$ 27,661

At March 31, 2013 and 2012, non-current deferred tax assets of $2,880 and $2,315 respectively, were applicable to the United States.

19. Quarterly Results (Unaudited)

The following quarterly results have been derived from unaudited consolidated financial statements that, in the opinion of management, reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of such quarterly information. Adjustments have been made to periods prior to December 31, 2012 to reflect a misclassification of freight revenue, See Note 1. "Organization and Summary of Significant Accounting Policies". The operating results for any quarter are not necessarily indicative of the results to be expected for any future period. The unaudited quarterly financial data for each of the eight quarters in the two years ended March 31, 2013 are as follows:

	Three Months Ended			
	June 30, 2012	September 30, 2012	December 31, 2012	March 31, 2013
Sales	$ 67,690	$ 67,849	$ 76,830	$ 71,667
Gross Profit	33,339	32,639	34,951	31,903
Income from operations	14,530	15,347	15,253	11,858
Net income	$ 6,600	$ 6,987	$ 7,738	$ 5,649
Net income per common share				
Basic	$ 0.22	$ 0.23	$ 0.25	$ 0.18
Diluted	0.21	0.22	0.24	0.18

	Three Months Ended			
	June 30, 2011	September 30, 2011	December 31, 2011	March 31, 2012
Sales	$ 65,076	$ 68,399	$ 69,280	$ 69,568
Gross Profit	31,989	31,951	33,691	34,484
Income (loss) from operations	(512)	14,386	15,582	15,000
Net income (loss) (a)	$ (4,966)	$ 3,814	$ 6,933	$ 6,250
Net income (loss) per common share				
Basic (a)	$ (0.18)	$ 0.13	$ 0.23	$ 0.21
Diluted (a)	$ (0.18)	$ 0.12	$ 0.22	$ 0.20

(a) During the three months ended June 30, 2011, we completed our IPO. Expenses related to the IPO included $6,341 in stock compensation for the accelerated vesting of options and $8,105 as a management termination fee to our former private equity sponsors.

20. Subsequent Events

Amended and Restated Credit Agreement and Redemption of All Outstanding Senior Secured Notes

On April 19, 2013, Thermon Industries, Inc., a wholly-owned subsidiary of Thermon Group Holdings, Inc., entered into an amended and restated credit agreement, with certain lenders in the United States and Canada, whereby we borrowed $135 million under a new variable rate term loan and our existing revolving credit facility was increased from $40 million to $60 million. Both the variable rate term loan and the new revolving credit facility will mature in April 2018.

In connection with the amended and restated credit agreement, we delivered a notice of optional redemption to registered holders of our outstanding 9.5% senior secured notes due 2017. All of our outstanding senior secured notes were redeemed on May 20, 2013, with a redemption price equaling the aggregate principal amount of $118.1 million and a $15.5 million call premium. The variable rate term loan used to finance the redemption of the senior secured notes bears interest at the LIBOR rate plus an applicable margin dictated by the Company's leverage ratio. At the time of redemption on May 20, 2013, the interest rate was 2.75%.

The new revolving credit facility allows for up to $60 million to be borrowed by Thermon Industries and Thermon Canada Inc. to finance working capital needs and general corporate purposes. Outstanding borrowings incur interest at a

variable rate which was 2.75% at the time of borrowing. There is also a 0.40% per annum fee for unused commitments, subject to change based on our leverage ratio.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Controls and Procedures

Disclosure Controls and Procedures

Under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, the Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures pursuant to Rule 13a-15(b) under the Exchange Act as of the end of the period covered by this annual report. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this annual report, these disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of the Company's internal control over financial reporting as of March 31, 2013, based on the criteria set forth in the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Based on this assessment, management has concluded that, as of March 31, 2013, our internal control over financial reporting is effective.

Ernst & Young LLP, the independent registered public accounting firm that audited the Company's consolidated financial statements included in this annual report, has issued an attestation report on the effectiveness of the Company's internal control over financial reporting as of March 31, 2013. The report, which expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of March 31, 2013, is included in Item 8 under the heading, *"Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting".*

Changes in Internal Control

There have been no changes in the Company's internal control over financial reporting that occurred during the most recently completed fiscal year ended March 31, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information regarding to our directors and executive officers is incorporated herein by reference to the “Directors, Executive Officers and Corporate Governance” section of our Definitive Proxy Statement for the 2013 Annual Meeting of Stockholders.

Information regarding compliance with Section 16(a) of the Securities Exchange Act of 1934 is incorporated herein by reference to the "Section 16(a) Beneficial Ownership Reporting Compliance" section of our Definitive Proxy Statement for the 2013 Annual Meeting of Stockholders.

Information regarding the audit committee financial expert and the audit committee is incorporated herein by reference to the sections entitled "Directors, Executive Officers and Corporate Governance-Committees of the Board of Directors" and "Audit Committee Report" in our Definitive Proxy Statement for the 2013 Annual Meeting of Stockholders.

Code of Business Conduct and Ethics

We have adopted a written code of business conduct and ethics, which we refer to as our "code of conduct", which applies all of our employees, officers and directors. Our code of conduct is available on our Investor Relations website located at http://ir.thermon.com. Stockholders can also obtain a free copy of our code of conduct by writing to the Director of Investor Relations, Thermon Group Holdings, Inc., 100 Thermon Drive, San Marcos, Texas 78666. We will post any amendments to our code of conduct, and any waivers that are required to be disclosed pursuant to SEC or NYSE rules, on our Investor Relations website.

ITEM 11. EXECUTIVE COMPENSATION

Information regarding executive and director compensation is incorporated by reference to the "Compensation Discussion and Analysis" section of our Definitive Proxy Statement for the 2013 Annual Meeting of Stockholders.

The material incorporated herein by reference to the information set forth under the "Compensation Committee Report" in our Definitive Proxy Statement for the 2013 Annual Meeting of Stockholders shall be deemed furnished, and not filed, in this Annual Report on Form 10-K and shall not be deemed incorporated by reference into any of our filings under the Securities Act of 1933 or the Securities Exchange Act of 1934 as a result of this furnishing, except to the extent that we have specifically incorporated such materials by reference .

Information regarding compensation committee interlocks and insider participation is incorporated herein by reference to the information under the heading "Directors, Executive Officers and Corporate Governance-Compensation Committee Interlocks and Insider Participation" section of our Definitive Proxy Statement for the 2013 Annual Meeting of Stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information regarding security ownership of certain beneficial owners and management is incorporated herein by reference to the "Security Ownership of Certain Beneficial Owners and Management" section of our Definitive Proxy Statement for the 2013 Annual Meeting of Stockholders.

Information related to compensation plans under which our equity securities are authorized for issuance as of March 31, 2013 is set forth in the table below.

Equity Compensation Plan Information

The following table sets forth information regarding our equity compensation plans as of March 31, 2013. Specifically, the table provides information regarding our 2010 Equity Plan and the LTIP, described elsewhere in this annual report.

Plan Category	Number of securities to be issued upon exercise of outstanding equity awards	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuances under equity compensation plans (1)
Equity compensation plans approved by security holders (2)	274,391	(3)	2,579,192
Equity plans not approved by security holders (4)	973,644	$ 5.63	—

(1) Excludes securities reflected in the column entitled "Number of securities to be issued upon exercise of outstanding equity awards"

(2) On April 8, 2011, our board of directors and pre-IPO stockholders approved the Thermon Group Holdings, Inc. 2011 Long-Term Incentive Plan ("2011 LTIP"). The 2011 LTIP authorized the issuance of 2,893,341 equity awards.

(3) At March 31, 2013, the Company had outstanding under the LTIP: (i) 159,136 stock options, with a weighted average exercise price of $15.28, (ii) 71,109 unvested restricted stock units, with a weighted average grant date fair value of $21.52, and (iii) 44,146 performance units, with a weighted average grant date fair value of $21.74.

(4) The 2010 Thermon Group Holdings, Inc. Restricted Stock and Stock Option Plans (the "2010 Plan") was approved by our board of directors on July 28, 2010. The 2010 Plan authorized the issuance of 2,767,171 equity awards and provides for the grant of non-qualified stock options and restricted stock. In connection with our May 2011 IPO, all 2,757,524 of the unvested stock options that were then outstanding under the 2010 Plan became fully vested and exercisable. The 2010 Plan will terminate as of the earlier of (i) the date on which all equity awards under the 2010 Plan have been issued, (ii) the termination of the 2010 Plan by our board of directors, or (iii) the tenth anniversary of the effective date of the 2010 Plan; however, no further grants or equity awards will be made under the 2010 Plan. Under the 2010 Plan, the compensation committee of our board of directors has the authority to designate participants in the plan, determine the form of awards, the number of shares subject to individual awards, and the terms and conditions, including the vesting schedule, of each award granted under the 2010 Plan. The term of any option shall be fixed by the compensation committee and shall not exceed ten years from the date of grant. At March 31, 2013, the Company had outstanding under the 2010 Plan 973,644 non-qualified stock options, with a weighted average exercise price of $5.63.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information regarding certain relationships and related transactions and director independence is incorporated herein by reference to the "Certain Relationships and Related Party Transactions" and "Directors, Executive Officers and Corporate Governance-Director Independence" sections, respectively, of our Definitive Proxy Statement for the 2013 Annual Meeting of Stockholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information regarding our principal accountant fees and services is incorporated herein by reference to the "Audit and Non-Audit Fees" section of our Definitive Proxy Statement for the 2013 Annual Meeting of Stockholders.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as a part of this annual report:

1. **Financial Statements:** Included herein at pages 45 through 81

2. **Financial statement schedules**: None. Financial statement schedules have been omitted since the required information is included in our consolidated financial statements contained elsewhere in this annual report.

3. **Exhibits:** See the Exhibit Index following the signature page of this annual report, which is incorporated herein by reference. Each management contract and compensatory plan or arrangement required to be filed as an exhibit to this annual report is identified in the Exhibit Index by a single asterisk following its exhibit number.

   Certain of the agreements included as exhibits to this annual report contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

   - should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;
   - have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;
   - may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and
   - were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

   The registrants acknowledge that, notwithstanding the inclusion of the foregoing cautionary statements, they are responsible for considering whether additional specific disclosures of material information regarding material contractual provisions are required to make the statements in this registration statement not misleading.

SIGNATURE

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.

THERMON GROUP HOLDINGS, INC. (registrant)

Date: June 10, 2013

By: /s/ Jay Peterson

Jay Peterson
Chief Financial Officer
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this annual report has been signed below by the following persons on behalf of the registrants and in the capacities and on the date indicated.

Date	Title		Signatures
June 10, 2013	President and Chief Executive Officer (Principal Executive Officer); Director	By:	/s/ Rodney Bingham Rodney Bingham
June 10, 2013	Chief Financial Officer, Senior Vice President, Finance and Secretary (Principal Financial and Accounting Officer)	By:	/s/ Jay Peterson Jay Peterson
June 10, 2013	Chairman of the Board	By:	/s/ Charles A. Sorrentino Charles A. Sorrentino
June 10, 2013	Director	By:	/s/ Marcus J. George Marcus J. George
June 10, 2013	Director	By:	/s/ Richard E. Goodrich Richard E. Goodrich
June 10, 2013	Director	By:	/s/ Kevin J. McGinty Kevin J. McGinty
June 10, 2013	Director	By:	/s/ John T. Nesser John T. Nesser
June 10, 2013	Director	By:	/s/ Michael W. Press Michael W. Press
June 10, 2013	Director	By:	/s/ Stephen A. Snider Stephen A. Snider

EXHIBIT INDEX

Exhibit Number	Description
2.1	Stock Purchase Agreement, dated as of March 26, 2010, by and among Thermon Holdings, LLC, Thermon Holding Corp. and Thermon Group, Inc. (incorporated by reference to Exhibit 2.1 to Registration Statement on Form S-4 (File No. 333-168915) of Thermon Industries, Inc. and additional registrants named therein filed on August 18, 2010)**
2.2	First Amendment to the Stock Purchase Agreement, dated as of April 28, 2010, by and among Thermon Holdings, LLC, Thermon Holding Corp. and Thermon Group, Inc. (incorporated by reference to Exhibit 2.2 to Registration Statement on Form S-4 (File No. 333-168915) of Thermon Industries, Inc. and additional registrants named therein filed on August 18, 2010)**
2.3	Amendment to the Stock Purchase Agreement, dated as of July 12, 2010, by and among Thermon Holdings, LLC, Thermon Holding Corp. and Thermon Group, Inc. (incorporated by reference to Exhibit 2.3 to Registration Statement on Form S-4 (File No. 333-168915) of Thermon Industries, Inc. and additional registrants named therein filed on August 18, 2010)**
2.4	Form of Certificate of Ownership and Merger merging Thermon Group, Inc. with and into Thermon Group Holdings, Inc. (incorporated by reference to Exhibit 2.5 to Amendment No. 2 to Registration Statement on Form S-1 (File No. 333-172007) of the registrant filed on April 1, 2011)
3.1	Second Amended and Restated Certificate of Incorporation of Thermon Group Holdings, Inc., effective as of May 10, 2011 (incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K filed on May 13, 2011)
3.2	Amended and Restated Bylaws of Thermon Group Holdings, Inc., effective as of May 10, 2011 (incorporated by reference to Exhibit 3.2 to the registrant's Current Report on Form 8-K filed on May 13, 2011)
4.1	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 to Amendment No. 2 to Registration Statement on Form S-1 (File No. 333-172007) of the registrant filed on April 1, 2011)
10.1	Amended and Restated Credit Agreement, dated as of April 19, 2013, among Thermon Industries, Inc. and Thermon Canada Inc., as borrowers, the other credit parties named therein, JPMorgan Chase Bank, N.A. and JPMorgan Chase Bank, N.A., Toronto Branch as administrative agents, and the other financial institutions and entities party thereto (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on April 23, 2013)
10.2	Guaranty and Security Agreement, dated as of August 7, 2012, among Thermon Industries, Inc., as borrower, the other grantors named therein and JPMorgan Chase Bank, N.A., as US agent
10.3	Guarantee and Security Agreement, dated as of August 7, 2012, between Thermon Canada Inc., as borrower, and JPMorgan Chase Bank, N.A., Toronto Branch, as Canadian agent
10.4	Amended and Restated Securtityholder Agreement, dated as of April 30, 2010, among Thermon Group Holdings, Inc. and the other parties identified therein (incorporated by reference to Exhibit 10.5 to Registration Statement on Form S-4 (File No. 333-168915) of Thermon Industries, Inc. and additional registrants named therein filed on August 18, 2010)
10.5	Amendment No. 1, dated as of April 1, 2011 and effective May 10, 2011, to Amended and Restated Securityholder Agreement, dated as of April 30, 2010, among Thermon Group Holdings, Inc. and the other parties identified therein (incorporated by reference to Exhibit 10.24 to Amendment No. 2 Registrant Statement on Form S-1 (File No. 333-172007 of the registrant filed on April 1, 2011)
10.6	Amendment No. 2, dated as of May 4, 2012, to Amended and Restated Securityholder Agreement, dated as of April 30, 2010, as previously Amended by Amendment No. 1, dated as of April 1, 2011 and effective as of May 10, 2011, among Thermon Group Holdings, Inc. and the other parties identified therein (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K of Thermon Group Holdings, Inc. filed on May 10, 2012)
10.7	Thermon Group Holdings, Inc. Restricted Stock and Stock Option Plan, as adopted on July 28, 2010 (incorporated by reference to Exhibit 10.7 to Registration Statement on Form S-4 (File No. 333-168915) of Thermon Industries, Inc. and additional registrants named therein filed on August 18, 2010)*
10.8	Amendment No. 1 to the Thermon Group Holdings, Inc. Restricted Stock and Stock Option Plan, as adopted on October 27, 2010 (incorporated by reference to Exhibit 10.9 to Amendment No. 3 to Registration Statement on Form S-4 (File No. 333-168915) of Thermon Industries, Inc. and additional registrants named therein filed on November 22, 2010)*
10.9	Form of Stock Option Agreement under Thermon Group Holdings, Inc. Restricted Stock and Stock Option Plan (incorporated by reference to Exhibit 10.9 to Amendment No. 2 to Registration Statement on Form S-4 (File No. 333-168915) of Thermon Industries, Inc. and additional registrants named therein filed on October 22, 2010)*

Exhibit Number	Description
10.10	Thermon Group Holdings, Inc. 2011 Long-Term Incentive Plan, as adopted on April 8, 2011 (incorporated by reference to Exhibit 10.13 to Amendment No. 3 to Registration Statement on Form S-1 (File No. 333-168915) of the registrant filed on April 13, 2011)*
10.11	Form of Option Award Notice and Stock Option Agreement under Thermon Group Holdings, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.14 to Amendment No. 3 to Registration Statement on Form S-1 (File No. 333-172007) of the registrant filed on April 13, 2011)*
10.12	Form of Non-Employee Director Restricted Stock Award Agreement under Thermon Group Holdings, Inc. 2011 Long Term Incentive Plan (incorporated by reference to Exhibit 10.15 to the registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 2011)*
10.13	Amended and Restated Employment Agreement, effective as of April 1, 2011, between Rodney Bingham and Thermon Holding Corp. (incorporated by reference to Exhibit 10.15 to Amendment No. 3 to Registration Statement on Form S-1 (File No. 333-172007) of the registrant filed on April 13, 2011)*
10.14	Amended and Restated Employment Agreement, effective as of April 1, 2011 between George P. Alexander and Thermon Holding Corp. (incorporated by reference to Exhibit 10.16 to Amendment No. 3 to Registration Statement on Form S-1 (File No. 333-172007) of the registrant filed on April 13, 2011)*
10.15	Amended and Restated Employment Agreement, effective as of April 1, 2011 between Jay Peterson and Thermon Holding Corp. (incorporated by reference to Exhibit 10.17 to Amendment No. 3 to Registration Statement on Form S-1 (File No. 333-172007) of the registrant filed on April 13, 2011)*
10.16	Amended and Restated Employment Agreement, effective as of August 1, 2011, between Johannes (René) van der Salm and Thermon Holding Corp. (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of Thermon Group Holdings, Inc. and Thermon Holding Corp. filed August 5, 2011)*
10.17	Form of Manager Equity Agreement among Thermon Group Holdings, Inc., CHS Private Equity V LP, and the management investors (incorporated by reference to Exhibit 10.17 to Registration Statement on Form S-1 (File No. 333-172007) of the registrant filed on February 2, 2011)*
10.18	Form of indemnification agreement for directors and certain officers of Thermon Group Holdings, Inc. (incorporated by reference to Exhibit 10.22 to Amendment No. 2 to Registration Statement on Form S-1 (File No. 333-172007) of the registrant filed on April 1, 2012)*
10.19	Form of Amendment No. 1 to the Manager Equity Agreement among Thermon Group Holdings, Inc. CHS Private Equity V LP, and the management investors (incorporated by reference to Exhibit 10.25 to Amendment No. 3 to Registration Statement on Form S-1 (File No. 333-172007) of the registrant filed on April 13, 2011)*
10.20	Form of Employee Restricted Stock Award Agreement under Thermon Group Holdings, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.28 to the registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 2012)*
10.21	Thermon Group Holdings, Inc. 2012 Short-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on August 6, 2012)*
10.22	Credit Agreement dated August 7, 2012 by and among Thermon Industries, Inc. and Thermon Canada Inc., as borrowers, the other credit parties named therein, JPMorgan Chase Bank, N.A. and JPMorgan Chase Bank, N.A., Toronto Branch, as administrative agents, and the other financial institutions party thereto (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on August 21, 2012)
10.23	Form of Performance Unit Award Agreement under Thermon Group Holdings, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q filed on November 13, 2012)*
10.24	Form of Restricted Stock Unit Award Agreement under Thermon Group Holdings, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.4 to registrant's Quarterly Report on Form 10-Q filed on November 13, 2012)*
21.1	Subsidiaries of Thermon Group Holdings, Inc.
23.1	Consent of Ernst & Young LLP
23.2	Consent of Alvarez & Marsal Private Equity Performance Improvement Group, LLC
31.1	Certification of Rodney Bingham, Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit Number	Description
31.2	Certification of Jay Peterson, Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Rodney Bingham, Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Jay Peterson, Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	Interactive Data Files Pursuant to Rule 405 of Regulation S-T: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations and Comprehensive Income (Loss), (iii) Consolidated Statements of Shareholders'/Members' Equity, (iv) Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements***

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* Management contract and compensatory plan or arrangement

** The registrant agrees to furnish supplementally to the SEC a copy of any omitted schedule or exhibit upon the request of the SEC in accordance with Item 601(b)(2) of Regulation S-K

*** Pursuant to Rule 406T of Regulation S-T, XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections

GUARANTY AND SECURITY AGREEMENT

Dated as of August 7, 2012

among

THERMON INDUSTRIES, INC.,

and

Each Other Grantor
From Time to Time Party Hereto

and

JPMORGAN CHASE BANK, N.A.,
as US Agent

TABLE OF CONTENTS

Page

TABLE OF CONTENTS
(continued)

Page

ANNEXES AND SCHEDULES

GUARANTY AND SECURITY AGREEMENT, dated as of August 7, 2012, by and among Thermon Industries, Inc., a Texas corporation (the "US Borrower"), and each of the other entities listed on the signature pages hereof or that becomes a party hereto pursuant to Section 8.6 (collectively with the US Borrower, the "Grantors"), in favor of JPMorgan Chase Bank, N.A. ("Chase"), as administrative agent (in such capacity, together with its successors and permitted assigns, the "US Agent") for the US Lenders, the US L/C Issuers and each other US Secured Party (each as defined in the Credit Agreement referred to below).

W I T N E S S E T H:

WHEREAS, pursuant to the Credit Agreement of even effective date herewith (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement") among the US Borrower, Thermon Canada Inc., a Nova Scotia company (the "Canadian Borrower" and together with US Borrower, the "Borrowers"), the other Credit Parties party thereto, the Lenders, the L/C Issuers from time to time party thereto, US Agent, and JPMorgan Chase Bank, N.A., Toronto Branch, as Canadian Agent for the Canadian Lenders and the Canadian L/C Issuers and each other Canadian Secured Party, the Lenders and the L/C Issuers have severally agreed to make extensions of credit to the Borrowers upon the terms and subject to the conditions set forth therein;

WHEREAS, each Grantor has agreed to guaranty the Obligations (as defined in the Credit Agreement, and including, but not limited to, the Canadian Obligations) of the Borrowers;

WHEREAS, each Grantor will derive substantial direct and indirect benefits from the making of the extensions of credit under the Credit Agreement; and

WHEREAS, it is a condition precedent to the obligation of the Lenders and the L/C Issuers to make their respective extensions of credit to the Borrowers under the Credit Agreement that the Grantors shall have executed and delivered this Agreement to the US Agent;

NOW, THEREFORE, in consideration of the premises and to induce the Lenders, the L/C Issuers, the Canadian Agent and the US Agent to enter into the Credit Agreement and to induce the Lenders and the L/C Issuers to make their respective extensions of credit to the Borrowers thereunder, each Grantor hereby agrees with the US Agent as follows:

ARTICLE 1

DEFINED TERMS

Section 1.1 Definitions. Capitalized terms used herein without definition are used as defined in the Credit Agreement.

(a) The following terms have the meanings given to them in the UCC

and terms used herein without definition that are defined in the UCC have the meanings given to them in the UCC (such meanings to be equally applicable to both the singular and plural forms of the terms defined): "account", "account debtor", "as-extracted collateral", "certificated security", "chattel paper", "commercial tort claim", "commodity contract", "deposit account", "electronic chattel paper", "equipment", "farm products", "fixture", "general intangible", "goods", "health-care-insurance receivable", "instruments", "inventory", "investment property", "letter-of-credit right", "proceeds", "record", "securities account", "security", "supporting obligation" and "tangible chattel paper".

(b) The following terms shall have the following meanings:

"Agreement" means this Guaranty and Security Agreement.

"Applicable IP Office" means the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency within or outside the United States, as applicable.

"Cash Collateral Account" means a deposit account or securities account subject, in each instance, to a Control Agreement, other than accounts established to cash collateralize L/C Reimbursement Obligations.

"Collateral" has the meaning specified in Section 3.1.

"Controlled Securities Account" means each securities account (including all financial assets held therein and all certificates and instruments, if any, representing or evidencing such financial assets) that is the subject of an effective Control Agreement.

"Excluded Accounts" means (i) any payroll account so long as amounts on deposit therein do not exceed the reasonably estimated payroll obligations of the Person who maintains the account and such amounts are deposited therein immediately prior to any required payroll date, (ii) any withholding tax, benefits, escrow, trust, customs or any other fiduciary account, (iii) any zero balance deposit account provided the amount on deposit therein does not exceed the amount necessary to cover outstanding checks, amounts necessary to maintain minimum deposit requirements and amounts necessary to pay the depositary institution's fees and expenses, (iv) any deposit account maintained with a foreign bank (other than a foreign bank located in Canada) and (v) any petty cash deposit accounts maintained at a financial institution for which a Control Agreement has not otherwise been obtained, so long as, with respect to this clause (v), the aggregate amount on deposit in each such petty cash account does not exceed $250,000 at any one time and the aggregate amount on deposit in all such petty cash accounts does not exceed $700,000 at any one time as of or after the Closing Date.

"Excluded Equity" means (i) any voting Stock in excess of 65% of the outstanding voting Stock of any First Tier Foreign Subsidiary if a 956 Impact would result from the pledge of such excess, and (ii) any voting Stock of any Foreign Subsidiary that is

not a First Tier Foreign Subsidiary; provided, however, that voting stock of the Canadian Borrower or any other Foreign Subsidiary owned by a Grantor shall not constitute, or be deemed or construed to constitute, "Excluded Equity" for purposes of securing any Grantor's Guaranty of Canadian Obligations (as defined in Section 2.1 below). For the purposes of this definition, "voting stock" means, with respect to any issuer, the issued and outstanding shares of each class of Stock of such issuer entitled to vote (within the meaning of Treasury Regulations § 1.956-2(c)(2)).

"Excluded Property" means, collectively, (i) Excluded Equity, (ii) any permit or license, any Contractual Obligation, healthcare insurance receivable or other general intangible, Intellectual Property or franchise in connection with which any Grantor has any right, title to or interest (A) that prohibits or requires the consent of any Person other than a Grantor or any of its Subsidiaries which has not been obtained as a condition to the creation by such Grantor of a Lien on any right, title or interest in such permit, license, Contractual Obligation, healthcare insurance receivable or other general intangible, Intellectual Property or franchise or any Stock or Stock Equivalent related thereto, (B) to the extent that any Requirement of Law applicable thereto prohibits the creation of a Lien thereon, but only, with respect to the prohibition in (A) and (B), to the extent, and for as long as, such prohibition is not terminated or rendered unenforceable or otherwise deemed ineffective by the UCC or any other Requirement of Law or (C) the grant of a security interest in such permit, license, Contractual Obligation, general intangible, Intellectual Property or franchise would reasonably be expected to result in the loss of rights thereon or create a default thereunder, (iii) Property owned by any Grantor that is subject to a purchase money Lien or a Capital Lease permitted under the Credit Agreement if the Contractual Obligation pursuant to which such Lien is granted (or in the document providing for such Capital Lease) prohibits or requires the consent of any Person other than a Borrower and its Affiliates which has not been obtained as a condition to the creation of any other Lien on such equipment, (iv) any "intent to use" Trademark applications for which a statement of use has not been filed (but only until such statement is filed), (v) Excluded Accounts, and (vi) leasehold interests in real property with respect to which a Grantor is a tenant or subtenant; provided, however, "Excluded Property" shall not include any proceeds, products, substitutions or replacements of Excluded Property (unless such proceeds, products, substitutions or replacements would otherwise constitute Excluded Property).

"Fraudulent Transfer Laws" has the meaning set forth in Section 2.2.

"Guaranteed Obligations" has the meaning set forth in Section 2.1.

"Guarantor" means each Grantor.

"Guaranty" means the guaranty of the Guaranteed Obligations made by the Guarantors as set forth in this Agreement.

"Internet Domain Name" means all right, title and interest (and all related IP Ancillary Rights) arising under any Requirement of Law in or relating to Internet domain

names.

"In-Transit Collateral" has the meaning set forth in Section 4.4.

"Material Intellectual Property" means Intellectual Property that is owned by or licensed to a Grantor and material to the conduct of any Grantor's business.

"Pledge Amendment" has the meaning set forth in Section 8.6(b).

"Pledged Certificated Stock" means all certificated securities and any other Stock or Stock Equivalent of any Person evidenced by a certificate, instrument or other similar document (as defined in the UCC), in each case owned by any Grantor, and any distribution of property made on, in respect of or in exchange for the foregoing from time to time, including all Stock and Stock Equivalents listed on Schedule 5. Pledged Certificated Stock excludes any Excluded Property and any Cash Equivalents that are not held in Controlled Securities Accounts to the extent permitted by Section 5.10 hereof.

"Pledged Collateral" means, collectively, the Pledged Stock and the Pledged Debt Instruments.

"Pledged Debt Instruments" means all right, title and interest of any Grantor in instruments evidencing any Indebtedness owed to such Grantor or other obligations, and any distribution of property made on, in respect of or in exchange for the foregoing from time to time, including all Indebtedness described on Schedule 5, issued by the obligors named therein. Pledged Debt Instruments excludes any Cash Equivalents that are not held in Controlled Securities Accounts to the extent permitted by Section 5.10 hereof.

"Pledged Investment Property" means any investment property of any Grantor, and any distribution of property made on, in respect of or in exchange for the foregoing from time to time, other than any Pledged Stock or Pledged Debt Instruments. Pledged Investment Property excludes Excluded Equity and any Cash Equivalents that are not held in Controlled Securities Accounts to the extent permitted by Section 5.10 hereof.

"Pledged Stock" means all Pledged Certificated Stock and all Pledged Uncertificated Stock.

"Pledged Uncertificated Stock" means any Stock or Stock Equivalent of any Person that is not Pledged Certificated Stock, including all right, title and interest of any Grantor as a limited or general partner in any partnership not constituting Pledged Certificated Stock or as a member of any limited liability company, all right, title and interest of any Grantor in, to and under any Organization Document of any partnership or limited liability company to which it is a party, and any distribution of property made on, in respect of or in exchange for the foregoing from time to time, including in each case those interests set forth on Schedule 5, to the extent such interests are not certificated. Pledged Uncertificated Stock excludes any Excluded Property and any Cash Equivalents that are not

held in Controlled Securities Accounts to the extent permitted by Section 5.10 hereof.

"Remaining Canadian Pledged Stock" means all Pledged Stock of the Canadian Borrower and any other First Tier Foreign Subsidiary owned by a Grantor in excess of 65% of the outstanding voting stock of any such Foreign Subsidiary, which is not required to guaranty the US Obligations.

"Secured Obligations" has the meaning set forth in Section 3.2.

"Software" means (a) all computer programs, including source code and object code versions, (b) all data, databases and compilations of data, whether machine readable or otherwise, and (c) all documentation, training materials and configurations related to any of the foregoing.

"transferable records" has the meaning set forth in Section 5.6(d).

"UCC" means the Uniform Commercial Code as from time to time in effect in the State of Texas; provided, however, that, in the event that, by reason of mandatory provisions of any applicable Requirement of Law, any of the attachment, perfection or priority of the US Agent's or any other Secured Party's security interest in any Collateral is governed by the Uniform Commercial Code of a jurisdiction other than the State of Texas, "UCC" shall mean the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such attachment, perfection or priority and for purposes of the definitions related to or otherwise used in such provisions.

"Vehicles" means all vehicles covered by a certificate of title law of any state.

Section 1.2 Certain Other Terms.

(a) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms. The terms "herein", "hereof" and similar terms refer to this Agreement as a whole and not to any particular Article, Section or clause in this Agreement. References herein to an Annex, Schedule, Article, Section or clause refer to the appropriate Annex or Schedule to, or Article, Section or clause in this Agreement. Where the context requires, provisions relating to any Collateral when used in relation to a Grantor shall refer to such Grantor's Collateral or any relevant part thereof.

(b) Other Interpretive Provisions.

(i) Defined Terms. Unless otherwise specified herein or therein, all terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto.

(ii) The Agreement. The words "hereof", "herein", "hereunder"

and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement.

(iii) Certain Common Terms. The term "including" is not limiting and means "including without limitation."

(iv) Performance; Time. Whenever any performance obligation hereunder (other than a payment obligation) shall be stated to be due or required to be satisfied on a day other than a Business Day, such performance shall be made or satisfied on the next succeeding Business Day. In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including"; the words "to" and "until" each mean "to but excluding", and the word "through" means "to and including." If any provision of this Agreement refers to any action taken or to be taken by any Person, or which such Person is prohibited from taking, such provision shall be interpreted to encompass any and all means, direct or indirect, of taking, or not taking, such action.

(v) Contracts. Unless otherwise expressly provided herein, references to agreements and other contractual instruments, including this Agreement and the other Loan Documents, shall be deemed to include all subsequent amendments, thereto, restatements and substitutions thereof and other modifications and supplements thereto which are in effect from time to time, but only to the extent such amendments and other modifications are not prohibited by the terms of any Loan Document.

(vi) Laws. References to any statute or regulation are to be construed as including all statutory and regulatory provisions related thereto or consolidating, amending, replacing, supplementing or interpreting the statute or regulation.

ARTICLE II

GUARANTY

Section 2.1 Guaranty. To induce the Lenders to make the Loans and the L/C Issuers to Issue Letters of Credit and each other Secured Party to make credit available to or for the benefit of one or more Grantors, each Guarantor hereby, jointly and severally, absolutely, unconditionally and irrevocably guarantees, as primary obligor and not merely as surety, the full and punctual payment when due, whether at stated maturity or earlier, by reason of acceleration, mandatory prepayment or otherwise in accordance with any Loan Document, of all the Obligations including, but not limited to, all Canadian Obligations, in any case, whether existing on the date hereof or hereinafter incurred or created (such guaranty of the Canadian Obligations, the "Guaranty of Canadian Obligations" and all Obligations, generally, the "Guaranteed Obligations"). This Guaranty by each Guarantor hereunder constitutes a guaranty of payment and not of collection.

Section 2.2 Limitation of Guaranty. Any term or provision of this Guaranty or any other Loan Document to the contrary notwithstanding, the maximum aggregate amount for which any Guarantor shall be liable hereunder shall not exceed the maximum amount for which such Guarantor can be liable without rendering this Guaranty or any other Loan Document, as it relates to such Guarantor, subject to avoidance under applicable Requirements of Law relating to fraudulent conveyance or fraudulent transfer (including the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act and Section 548 of Title 11 of the United States Code or any applicable provisions of comparable Requirements of Law) (collectively, "Fraudulent Transfer Laws"). Any analysis of the provisions of this Guaranty for purposes of Fraudulent Transfer Laws shall take into account the right of contribution established in Section 2.3 and, for purposes of such analysis, give effect to any discharge of intercompany debt as a result of any payment made under the Guaranty.

Section 2.3 Contribution. To the extent that any Guarantor shall be required hereunder to pay any portion of any Guaranteed Obligation exceeding the greater of (a) the amount of the value actually received by such Guarantor and its Subsidiaries from the Loans and other Obligations and (b) the amount such Guarantor would otherwise have paid if such Guarantor had paid the aggregate amount of the Guaranteed Obligations (excluding the amount thereof repaid by a Borrower and Holdings) in the same proportion as such Guarantor's net worth on the date enforcement is sought hereunder bears to the aggregate net worth of all the Guarantors on such date, then such Guarantor shall be reimbursed by such other Guarantors for the amount of such excess, pro rata, based on the respective net worth of such other Guarantors on such date.

Section 2.4 Authorization; Other Agreements. The Secured Parties are hereby authorized, without notice to or demand upon any Guarantor and without discharging or otherwise affecting the obligations of any Guarantor hereunder and without incurring any liability hereunder, from time to time, to do each of the following:

(a) modify, amend, supplement or otherwise change, (ii) accelerate or otherwise change the time of payment or (iii) waive or otherwise consent to noncompliance with, any Guaranteed Obligation or any Loan Document in accordance with the applicable provision of such Loan Document;

(b) apply to the Guaranteed Obligations any sums by whomever paid or however realized to any Guaranteed Obligation in such order as provided in the Loan Documents;

(c) refund at any time any payment received by any Secured Party in respect of any Guaranteed Obligation;

(d) sell, exchange, enforce, waive, substitute, liquidate, terminate, release, abandon, fail to perfect, subordinate, accept, substitute, surrender, exchange, affect, impair or otherwise alter or release any Collateral for any Guaranteed Obligation or any

other guaranty therefor in any manner, (ii) receive, take and hold additional Collateral to secure any Guaranteed Obligation, (iii) add, release or substitute any one or more other Guarantors, makers or endorsers of any Guaranteed Obligation or any part thereof and (iv) otherwise deal in any manner with each Borrower and any other Guarantor, maker or endorser of any Guaranteed Obligation or any part thereof; and

(e) settle, release, compromise, collect or otherwise liquidate the Guaranteed Obligations.

Section 2.5 Guaranty Absolute and Unconditional. Each Guarantor hereby waives, to the fullest extent permitted by law, and agrees not to assert, any defense (other than a defense of payment), whether arising in connection with or in respect of any of the following or otherwise, and hereby agrees that its obligations under this Guaranty are irrevocable, absolute and unconditional and shall not be discharged as a result of or otherwise affected by any of the following (which may not be pleaded and evidence of which may not be introduced in any proceeding with respect to this Guaranty, in each case except as otherwise agreed in writing by the US Agent):

(a) the invalidity or unenforceability of any obligation of either Borrower or any other Guarantor or Credit Party under any Loan Document or any other agreement or instrument relating thereto (including any amendment, consent or waiver thereto), or any security for, or other guaranty of, any Guaranteed Obligation or any part thereof, or the lack of perfection or continuing perfection or failure of priority of any security for the Guaranteed Obligations or any part thereof;

(b) the absence of (i) any attempt to collect any Guaranteed Obligation or any part thereof from either Borrower or any other Guarantor or Credit Party or other action to enforce the same or (ii) any action to enforce any Loan Document or any Lien thereunder;

(c) the failure by any Person to take any steps to perfect and maintain any Lien on, or to preserve any rights with respect to, any Collateral;

(d) any workout, insolvency, bankruptcy proceeding, reorganization, arrangement, liquidation or dissolution by or against either Borrower, any other Guarantor or Credit Party or any other Subsidiaries or a Borrower or any procedure, agreement, order, stipulation, election, action or omission thereunder, including any discharge or disallowance of, or bar or stay against collecting, any Guaranteed Obligation (or any interest thereon) in or as a result of any such proceeding;

(e) any foreclosure, whether or not through judicial sale, and any other sale or other disposition of any Collateral or any election following the occurrence and during the continuance of an Event of Default by any Secured Party to proceed separately against any Collateral in accordance with such Secured Party's rights under any applicable Requirement of Law; or

(f) any other defense (other than payment), setoff, counterclaim or any other circumstance that might otherwise constitute a legal or equitable discharge of either Borrower, any other Guarantor or any other Subsidiary of a Borrower, in each case other than the payment in full of the Guaranteed Obligations (other than contingent indemnification obligations to the extent no claim giving rise thereto has been asserted and Letter of Credit Obligations collateralized in the manner set forth in Section 7.4 of the Credit Agreement).

Section 2.6 Waivers. Each Guarantor hereby unconditionally and irrevocably waives, to the fullest extent permitted by law, and agrees not to assert, any claim, defense, setoff or counterclaim based on diligence, promptness, presentment, requirements for any demand or notice hereunder including any of the following: (a) any demand for payment or performance and protest and notice of protest; (b) any notice of acceptance; (c) any presentment, demand, protest or further notice or other requirements of any kind with respect to any Guaranteed Obligation (including any accrued but unpaid interest thereon) becoming immediately due and payable; and (d) any other notice in respect of any Guaranteed Obligation or any part thereof, and any defense arising by reason of any disability or other defense of either Borrower or any other Guarantor. Each Guarantor further unconditionally and irrevocably agrees, so long as any Commitment or Obligations remain outstanding not to (x) enforce or otherwise exercise any right of subrogation or any right of reimbursement or contribution or similar right against either Borrower or any other Guarantor by reason of any Loan Document or any payment made thereunder or (y) assert any claim, defense, setoff or counterclaim it may have against any other Credit Party or set off any of its obligations to such other Credit Party against obligations of such Credit Party to such Guarantor. No obligation of any Guarantor hereunder shall be discharged in full other than by complete performance.

Section 2.7 Reliance. Each Guarantor hereby assumes responsibility for keeping itself informed of the financial condition of the Borrowers, each other Guarantor and any other guarantor, maker or endorser of any Guaranteed Obligation or any part thereof, and of all other circumstances bearing upon the risk of nonpayment of any Guaranteed Obligation or any part thereof that diligent inquiry would reveal, and each Guarantor hereby agrees that no Secured Party shall have any duty to advise any Guarantor of information known to it regarding such condition or any such circumstances. In the event any Secured Party, in its sole discretion, undertakes at any time or from time to time to provide any such information to any Guarantor, such Secured Party shall be under no obligation to (a) undertake any investigation not a part of its regular business routine, (b) disclose any information that such Secured Party, pursuant to accepted or reasonable commercial finance or banking practices, wishes to maintain confidential or (c) make any future disclosures of such information or any other information to any Guarantor.

ARTICLE III

GRANT OF SECURITY INTEREST

Section 3.1 Collateral. For the purposes of this Agreement, all of the following property now owned or at any time hereafter acquired by a Grantor or in which a Grantor now has or at any time in the future may acquire any right, title or interests is collectively referred to as the "Collateral":

(a) all accounts, chattel paper, deposit accounts, documents, equipment, general intangibles, instruments, inventory, investment property, letter of credit rights and any supporting obligations (in each case, as defined in the UCC) related to any of the foregoing;

(b) the commercial tort claims described on Schedule 1 and on any supplement thereto received by the US Agent pursuant to Section 5.9;

(c) all books and records pertaining to the other property described in this Section 3.1;

(d) all property of such Grantor held by any Secured Party, including all property of every description, in the custody of or in transit to such Secured Party for any purpose, including safekeeping, collection or pledge, for the account of such Grantor or as to which such Grantor may have any right or power, including but not limited to cash;

(e) all other goods (including but not limited to fixtures) and personal property of such Grantor, whether tangible or intangible and wherever located; and

(f) to the extent not otherwise included, all proceeds of the foregoing.

Section 3.2 Grant of Security Interest in Collateral . Each Grantor, as collateral security for the prompt and complete payment and performance when due (whether at stated maturity, by acceleration or otherwise) of the Obligations of such Grantor in accordance with the terms of the Loan Documents, including, but not limited to, the Guaranty of Canadian Obligations (the "Secured Obligations"), hereby mortgages, pledges and hypothecates to the US Agent for the benefit of the Secured Parties, and grants to the US Agent for the benefit of the Secured Parties a Lien on and security interest in, all of its right, title and interest in, to and under the Collateral of such Grantor; provided, however, notwithstanding the foregoing, no Lien or security interest is hereby mortgaged, pledged, hypothecated or granted on any Excluded Property; provided, further, that if and when any property shall cease to be Excluded Property, a Lien on and security in such property shall be deemed granted therein; provided, further, the foregoing grant of security interest in Collateral is expressly intended to include, and does include, a grant of security interest in, pledge of and lien on all Remaining Canadian Pledged Stock but only to secure the Grantors' Guaranty of Canadian Obligations. In the interest of certainty, all Remaining Canadian

Pledged Stock shall be and hereby is pledged solely to secure the Guaranty of Canadian Obligations and shall not in any event secure or be deemed to secure any US Obligation or any other Obligation of a US Credit Party.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

On the Closing Date, solely with respect to Sections 4.1 and 4.2, and after the Closing Date, with respect to all representations and warranties in this Article IV, to induce the Lenders, the L/C Issuers and the US Agent to enter into the Loan Documents, each Grantor hereby represents and warrants each of the following to the US Agent, the Lenders, the L/C Issuers and the other Secured Parties:

Section 4.1 Title; No Other Liens. Except for the Lien granted to the US Agent pursuant to this Agreement and any other Permitted Liens, such Grantor owns each item of the Collateral free and clear of any and all Liens. Such Grantor (a) is the record and beneficial owner of the Collateral pledged by it hereunder constituting instruments or certificates and (b) has rights in or the power to grant a security interest in such rights in each other item of Collateral in which a Lien is granted by it hereunder, free and clear of any other Lien (except for the Lien granted to the US Agent pursuant to this Agreement and any other Permitted Liens.

Section 4.2 Perfection and Priority. The security interest granted pursuant to this Agreement, to the extent a security interest can be granted by a security agreement governed by Texas law, constitutes a valid and continuing perfected security interest in favor of the US Agent in all Collateral subject, for the following Collateral, to the occurrence of the following: (i) in the case of all Collateral in which a security interest may be perfected by filing a financing statement under the UCC, the completion of the filings and other actions specified on Schedule 2 (which, in the case of all filings and other documents referred to on such schedule, have been delivered to the US Agent in completed and duly authorized form), (ii) with respect to any deposit account, the execution of Control Agreements, (iii) in the case of all U.S. registered Copyrights, U.S. registered Trademarks and U.S. issued Patents owned by a Grantor for which UCC filings are insufficient, all appropriate filings having been made with the United States Copyright Office or the United States Patent and Trademark Office, as applicable, (iv) in the case of letter-of-credit rights that are not supporting obligations of Collateral, the execution of a Contractual Obligation granting control to the US Agent over such letter-of-credit rights to the extent required under Section 5.6, and (v) in the case of electronic chattel paper, the completion of all steps necessary to grant control to the US Agent over such electronic chattel paper to the extent required under Section 5.6. Such security interest shall be prior to all other Liens on the Collateral except for Permitted Liens having priority over the US Agent's Lien by operation of law or with the express written agreement of US Agent upon (i) in the case of all Pledged Certificated Stock, Pledged Debt Instruments and Pledged Investment Property, the delivery thereof to the US Agent of

such Pledged Certificated Stock, Pledged Debt Instruments and Pledged Investment Property to the extent required under Section 5.3 consisting of instruments and certificates, in each case properly endorsed for transfer to the US Agent or in blank, (ii) in the case of all Pledged Investment Property not in certificated form, the execution of Control Agreements with respect to such investment property to the extent required under Section 5.3 and (iii) in the case of all other instruments and tangible chattel paper that are not Pledged Certificated Stock, Pledged Debt Instruments or Pledged Investment Property, the delivery thereof to the US Agent of such instruments and tangible chattel paper. Except as set forth in this Section 4.2, all actions by each Grantor necessary or desirable to protect and perfect the Lien granted hereunder on the Collateral have been duly taken.

Section 4.3 Jurisdiction of Organization; Chief Executive Office . Such Grantor's jurisdiction of organization, legal name and organizational identification number, if any, and the location of such Grantor's chief executive office or sole place of business, in each case as of the date hereof, is specified on Schedule 3 and such Schedule 3 also lists all jurisdictions of incorporation, legal names and locations of such Grantor's chief executive office or sole place of business for the five years preceding the date hereof.

Section 4.4 Locations of Inventory, Equipment and Books and Records . On the date hereof, such Grantor's inventory and equipment (other than inventory or equipment in transit in the Ordinary Course of Business (including, without limitation, Vehicles being used in the Ordinary Course of Business), items out for repair, equipment in the possession of an employee or a processor in the Ordinary Course of Business and equipment in an aggregate amount not to exceed $1,000,000 (collectively, the "In-Transit Collateral") and books and records concerning the Collateral are kept at the locations listed on Schedule 4.

Section 4.5 Pledged Collateral. The Pledged Stock pledged by such Grantor hereunder (a) is listed on Schedule 5 (as such Schedule is deemed updated by each Pledge Amendment delivered hereunder) and constitutes that percentage of the issued and outstanding equity of all classes of each issuer thereof as set forth on Schedule 5, (b) has been duly authorized, validly issued and is fully paid and nonassessable (other than Pledged Stock in limited liability companies, partnerships and, if such concepts are not applicable in the jurisdiction of organization of such Person, Foreign Subsidiaries), and (c) has no restriction on transfer associated with it.

(a) As of the Closing Date, all Pledged Collateral (other than Pledged Uncertificated Stock) and all Pledged Investment Property consisting of instruments and certificates has been delivered to the US Agent to the extent required by and in accordance with Section 5.3(a).

(b) Upon the occurrence and during the continuance of an Event of Default, the US Agent shall be entitled to exercise all of the rights of the Grantor granting the security interest in any Pledged Stock, and a transferee or assignee of such Pledged Stock shall become a holder of such Pledged Stock to the same extent as such Grantor and

be entitled to participate in the management of the issuer of such Pledged Stock and, upon the transfer of the entire interest of such Grantor, such Grantor shall, by operation of law, cease to be a holder of such Pledged Stock; provided that the US Agent may elect at its sole and absolute discretion to permit such Grantor to continue voting such Pledged Stock.

(c) After all Events of Default have been cured or waived, each Grantor will have the right to exercise the voting and consensual rights and powers that it would otherwise be entitled to exercise pursuant to the terms of paragraph (c) above.

Section 4.6 Instruments and Tangible Chattel Paper Formerly Accounts . No amount payable to such Grantor under or in connection with any account is evidenced by any instrument or tangible chattel paper that has not been delivered to the US Agent, properly endorsed for transfer, to the extent delivery is required by Section 5.6(a).

Section 4.7 Intellectual Property.

(a) Schedule 6, as updated from time to time in accordance with the terms of this Agreement, sets forth a true and complete list of the following Intellectual Property such Grantor owns: (i) Intellectual Property that is registered or subject to applications for registration, (ii) Internet Domain Names and (iii) Material Intellectual Property and material Software, including for each of the foregoing items (1) the owner, (2) the title, (3) the jurisdiction in which such item has been registered or otherwise arises or in which an application for registration has been filed, (4) as applicable, the registration or application number and registration or application date and (5) any IP Licenses or other rights (including franchises) granted by the Grantor with respect thereto and (iv) all material IP Licenses pursuant to which a Grantor has licensed Intellectual Property from a third party, other than licenses for commercially available off the shelf software which has not been substantially customized (other than non-exclusive licenses or sublicenses granted via non stand-alone license agreements in the ordinary course of business in a manner not inconsistent with industry practice).

(b) On the Closing Date, all registered Material Intellectual Property owned by such Grantor is valid, in full force and effect, subsisting, unexpired and enforceable (subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights, generally, and general equitable principles (whether considered in a proceeding in equity or at law)), and no such Material Intellectual Property owned by such Grantor has been abandoned, except to the extent the failure to be valid, in full force and effect, subsisting, unexpired or enforceable or such abandonment will not and would not reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect. The consummation of the transactions contemplated by the Loan Documents shall not cause any breach or default of any material IP License or limit or impair the ownership, use, validity or enforceability of, or any rights of such Grantor in, any Material Intellectual Property, except to the extent that such limitation or impairment would not reasonably be

expected to have, either individually or in the aggregate, a Material Adverse Effect. There are no pending (or, to the knowledge of such Grantor, threatened in writing) actions, suits, proceedings, claims, demands, judicial orders or disputes challenging the ownership, use, validity, enforceability of, or such Grantor's rights in, any Material Intellectual Property owned by such Grantor. To such Grantor's knowledge, no Person has been or is infringing, misappropriating, diluting, violating or otherwise materially impairing any Intellectual Property of such Grantor. Such Grantor, and to such Grantor's knowledge each other party thereto, is not in material breach or default of any material IP License, except to the extent that such breach or default would not reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect.

Section 4.8 Commercial Tort Claims. The only commercial tort claims of any Grantor existing on the date hereof (regardless of whether the amount, defendant or other material facts can be determined and regardless of whether such commercial tort claim has been asserted or threatened or whether litigation has been commenced for such claims) are those listed on Schedule 1, which sets forth such information separately for each Grantor.

Section 4.9 Specific Collateral. None of the Collateral is or is proceeds or products of farm products, as-extracted collateral, health-care-insurance receivables or timber to be cut.

Section 4.10 Enforcement. No Permit, notice to or filing with any Governmental Authority or any notice to or consent from any other Person is required (except for Permits or consents which have been obtained and notices or filings which have been made) for the exercise by the US Agent of its rights (including voting rights) provided for in this Agreement or the enforcement of remedies in respect of the Collateral pursuant to this Agreement, including the transfer of any Collateral, except as may be required in connection with the disposition of any portion of the Pledged Collateral by laws affecting the offering and sale of securities (including, but not limited to, membership interests in a limited liability company) generally or any approvals that may be required to be obtained from any bailees or landlords to collect the Collateral.

ARTICLE V

COVENANTS

Each Grantor agrees with the US Agent to the following, as long as any Obligation or Commitment remains outstanding (other than contingent indemnification obligations to the extent no claim giving rise thereto has been asserted and Letter of Credit Obligations collateralized in the manner set forth in Section 7.4 of the Credit Agreement):

Section 5.1 Maintenance of Perfected Security Interest; Further Documentation and Consents. Generally. Such Grantor shall (i) not use or permit any Collateral to be used unlawfully or in violation of any provision of any Loan Document, any Related Agreement, any Requirement of Law or any policy of insurance covering the Collateral and (ii) except

as otherwise expressly permitted by the Credit Agreement, not enter into any Contractual Obligation or undertaking restricting the right or ability of such Grantor or the US Agent to sell, assign, convey or transfer any Collateral, except in each case if such unlawful use, violation or restriction would not reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect.

(f) Except as otherwise permitted in the Loan Documents, such Grantor shall maintain the security interest created by this Agreement as a perfected security interest having at least the priority described in Section 4.2 and shall use commercially reasonable efforts to defend such security interest and such priority against the material claims and demands of all Persons.

(g) In addition to any statements, schedules or reports the US Agent may request from time to time pursuant to the Credit Agreement, each Grantor shall, upon the reasonable request by the US Agent, at any time if a Specified Event of Default shall have occurred and be continuing but otherwise not more than once a year, furnish to the US Agent from time to time statements and schedules further identifying and describing the Collateral and such other documents in connection with the Collateral as the US Agent may reasonably request in order to maintain and protect its interest hereunder, all in reasonable detail and in form and substance reasonably satisfactory to the US Agent.

(h) At any time and from time to time, upon the reasonable written request of the US Agent, such Grantor shall, for the purpose of obtaining or preserving the full benefits of this Agreement and of the rights and powers herein granted, (i) promptly and duly execute and deliver, and have recorded, such further documents, including an authorization to file (or, as applicable, the filing) of any financing statement or amendment under the UCC (or other filings under similar Requirements of Law) in effect in any jurisdiction with respect to the security interest created hereby and (ii) take such further action as the US Agent may reasonably request, including (A) using its commercially reasonable efforts to secure all approvals necessary or appropriate for the collateral assignment to or for the benefit of the US Agent of any Contractual Obligation, including any IP License, held by such Grantor and to enforce the security interests granted hereunder; provided, that, if despite such Grantor's commercially reasonable efforts such approvals are not secured or obtained, such Contractual Obligations will be deemed to constitute Excluded Property and (B) executing and delivering any Control Agreements with respect to deposit accounts and securities accounts to the extent required hereby or under any other Loan Document. Notwithstanding anything to the contrary contained in this Section 5.1(d), each Grantor shall promptly deliver notice to US Agent upon the opening of a new deposit account which, pursuant to the terms of this Agreement or any other Loan Document, is required to be subject to a Control Agreement.

(i) Intentionally Omitted.

(j) To ensure that a Lien and security interest is granted on any of the

Excluded Property set forth in clause (ii) of the definition of " Excluded Property", such Grantor shall use its commercially reasonable efforts to obtain any required consents from any Person other than a Borrower and its Affiliates with respect to any permit or license or any Contractual Obligation with such Person entered into by such Grantor that requires such consent as a condition to the creation by such Grantor of a Lien on any right, title or interest in such permit, license or Contractual Obligation or any Stock or Stock Equivalent related thereto; provided, that, if despite such Grantor's commercially reasonable efforts such required consents are not obtained, such permit, license or Contractual Obligation related thereto will be deemed to constitute Excluded Property.

Section 5.2 Changes in Locations, Name, Etc . Except upon 30 days' prior written notice to the US Agent and delivery to the US Agent of (a) all documents reasonably requested by the US Agent to maintain the validity, perfection and priority of the security interests provided for herein and (b) if applicable, a written supplement to Schedule 4 showing any additional locations at which inventory or equipment shall be kept, such Grantor shall not do any of the following:

(i) permit any inventory or equipment to be kept at a location other than those listed on Schedule 4, except for the In-Transit Collateral;

(ii) change its jurisdiction of organization or its location (as defined in Section 9-307 of the UCC), in each case from that referred to in Section 4.3; or

(iii) change its legal name or organizational identification number, if any, or corporation, limited liability company, partnership or other organizational structure to such an extent that any financing statement filed in connection with this Agreement would become misleading.

Section 5.3 Pledged Collateral. Closing Date Delivery of Pledged Collateral . On the Closing Date, such Grantor shall (i) deliver to the US Agent, in suitable form for transfer and in form and substance reasonably satisfactory to the US Agent, (A) all Pledged Certificated Stock, (B) all Pledged Debt Instruments and (C) all certificates and instruments evidencing Pledged Investment Property and (ii) maintain all other Pledged Investment Property in a Controlled Securities Account to the extent required under Section 5.10 .

(a) Event of Default . During the continuance of an Event of Default, the US Agent shall have the right, at any time in its discretion and without notice to the Grantor, to (i) transfer to or to register in its name or in the name of its nominees any Pledged Collateral or any Pledged Investment Property and (ii) exchange any certificate or instrument representing or evidencing any Pledged Collateral or any Pledged Investment Property for certificates or instruments of smaller or larger denominations.

(b) Cash Distributions with respect to Pledged Collateral . Except as provided in Article VI and subject to the limitations set forth in the Credit Agreement, such

Grantor shall be entitled to receive all cash distributions paid in respect of the Pledged Collateral.

(c) Voting Rights. Except as provided in Article VI, such Grantor shall be entitled to exercise all voting, consent and corporate, partnership, limited liability company and similar rights with respect to the Pledged Collateral; provided, however, that no vote shall be cast, consent given or right exercised or other action taken by such Grantor that would materially impair the Collateral or be inconsistent with or result in any violation of any provision of any Loan Document.

Section 5.4 Accounts.

(d) Such Grantor shall not, other than in the Ordinary Course of Business, (i) grant any extension of the time of payment of any account, (ii) compromise or settle any account for less than the full amount thereof, (iii) release, wholly or partially, any Person liable for the payment of any account, (iv) allow any credit or discount on any account or (v) amend, supplement or modify any account in any manner that would reasonably be expected to adversely affect the value thereof.

(e) So long as an Event of Default is continuing, the US Agent shall have the right to make test verifications of the Accounts in any manner and through any medium that it reasonably considers advisable, and such Grantor shall furnish all such assistance and information as the US Agent may reasonably require in connection therewith. At any time and from time to time, upon the US Agent's reasonable request, such Grantor shall cause independent public accountants or others satisfactory to the US Agent to furnish to the US Agent reports showing reconciliations, aging, and trial balances for, the accounts.

Section 5.5 Commodity Contracts. Such Grantor shall not have any commodity contract unless subject to a Control Agreement.

Section 5.6 Delivery of Instruments and Tangible Chattel Paper and Control of Investment Property, Letter-of-Credit Rights and Electronic Chattel Paper. If any amount in excess of $500,000 individually or $1,000,000 in the aggregate payable under or in connection with any Collateral owned by such Grantor shall be or become evidenced by an instrument or tangible chattel paper other than such instrument delivered in accordance with Section 5.3(a) and in the possession of the US Agent, such Grantor shall mark all such instruments and tangible chattel paper with the following legend: "This writing and the obligations evidenced or secured hereby are subject to the security interest of JPMorgan Chase Bank, N.A., as US Agent" and, at the request of the US Agent, shall immediately deliver such instrument or tangible chattel paper to the US Agent, duly indorsed in a manner satisfactory to the US Agent.

(c) Such Grantor shall not grant "control" (within the meaning of such term under Article 9-106 of the UCC) over any investment property to any Person other than the US Agent.

(d) If such Grantor is or becomes the beneficiary of a letter of credit that is (i) not a supporting obligation of any Collateral and (ii) in excess of $500,000 individually or $1,000,000 in the aggregate, such Grantor shall promptly, and in any event within five (5) Business Days after becoming a beneficiary, notify the US Agent thereof and use commercially reasonable efforts to enter into a Contractual Obligation with the US Agent, the issuer of such letter of credit or any nominated person with respect to the letter-of-credit rights under such letter of credit. Such Contractual Obligation shall collaterally assign such letter-of-credit rights to the US Agent and such collateral assignment shall be sufficient to grant control for the purposes of Section 9-107 of the UCC (or any similar section under any equivalent UCC). Such Contractual Obligation shall also direct all payments thereunder to a Cash Collateral Account. The provisions of the Contractual Obligation shall be in form and substance reasonably satisfactory to the US Agent and the Borrower.

(e) If any amount in excess of $300,000 individually or $750,000 in the aggregate payable under or in connection with any Collateral owned by such Grantor shall be or become evidenced by electronic chattel paper, such Grantor shall, at the request of US Agent, take all steps necessary to grant the US Agent control of all such electronic chattel paper for the purposes of Section 9-105 of the UCC (or any similar section under any equivalent UCC) and all "transferable records" as defined in each of the Uniform Electronic Transactions Act and the Electronic Signatures in Global and National Commerce Act.

Section 5.7 Intellectual Property. Not less frequently than quarterly (as of the last day of each calendar quarter), each Grantor shall provide the US Agent written notification of any change to Schedule 6 and the short-form intellectual property agreements as described in this Section 5.7 and other documents that the US Agent reasonably requests with respect thereto.

(a) Such Grantor shall (and shall cause all its licensees to), in its reasonable business judgment, (i) (A) continue to use each Trademark included in the Material Intellectual Property which is material to such Grantor's business in order to maintain such Trademark in full force and effect with respect to each class of goods for which such Trademark is currently used, free from any claim of abandonment for non-use, (B) maintain at least the same standards of quality of products and services offered under such Trademark as are currently maintained, (C) use such Trademark with the appropriate notice of registration and all other notices and legends required by applicable Requirements of Law, (D) not adopt or use any other Trademark that is confusingly similar or a colorable imitation of such Trademark unless the US Agent shall obtain a perfected security interest in such other Trademark pursuant to this Agreement and (ii) not do any act or omit to do any act whereby (w) such Trademark (or any goodwill associated therewith) may become destroyed, invalidated, impaired or harmed in any way, (x) any Patent included in the Material Intellectual Property which is material to such Grantor's business may become forfeited, misused, unenforceable, abandoned or dedicated to the public, (y) any portion of the Copyrights included in the Material Intellectual Property may become invalidated,

otherwise impaired or fall into the public domain or (z) any Trade Secret that is Material Intellectual Property may become publicly available or otherwise unprotectable.

(b) Such Grantor shall notify the US Agent promptly if it knows that any application or registration relating to any Material Intellectual Property owned by such Grantor may become forfeited, misused, unenforceable, abandoned or dedicated to the public, or of any material adverse determination or development regarding the validity or enforceability or such Grantor's ownership of, interest in, right to use, register, own or maintain any Material Intellectual Property (including the institution of, or any such determination or development in, any proceeding relating to the foregoing in any Applicable IP Office). Unless no longer deemed Material Intellectual Property in such Grantor's reasonable business judgment, such Grantor shall take all actions that are necessary or reasonably requested by the US Agent to maintain and pursue each application (and to obtain the relevant registration or recordation) and to maintain each registration and recordation for Material Intellectual Property owned by such Grantor.

(c) Such Grantor shall not knowingly do any act or omit to do any act to infringe, misappropriate, dilute, violate or otherwise impair the Intellectual Property of any other Person to the extent such act could reasonably be expected to result in a Material Adverse Effect. In the event that any Material Intellectual Property of such Grantor is or has been infringed, misappropriated, violated, diluted or otherwise impaired by a third party, such Grantor shall take such action as it reasonably deems appropriate under the circumstances in response thereto, including promptly bringing suit and recovering all damages therefor.

(d) Such Grantor shall execute and deliver to the US Agent in form and substance reasonably acceptable to the US Agent and suitable for filing in the Applicable IP Office the short-form intellectual property security agreements in the form attached hereto as Annex 3 for all U.S. registered Copyrights, U.S. registered Trademarks, and U.S. issued Patents of such Grantor.

Section 5.8 Notices. Such Grantor shall promptly notify the US Agent in writing of its acquisition of any interest hereafter in property that is of a type where a security interest or Lien must be or may be registered, recorded or filed under, or notice thereof given under, any federal statute or regulation.

Section 5.9 Notice of Commercial Tort Claims. Such Grantor agrees that, if it shall acquire any interest in any commercial tort claim where such Grantor's claim is in excess of $300,000 or its recovery thereunder could reasonably be expected to be greater than $300,000 (whether from another Person or because such commercial tort claim shall have come into existence) and upon a Responsible Officer becoming aware thereof, (i) such Grantor shall, promptly upon such acquisition, deliver to the US Agent, in each case in form and substance reasonably satisfactory to the US Agent, a notice of the existence and nature of such commercial tort claim and a supplement to Schedule 1 containing a specific

description of such commercial tort claim, (ii) Section 3.1 shall apply to such commercial tort claim and (iii) such Grantor shall execute and deliver to the US Agent, in each case in form and substance reasonably satisfactory to the US Agent, any document, and take all other action, deemed by the US Agent to be reasonably necessary to create, perfect and protect US Agent's Lien, on behalf of the Secured Parties, a perfected security interest having at least the priority set forth in Section 4.2 in all such commercial tort claims. Such Grantor shall do all of the foregoing at any time if requested by US Agent in writing with respect to any commercial tort claim in which a Grantor maintains any interest, regardless of the amount of the claim in respect thereof or potential recovery thereunder. Any supplement Schedule 1 delivered pursuant to this Section 5.9 shall, after the receipt thereof by the US Agent, become part of Schedule 1 for all purposes hereunder other than in respect of representations and warranties made prior to the date of such receipt.

Section 5.10 Controlled Securities Account. Each Grantor shall deposit all of its Cash Equivalents, if any, in securities accounts that are Controlled Securities Accounts except for Cash Equivalents the aggregate value of which does at any time not exceed $250,000 individually and $700,000 in the aggregate.

ARTICLE VI

REMEDIAL PROVISIONS

Section 6.1 Code and Other Remedies. UCC Remedies. During the continuance of an Event of Default, the US Agent may exercise, in addition to all other rights and remedies granted to it in this Agreement and in any other instrument or agreement securing, evidencing or relating to any Secured Obligation, all rights and remedies of a secured party under the UCC or any other applicable law.

(g) Disposition of Collateral. Without limiting the generality of the foregoing, the US Agent may, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon any Grantor or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), during the continuance of any Event of Default (personally or through its agents or attorneys), (i) enter upon the premises where any Collateral is located, without any obligation to pay rent, through self-help, without judicial process, without first obtaining a final judgment or giving any Grantor or any other Person notice or opportunity for a hearing on the US Agent's claim or action, (ii) collect, receive, appropriate and realize upon any Collateral and (iii) sell, assign, convey, transfer, grant option or options to purchase and deliver any Collateral (enter into Contractual Obligations to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of any Secured Party or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The US Agent shall have the right, upon any such public sale or sales and, to

the extent permitted by the UCC and other applicable Requirements of Law, upon any such private sale, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption of any Grantor, which right or equity is hereby waived and released.

(h) Management of the Collateral. Each Grantor further agrees, that, during the continuance of any Event of Default, (i) at the US Agent's request, it shall assemble the Collateral and make it available to the US Agent at places that the US Agent shall reasonably select, whether at such Grantor's premises or elsewhere, (ii) without limiting the foregoing, the US Agent also has the right to require that each Grantor store and keep any Collateral pending further action by the US Agent and, while any such Collateral is so stored or kept, provide such guards and maintenance services as shall be necessary to protect the same and to preserve and maintain such Collateral in good condition, (iii) until the US Agent is able to sell, assign, convey or transfer any Collateral, the US Agent shall have the right to hold or use such Collateral to the extent that it deems appropriate for the purpose of preserving the Collateral or its value or for any other purpose deemed appropriate by the US Agent and (iv) the US Agent may, if it so elects, seek the appointment of a receiver or keeper to take possession of any Collateral and to enforce any of the US Agent's remedies (for the benefit of the Secured Parties), with respect to such appointment without prior notice or hearing as to such appointment. The US Agent shall not have any obligation to any Grantor to maintain or preserve the rights of any Grantor as against third parties with respect to any Collateral while such Collateral is in the possession of the US Agent.

(i) Application of Proceeds. The US Agent shall apply the cash proceeds of any action taken by it pursuant to this Section 6.1 in such order as specified in Section 1.10(c) of the Credit Agreement to the payment in whole or in part of the Secured Obligations, as set forth in the Credit Agreement, and only after such application and after the payment by the US Agent of any other amount required by any Requirement of Law, need the US Agent account for the surplus, if any, to any Grantor.

(j) Direct Obligation. Neither the US Agent nor any other Secured Party shall be required to make any demand upon, or pursue or exhaust any right or remedy against, any Grantor, any other Credit Party or any other Person with respect to the payment of the Obligations or to pursue or exhaust any right or remedy with respect to any Collateral therefor or any direct or indirect guaranty thereof. All of the rights and remedies of the US Agent and any other Secured Party under any Loan Document shall be cumulative, may be exercised individually or concurrently and not exclusive of any other rights or remedies provided by any Requirement of Law. To the extent it may lawfully do so, each Grantor absolutely and irrevocably waives and relinquishes the benefit and advantage of, and covenants not to assert against the US Agent or any Lender, any valuation, stay, appraisement, extension, redemption or similar laws and any and all rights or defenses it may have as a surety, now or hereafter existing, arising out of the exercise by them of any rights hereunder. If any notice of a proposed sale or other disposition of any Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at

least 10 days before such sale or other disposition.

(k) Commercially Reasonable. To the extent that applicable Requirements of Law impose duties on the US Agent to exercise remedies in a commercially reasonable manner, each Grantor acknowledges and agrees that it is not commercially unreasonable for the US Agent to do any of the following:

(i) fail to incur significant costs, expenses or other Liabilities reasonably deemed as such by the US Agent to prepare any Collateral for disposition or otherwise to complete raw material or work in process into finished goods or other finished products for disposition;

(ii) unless required by Requirements of Law, fail to obtain Permits, or other consents for (A) access to any Collateral to sell, (B) the collection or sale of any Collateral, or (C) the collection or disposition of any Collateral;

(iii) fail to exercise remedies against account debtors or other Persons obligated on any Collateral or to remove Liens on any Collateral or to remove any adverse claims against any Collateral;

(iv) advertise dispositions of any Collateral through publications or media of general circulation, whether or not such Collateral is of a specialized nature, or to contact other Persons, whether or not in the same business as any Grantor, for expressions of interest in acquiring any such Collateral;

(v) exercise collection remedies against account debtors and other Persons obligated on any Collateral, directly or through the use of collection agencies or other collection specialists, hire one or more professional auctioneers to assist in the disposition of any Collateral, whether or not such Collateral is of a specialized nature, or, to the extent deemed appropriate by the US Agent, obtain the services of other brokers, investment bankers, consultants and other professionals to assist the US Agent in the collection or disposition of any Collateral, or utilize Internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capacity of doing so, or that match buyers and sellers of assets to dispose of any Collateral;

(vi) dispose of assets in wholesale rather than retail markets;

(vii) disclaim disposition warranties, such as title, possession or quiet enjoyment; or

(viii) purchase insurance or credit enhancements to insure the US Agent against risks of loss, collection or disposition of any Collateral or to provide to the US Agent a guaranteed return from the collection or disposition of any Collateral.

Each Grantor acknowledges that the purpose of this Section 6.1 is to provide a non-exhaustive list of actions or omissions that are commercially reasonable when exercising remedies against any Collateral and that other actions or omissions by the Secured Parties shall not be deemed commercially unreasonable solely on account of not being indicated in this Section 6.1. Without limitation upon the foregoing, nothing contained in this Section 6.1 shall be construed to grant any rights to any Grantor or to impose any duties on the US Agent that would not have been granted or imposed by this Agreement or by applicable Requirements of Law in the absence of this Section 6.1.

(l) IP Licenses. For the purpose of enabling the US Agent to exercise rights and remedies under this Section 6.1 (including in order to take possession of, collect, receive, assemble, process, appropriate, remove, realize upon, sell, assign, convey, transfer or grant options to purchase any Collateral) at such time as the US Agent shall be lawfully entitled to exercise such rights and remedies, each Grantor hereby grants to the US Agent, for the benefit of the Secured Parties, (i) subject to the rights of the applicable third party, an irrevocable (except as otherwise set forth in Section 8.2), nonexclusive, worldwide license (exercisable without payment of royalty or other compensation to such Grantor), including in such license the right to sublicense, use and practice any Intellectual Property not constituting Excluded Property now owned or hereafter acquired by such Grantor and access to all media in which any of the licensed items may be recorded or stored and to all Software and programs used for the compilation or printout thereof and (ii) an irrevocable license (without payment of rent or other compensation to such Grantor) to use, operate and occupy all real Property owned, operated, leased, subleased or otherwise occupied by such Grantor.

Section 6.2 Accounts and Payments in Respect of General Intangibles. In addition to, and not in substitution for, any similar requirement in the Credit Agreement, if required by the US Agent at any time during the continuance of an Event of Default, any payment of accounts or payment in respect of general intangibles, when collected by any Grantor, shall be promptly (and, in any event, within two (2) Business Days) deposited by such Grantor in the exact form received, duly indorsed by such Grantor to the US Agent, in a Cash Collateral Account, subject to withdrawal by the US Agent as provided in Section 6.4. Until so turned over, such payment shall be held by such Grantor in trust for the US Agent, segregated from other funds of such Grantor. Each such deposit of proceeds of accounts and payments in respect of general intangibles shall be accompanied by a report identifying in reasonable detail the nature and source of the payments included in the deposit.

(d) At any time during the continuance of an Event of Default:

(i) each Grantor shall, upon the US Agent's request, deliver to the US Agent all original and other documents evidencing, and relating to, the Contractual Obligations and transactions that gave rise to any account or any payment in respect of general intangibles, including all original orders, invoices and shipping receipts and notify account debtors that the accounts or general intangibles have

been collaterally assigned to the US Agent and that payments in respect thereof shall be made directly to the US Agent;

(ii) the US Agent may, without notice, at any time during the continuance of an Event of Default, limit or terminate the authority of a Grantor to collect its accounts or amounts due under general intangibles or any thereof and, in its own name or in the name of others, communicate with account debtors to verify with them to the US Agent's satisfaction the existence, amount and terms of any account or amounts due under any general intangible. In addition, the US Agent may at any time enforce such Grantor's rights against such account debtors and obligors of general intangibles; and

(iii) each Grantor shall take all actions, deliver all documents and provide all information necessary or reasonably requested by the US Agent to ensure any Internet Domain Name is registered.

(e) Anything herein to the contrary notwithstanding, each Grantor shall remain liable under each account and each payment in respect of general intangibles to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise thereto. No Secured Party shall have any obligation or liability under any agreement giving rise to an account or a payment in respect of a general intangible by reason of or arising out of any Loan Document or the receipt by any Secured Party of any payment relating thereto, nor shall any Secured Party be obligated in any manner to perform any obligation of any Grantor under or pursuant to any agreement giving rise to an account or a payment in respect of a general intangible, to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party thereunder, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts that may have been assigned to it or to which it may be entitled at any time or times.

Section 6.3 Pledged Collateral. Voting Rights. During the continuance of an Event of Default, upon notice by the US Agent to the relevant Grantor or Grantors, the US Agent or its nominee may exercise (A) any voting, consent, corporate and other right pertaining to the Pledged Collateral at any meeting of shareholders, partners or members, as the case may be, of the relevant issuer or issuers of Pledged Collateral or otherwise and (B) any right of conversion, exchange and subscription and any other right, privilege or option pertaining to the Pledged Collateral as if it were the absolute owner thereof (including the right to exchange at its discretion any Pledged Collateral upon the merger, amalgamation, consolidation, reorganization, recapitalization or other fundamental change in the corporate or equivalent structure of any issuer of Pledged Stock, the right to deposit and deliver any Pledged Collateral with any committee, depositary, transfer agent, registrar or other designated agency upon such terms and conditions as the US Agent may determine), all without liability except to account for property actually received by it and except for any

act constituting gross negligence, willful misconduct or bad faith as finally determined by a court of competent jurisdiction; provided, however, that the US Agent shall have no duty to any Grantor to exercise any such right, privilege or option and shall not be responsible for any failure to do so or delay in so doing; provided, further, that if and when any such Event of Default shall have been cured or waived, (i) such voting rights shall automatically revert to the applicable Grantor and (ii) the US Agent, at the expense of the Grantors, shall execute such documents reasonably requested by Grantors to allow the owner of any equity interest to exercise any rights associated with such equity interest.

(f) Proxies. In order to permit the US Agent to exercise the voting and other consensual rights that it may be entitled to exercise pursuant hereto and to receive all dividends and other distributions that it may be entitled to receive hereunder, (i) each Grantor shall promptly execute and deliver (or cause to be executed and delivered) to the US Agent all such proxies, dividend payment orders and other instruments as the US Agent may from time to time reasonably request and (ii) without limiting the effect of clause (i) above, such Grantor hereby grants to the US Agent an irrevocable proxy to vote all or any part of the Pledged Collateral and to exercise all other rights, powers, privileges and remedies to which a holder of the Pledged Collateral would be entitled (including giving or withholding written consents of shareholders, partners or members, as the case may be, calling special meetings of shareholders, partners or members, as the case may be, and voting at such meetings), which proxy shall be effective, automatically and without the necessity of any action (including any transfer of any Pledged Collateral on the record books of the issuer thereof) by any other person (including the issuer of such Pledged Collateral or any officer or agent thereof) during the continuance of an Event of Default and which proxy shall only terminate upon the payment in full of the Secured Obligations (other than contingent indemnification obligations to the extent no claim giving rise thereto has been asserted and Letter of Credit Obligations collateralized in the manner set forth in Section 7.4 of the Credit Agreement).

(g) Authorization of Issuers. Each Grantor hereby expressly irrevocably authorizes and instructs, without any further instructions from such Grantor, each issuer of any Pledged Collateral pledged hereunder by such Grantor to (i) comply with any instruction received by it from the US Agent in writing that states that an Event of Default is continuing and is otherwise in accordance with the terms of this Agreement and each Grantor agrees that such issuer shall be fully protected from Liabilities to such Grantor in so complying and (ii) unless otherwise expressly permitted hereby or the Credit Agreement, pay any dividend or make any other payment with respect to the Pledged Collateral directly to the US Agent. The US Agent hereby agrees that it shall not give any such instructions unless an Event of Default has occurred and is continuing.

Section 6.4 Proceeds to be Turned over to and Held by US Agent. To the extent required in the Credit Agreement or this Agreement, all proceeds of any Collateral received by any Grantor hereunder in cash or Cash Equivalents shall be held by such Grantor in trust for the US Agent and the other Secured Parties, segregated from other funds of such Grantor,

and to the extent required by the Credit Agreement or this Agreement shall, promptly upon receipt by any Grantor, be turned over to the US Agent in the exact form received (with any necessary endorsement). All such proceeds of Collateral and any other proceeds of any Collateral received by the US Agent in cash or Cash Equivalents shall be held by the US Agent in a Cash Collateral Account. All proceeds being held by the US Agent in a Cash Collateral Account (or by such Grantor in trust for the US Agent) shall continue to be held as collateral security for the Secured Obligations and shall not constitute payment thereof until applied as provided in the Credit Agreement.

Section 6.5 Sale of Pledged Collateral. Each Grantor recognizes that the US Agent may be unable to effect a public sale of any Pledged Collateral by reason of certain prohibitions contained in the Securities Act and applicable state or foreign securities laws or otherwise or may determine that a public sale is impracticable, not desirable or not commercially reasonable and, accordingly, may resort to one or more private sales thereof to a restricted group of purchasers that shall be obliged to agree, among other things, to acquire such securities for their own account for investment and not with a view to the distribution or resale thereof. Each Grantor acknowledges and agrees that any such private sale may result in prices and other terms less favorable than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner. The US Agent shall be under no obligation to delay a sale of any Pledged Collateral for the period of time necessary to permit the issuer thereof to register such securities for public sale under the Securities Act or under applicable state securities laws even if such issuer would agree to do so.

(f) Each Grantor agrees to use its commercially reasonable efforts to do or cause to be done all such other acts as may be necessary to make such sale or sales of any portion of the Pledged Collateral pursuant to Section 6.1 and this Section 6.5 valid and binding and in compliance with all applicable Requirements of Law. Each Grantor further agrees that a breach of any covenant contained herein will cause irreparable injury to the US Agent and other Secured Parties, that the US Agent and the other Secured Parties have no adequate remedy at law in respect of such breach and, as a consequence, that each and every covenant contained herein shall be specifically enforceable against such Grantor, and such Grantor hereby waives and agrees not to assert any defense against an action for specific performance of such covenants except for a defense that no Event of Default has occurred under the Credit Agreement or a defense of payment. Each Grantor waives any and all rights of contribution or subrogation upon the sale or disposition of all or any portion of the Pledged Collateral by US Agent.

Section 6.6 Deficiency. Each Grantor shall remain liable for any deficiency if the proceeds of any sale or other disposition of any Collateral are insufficient to pay the Secured Obligations and the fees and disbursements of any attorney employed by the US Agent or any other Secured Party to collect such deficiency.

ARTICLE VII

THE US AGENT

Section 7.1 US Agent's Appointment as Attorney-in-Fact . Each Grantor hereby irrevocably constitutes and appoints the US Agent and any Related Person thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Grantor and in the name of such Grantor or in its own name, upon the occurrence and during the continuance of any Event of Default, for the purpose of carrying out the terms of the Loan Documents, to take any appropriate action and to execute any document or instrument that may be necessary or desirable to accomplish the purposes of the Loan Documents, and, without limiting the generality of the foregoing, each Grantor hereby gives the US Agent and its Related Persons the power and right, on behalf of such Grantor, without notice to or assent by such Grantor, to do any of the following when an Event of Default shall be continuing:

(iv) in the name of such Grantor, in its own name or otherwise, take possession of and indorse and collect any check, draft, note, acceptance or other instrument for the payment of moneys due under any account or general intangible or with respect to any other Collateral and file any claim or take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the US Agent for the purpose of collecting any such moneys due under any account or general intangible or with respect to any other Collateral whenever payable;

(v) in the case of any Intellectual Property owned by or licensed to the Grantors, execute, deliver and have recorded any document that the US Agent may request to evidence, effect, publicize or record the US Agent's security interest in such Intellectual Property and the goodwill and general intangibles of such Grantor relating thereto or represented thereby, to the extent that such Intellectual Property is not Excluded Property;

(vi) pay or discharge taxes and Liens levied or placed on or threatened against any Collateral, effect any repair or pay any insurance called for by the terms of the Credit Agreement (including all or any part of the premiums therefor and the costs thereof);

(vii) execute, in connection with any sale provided for in Section 6.1 or Section 6.5, any document to effect or otherwise necessary or appropriate in relation to evidence the sale of any Collateral; or

(viii) (A) direct any party liable for any payment under any Collateral to make payment of any moneys due or to become due thereunder directly

to the US Agent or as the US Agent shall direct, (B) ask or demand for, and collect and receive payment of and receipt for, any moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral, (C) sign and indorse any invoice, freight or express bill, bill of lading, storage or warehouse receipt, draft against debtors, assignment, verification, notice and other document in connection with any Collateral, (D) commence and prosecute any suit, action or proceeding at law or in equity in any court of competent jurisdiction to collect any Collateral and to enforce any other right in respect of any Collateral, (E) defend any actions, suits, proceedings, audits, claims, demands, orders or disputes brought against such Grantor with respect to any Collateral, (F) settle, compromise or adjust any such actions, suits, proceedings, audits, claims, demands, orders or disputes and, in connection therewith, give such discharges or releases as the US Agent may deem appropriate, (G) assign any Intellectual Property owned by the Grantors or any IP Licenses of the Grantors throughout the world on such terms and conditions and in such manner as the US Agent shall in its sole discretion determine, including the execution and filing of any document necessary to effectuate or record such assignment and (H) generally, sell, assign, convey, transfer or grant a Lien on, make any Contractual Obligation with respect to and otherwise deal with, any Collateral as fully and completely as though the US Agent were the absolute owner thereof for all purposes and do, at the US Agent's option, at any time or from time to time, all acts and things that the US Agent deems necessary to protect, preserve or realize upon any Collateral and the Secured Parties' security interests therein and to effect the intent of the Loan Documents, all as fully and effectively as such Grantor might do.

(ix) If any Grantor fails to perform or comply with any Contractual Obligation contained herein, the US Agent, at its option, but without any obligation so to do, may perform or comply, or otherwise cause performance or compliance, with such Contractual Obligation.

(f) The expenses of the US Agent incurred in connection with actions undertaken as provided in this Section 7.1, together with interest thereon at a rate set forth in subsection 1.3(c) of the Credit Agreement, from the date of payment by the US Agent to the date reimbursed by the relevant Grantor, shall be payable by such Grantor to the US Agent within five (5) Business Days after demand.

(g) Each Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue of this Section 7.1 and in accordance with the terms herein. All powers, authorizations and agencies contained in this Agreement are coupled with an interest and are irrevocable until this Agreement is terminated and the security interests created hereby are released.

Section 7.2 Authorization to File Financing Statements . Each Grantor authorizes the US Agent and its Related Persons, at any time and from time to time, to file or record

financing statements, amendments thereto, and other filing or recording documents or instruments with respect to any Collateral in such form and in such offices as the US Agent reasonably determines appropriate to perfect the security interests of the US Agent under this Agreement, and such financing statements and amendments may describe the Collateral covered thereby as "all assets of the debtor, whether now existing or hereafter arising or acquired, including all proceeds thereof". A photographic or other reproduction of this Agreement shall be sufficient as a financing statement or other filing or recording document or instrument for filing or recording in any jurisdiction. Such Grantor also hereby ratifies its authorization for the US Agent to have filed any initial financing statement or amendment thereto under the UCC (or other similar laws) in effect in any jurisdiction if filed prior to the date hereof.

Section 7.3 Authority of US Agent. Each Grantor acknowledges that the rights and responsibilities of the US Agent under this Agreement with respect to any action taken by the US Agent or the exercise or non-exercise by the US Agent of any option, voting right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Agreement shall, as between the US Agent and the other Secured Parties, be governed by the Credit Agreement and by such other agreements with respect thereto as may exist from time to time among them, but, as between the US Agent and the Grantors, the US Agent shall be conclusively presumed to be acting as agent for the Secured Parties with full and valid authority so to act or refrain from acting, and no Grantor shall be under any obligation or entitlement to make any inquiry respecting such authority.

Section 7.4 Duty; Obligations and Liabilities. Duty of US Agent. The US Agent's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession shall be to deal with it in the same manner as the US Agent deals with similar property for its own account. The powers conferred on the US Agent hereunder are solely to protect the US Agent's interest in the Collateral and shall not impose any duty upon the US Agent to exercise any such powers. The US Agent shall be accountable only for amounts that it receives as a result of the exercise of such powers, and neither it nor any of its Related Persons shall be responsible to any Grantor for any act or failure to act hereunder, except for their own gross negligence, bad faith, or willful misconduct as finally determined by a court of competent jurisdiction. In addition, the US Agent shall not be liable or responsible for any loss or damage to any Collateral, or for any diminution in the value thereof, by reason of the act or omission of any warehousemen, carrier, forwarding agency, consignee or other bailee if such Person has been selected by the US Agent in good faith.

(g) Obligations and Liabilities with respect to Collateral. No Secured Party and no Related Person thereof shall be liable for failure to demand, collect or realize upon any Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of any Grantor or any other Person or to take any other action whatsoever with regard to any Collateral. The powers conferred on the US Agent hereunder shall not impose any duty upon any other Secured Party to

exercise any such powers. The other Secured Parties shall be accountable only for amounts that they actually receive as a result of the exercise of such powers, and neither they nor any of their respective officers, directors, employees or agents shall be responsible to any Grantor for any act or failure to act hereunder, except for their own gross negligence, willful misconduct or bad faith as finally determined by a court of competent jurisdiction.

Section 7.5 Costs and Expenses; Indemnification Each Grantor shall pay or reimburse the US Agent for payment of all costs and expenses in accordance with the provisions of the Credit Agreement. Each Grantor agrees to indemnify and hold the US Agent and each of the Secured Parties, and their respective employees, agents, officers and directors, harmless from all loss, cost, damage, liability or expenses, including expenses incurred by the US Agent and each of the Secured Parties by reason of an Event of Default, or enforcing the obligations of such Grantor in accordance with the provisions of the Credit Agreement.

ARTICLE VIII

MISCELLANEOUS

Section 8.1 Reinstatement. Each Grantor agrees that, if any payment made by any Credit Party or other Person and applied to the Secured Obligations is at any time annulled, avoided, set aside, rescinded, invalidated, declared to be fraudulent or preferential or otherwise required to be refunded or repaid, or the proceeds of any Collateral are required to be returned by any Secured Party to such Credit Party, its estate, trustee, receiver or any other party, including any Grantor, under any bankruptcy law, state or federal law, common law or equitable cause, then, to the extent of such payment or repayment, any Lien or other Collateral securing such liability shall be and remain in full force and effect, as fully as if such payment had never been made. If, prior to any of the foregoing, (a) any Lien or other Collateral securing such Grantor's liability hereunder shall have been released or terminated by virtue of the foregoing or (b) any provision of the Guaranty hereunder shall have been terminated, cancelled or surrendered, such Lien, other Collateral or provision shall be reinstated in full force and effect and such prior release, termination, cancellation or surrender shall not diminish, release, discharge, impair or otherwise affect the obligations of any such Grantor in respect of any Lien or other Collateral securing such obligation or the amount of such payment.

Section 8.2 Release of Collateral. At the time provided in Section 8.10(b)(iii) of the Credit Agreement, the Collateral shall automatically be released from the Lien created hereby and this Agreement and all obligations (other than those expressly stated to survive such termination) of the US Agent and each Grantor hereunder shall terminate, all without delivery of any instrument or performance of any act by any party, and all rights to the Collateral shall revert to the Grantors. Each Grantor(or such Grantor's designee) is hereby authorized to file UCC-3 amendments, termination statements and other documents, such as releases of security interest with the Applicable IP Office, at such time evidencing the

termination of the Liens so released; provided, however, that in no event is any Grantor authorized to execute any instrument, agreement or document on behalf of US Agent or any Lender to evidence such release pursuant to this Section 8.2. At the request of any Grantor following any such termination, the US Agent shall deliver to such Grantor any Collateral of such Grantor held by the US Agent hereunder and execute and deliver to such Grantor such documents as such Grantor shall reasonably request to evidence such termination.

(a) If the US Agent shall be directed or permitted pursuant to subsection 8.10(b) of the Credit Agreement to release any Lien or any Collateral, such Collateral shall be released from the Lien created hereby to the extent provided under, and subject to the terms and conditions set forth in, such subsection. In connection therewith, the US Agent, at the request of any Grantor, shall execute and deliver to such Grantor such documents as such Grantor shall reasonably request to evidence such release.

(b) At the time provided in subsection 8.10(b) of the Credit Agreement and at the request of the US Borrower, unless as a condition to the consent of US Agent and Lenders to such sale, if applicable, such Grantor is required to remain subject to this Agreement, a Grantor shall be released from its obligations hereunder in the event that all the Stock and Stock Equivalents of such Grantor shall be sold to any Person that is not a Credit Party, the Borrowers and the Subsidiaries of the Borrowers in a transaction permitted by the Loan Documents.

Section 8.3 Independent Obligations. The obligations of each Grantor hereunder are independent of and separate from the Secured Obligations and the Guaranteed Obligations. If any Secured Obligation or Guaranteed Obligation is not paid when due, or during the continuance of any Event of Default, the US Agent may, at its sole election, proceed directly and at once, without notice, against any Grantor and any Collateral to collect and recover the full amount of any Secured Obligation or Guaranteed Obligation then due, without first proceeding against any other Grantor, any other Credit Party or any other Collateral and without first joining any other Grantor or any other Credit Party in any proceeding.

Section 8.4 No Waiver by Course of Conduct . No Secured Party shall by any act (except by a written instrument pursuant to Section 8.5), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default. No failure to exercise, nor any delay in exercising, on the part of any Secured Party, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by any Secured Party of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy that such Secured Party would otherwise have on any future occasion.

Section 8.5 Amendments in Writing. None of the terms or provisions of this

Agreement may be waived, amended, supplemented or otherwise modified except in accordance with Section 9.1 of the Credit Agreement; provided, however, that annexes to this Agreement may be supplemented (but no existing provisions may be modified and no Collateral may be released) through Pledge Amendments and Joinder Agreements, in substantially the form of Annex 1 and Annex 2, respectively, in each case duly executed by the US Agent and each Grantor directly affected thereby.

Section 8.6 Additional Grantors; Additional Pledged Collateral . Joinder Agreements. If, at the option of the US Borrower or as required pursuant to Section 4.13 of the Credit Agreement, the US Borrower shall cause any Subsidiary that is not a Grantor to become a Grantor hereunder, such Subsidiary shall promptly execute and deliver to the US Agent a Joinder Agreement substantially in the form of Annex 2 and shall thereafter for all purposes be a party hereto and have the same rights, benefits and obligations as a Grantor party hereto on the Closing Date.

(a) Pledge Amendments . To the extent any Pledged Collateral which is otherwise required to be delivered hereunder and has not been delivered as of the Closing Date, such Grantor shall deliver a pledge amendment duly executed by the Grantor in substantially the form of Annex 1 (each, a "Pledge Amendment"). Such Grantor authorizes the US Agent to attach each Pledge Amendment to this Agreement.

Section 8.7 Notices. All notices, requests and demands to or upon the US Agent or any Grantor hereunder shall be effected in the manner provided for in Section 9.2 of the Credit Agreement; provided, however, that any such notice, request or demand to or upon any Grantor shall be addressed to the US Borrower's notice address set forth in Section 9.2 of the Credit Agreement.

Section 8.8 Successors and Assigns. This Agreement shall be binding upon the successors and assigns of each Grantor and shall inure to the benefit of each Secured Party and their permitted successors and assigns; provided, however, that no Grantor may assign, transfer or delegate any of its rights or obligations under this Agreement without the prior written consent of the US Agent.

Section 8.9 Counterparts. This Agreement may be executed in any number of counterparts and by different parties in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Signature pages may be detached from multiple separate counterparts and attached to a single counterpart. Delivery of an executed signature page of this Agreement by facsimile transmission or by Electronic Transmission shall be as effective as delivery of a manually executed counterpart hereof.

Section 8.10 Severability. Any provision of this Agreement being held illegal, invalid or unenforceable in any jurisdiction shall not affect any part of such provision not held illegal, invalid or unenforceable, any other provision of this Agreement or any part of such provision in any other jurisdiction.

Section 8.11 Governing Law. This Agreement and the rights and obligations of the parties hereto shall be governed by, and construed and interpreted in accordance with, the law of the State of Texas.

Section 8.12 Waiver of Jury Trial. EACH PARTY HERETO, TO THE EXTENT PERMITTED BY LAW, HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING WITH RESPECT TO, OR DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH OR RELATING TO, THIS AGREEMENT, ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREIN, THEREIN OR RELATED THERETO (WHETHER FOUNDED IN CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO OTHER PARTY AND NO RELATED PERSON OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 8.12.

EACH GRANTOR AGREES TO BE BOUND BY THE PROVISIONS OF SUBSECTION 9.18(b) AND (c) OF THE CREDIT AGREEMENT.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, each of the undersigned has caused this Guaranty and Security Agreement to be duly executed and delivered as of the date first above written.

THERMON INDUSTRIES, INC. a Texas corporation, as Grantor

By: /s/ Rodney Bingham _
Name: Rodney Bingham
Title: President

THERMON MANUFACTURING COMPANY, a Texas corporation, as Grantor

By: /s/ Rodney Bingham _
Name: Rodney Bingham
Title: President

THERMON HEAT TRACING SERVICES, INC., a Texas corporation, as Grantor

By: /s/ Rodney Bingham _
Name: Rodney Bingham
Title: President

THERMON HEAT TRACING SERVICES-II, INC., a Texas corporation, as Grantor

By: /s/ Rodney Bingham _
Name: Rodney Bingham
Title: President

THERMON HEAT TRACING SERVICES-1, INC., a Texas corporation, as Grantor

By: /s/ Rodney Bingham _
Name: Rodney Bingham
Title: President

IN WITNESS WHEREOF, each of the undersigned has caused this Guaranty and Security Agreement to be duly executed and delivered as of the date first above written.

THERMON HOLDING CORP., a
Delaware corporation, as Grantor

By: /s/ Rodney Bingham _
Name: Rodney Bingham
Title: President

ACCEPTED AND AGREED
as of the date first above written:

JPMORGAN CHASE BANK, N.A., as US Agent

By: /s/ Joe Carrol _
Name: Joe Carrol
Title: Senior Vice President

ANNEX 1
TO
GUARANTY AND SECURITY AGREEMENT[1]

FORM OF PLEDGE AMENDMENT

This Pledge Amendment, dated as of _____ __, 201__, is delivered pursuant to Section 8.6 of the Guaranty and Security Agreement, dated as of _____, 2012, by and among Thermon Industries, Inc., a Texas corporation (the "US Borrower"), the undersigned Grantor and the other Affiliates of the US Borrower from time to time party thereto as Grantors in favor of JPMorgan Chase Bank, N.A., as US Agent for the US Secured Parties referred to therein (as the same may be modified from time to time, the "Guaranty and Security Agreement"). Capitalized terms used herein without definition are used as defined in the Guaranty and Security Agreement.

The undersigned hereby agrees that this Pledge Amendment may be attached to the Guaranty and Security Agreement and that the Pledged Collateral listed on Annex 1-A to this Pledge Amendment shall be and become part of the Collateral referred to in the Guaranty and Security Agreement and shall secure all Obligations of the undersigned.

The undersigned hereby represents and warrants that, with respect to the Pledged Collateral listed on Annex 1-A to this Pledge Amendment, each of the representations and warranties contained in Sections 4.1, 4.2, 4.5 and 4.10 of the Guaranty and Security Agreement is true and correct and as of the date hereof as if made on and as of such date.

[GRANTOR]

By: _____
Name:
Title:

[1] To be used for pledge of Additional Pledged Collateral by existing Grantor.

PLEDGED STOCK

ISSUER	CLASS	CERTIFICATE NO(S).	PAR VALUE	NUMBER OF SHARES, UNITS OR INTERESTS

PLEDGED DEBT INSTRUMENTS

ISSUER	DESCRIPTION OF DEBT	CERTIFICATE NO(S).	FINAL MATURITY	PRINCIPAL AMOUNT

ACKNOWLEDGED AND AGREED
as of the date first above written:

JPMORGAN CHASE BANK, N.A.,
as US Agent

By: __
Name:
Title:

ANNEX 2
TO
GUARANTY AND SECURITY AGREEMENT

FORM OF JOINDER AGREEMENT

This JOINDER AGREEMENT, dated as of _____ __, 201__, is delivered pursuant to Section 8.6 of the Guaranty and Security Agreement, dated as of _____, 2012, by and among Thermon Industries, Inc., a Texas corporation (the "US Borrower"), and the Affiliates of the US Borrower from time to time party thereto as Grantors in favor of JPMorgan Chase Bank, N.A., as US Agent for the Secured Parties referred to therein (the "Guaranty and Security Agreement"). Capitalized terms used herein without definition are used as defined in the Guaranty and Security Agreement.

By executing and delivering this Joinder Agreement, the undersigned, as provided in Section 8.6 of the Guaranty and Security Agreement, hereby becomes a party to the Guaranty and Security Agreement as a Grantor thereunder with the same force and effect as if originally named as a Grantor therein and, without limiting the generality of the foregoing, as collateral security for the prompt and complete payment and performance when due (whether at stated maturity, by acceleration or otherwise) of the Secured Obligations of the undersigned, hereby mortgages, pledges and hypothecates to the US Agent for the benefit of the Secured Parties, and grants to the US Agent for the benefit of the Secured Parties a lien on and security interest in, all of its right, title and interest in, to and under the Collateral of the undersigned and expressly assumes all obligations and liabilities of a Grantor thereunder. The undersigned hereby agrees to be bound as a Grantor for the purposes of the Guaranty and Security Agreement. During the effectiveness of the Guaranty and Security Agreement, each Grantor authorizes the US Agent and its Related Persons, at any time and from time to time, to file or record financing statements, amendments, thereto, and other filing or recording documents or instruments with respect to any Collateral in such form and in such offices as the US Agent reasonably determines appropriate to perfect the security interests of the US Agent under the Guaranty and Security Agreement, and such financing statements and amendments may describe the Collateral covered thereby as "all assets of the debtor, whether now existing or hereafter arising or acquired, including all proceeds thereof".

The information set forth in Annex 1-A is hereby added to the information set forth in Schedules 1 through 6 to the Guaranty and Security Agreement. By acknowledging and agreeing to this Joinder Agreement, the undersigned hereby agree that this Joinder Agreement may be attached to the Guaranty and Security Agreement and that the Collateral listed on Annex 1-A to this Joinder Amendment shall be and become part of the Collateral referred to in the Guaranty and Security Agreement and shall secure all Secured Obligations of the undersigned.

The undersigned hereby represents and warrants that each of the representations and warranties contained in Article IV of the Guaranty and Security Agreement applicable to it is true and correct on and as the date hereof as if made on and as of such date.

IN WITNESS WHEREOF, THE UNDERSIGNED HAS CAUSED THIS JOINDER AGREEMENT TO BE DULY EXECUTED AND DELIVERED AS OF THE DATE FIRST ABOVE WRITTEN.

[Additional Grantor]

By: _____
Name:
Title:

ACKNOWLEDGED AND AGREED
as of the date first above written:

[EACH GRANTOR PLEDGING
ADDITIONAL COLLATERAL]

By: __
Name:
Title:

JPMORGAN CHASE BANK, N.A.,
as US Agent

By: __
Name:
Title:

ANNEX 3
TO
GUARANTY AND SECURITY AGREEMENT

FORM OF INTELLECTUAL PROPERTY SECURITY AGREEMENT

THIS [COPYRIGHT] [PATENT] [TRADEMARK] SECURITY AGREEMENT, dated as of _____ __, 201__, is made by _____, ["_____"], _____ ["_____"] and _____ ["_____"] (this "Agreement"), is made by each of the entities listed on the signature pages hereof (each a "Grantor" and, collectively, the " Grantors"), in favor of JPMorgan Chase Bank, N.A. (" Chase"), as administrative agent (in such capacity, together with its successors and permitted assigns, the "US Agent") for the US Lenders and the US L/C Issuers (as defined in the Credit Agreement referred to below) and the other Secured Parties.

W I T N E S S E T H:

WHEREAS, pursuant to the Credit Agreement, dated as of _____, 2012 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), by and among Thermon Industries, Inc., a Texas corporation (the "US Borrower"), Thermon Canada Inc., a Nova Scotia company (the "Canadian Borrower" and together with US Borrower, the " Borrowers"), Holdings, the other Credit Parties party thereto, the Lenders and the L/C Issuers from time to time party thereto, US Agent, and JPMorgan Chase Bank, N.A., Toronto Branch, as Canadian Agent for the Canadian Lenders and the Canadian L/C Issuers, the Lenders and the L/C Issuers have severally agreed to make extensions of credit to the Borrowers upon the terms and subject to the conditions set forth therein;

WHEREAS, each Grantor has agreed, pursuant to a Guaranty and Security Agreement of even date herewith in favor of the US Agent (the "Guaranty and Security Agreement "), to guarantee the Obligations (as defined in the Credit Agreement, and including, but not limited to the Canadian Obligations) of the Borrowers; and

WHEREAS, all of the Grantors are party to the Guaranty and Security Agreement pursuant to which the Grantors are required to execute and deliver this Agreement;

NOW, THEREFORE, in consideration of the premises and to induce the Lenders, the L/C Issuers, the US Agent and the Canadian Agent to enter into the Credit Agreement and to induce the Lenders and the L/C Issuers to make their respective extensions of credit to the Borrowers thereunder, each Grantor hereby agrees with the US Agent as follows:

Section 1. Defined Terms . Capitalized terms used herein without definition are used as defined in the Guaranty and Security Agreement.

Section 2. Grant of Security Interest in [Copyright] [Trademark] [Patent] Collateral . Each Grantor, as collateral security for the prompt and complete payment and performance when due (whether at stated maturity, by acceleration or otherwise) of the Secured Obligations of such Grantor, hereby mortgages, pledges and hypothecates to the US Agent for the benefit of the Secured Parties, and grants to the US Agent for the benefit

of the Secured Parties a Lien on and security interest in, all of its right, title and interest in, to and under the following Collateral of such Grantor, whether now owned or hereafter acquired (other than any Excluded Property, but only during such time that such Collateral actually constitutes Excluded Property) (the "[Copyright] [Patent] [Trademark] Collateral"):

(a) [all of its U.S. registered Copyrights, Copyright applications and licenses agreements in connection with any of the Copyrights, including, without limitation, those referred to on Schedule 1 hereto;

(b) all renewals, reversions and extensions of the foregoing; and

(c) all income, royalties, proceeds and Liabilities at any time due or payable or asserted under and with respect to any of the foregoing, including, without limitation, all rights to sue and recover at law or in equity for any past, present and future infringement, misappropriation, dilution, violation or other impairment thereof.]

or

(a) [all of its U.S. issued Patents, Patent applications and licenses agreements in connection with any of the Patents, including, without limitation, those referred to on Schedule 1 hereto;

(a) all reissues, reexaminations, continuations, continuations-in-part, divisionals, renewals and extensions of the foregoing; and

(b) all income, royalties, proceeds and Liabilities at any time due or payable or asserted under and with respect to any of the foregoing, including, without limitation, all rights to sue and recover at law or in equity for any past, present and future infringement, misappropriation, dilution, violation or other impairment thereof.]

or

(a) [all of its U.S. registered Trademarks, Trademark applications and licenses agreements in connection with any of the Trademarks, including, without limitation, those referred to on Schedule 1 hereto;

(c) all renewals and extensions of the foregoing;

(d) all goodwill of the business connected with the use of, and symbolized by, each such Trademark; and

(e) all income, royalties, proceeds and Liabilities at any time due or payable or asserted under and with respect to any of the foregoing, including, without limitation, all rights to sue and recover at law or in equity for any past, present and future infringement, misappropriation, dilution, violation or other impairment thereof.]

Section 3. Guaranty and Security Agreement. The security interest granted pursuant to this Agreement is granted in conjunction with the security interest granted to the US Agent pursuant to the Guaranty and Security Agreement and each Grantor hereby acknowledges and agrees that the rights and remedies of the US Agent with respect to the security interest in the [Copyright] [Patent] [Trademark] Collateral made and granted hereby are more fully set forth in the Guaranty and Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein.

Section 4. Grantor Remains Liable. Each Grantor hereby agrees that, anything herein to the contrary notwithstanding, such Grantor shall assume full and complete responsibility for the prosecution, defense, enforcement or any other necessary or desirable actions in connection with their [Copyrights] [Patents] [Trademarks] subject to a security interest hereunder.

Section 5. Counterparts. This Agreement may be executed in any number of counterparts and by different parties in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Signature pages may be detached from multiple separate counterparts and attached to a single counterpart. Delivery of an executed signature page of this Agreement by facsimile transmission or Electronic Transmission shall be as effective as delivery of a manually executed counterpart hereof.

Section 6. Termination. This Agreement shall terminate concurrently with the termination of the Guaranty and Security Agreement.

Section 7. Governing Law. This Agreement and the rights and obligations of the parties hereto shall be governed by, and construed and interpreted in accordance with, the law of the State of Texas.

Section 8. Conflict with Other Agreements. In the event of any conflict between this Agreement (or any portion thereof) and the Guaranty and Security Agreement, the Guaranty and Security Agreement shall prevail.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, each Grantor has caused this [Copyright] [Patent] [Trademark] Security Agreement to be executed and delivered by its duly authorized officer as of the date first set forth above.

Very truly yours,

[GRANTOR]
as Grantor

By: _____
Name:
Title:

ACCEPTED AND AGREED
as of the date first above written:

JPMORGAN CHASE BANK, N.A.,
as US Agent

By: __
Name:
Title:

Schedule 1

Commercial Tort Claims

None.

Schedule 2

Filings

Name	Jurisdiction and Type of Filing
Thermon Holding Corp.	DE SOS; All assets UCC
Thermon Industries, Inc.	TX SOS; All assets UCC
Thermon Manufacturing Company	TX SOS; All assets UCC
Thermon Manufacturing Company	Harris County, TX; UCC fixture filing
Thermon Manufacturing Company	Hays County, TX; UCC fixture filing
Thermon Heat Tracing Services, Inc.	TX SOS; All assets UCC
Thermon Heat Tracing Services-I, Inc.	TX SOS; All assets UCC
Thermon Heat Tracing Services-II, Inc.	East Baton Rouge Parish, Louisiana; All assets UCC

Schedule 3

Jurisdiction of Organization; Chief Executive Office

Company/Subsidiary	Headquarters	Principal Place of Business	Chief Executive Office	Jurisdiction of Organization
Thermon Holding Corp.	c/o Code, Hennessy & Simmons, LLC 10 South Wacker Drive Suite 3175 Chicago, IL 60606 Cook County	Hays County, Texas	Cook County, Illinois	Delaware
Thermon Industries, Inc.	100 Thermon Drive San Marcos, TX 78666 Hays County	Hays County, Texas	Hays County, Texas	Texas
Thermon Manufacturing Company	100 Thermon Drive San Marcos, TX 78666 Hays County	Hays County, Texas	Hays County, Texas	Texas
Thermon Heat Tracing Services, Inc.	100 Thermon Drive San Marcos, TX 78666 Hays County	Hays County, Texas	Hays County, Texas	Texas
Thermon Heat Tracing Services-I, Inc.	2810 Mowery Road Houston, TX 77045 Harris County	Harris County, Texas	Harris County, Texas	Texas
Thermon Heat Tracing Services-II, Inc.	6332 Quinn Drive Baton Rouge, LA 70817 East Baton Rouge Parish	East Baton Rouge Parish, Louisiana	East Baton Rouge Parish, Louisiana	Louisiana

- On March 31, 2006, Thermon Americas, Inc. was merged with and into Thermon Manufacturing Company, with Thermon Manufacturing Company surviving the merger.
- On April 16, 2010, Thermon International Sales Corporation–II, a wholly-owned subsidiary of Thermon Manufacturing Company, was merged with and into Thermon Manufacturing Company, with Thermon Manufacturing Company surviving the merger

Schedule 4

Location of Inventory and Equipment

1. 100 Thermon Drive, San Marcos, Hays County, Texas, 78666.
2. 209 Thermon Drive, San Marcos, Hays County, Texas, 78666.
3. 1501 McCarty Lane, San Marcos, Hays County, Texas 78666.
4. 6322 Quinn Drive, East Baton Rouge Parish, Baton Rouge, Louisiana 70879.
5. 2810 Mowery Road, Houston, Harris County, Texas 77045.
6. Buildings 6, 17, 18 & 19 of 4105 Hunter Road, Hunter Business Park, San Marcos, TX 78666).
7. 2102 Drummond Plaza, Newark, DE 19711-1356.
8. Unit 419, Uncle Bob's Self Storage, 2216 Hwy 35 S., San Marcos, Texas 78666.
9. Unit 423, Uncle Bob's Self Storage, 2216 Hwy 35 S., San Marcos, Texas 78666.
10. Off-Site Storage – 2600 Cambridge Road, Cameron Park, California 95682.
11. Off-Site Storage – 2374 Telegraph Hill, El Dorado Hills, California 95762.
12. 713 Burleson, San Marcos, TX 78666.

Schedule 5

Pledged Collateral

1. Stock Certificate No. 265, issued to Thermon Holding Corp. representing all of the issued and outstanding capital stock of Thermon Industries, Inc.

2. Stock Certificate No. 221, issued to Thermon Industries, Inc. representing all of the issued and outstanding capital stock of Thermon Manufacturing Company.

3. Stock Certificates No. 1 and No. 3, both issued to Thermon Manufacturing Company representing all of the issued and outstanding capital stock of Thermon Heat Tracing Services, Inc.

4. Stock Certificate No. 9, issued to Thermon Manufacturing Company representing all of the issued and outstanding capital stock of Thermon Heat Tracing Services-I, Inc.

5. Stock Certificate No. 3, issued to Thermon Manufacturing Company representing all of the issued and outstanding capital stock of Thermon Heat Tracing Services-II, Inc.

6. Stock Certificate No. 1, issued to Thermon Holding Corp. representing sixty-five percent (65%) of the issued and outstanding capital stock of Thermon Canada Inc. issued to Thermon Holding Corp.

7. Stock Certificates No. 2 and No. 3, issued to Thermon Holding Corp. representing thirty-five percent (35%) of the issued and outstanding capital stock of Thermon Canada Inc. issued to Thermon Holding Corp. as security for the Canadian Obligations.

8. Pledged Uncertificated Stock, granting an equity interest to Thermon Manufacturing Company representing sixty-five percent (65%) of the equity granted to Thermon Manufacturing Company in Thermon Latinoamericana, S. de R.L. de C.V.

9. Pledged Uncertificated Stock, granting an equity interest to Thermon Manufacturing Company representing thirty-five percent (35%) of the equity granted to Thermon Manufacturing Company in Thermon Latinoamericana, S. de R.L. de C.V as security for the Canadian Obligations.

10. Pledged Uncertificated Stock, granting an equity interest to Thermon Heat Tracing Services-I, Inc. representing sixty-five percent (65%) of the equity granted to Thermon Heat Tracing Services-I, Inc. in Thermon Latinoamericana, S. de R.L. de C.V.

11. Pledged Uncertificated Stock, granting an equity interest to Thermon Heat Tracing Services-I, Inc. representing thirty-five percent (35%) of the equity granted to

Thermon Heat Tracing Services-I, Inc. in Thermon Latinoamericana, S. de R.L. de C.V as security for the Canadian Obligations.

12. Pledged Uncertificated Stock, granting an equity interest to Thermon Manufacturing Company representing sixty-five percent (65%) of the total equity in Thermon Europe B.V.

13. Pledged Uncertificated Stock, granting an equity interest to Thermon Manufacturing Company representing thirty-five percent (35%) of the total equity of Thermon Europe B.V. as security for the Canadian Obligations.

14. Stock Certificate No. 10 (Ordinary Shares), issued to Thermon Manufacturing Company representing sixty-five percent (65%) of the issued and outstanding capital stock of Thermon Australia, Pty. Ltd.

15. Stock Certificates Nos. 1, 5, 10 (Class A Shares), 11 and 12 issued to Thermon Manufacturing Company representing thirty-five percent (35%) of the issued and outstanding capital stock of Thermon Australia, Pty. Ltd as security for the Canadian Obligations.

16. Stock Certificates Nos. 1008-1026, 1033-1038, 1045-1046, 1048-1050, 2001-2005, 2009-2015, 3002, and 3005-3008 issued to Thermon Manufacturing Company representing sixty-five percent (65%) of the issued and outstanding capital stock of Thermon Far East, Ltd.

17. Stock Certificates Nos. 1001-1007, 1027-1032, 1039-1044, 1047, 2006-2008, 3001 and 3003-3004 issued to Thermon Manufacturing Company representing thirty-five percent (35%) of the issued and outstanding capital stock of Thermon Far East, Ltd. as security for the Canadian Obligations.

18. Stock Certificates Nos. 8, 12, 101 and 105-111, issued to Thermon Manufacturing Company representing sixty-five percent (65%) of the issued and outstanding capital stock of Thermon Heat Tracers Private Limited issued to Thermon Manufacturing Company.

19. Stock Certificates Nos. 1-7, and 112-113, issued to Thermon Manufacturing Company representing thirty-five percent (35%) of the issued and outstanding capital stock of Thermon Heat Tracers Private Limited issued to Thermon Manufacturing Company as security for the Canadian Obligations.

20. Stock Certificate No. 103, issued to Thermon Heat Tracing Services, Inc. representing sixty-five percent (65%) of the issued and outstanding capital stock of Thermon Heat Tracers Private Limited issued to Thermon Heat Tracing Services, Inc.

21. Stock Certificate No. 103, issued to Thermon Heat Tracing Services, Inc.

representing thirty-five percent (35%) of the issued and outstanding capital stock of Thermon Heat Tracers Private Limited issued to Thermon Heat Tracing Services, Inc. as security for the Canadian Obligations.

22. Stock Certificate No. 104, issued to Thermon Heat Tracing Services-I, Inc. representing sixty-five percent (65%) of the issued and outstanding capital stock of Thermon Heat Tracers Private Limited issued to Thermon Heat Tracing Services-I, Inc.

23. Stock Certificate No. 104, issued to Thermon Heat Tracing Services-I, Inc. representing thirty-five percent (35%) of the issued and outstanding capital stock of Thermon Heat Tracers Private Limited issued to Thermon Heat Tracing Services-I, Inc. as security for the Canadian Obligations.

24. Stock Certificate No. 102, issued to Thermon Heat Tracing Services-II, Inc. representing sixty-five percent (65%) of the issued and outstanding capital stock of Thermon Heat Tracers Private Limited issued to Thermon Heat Tracing Services-II, Inc.

25. Stock Certificate No. 102, issued to Thermon Heat Tracing Services-II, Inc. representing thirty-five percent (35%) of the issued and outstanding capital stock of Thermon Heat Tracers Private Limited issued to Thermon Heat Tracing Services-II, Inc. as security for the Canadian Obligations.

26. Pledged Uncertificated Stock, granting an equity interest to Thermon Manufacturing Company representing sixty-five percent (65%) of the equity in Thermon Korea, Ltd.

27. Pledged Uncertificated Stock, granting an equity interest to Thermon Manufacturing Company representing thirty-five percent (35%) of the equity in Thermon Korea, Ltd. as security for the Canadian Obligations.

28. Pledged Uncertificated Stock, granting an equity interest to Thermon Manufacturing Company representing sixty-five percent (65%) of the equity in Thermon Heat Tracing & Engineering (Shanghai) Co. Ltd.

29. Pledged Uncertificated Stock, granting an equity interest to Thermon Manufacturing Company representing thirty-five percent (35%) of the equity in Thermon Heat Tracing & Engineering (Shanghai) Co. Ltd. as security for the Canadian Obligations.

30. Revolving Promissory Note, dated October 1, 2001, by and between Thermon Latinoamericana, S. de R.L. de C.V., as maker, and Thermon Manufacturing Company, as payee, in the amount of up to $350,000.

31. Intercompany Subordinated Demand Promissory Note dated April 30, 2010 evidencing indebtedness of Manufacturing, US Borrower, Heat Tracing, Heat

Tracing-I and Heat Tracing-II to Manufacturing, US Borrower, Heat Tracing, Heat Tracing-I and Heat Tracing-II.

32. Intercompany Demand Promissory Note dated September 30, 2010 evidencing indebtedness of Canadian Borrower to Manufacturing, US Borrower, Heat Tracing, Heat Tracing-I and Heat Tracing-II.

33. Intercompany Subordinated Demand Promissory Note dated September 30, 2010 evidencing indebtedness of Manufacturing, US Borrower, Heat Tracing, Heat Tracing-I and Heat Tracing-II to Canadian Borrower.

34. Intercompany Demand Promissory Note dated September 30, 2010 evidencing indebtedness of Thermon Europe B.V., Thermon Korea, Ltd., Thermon Far East, Ltd. and Thermon Australia Pty. Ltd. to Manufacturing, US Borrower, Heat Tracing, Heat Tracing-I and Heat Tracing-II.

35. Intercompany Subordinated Demand Promissory Note dated September 30, 2010 evidencing indebtedness of Manufacturing, US Borrower, Heat Tracing, Heat Tracing-I and Heat Tracing-II to Thermon Europe B.V., Thermon Korea, Ltd., Thermon Far East, Ltd. and Thermon Australia Pty. Ltd.

Schedule 6

Intellectual Property

PATENTS

Title	Country	Patent No. Issue Date	Pub. No./ Pub. Date	Applic. No./ Filing Date	Status	Owner
Thermally-conductive, electrically non-conductive heat transfer material and articles made thereof	US	7,321,107 1/22/2008		10/887,941 7/9/2004	In force	Thermon Manufacturing Company
Isolated tracer having controlled conductance rate and method of making	US	6,905,566 6/14/2005		10/031,276 11/7/2001	In force	Thermon Manufacturing Company
Thermally-conductive, electrically non-conductive heat transfer material and articles made thereof	US	6,762,395 7/13/2004		10/165,441 6/7/2002	In force	Thermon Manufacturing Company
Thermally-conductive, electrically non-conductive heat transfer material and articles made thereof	US	6,410,893 6/25/2002		09/353,675 7/15/1999	In force	Thermon Manufacturing Company
Safety-enhanced heat tracing	US	6,131,617 10/17/2000		09/301,416 4/28/1999	In force	Thermon Manufacturing Company
Method and apparatus for the manufacture of a linear wrap, thermally insulated tube	US	5,897,732 4/27/1999		08/887,501 7/2/1997	In force	Thermon Manufacturing Company
Heating cable with a heating element positioned in the middle of bus wires	US	8,212,191 07/03/2012		12/122,599 05/16/2008	In force	Thermon Manufacturing Company
Heating cable	US	7,989,740 08/02/2011		12/122,592 05/16/2008	In force	Thermon Manufacturing Company
Isolated tracer having controlled conductance rate and method of making same	Canada	2,372,660 9/1/2009		2,372,660 5/5/2000	In force	Thermon Manufacturing Company
Method and apparatus for the manufacture of a linear wrap, thermally insulated tube	Canada	2,294,919 4/10/2007		2,294,919 7/2/1998	In force	Thermon Manufacturing Company
Safety-enhanced heat tracing	Canada	2,330,453 7/7/2009		2,330,453 4/28/1999	In force	Thermon Manufacturing Company
Thermally-conductive electrically non-conductive	Canada	2,337,218 04/28/2009		2,337,218 07/15/1999	In force	Thermon Manufacturing Company

Title	Country	Patent No. Issue Date	Pub. No./ Pub. Date	Applic. No./ Filing Date	Status	Owner
Heating cable	Canada			2,724,561 05/15/09	Pending	Thermon Manufacturing Company
Isolated tracer having controlled conductance rate and method of making same	EPO			2000932118.3 5/5/2000	In force	Thermon Manufacturing Company
Method and apparatus for the manufacture of a linear wrap, thermally insulated tube	EPO	1011968 11/12/2003		1998935547.4 7/2/1998	In force	Thermon Manufacturing Company
Sleeve for connecting heating cables	EPO		1622424 2/1/2006	EP04017877 7/28/2004	Pending	Thermon Europe B.V.
Isolated tracer having controlled conductance rate and method of making same	France	1207998 03/12/2008	05/29/2002	00932118.3 05/05/2000	In force	Thermon Manufacturing Company
Heating cable of multi-layer construction	Germany	20104808 8/16/2001		20104808 2/16/2001	In force (Unable to determine – no translation available)	Thermon Deutschland GmbH
Heating cable of multi-layer construction	Germany	10107429 9/29/2005		10107429 2/16/2001	In force (Unable to determine – no translation available)	Thermon Deutschland GmbH
Isolated tracer having controlled conductance rate and method of making same	Germany	60038301 3/12/08		00932118.3 5/5/2000	In force	Thermon Manufacturing Company
Method and apparatus for the manufacture of a linear wrap, thermally insulated tube	Germany	1011968 11/12/03		69819752.6 7/2/1998	In force	Thermon Manufacturing Company
Isolated tracer having controlled conductance rate and method of making same	PCT		2000067996 11/16/2000	2000US12372 5/5/2000	In force	Thermon Manufacturing Company
Safety-enhanced heat tracing	PCT		1999056048 11/4/1999	WO99US9211 4/28/1999	Pending	Thermon Manufacturing Company
Isolated tracer having controlled conductance rate and method of making same	Netherlands	1207998 03/12/2008	05/29/2002	00932118.3 05/05/2000	In force	Thermon Manufacturing Company
Isolated tracer having controlled conductiance rate and method of making same	United Kingdom	1207998 03/12/2008	05/29/2002	00932118.3 05/05/2000	In force	Thermon Manufacturing Company

COPYRIGHTS

Title	Registration No.	Registration Date	Record Owner
Design of fluid heating and cooling systems, the Thermon way	TX432256	11/26/1979	Thermon Manufacturing Company
Packaged electric heat tracing systems design: form 2.2.4.0	TX243218	5/14/1979	Thermon Manufacturing Company
Packaged electric heat tracing systems design	TX72292	6/26/1978	Thermon Manufacturing Company

TRADE NAMES

Trade Name	SIC Code/ Description	Record Owner
HSX	3699 - Electrical Equipment & Supplies Nec. Electrical Equipment	Thermon Manufacturing Co.
Safetrace	3433 - Heating Equipment Except Electric Fountains – drinking	Thermon Manufacturing Co.
TSX	3357 - Nonferrous Wiredrawing & Insulating Cables	Thermon Manufacturing Co.

TRADEMARKS

Jurisdiction	Mark	Int'l Class/ Goods and Services	Application Ser. No./ Filing Date	Registration No. / Registration Date	Status	Record Owner
US	Computrace	42	72/447,373 1/31/19973	991,613 8/20/1974	Registered	Thermon Manufacturing Company
US	Flexipanel	11	73/028,068 7/29/1974	1,025,177 11/18/1975	Registered	Thermon Manufacturing Company
US	Heat Check and Design 	9	74/441,965 9/29/1993	2,053,036 4/15/1997	Registered	Thermon Manufacturing Company
US	Heet Sheet	11	73/139,630 9/1/1977	1,109,271 12/19/1978	Registered	Thermon Manufacturing Company
US	HSX	9	75/708,000 5/17/1999	2,335,934 3/28/2000	Registered	Thermon Manufacturing Company
US	HSX and Design HSX	9	74/183,129 7/8/1991	1,729,017 11/3/1992	Registered	Thermon Manufacturing Company
US	Safetrace	11	75/449,249 3/12/1998	2,305,399 1/4/2000	Registered	Thermon Manufacturing Company

Jurisdiction	Mark	Int'l Class/ Goods and Services	Application Ser. No./ Filing Date	Registration No. / Registration Date	Status	Record Owner
US	Snap-Trace	11	73/054,983 6/12/1975	1,040,509 6/1/1976	Registered	Thermon Manufacturing Company
US	The Heat Tracing Specialists	42	74/614,935 12/23/1994	1,986,684 7/16/1996	Registered	Thermon Manufacturing Company
US	Thermon	9, 11, 17	78/141,913 5/7/2004	3,159,959 10/17/2006	Registered	Thermon Manufacturing Company
US	Thermon	1	72/004,493 3/13/1956	649,153 7/30/1957	Registered	Thermon Manufacturing Company
US	Thermon and Design 	11	72/142,663 4/19/1962	790,703 6/8/1965	Registered	Thermon Manufacturing Company
US	Thermon and Design 	19	72/137,819 2/12/1962	743,226 1/8/1963	Registered	Thermon Manufacturing Company
US	Thermon Design Logo 	9, 11, 17	78/141,902 5/7/2004	3,159,958 10/17/2006	Registered	Thermon Manufacturing Company
US	Thermotube	17	73/226,536 8/7/1979	1,161,911 7/21/1981	Registered	Thermon Manufacturing Company
US	Traceview	9	74/394,423 5/25/1993	1,884,243 3/14/1995	Registered	Thermon Manufacturing Company
US	TSX	9	75/708,382 5/17/1999	2,374,909 8/8/2000	Registered	Thermon Manufacturing Company
US	TSX	9	74/182,949 7/8/1991	1,742,831 12/29/1992	Registered	Thermon Manufacturing Company
US	Tubetrace	17	73/226,099 8/6/1979	1,153,934 5/12/1981	Registered	Thermon Manufacturing Company

Jurisdiction	Mark	Int'l Class/ Goods and Services	Application Ser. No./ Filing Date	Registration No. / Registration Date	Status	Record Owner
US	Thermon & design 	37	85/341,291 06/08/2011	4,101,715 02/21/2012	Registered	Thermon Manufacturing Company
US	Thermon	37	85/341,280 06/08/2011	4,101,714 02/21/2012	Registered	Thermon Manufacturing Company
Canada	Econotrace	1	0433787 12/19/1978	TMA240523 3/7/1980	Registered until 3/7/2010 (abandoned per client request)	Thermon Manufacturing Company
Canada	Flexipanel	1	0433785 12/19/1978	TMA240521 3/7/1980	Registered	Thermon Manufacturing Company
Canada	Heat Check & Design 	1	0746062 1/26/1994	TMA471896 3/4/1997	Registered	Thermon Manufacturing Company
Canada	Safetrace	1	0890120 9/14/1998	TMA536,910 11/8/2000	Registered	Thermon Manufacturing Company
Canada	Thermon	1	0312410 4/11/1968	TMA161298 2/21/1969	Registered	Thermon Manufacturing Company
Canada	Thermotrace	1	0435358 2/5/1979	TMA283629 9/23/1983	Registered	Thermon Manufacturing Company
Canada	Traceview	1	0729605 5/26/1993	TMA461138 8/16/1996	Registered	Thermon Manufacturing Company
Australia	Thermon	11	198548 11/16/1965	198548 11/16/1965	Registered	Thermon Manufacturing Company
Australia	Thermon	19	197070 8/31/1965	197070 8/31/1965	Registered	Thermon Manufacturing Company
Benelux	Thermon	1, 2, 6, 7, 11, 17, 19	382609	382609	ABANDONED	Thermon Manuf. San Marcos
CTM	Thermon	9, 11,17	243063 4/23/1996	243063 12/4/1998	Registered	Thermon Manufacturing Company

Jurisdiction	Mark	Int'l Class/ Goods and Services	Application Ser. No./ Filing Date	Registration No. / Registration Date	Status	Record Owner
CTM	Thermon and Design 	9, 11, 17	243089 4/23/1996	243089 5/18/1999	Registered	Thermon Manufacturing Company
Denmark	Thermon	1	VA 198301976 4/20/1983	VR 198402255 6/22/1984	Registered	Thermon Manufacturing Company
Denmark	Thermon and Design 	1, 11	VA 1983019778 4/20/1983	VR 198402527 7/13/1984	Registered	Thermon Manufacturing Company
Finland	Thermon	17	832.037 4/11/1983	95082 3/5/1986	Registered	Thermon Manufacturing Company
Finland	Thermon and Design 	19	832.039 4/11/1983	95083 3/5/1986	Registered	Thermon Manufacturing Company
Germany	Thermon	9, 11, 37	39501368.2 1/13/1995	39501368 6/22/1995	Registered	Thermon Manufacturing Company
India	Thermon	19	406694 6/14/1983	406694 6/14/1983	Registered	Thermon Manufacturing Company
India	Thermon and Design 	9, 11, 17	1518338 1/4/07	1518338 10/20/2008	Registered	Thermon Manufacturing Company
IR	Thermon and Design 	9, 11, 17		857603 10/28/2004	Registered	Thermon Manufacturing Company

Jurisdiction	Mark	Int'l Class/ Goods and Services	Application Ser. No./ Filing Date	Registration No. / Registration Date	Status	Record Owner
IR	Thermon	9, 11, 17		873814 10/28/2004	Registered	Thermon Manufacturing Company
Japan	Thermon and Design 	37	2006-086089 9/4/2006	5041646 4/20/2007	Registered	K.K. Salmon Far East
Japan	Thermon	37	H05-004920 1/21/1993	3255965 2/24/1997	Registered	K.K. Salmon Far East
Kazakhstan	Thermon	9, 11, 17	29361 10/29/2004	20897 8/10/2006	Registered	Thermon Manufacturing Company
Kazakhstan	Thermon and Design 	9, 11, 17	29362 10/29/2004	20898 8/10/2006	Registered	Thermon Manufacturing Company
Korea	Thermon	9 11 17	402010004463/ 2010.1.26	N/A	Pending	Thermon Manufacturing Company
Korea	Thermon and Design 	9 11 17	402010004464/ 2010.1.26	N/A	Pending	Thermon Manufacturing Company
Mexico	Thermon	1	[181.702 5/04/1983]	305791 6/3/1985	Registered	Thermon Manufacturing Company
Norway	Thermon	17	198301072 4/7/1983	129112 6/18/1987	Registered	Thermon Manufacturing Company
Norway	Thermon and Design 	17	198301073 4/7/1983	129654 8/6/1987	Registered	Thermon Manufacturing Company

Jurisdiction	Mark	Int'l Class/ Goods and Services	Application Ser. No./ Filing Date	Registration No. / Registration Date	Status	Record Owner
Sweden	Thermon	17	1983/02142 4/5/1983	191805 6/21/1984	Registered	Thermon Manufacturing Company
Sweden	Thermon and Design 	1, 11	83-2144 4/5/1983	198.904 12/6/1985	Registered	Thermon Manufacturing Company

DOMAIN NAMES

Domain Name	Expires	Registrant	Registrar
globalheattracing.com	10/13/2010	Thermon Manufacturing Company 100 Thermon Drive San Marcos, Texas 78666-5947	Network Solutions, LLC
heatracingdesigns.com	10/13/2010	Thermon Manufacturing Company 100 Thermon Drive San Marcos, Texas 78666-5947	Network Solutions, LLC
insidethermon.com	10/13/2010	Thermon Manufacturing Company 100 Thermon Drive San Marcos, Texas 78666-5947	Network Solutions, LLC
thermon.com	10/15/2018	Thermon Manufacturing Company 100 Thermon Drive San Marcos, Texas 78666-5947	Network Solutions, LLC
thermon.net	8/16/2011	Thermon Manufacturing Company 100 Thermon Drive San Marcos, Texas 78666-5947	Network Solutions, LLC
thermon.org	8/16/2011	Thermon Manufacturing Company 100 Thermon Drive San Marcos, Texas 78666-5947	Network Solutions, LLC
thermon.in	07/13/2014	Thermon Manufacturing Company 100 Thermon Drive San Marcos, Texas 78666-5947	Network Solutions, LLC
thermon.co.uk	11/29/2010	Thermon Manufacturing Company 100 Thermon Drive San Marcos, Texas 78666-5947	Big Advertising Ltd. t/a European Internet
thermon.ca	08/12/2014	Thermon Manufacturing Company 100 Thermon Drive San Marcos, Texas 78666-5947	Go Daddy Domains Canada, Inc.
thermon.com.au	09/14/2015	Thermon Manufacturing Company 100 Thermon Drive San Marcos, Texas 78666-5947	Marcaria.com
thermon.fr	09/09/2014	Thermon Manufacturing Company 100 Thermon Drive San Marcos, Texas 78666-5947	Marcaria.com
thermon.nl	08/10/2010	Thermon Benelux B.V. Boezemweg 25 2641KG Pijnacker Netherlands	Argeweb
thermon.nu	04/03/2011	Thermon Europe GmbH East Europe Group	SOVINTEL (www.goldentelecom.nu)
thermon.co.jp	08/31/2010	Thermon Far East Ltd	Otsuka Shyokai LTD (www.alpha-web.jp)
thermon.co.kr	05/31/2012	Thermon Korea	Inames Co. Ltd. (www.inames.co.kr)
thermon.de	12/04/2010	Thermon Deutschland GmbH	STRATA AG

LICENSE AGREEMENTS

Company	Name of Agreement/Software	Date of Agreement	Parties to Agreement
Thermon Manufacturing Company	Agreement	August 29, 2006	M.I. Cable Technologies Inc., Thermon Manufacturing Company, and Yamari Industries Ltd.
Thermon Manufacturing Company	Settlement and License Agreement	October 18, 1999	Thermon Manufacturing Company and Atlee Erwin Fritz, individually and doing business as AEF Manufacturing.
Thermon US Parties (as defined therein)	Settlement Agreement	March 31, 1993	Accutron Group and the Thermon US Parties (as defined therein)

GUARANTEE AND SECURITY AGREEMENT

Dated as of August 7, 2012

among

THERMON CANADA INC.

and

Each Other Grantor
From Time to Time Party Hereto

and

JPMORGAN CHASE BANK, N.A., TORONTO BRANCH,

as Canadian Agent

TABLE OF CONTENTS

ANNEXES AND SCHEDULES

GUARANTEE AND SECURITY AGREEMENT, dated as of August 7, 2012, by and among Thermon Canada Inc., a Nova Scotia limited company (the "**Canadian Borrower**"), and each of the other entities listed on the signature pages hereof or that becomes a party hereto pursuant to Section 8.6 (together with the Canadian Borrower, the "**Grantors**"), in favour of JPMorgan Chase Bank, N.A., Toronto Branch (" **Chase Canada**"), as Canadian administrative agent (in such capacity, together with its successors and permitted assigns, the "**Canadian Agent**") for the Canadian Lenders, the Canadian L/C Issuers and each other Canadian Secured Party (each as defined in the Credit Agreement referred to below).

W I T N E S S E T H:

WHEREAS, pursuant to the Credit Agreement of even effective date herewith (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "**Credit Agreement**") among the Canadian Borrower, Thermon Industries, Inc. (the "**US Borrower**" and together with the Canadian Borrower, the " **Borrowers**"), the other Credit Parties party thereto, the Lenders, the L/C Issuers from time to time party thereto and JPMorgan Chase Bank, N.A., as US Agent for the US Lenders and the US L/C Issuers and each other US Secured Party, and the Canadian Agent, the Lenders and the L/C Issuers have severally agreed to make extensions of credit to the Canadian Borrower upon the terms and subject to the conditions set forth therein;

WHEREAS, each Grantor (other than the Canadian Borrower) has agreed to guarantee the Canadian Obligations (as defined in the Credit Agreement) of the Canadian Borrower;

WHEREAS, each Grantor will derive substantial direct and indirect benefits from the making of the extensions of credit under the Credit Agreement; and

WHEREAS, it is a condition precedent to the obligation of the Lenders and the L/C Issuers to make their respective extensions of credit to the Canadian Borrower under the Credit Agreement that the Grantors shall have executed and delivered this Agreement to the Canadian Agent.

NOW, THEREFORE, in consideration of the premises and to induce the Lenders, the L/C Issuers, the US Agent and the Canadian Agent to enter into the Credit Agreement and to induce the Lenders and the L/C Issuers to make their respective extensions of credit to the Canadian Borrower thereunder, each Grantor hereby agrees with the Canadian Agent as follows:

ARTICLE 1 - DEFINED TERMS

Section 1.1 **Definitions.**

(a) Capitalized terms used herein without definition are used as defined in the Credit Agreement.

(b) The following terms have the meanings given to them in the PPSA and terms used herein without definition that are defined in the PPSA have the meanings given to them in the PPSA (such meanings to be equally applicable to both the singular and plural forms of the terms defined): "**account**", "**certificated security**", "**chattel paper**", "**consumer goods**", "**documents of title**", "**equipment**", "**goods**", "**instruments**", "**intangible**", "**inventory**", "**investment property**", "**motor vehicle**", "**proceeds**", "**securities account**", "**security**" and "**security entitlement**".

(c) The following terms shall have the following meanings:

"**Agreement**" means this Guarantee and Security Agreement.

"**Applicable IP Office**" means the Canadian Intellectual Property Office, the Canadian Industrial Design Office or any similar office or agency within or outside Canada, as applicable.

"**Cash Collateral Account**" means a deposit account or securities account subject, in each instance, to a Control Agreement, other than accounts established to cash collateralize L/C Reimbursement Obligations.

"**Collateral**" has the meaning specified in Section 3.1.

"**Controlled Securities Account**" means each securities account (including all financial assets held therein and all certificates and instruments, if any, representing or evidencing such financial assets) that is the subject of an effective Control Agreement.

"**Deposit Account**" means a demand, savings, passbook, or similar account maintained with a bank or other deposit taking institution.

"**Excluded Accounts**" means (i) any payroll account so long as amounts on deposit therein do not exceed the reasonably estimated payroll obligations of the Person who maintains the account and such amounts are deposited therein immediately prior to any required payroll date, (ii) any withholding tax, benefits, escrow, trust, customs or any other fiduciary account, (iii) any zero balance deposit account

provided the amount on deposit therein does not exceed the amount necessary to cover outstanding checks, amounts necessary to maintain minimum deposit requirements and amounts necessary to pay the depositary institution's fees and expenses, (iv) any deposit account maintained with a foreign bank (other than a foreign bank located in the United States) and (v) any petty cash deposit accounts maintained at a financial institution for which a Control Agreement has not otherwise been obtained, so long as, with respect to this clause (v), the aggregate amount on deposit in each such petty cash account does not exceed $250,000 at any one time and the aggregate amount on deposit in all such petty cash accounts does not exceed $700,000 at any one time as of or after the Closing Date.

"**Excluded Property**" means, collectively, (i) Excluded Accounts, (ii) any permit or license, any Contractual Obligation, healthcare insurance receivable or other intangible, Intellectual Property or franchise in connection with which any Grantor has any right, title to or interest (A) that prohibits or requires the consent of any Person other than the Canadian Borrower and its Subsidiaries which has not been obtained as a condition to the creation by such Grantor of a Lien on any right, title or interest in such permit, license, Contractual Obligation, healthcare insurance receivable or other general intangible, Intellectual Property or franchise or any Stock or Stock Equivalent related thereto, (B) to the extent that any Requirement of Law applicable thereto prohibits the creation of a Lien thereon, but only, with respect to the prohibition in (A) and (B), to the extent, and for as long as, such prohibition is not terminated or rendered unenforceable or otherwise deemed ineffective by the PPSA or any other Requirement of Law, or (C) the grant of a security interest in such permit, license, Contractual Obligation, general intangible, Intellectual Property or franchise would reasonably be expected to result in the loss of rights thereon or create a default thereunder, (ii) Property owned by any Grantor that is subject to a purchase money Lien or a Capital Lease permitted under the Credit Agreement if the Contractual Obligation pursuant to which such Lien is granted (or in the document providing for such Capital Lease) prohibits or requires the consent of any Person other than the Canadian Borrower and its Affiliates which has not been obtained as a condition to the creation of any other Lien on such Property, (iii) any "intent to use" Trademark applications for which a statement of use has not been filed (but only until such statement is filed), (iv) Excluded Accounts, and (v) leasehold interests in real property with respect to which a Grantor is a tenant or subtenant; provided, however, "Excluded Property" shall not include any proceeds, products, substitutions or replacements of Excluded Property (unless such proceeds, products,

substitutions or replacements would otherwise constitute Excluded Property).

"**Guaranteed Obligations**" has the meaning set forth in Section 2.1.

"**Guarantor**" means each Grantor other than the Canadian Borrower.

"**Guarantee**" means the guarantee of the Guaranteed Obligations made by the Guarantors as set forth in this Agreement.

"**Internet Domain Name**" means all right, title and interest (and all related IP Ancillary Rights) arising under any Requirement of Law in or relating to Internet domain names.

"**In-Transit Collateral**" has the meaning set forth in Section 4.4.

"**Material Intellectual Property**" means Intellectual Property that is owned by or licensed to a Grantor and material to the conduct of any Grantor's business.

"**Pledge Amendment**" has the meaning set forth in Section 8.6(b).

"**Pledged Certificated Stock**" means all certificated securities and any other Stock or Stock Equivalent of any Person evidenced by a certificate, instrument or other similar document, in each case owned by any Grantor, and any distribution of property made on, in respect of or in exchange for the foregoing from time to time, including all Stock and Stock Equivalents listed on Schedule 4.

"**Pledged Collateral**" means, collectively, the Pledged Stock and the Pledged Debt Instruments.

"**Pledged Debt Instruments**" means all right, title and interest of any Grantor in instruments evidencing any Indebtedness owed to such Grantor or other obligations, and any distribution of property made on, in respect of or in exchange for the foregoing from time to time, including all Indebtedness described on Schedule 4, issued by the obligors named therein. Pledged Debt Instruments excludes any Cash Equivalents that are not held in Controlled Securities Accounts to the extent permitted in Section 5.9 hereof.

"**Pledged Investment Property**" means any investment property of any Grantor, and any distribution of property made on, in respect of or in exchange for the foregoing from time to time, other than any Pledged Stock or Pledged Debt Instruments. Pledged Investment Property excludes any Cash Equivalents that are not held in Controlled Securities Accounts to the extent permitted by Section 5.9

hereof.

"**Pledged Stock**" means all Pledged Certificated Stock and all Pledged Uncertificated Stock.

"**Pledged ULC Shares**" shall mean the Pledged Stock which are shares in the capital stock of a ULC.

"**Pledged Uncertificated Stock**" means any Stock or Stock Equivalent of any Person that is not Pledged Certificated Stock, including all right, title and interest of any Grantor as a limited or general partner in any partnership not constituting Pledged Certificated Stock or as a member of any limited liability company, all right, title and interest of any Grantor in, to and under any Organization Document of any partnership or limited liability company to which it is a party, and any distribution of property made on, in respect of or in exchange for the foregoing from time to time, including in each case those interests set forth on Schedule 4, to the extent such interests are not certificated. Pledged Uncertificated Stock excludes any Excluded Property and any Cash Equivalents that are not held in Controlled Securities Accounts to the extent permitted by Section 5.9 hereof.

"**Secured Obligations**" has the meaning set forth in Section 3.2.

"**PPSA**" means the Personal Property Security Act (Ontario); provided, that if the attachment, perfection or priority of the Secured Party's security interests in any Collateral are governed by the personal property security laws of any jurisdiction other than Ontario, PPSA shall mean those personal property laws in such other jurisdiction in Canada for the purpose of the provisions hereof relating to such attachment, perfection or priority and for the definitions related to such provisions.

"**Securities Laws**" means applicable federal, provincial, state, territorial or foreign securities laws and regulations.

"**Software**" means (a) all computer programs, including source code and object code versions, (b) all data, databases and compilations of data, whether machine readable or otherwise, and (c) all documentation, training materials and configurations related to any of the foregoing.

"**ULC**" shall mean any unlimited company, unlimited liability company or unlimited liability corporation or any similar entity existing under the laws of any province or territory of Canada and

any successor to any such entity.

Section 1.2 **Certain Other Terms**.

(a) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms. The terms "herein", "hereof" and similar terms refer to this Agreement as a whole and not to any particular Article, Section or clause in this Agreement. References herein to an Annex, Schedule, Article, Section or clause refer to the appropriate Annex or Schedule to, or Article, Section or clause in this Agreement. Where the context requires, provisions relating to any Collateral when used in relation to a Grantor shall refer to such Grantor's Collateral or any relevant part thereof.

(b) Other Interpretive Provisions.

(i) Defined Terms. Unless otherwise specified herein or therein, all terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto.

(ii) The Agreement. The words "hereof", "herein", "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement.

(iii) Certain Common Terms. The term "including" is not limiting and means "including without limitation."

(iv) Performance; Time. Whenever any performance obligation hereunder (other than a payment obligation) shall be stated to be due or required to be satisfied on a day other than a Business Day, such performance shall be made or satisfied on the next succeeding Business Day. In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including"; the words "to" and "until" each mean "to but excluding", and the word "through" means "to and including." If any provision of this Agreement refers to any action taken or to be taken by any Person, or which such Person is prohibited from taking, such provision shall be interpreted to encompass any and all means, direct or indirect, of taking, or not taking, such action.

(v) Contracts. Unless otherwise expressly provided herein, references to agreements and other contractual instruments, including this Agreement and the other Loan Documents, shall be deemed to include all subsequent amendments, thereto, restatements and substitutions thereof and other modifications and supplements thereto which are in effect from time to time, but only to the extent such amendments and other modifications are not prohibited by the terms of any Loan Document.

(vi) Laws. References to any statute or regulation are to be construed as including all statutory and regulatory provisions related thereto or consolidating, amending, replacing, supplementing or interpreting the statute or regulation.

ARTICLE 2 - GUARANTEE

Section 2.1 **Guarantee**.

To induce the Lenders to make the Loans and the L/C Issuers to issue Letters of Credit and each other Secured Party to make credit available to or for the benefit of the Canadian Borrower, each Guarantor hereby, jointly and severally, absolutely, unconditionally and irrevocably guarantees, as primary obligor and not merely as surety, the full and punctual payment when due, whether at stated maturity or earlier, by reason of acceleration, mandatory prepayment or otherwise in accordance with any Loan Document, of all the Canadian Obligations including, but not limited to, all Obligations of the Canadian Borrower whether existing on the date hereof or hereinafter incurred or created (the "**Guaranteed Obligations**"). This Guarantee by each Guarantor hereunder constitutes a guarantee of payment and not of collection.

Section 2.2 **Contribution**.

To the extent that any Guarantor shall be required hereunder to pay any portion of any Guaranteed Obligation exceeding the greater of (a) the amount of the value actually received by such Guarantor and its Subsidiaries from the Loans and other Obligations and (b) the amount such Guarantor would otherwise have paid if such Guarantor had paid the aggregate amount of the Guaranteed Obligations (excluding the amount thereof repaid by the Canadian Borrower) in the same proportion as such Guarantor's net worth on the date enforcement is sought hereunder bears to the aggregate net worth of all the Guarantors on such date, then, subject to Section 2.4, such Guarantor shall be reimbursed by such other Guarantors for the amount of such excess, pro rata, based on the respective net worth of such other Guarantors on such date.

Section 2.3 **Authorization; Other Agreements**.

The Secured Parties are hereby authorized, without notice to or demand upon any Guarantor and without discharging or otherwise affecting the obligations of any Guarantor hereunder and without incurring any liability hereunder, from time to time, to do each of the following:

(a) 1. modify, amend, supplement or otherwise change,

(i) accelerate or otherwise change the time of payment or

(ii) waive or otherwise consent to noncompliance with, any Guaranteed Obligation or any Loan Document in accordance with the applicable provision of such Loan Document;

(b) apply to the Guaranteed Obligations any sums by whomever paid or however realized to any Guaranteed Obligation in such order as provided in the Loan Documents;

(c) refund at any time any payment received by any Secured Party in respect of any Guaranteed Obligation;

(d) 1. sell, exchange, enforce, waive, substitute, liquidate, terminate, release, abandon, fail to perfect, subordinate, accept, substitute, surrender, exchange, affect, impair or otherwise alter or release any Collateral for any Guaranteed Obligation or any other guarantee therefore in any manner,

(i) receive, take and hold additional Collateral to secure any Guaranteed Obligation,

(ii) add, release or substitute any one or more other Guarantors, makers or endorsers of any Guaranteed Obligation or any part thereof, or

(iii) otherwise deal in any manner with the Canadian Borrower and any other Guarantor, maker or endorser of any Guaranteed Obligation or any part thereof; and

(e) settle, release, compromise, collect or otherwise liquidate the Guaranteed Obligations.

Section 2.4 **Guarantee Absolute and Unconditional** .

Each Guarantor hereby waives, to the fullest extent permitted by law, and agrees not to assert any defence (other than a defence of payment), whether arising in connection with or in respect of any of the following or otherwise, and hereby agrees that its obligations under this Guarantee are irrevocable, absolute and unconditional and shall not be discharged as a result of or otherwise affected by any of the following (which may not be pleaded and evidence of which may not be introduced in any proceeding with respect to this Guarantee, in each case except as otherwise agreed in writing by the Canadian Agent):

(a) the invalidity or unenforceability of any obligation of either Borrower or any other Guarantor or Credit Party under any Loan Document or any other agreement or instrument relating thereto (including any amendment, consent or waiver thereto), or any security for, or other guarantee of, any Guaranteed Obligation or any part thereof, or the lack of perfection or continuing perfection or failure of priority of any security for the Guaranteed Obligations or any part thereof;

(b) the absence of (i) any attempt to collect any Guaranteed Obligation or any part thereof from either Borrower or any other Guarantor or Credit Party or other action to enforce the same or (ii) any action to enforce any Loan Document or any Lien thereunder;

(c) the failure by any Person to take any steps to perfect and maintain any Lien on, or to preserve any rights with respect to, any Collateral;

(d) any workout, insolvency, bankruptcy proceeding, reorganization, arrangement, liquidation or dissolution by or against either Borrower, any other Guarantor or Credit

Party or any other Subsidiaries of a Borrower or any procedure, agreement, order, stipulation, election, action or omission thereunder, including any discharge or disallowance of, or bar or stay against collecting, any Guaranteed Obligation (or any interest thereon) in or as a result of any such proceeding;

(e) any foreclosure, whether or not through judicial sale, and any other sale or other disposition of any Collateral or any election following the occurrence and during the continuance of an Event of Default by any Secured Party to proceed separately against any Collateral in accordance with such Secured Party's rights under any applicable Requirement of Law; or

(f) any other defence (other than payment), setoff, counterclaim or any other circumstance that might otherwise constitute a legal or equitable discharge of either Borrower, any other Guarantor or any other Subsidiary of a Borrower, in each case other than the payment in full of the Guaranteed Obligations (other than contingent indemnification obligations to the extent no claim giving rise thereto has been asserted and Letter of Credit Obligations collateralized in the manner set forth in Section 7.4 of the Credit Agreement).

Section 2.5 **Waivers**.

Each Guarantor hereby unconditionally and irrevocably waives, to the fullest extent permitted by law, and agrees not to assert any claim, defence, setoff or counterclaim based on diligence, promptness, presentment, requirements for any demand or notice hereunder including any of the following: (a) any demand for payment or performance and protest and notice of protest; (b) any notice of acceptance; (c) any presentment, demand, protest or further notice or other requirements of any kind with respect to any Guaranteed Obligation (including any accrued but unpaid interest thereon) becoming immediately due and payable; and (d) any other notice in respect of any Guaranteed Obligation or any part thereof, and any defence arising by reason of any disability or other defence of either Borrower or any other Guarantor. Each Guarantor further unconditionally and irrevocably agrees, so long as any Commitment or Obligations remain outstanding not to (x) enforce or otherwise exercise any right of subrogation or any right of reimbursement or contribution or similar right against either Borrower or any other Guarantor by reason of any Loan Document or any payment made thereunder or (y) assert any claim, defence, setoff or counterclaim it may have against any other Credit Party or set off any of its obligations to such other Credit Party against obligations of such Credit Party to such Guarantor. No obligation of any Guarantor hereunder shall be discharged in full other than by complete performance.

Section 2.6 **Reliance**.

Each Guarantor hereby assumes responsibility for keeping itself informed of the financial condition of the Borrowers, each other Guarantor and any other guarantor, maker or endorser of any Guaranteed Obligation or any part thereof, and of all other circumstances bearing upon the risk of non-payment of any Guaranteed Obligation or any part thereof that diligent inquiry would reveal, and each Guarantor hereby agrees that no Secured Party shall have any duty to advise any Guarantor of information known to it regarding such condition or any such circumstances. In the event any

Secured Party, in its sole discretion, undertakes at any time or from time to time to provide any such information to any Guarantor, such Secured Party shall be under no obligation to (a) undertake any investigation not a part of its regular business routine, (b) disclose any information that such Secured Party, pursuant to accepted or reasonable commercial finance or banking practices, wishes to maintain confidential or (c) make any future disclosures of such information or any other information to any Guarantor.

ARTICLE 3- GRANT OF SECURITY INTEREST

Section 3.1 **Collateral**.

For the purposes of this Agreement, all of the Grantors' property, rights and assets of every nature and kind, now owned or subsequently acquired, by way of amalgamation or otherwise, and at any time and from time to time existing or in which each such Grantor has or acquires any right, interest or title, including without limitation, all of the following collectively referred to as the "Collateral":

(a) all accounts, chattel paper, Deposit Accounts, documents of title, equipment, intangibles, instruments, inventory, Investment Property, letter of credit rights, and any supporting obligations related to any of the foregoing;

(b) all books and records pertaining to the other property described in this Section 3.1;

(c) all property of such Grantor held by any Secured Party, including all present and after acquired personal property of every description, in the custody of or in transit to such Secured Party for any purpose, including safekeeping, collection or pledge, for the account of such Grantor or as to which such Grantor may have any right or power, including but not limited to cash;

(d) all other goods (including but not limited to fixtures) and personal property of such Grantor, whether tangible or intangible and wherever located; and

(e) to the extent not otherwise included, all increases, additions and accessions to any of the above, all substitutions or any replacements and all proceeds of the foregoing.

Section 3.2 **Grant of Security Interest in Collateral** .

Each Grantor, as collateral security for the prompt and complete payment and performance when due (whether at stated maturity, by acceleration or otherwise) of the Obligations of such Grantor in accordance with the terms of the Loan Documents (the "**Secured Obligations**"), hereby mortgages, pledges and hypothecates to the Canadian Agent for the benefit of the Secured Parties, and grants to the Canadian Agent for the benefit of the Secured Parties a Lien on and security interest in, all of its right, title and interest in, to and under the Collateral of such Grantor; provided, however, notwithstanding the foregoing, no Lien or security interest is hereby mortgaged, pledged, hypothecated or granted on any Excluded Property; provided, further, that if and when any property shall cease to be Excluded Property, a Lien on and security in such property shall be deemed granted

therein.

Section 3.3 **Exception to Last Day and Consumer Goods** .

The Security Interest granted hereby shall not extend or apply to, and Collateral shall not include, the last day of the term of any lease or agreement therefore, but upon enforcement of the Security Interest, each Grantor shall stand possessed of such last day in trust or assign the same to any person acquiring such term. In addition, the Security Interest granted hereby shall not attach to consumer goods.

Section 3.4 **Attachment**.

Each Grantor acknowledges that (i) value has been given, (ii) it has rights in the Collateral, (iii) it has not agreed to postpone the time for attachment of the Lien granted hereunder, and (iv) it has received a copy of this Security Agreement.

ARTICLE 4 - REPRESENTATIONS AND WARRANTIES

On the Closing Date, solely with respect to Sections 4.1 and 4.2, and after the Closing Date, with respect to all representations and warranties in this Article 4, to induce the Lenders, the L/C Issuers and the Canadian Agent to enter into the Loan Documents, each Grantor hereby represents and warrants each of the following to the Canadian Agent, the Lenders, the L/C Issuers and the other Secured Parties:

Section 4.1 **Title; No Other Liens** .

Except for the Lien granted to the Canadian Agent pursuant to this Agreement and any other Permitted Liens, such Grantor owns each item of the Collateral free and clear of any and all Liens or claims of others. Such Grantor (a) is the record and beneficial owner of the Collateral pledged by it hereunder constituting instruments or certificates and (b) has rights in or the power to grant a security interest in such rights in each other item of Collateral in which a Lien is granted by it hereunder, free and clear of any other Lien (except for the Lien granted to the Canadian Agent pursuant to this Agreement and any other Permitted Liens).

Section 4.2 **Perfection and Priority**.

The security interest granted pursuant to this Agreement constitutes a valid and continuing perfected security interest in favour of the Canadian Agent in all Collateral subject, for the following Collateral, to the occurrence of the following: (i) in the case of all Collateral in which a security interest may be perfected by filing a financing statement under the PPSA, the completion of the filings and other actions specified on Schedule 1 (which, in the case of all filings and other documents referred to on such schedule, have been delivered to the Canadian Agent in completed and duly authorized form), (ii) with respect to any securities account, the filing of a financing statement under the PPSA or the execution of Control Agreements in the case of securities accounts to which the PPSA applies, and (iii) in the case of all Canadian registered Copyrights, Canadian registered Trademarks, Canadian Designs and Canadian issued Patents owned by a Grantor for which PPSA

filings are insufficient, the making of all appropriate filings with the Applicable IP Office, as applicable. Such security interest shall be prior to all other Liens on the Collateral except for Permitted Liens having priority over the Canadian Agent's Lien by operation of law or express written agreement of Canadian Agent upon (i) in the case of all Pledged Certificated Stock, Pledged Debt Instruments and Pledged Investment Property, the delivery thereof to the Canadian Agent of such Pledged Certificated Stock, Pledged Debt Instruments and Pledged Investment Property to the extent required under Section 5.3 consisting of instruments and certificates, in each case properly endorsed for transfer to the Canadian Agent or in blank, (ii) in the case of all Pledged Investment Property not in certificated form to which the PPSA applies, the execution of Control Agreements with respect to such investment property to the extent required under Section 5.3 and (iii) in the case of all other instruments and tangible chattel paper that are not Pledged Certificated Stock, Pledged Debt Instruments or Pledged Investment Property, the delivery thereof to the Canadian Agent of such instruments and tangible chattel paper, and (iv) with respect to motor vehicles (in the case of Ontario) and serial numbered goods (in the case of provinces and territories where serial numbered goods are applicable), the filing of a financing statement containing the information required under Section 5.1(e). Except as set forth in this Section 4.2, all actions by each Grantor necessary or desirable to protect and perfect the Lien granted hereunder on the Collateral have been duly taken.

Section 4.3 **Jurisdiction of Organization; Chief Executive Office**.

Such Grantor's jurisdiction of organization, legal name and organizational identification number, if any, and the location of such Grantor's chief executive office, registered office or sole place of business, in each case as of the date hereof, is specified on Schedule 2 and such Schedule 2 also lists all jurisdictions of incorporation, legal names and locations of such Grantor's chief executive office, registered office or sole place of business for the five years preceding the date hereof.

Section 4.4 **Locations of Inventory, Equipment and Books and Records**.

On the date hereof, such Grantor's inventory and equipment (other than inventory or equipment in transit) in the Ordinary Course of Business (including, without limitation, motor vehicles being used in the Ordinary Course of Business), items out for repair, equipment in the possession of an employee or a processor in the Ordinary Course of Business and equipment in an aggregate amount not to exceed $1,000,000 (collectively, the "In-Transit Collateral") and books and records concerning the Collateral are kept at the locations listed on Schedule 3.

Section 4.5 **Pledged Collateral**.

(a) The Pledged Stock pledged by such Grantor hereunder (a) is listed on Schedule 4 (as such Schedule is deemed updated by each Pledge Amendment delivered hereunder) and constitutes that percentage of the issued and outstanding equity of all classes of each issuer thereof as set forth on Schedule 4, (b) has been duly authorized, validly issued and is fully paid and nonassessable (other than Pledged Stock in limited liability companies, ULCs, and partnerships), and (c) has no restriction on transfer associated with it (Except in respect of Pledged ULC Shares).

(b) As of the Closing Date, all Pledged Collateral (other than Pledged Uncertificated Stock) and all Pledged Investment Property consisting of instruments and certificates has been delivered to the Canadian Agent to the extent required by and in accordance with Section 5.3(a).

(c) Subject to Section 8.13 upon the occurrence and during the continuance of an Event of Default, the Canadian Agent shall be entitled to exercise all of the rights of the Grantor granting the security interest in any Pledged Stock, and a transferee or assignee of such Pledged Stock shall become a holder of such Pledged Stock to the same extent as such Grantor and be entitled to participate in the management of the issuer of such Pledged Stock and, upon the transfer of the entire interest of such Grantor, such Grantor shall, by operation of law, cease to be a holder of such Pledged Stock; provided that the Canadian Agent may elect at its sole and absolute discretion to permit such Grantor to continue voting such Pledged Stock.

(d) After all Events of Default have been cured or waived, each Grantor will have the right to exercise the voting and consensual rights and powers that it would otherwise be entitled to exercise pursuant to the terms of paragraph (c) above.

Section 4.6 **Instruments Formerly Accounts**.

No amount payable to such Grantor under or in connection with any account is evidenced by any instrument or tangible chattel paper that has not been delivered to the Canadian Agent, properly endorsed for transfer, to the extent delivery is required by Section 5.6(a).

Section 4.7 **Intellectual Property**.

(a) Schedule 5, as updated from time to time in accordance with the terms of this Agreement, sets forth a true and complete list of the following Intellectual Property such Grantor owns: (i) Intellectual Property that is registered or subject to applications for registration, (ii) Internet Domain Names, (iii) Material Intellectual Property and material Software, including for each of the foregoing items (1) the owner, (2) the title, (3) the jurisdiction in which such item has been registered or otherwise arises or in which an application for registration has been filed, (4) as applicable, the registration or application number and registration or application date and (5) any IP Licenses or other rights (including franchises) granted by the Grantor with respect thereto and (iv) all material IP Licenses pursuant to which a Grantor has licensed Intellectual Property from a third party, other than licenses for commercially available off the shelf software which has not been substantially customized (other than non-exclusive licenses or sublicenses granted via non stand-alone license agreements in the ordinary course of business in a manner not inconsistent with industry practice).

(b) On the Closing Date, all registered Material Intellectual Property owned by such Grantor is valid, in full force and effect, subsisting, unexpired and enforceable (subject to the effects of bankruptcy, insolvency, fraudulent conveyance,

reorganization, moratorium and other similar laws relating to or affecting creditors' rights, generally, and general equitable principles (whether considered in a proceeding in equity or at law)), and no such Material Intellectual Property owned by such Grantor has been abandoned, except to the extent the failure to be valid, in full force and effect, subsisting, unexpired or enforceable or such abandonment will not and would not reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect. The consummation of the transactions contemplated by the Loan Documents shall not cause any breach or default of any material IP License or limit or impair the ownership, use, validity or enforceability of, or any rights of such Grantor in, any Material Intellectual Property, except to the extent that such limitation or impairment would not reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect.. There are no pending (or, to the knowledge of such Grantor, threatened in writing) actions, suits, proceedings, claims, demands, judicial orders or disputes challenging the ownership, use, validity, enforceability of, or such Grantor's rights in, any Material Intellectual Property owned by such Grantor. To such Grantor's knowledge, no Person has been or is infringing, misappropriating, diluting, violating or otherwise materially impairing any Intellectual Property of such Grantor. Such Grantor, and to such Grantor's knowledge each other party thereto, is not in material breach or default of any material IP License, except to the extent that such breach or default would not reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect.

Section 4.8 **Special Collateral**.

None of the Collateral is or is proceeds or products of farm products, fishing products, as extracted collateral, health care insurance receivables or timber to be cut.

Section 4.9 **Enforcement**.

No Permit, notice to or filing with any Governmental Authority or any notice to or consent from any Person is required (except for Permits or consents which have been obtained and notices or filings which have been made) for the exercise by the Canadian Agent of its rights (including voting rights) provided for in this Agreement or the enforcement of remedies in respect of the Collateral pursuant to this Agreement, including the transfer of any Collateral, except as may be required in connection with the disposition of any portion of the Pledged Collateral by laws affecting the offering and sale of securities (including, but not limited to, membership interests in a limited liability company) generally or any approvals that may be required to be obtained from any bailees or landlords to collect the Collateral.

Section 4.10 **Reserved**.

ARTICLE 5 - COVENANTS

Each Grantor agrees with the Canadian Agent to the following, as long as any Obligation or Commitment remains outstanding (other than contingent indemnification obligations to the extent no claim giving rise thereto has been asserted and Letter of Credit Obligations collateralized in the manner set forth in Section 7.4 of the Credit Agreement):

Section 5.1 **Maintenance of Perfected Security Interest; Further Documentation and Consents** .

(g) Generally. Such Grantor shall (i) not use or permit any Collateral to be used unlawfully or in violation of any provision of any Loan Document, any Related Agreement, any Requirement of Law or any policy of insurance covering the Collateral and (ii) except as otherwise expressly permitted by the Credit Agreement, not enter into any Contractual Obligation or undertaking restricting the right or ability of such Grantor or the Canadian Agent to sell, assign, convey or transfer any Collateral, except in each case if such unlawful use, violation or restriction would not reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect.

(h) Except as otherwise permitted in the Loan Documents, such Grantor shall maintain the security interest created by this Agreement as a perfected security interest having at least the priority described in Section 4.2 and shall use commercially reasonable efforts to defend such security interest and such priority against the material claims and demands of all Persons.

(i) In addition to any statements, schedules or reports the Canadian Agent may request from time to time pursuant to the Credit Agreement, each Grantor shall, upon the reasonable request by the Canadian Agent, at any time if a Specified Event of Default shall have occurred and be continuing but otherwise not more than once a year, furnish to the Canadian Agent from time to time statements and schedules further identifying and describing the Collateral and such other documents in connection with the Collateral as the Canadian Agent may reasonably request in order to maintain and protect its interest hereunder, all in reasonable detail and in form and substance reasonably satisfactory to the Canadian Agent.

(j) At any time and from time to time, upon the reasonable written request of the Canadian Agent, such Grantor shall, for the purpose of obtaining or preserving the full benefits of this Agreement and of the rights and powers herein granted, (i) promptly and duly execute and deliver, and have recorded, such further documents, including an authorization to file (or, as applicable, the filing) of any financing statement or financing change statement under the PPSA (or other filings under similar Requirements of Law) in effect in any jurisdiction with respect to the security interest created hereby and (ii) take such further action as the Canadian Agent may reasonably request, including (A) using its commercially reasonable efforts to secure all approvals necessary or appropriate for the collateral assignment to or for the benefit of the Canadian Agent of any Contractual Obligation, including any IP License, held by such Grantor and to enforce the security interests granted hereunder;

provided, that, if despite such Grantor's commercially reasonable efforts such approvals are not secured or obtained, such Contractual Obligations will be deemed to constitute Excluded Property and (B) executing and delivering any Control Agreements with respect to deposit accounts and securities accounts to the extent required hereby or under any other Loan Document. Notwithstanding anything to the contrary contained in this Section 5.1(d), each Grantor shall promptly deliver notice to the Canadian Agent upon the opening of a new deposit account which, pursuant to the terms of this Agreement or any other Loan Document, is required to be subject to a Control Agreement.

(k) If requested by the Canadian Agent, the Grantor shall provide a list of all serial numbers of all serial numbered goods and all vehicle identification numbers of all motor vehicles and file any necessary financing statements or other documentation in each jurisdiction that the Canadian Agent shall deem advisable.

(l) To ensure that a Lien and security interest is granted on any of the Excluded Property set forth in clause (ii) of the definition of "Excluded Property", such Grantor shall use its commercially reasonable efforts to obtain any required consents from any Person other than the Canadian Borrower and its Affiliates with respect to any permit or license or any Contractual Obligation with such Person entered into by such Grantor that requires such consent as a condition to the creation by such Grantor of a Lien on any right, title or interest in such permit, license or Contractual Obligation or any Stock or Stock Equivalent related thereto; provided, that, if despite such Grantor's commercially reasonable efforts such required consents are not obtained, such permit, license or Contractual Obligation related thereto will be deemed to constitute Excluded Property.

Section 5.2 **Changes in Locations, Name, Etc.**

Except upon 30 days' prior written notice to the Canadian Agent and delivery to the Canadian Agent of (a) all documents reasonably requested by the Canadian Agent to maintain the validity, perfection and priority of the security interests provided for herein and (b) if applicable, a written supplement to Schedule 3 showing any additional locations at which inventory or equipment shall be kept, such Grantor shall not do any of the following:

(i) permit any inventory or equipment to be kept at a location other than those listed on Schedule 3, except for the In-Transit Collateral;

(ii) change its jurisdiction of organization or its location or chief executive office or registered office, in each case from that referred to in Section 4.3; or

(iii) change its legal name or organizational identification number, if any, or corporate, limited liability company, partnership or other organizational structure to such an extent that any financing statement filed in connection with this Agreement would become misleading.

Section 5.3 **Pledged Collateral**.

(a) Closing Date Delivery of Pledged Collateral. On the Closing Date, such Grantor shall (i) deliver to the Canadian Agent, in suitable form for transfer and in form and substance reasonably satisfactory to the Canadian Agent, (A) all Pledged Certificated Stock, (B) all Pledged Debt Instruments and (C) all certificates and instruments evidencing Pledged Investment Property and (ii) maintain all other Pledged Investment Property in a Controlled Securities Account to the extent required under Section 5.9.

(b) Event of Default. During the continuance of an Event of Default, the Canadian Agent shall have the right, at any time in its discretion and without notice to the Grantor, to (i) transfer to or to register in its name or in the name of its nominees any Pledged Collateral or any Pledged Investment Property and (ii) exchange any certificate or instrument representing or evidencing any Pledged Collateral or any Pledged Investment Property for certificates or instruments of smaller or larger denominations.

(c) Cash Distributions with respect to Pledged Collateral. Except as provided in Article VI and subject to the limitations set forth in the Credit Agreement, such Grantor shall be entitled to receive all cash distributions paid in respect of the Pledged Collateral.

(d) Voting Rights. Except as provided in Article VI, such Grantor shall be entitled to exercise all voting, consent and corporate, partnership, limited liability company and similar rights with respect to the Pledged Collateral; provided, however, that no vote shall be cast, consent given or right exercised or other action taken by such Grantor that would materially impair the Collateral or be inconsistent with or result in any violation of any provision of any Loan Document.

Section 5.4 **Accounts**.

(e) Such Grantor shall not, other than in the Ordinary Course of Business, (i) grant any extension of the time of payment of any account, (ii) compromise or settle any account for less than the full amount thereof, (iii) release, wholly or partially, any Person liable for the payment of any account, (iv) allow any credit or discount on any account or (v) amend, supplement or modify any account in any manner that would reasonably be expected to adversely affect the value thereof.

(f) So long as an Event of Default is continuing, the Canadian Agent shall have the right to make test verifications of the Accounts in any manner and through any medium that it reasonably considers advisable, and such Grantor shall furnish all such assistance and information as the Canadian Agent may reasonably require in connection therewith. At any time and from time to time, upon the Canadian Agent's reasonable request, such Grantor shall cause independent public accountants or others satisfactory to the Canadian Agent to furnish to the Canadian Agent reports

showing reconciliations, aging and trial balances for, the accounts.

Section 5.5 **Commodity Contracts**.

Such Grantor shall not have any commodity contract unless subject to a Control Agreement.

Section 5.6 **Delivery of Instruments and Chattel Paper and Control of Investment Property and Letter-of-Credit Rights**.

(c) If any amount in excess of $500,000 individually or $1,000,000 in the aggregate payable under or in connection with any Collateral owned by such Grantor shall be or become evidenced by an instrument or tangible chattel paper other than such instrument delivered in accordance with Section 5.3(a) and in the possession of the Canadian Agent, such Grantor shall mark all such instruments and tangible chattel paper with the following legend: "This writing and the obligations evidenced or secured hereby are subject to the security interest of JPMorgan Chase Bank, N.A., Toronto Branch, as Canadian Agent" and, at the request of the Canadian Agent, shall immediately deliver such instrument or tangible chattel paper to the Canadian Agent, duly endorsed in a manner satisfactory to the Canadian Agent.

(d) Such Grantor shall not grant "**control**" (within the meaning of such term under the PPSA) over any investment property to any Person other than the Canadian Agent.

(e) If such Grantor is or becomes the beneficiary of a letter of credit that is (i) not a supporting obligation of any Collateral and (ii) in excess of $500,000 individually or $1,000,000 in the aggregate, such Grantor shall promptly, and in any event within five (5) Business Days after becoming a beneficiary, notify the Canadian Agent thereof and use commercially reasonable efforts to enter into a Contractual Obligation with the Canadian Agent, the issuer of such letter of credit or any nominated person with respect to the letter of credit rights under such letter of credit. Such Contractual Obligation shall collaterally assign such letter-of-credit rights to the Canadian Agent and such collateral assignment shall be sufficient to grant control for the purposes of the PPSA (or any similar section under any equivalent PPSA). Such Contractual Obligation shall also direct all payments thereunder to a Cash Collateral Account. The provisions of the Contractual Obligation shall be in form and substance reasonably satisfactory to the Canadian Agent and the Canadian Borrower.

Section 5.7 **Intellectual Property**.

(a) Not less frequently than quarterly (as of the last day of each calendar quarter), each Grantor shall provide the Canadian Agent written notification of any change to Schedule 5 and the short-form intellectual property agreements as described in this Section 5.7 and other documents that the Canadian Agent reasonably requests with respect thereto.

(b) Such Grantor shall (and shall cause all its licensees to), in its reasonable business

judgement, (i) (A) continue to use each Trademark included in the Material Intellectual Property which is material to such Grantor's business in order to maintain such Trademark in full force and effect with respect to each class of goods for which such Trademark is currently used, free from any claim of abandonment for non-use, (B) maintain at least the same standards of quality of products and services offered under such Trademark as are currently maintained, (C) use such Trademark with the appropriate notice of registration and all other notices and legends required by applicable Requirements of Law, (D) not adopt or use any other Trademark that is confusingly similar or a colorable imitation of such Trademark unless the Canadian Agent shall obtain a perfected security interest in such other Trademark pursuant to this Agreement and (ii) not do any act or omit to do any act whereby (w) such Trademark (or any goodwill associated therewith) may become destroyed, invalidated, impaired or harmed in any way, (x) any Patent included in the Material Intellectual Property which is material to such Grantor's business may become forfeited, misused, unenforceable, abandoned or dedicated to the public, (y) any portion of the Copyrights included in the Material Intellectual Property may become invalidated, otherwise impaired or fall into the public domain or (z) any Trade Secret that is Material Intellectual Property may become publicly available or otherwise unprotectable.

(c) Such Grantor shall notify the Canadian Agent promptly if it knows that any application or registration relating to any Material Intellectual Property owned by such Grantor may become forfeited, misused, unenforceable, abandoned or dedicated to the public, or of any material adverse determination or development regarding the validity or enforceability or such Grantor's ownership of, interest in, right to use, register, own or maintain any Material Intellectual Property (including the institution of, or any such determination or development in, any proceeding relating to the foregoing in any Applicable IP Office). Unless no longer deemed Material Intellectual Property in such Grantor's reasonable business judgment, such Grantor shall take all actions that are necessary or reasonably requested by the Canadian Agent to maintain and pursue each application (and to obtain the relevant registration or recordation) and to maintain each registration and recordation for Material Intellectual Property owned by such Grantor.

(d) Such Grantor shall not knowingly do any act or omit to do any act to infringe, misappropriate, dilute, violate or otherwise impair the Intellectual Property of any other Person to the extent such act could reasonably be expected to result in a Material Adverse Effect. In the event that any Material Intellectual Property of such Grantor is or has been infringed, misappropriated, violated, diluted or otherwise impaired by a third party, such Grantor shall take such action as it reasonably deems appropriate under the circumstances in response thereto, including promptly bringing suit and recovering all damages therefor.

Section 5.8 **Notices**.

Such Grantor shall promptly notify the Canadian Agent in writing of its acquisition of any

interest hereafter in property that is of a type where a security interest or Lien must be or may be registered, recorded or filed under, or notice thereof given under, any provincial or federal statute or regulation.

Section 5.9 **Controlled Securities Account**.

Each Grantor shall deposit all of its Cash Equivalents, if any, in securities accounts that are Controlled Securities Accounts except for Cash Equivalents the aggregate value of which does at any time not exceed $250,000 individually and $700,000 in the aggregate. Each such Controlled Securities Account shall either (i) specify that the Province of Ontario is the securities intermediary's jurisdiction for the purposes of the Securities Transfer Act, 2006 (Ontario) ("**STA**"); or (ii) express to be governed by the laws of the Province of Ontario. The term "securities intermediary" has the meaning given to it in the STA.

ARTICLE 6 - REMEDIAL PROVISIONS

Section 6.1 **Other Remedies**.

(b) PPSA Remedies. During the continuance of an Event of Default, the Canadian Agent may exercise, in addition to all other rights and remedies granted to it in this Agreement and in any other instrument or agreement securing, evidencing or relating to any Secured Obligation, all rights and remedies of a secured party under the PPSA or any other applicable law.

(c) Appointment of Receiver. Upon the occurrence and during the continuance of any Event of Default, the Canadian Agent may appoint or reappoint by instrument in writing, any Person or Persons, whether an officer or officers or an employee or employees of the Canadian Agent or not, to be an interim receiver, receiver or receivers (hereinafter called a "Receiver", which term when used herein shall include a receiver and manager) of Collateral (including any interest, income or profits therefrom) and may remove any Receiver so appointed and appoint another in his/her/its stead. Any such Receiver shall, so far as concerns responsibility for his/her/its acts, be deemed the agent of the applicable Grantor and not the Canadian Agent or any of Lenders, and neither the Canadian Agent nor any Lender shall be in any way responsible for any misconduct, negligence or non-feasance on the part of any such Receiver or his/her/its servants, agents or employees. Subject to the provisions of the instrument appointing him/her/it and the provisions of applicable law, any such Receiver shall have power to take possession of Collateral, to preserve Collateral or its value, to carry on or concur in carrying on all or any part of the business of the applicable Grantor and to sell, lease, license or otherwise dispose of or concur in selling, leasing, licensing or otherwise disposing of Collateral. To facilitate the foregoing powers, any such Receiver may, to the exclusion of all others, including the applicable Grantor, enter upon, use and occupy all premises owned or occupied by the applicable Grantor wherein Collateral may be situate, maintain Collateral upon such premises, borrow money on a secured or unsecured basis and

use Collateral directly in carrying on the applicable Grantor's business or as security for loans or advances to enable the Receiver to carry on the applicable Grantor's business or otherwise, as such Receiver shall, in its discretion, determine. Except as may be otherwise directed by the Canadian Agent, all money received from time to time by such Receiver in carrying out his/her/its appointment shall be received in trust for and be paid over to the Canadian Agent. Every such Receiver may, in the discretion of the Canadian Agent, be vested with all or any of the rights and powers of the Canadian Agent.

(i) The Canadian Agent may, either directly or through its agents or nominees, exercise any or all of the powers and rights given to a Receiver by virtue of this Section 6.1(b).

(d) Disposition of Collateral. Without limiting the generality of the foregoing, the Canadian Agent may, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon any Grantor or any other Person (all and each of which demands, defences, advertisements and notices are hereby waived), during the continuance of any Event of Default (personally or through its agents or attorneys), (i) enter upon the premises where any Collateral is located, without any obligation to pay rent, through self-help, without judicial process, without first obtaining a final judgment or giving any Grantor or any other Person notice or opportunity for a hearing on the Canadian Agent's claim or action, (ii) collect, receive, appropriate and realize upon any Collateral and (iii) sell, assign, convey, transfer, grant option or options to purchase and deliver any Collateral (enter into Contractual Obligations to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of any Secured Party or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Canadian Agent shall have the right, upon any such public sale or sales and, to the extent permitted by the PPSA and other applicable Requirements of Law, upon any such private sale, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption of any Grantor, which right or equity is hereby waived and released.

(e) Management of the Collateral. Each Grantor further agrees, that, during the continuance of any Event of Default, (i) at the Canadian Agent's request, it shall assemble the Collateral and make it available to the Canadian Agent at places that the Canadian Agent shall reasonably select, whether at such Grantor's premises or elsewhere, (ii) without limiting the foregoing, the Canadian Agent also has the right to require that each Grantor store and keep any Collateral pending further action by the Canadian Agent and, while any such Collateral is so stored or kept, provide such guards and maintenance services as shall be necessary to protect the same and to preserve and maintain such Collateral in good condition, (iii) until the Canadian Agent is able to sell, assign, convey or transfer any Collateral, the Canadian Agent

shall have the right to hold or use such Collateral to the extent that it deems appropriate for the purpose of preserving the Collateral or its value or for any other purpose deemed appropriate by the Canadian Agent and (iv) the Canadian Agent may, if it so elects, seek the appointment of a receiver or keeper to take possession of any Collateral and to enforce any of the Canadian Agent's remedies (for the benefit of the Secured Parties), with respect to such appointment without prior notice or hearing as to such appointment. The Canadian Agent shall not have any obligation to any Grantor to maintain or preserve the rights of any Grantor as against third parties with respect to any Collateral while such Collateral is in the possession of the Canadian Agent.

(f) Application of Proceeds. The Canadian Agent shall apply the cash proceeds of any action taken by it pursuant to this Section 6.1, in such order as specified in Section 1.10(c) of the Credit Agreement to the payment in whole or in part of the Secured Obligations, as set forth in the Credit Agreement, and only after such application and after the payment by the Canadian Agent of any other amount required by any Requirement of Law, need the Canadian Agent account for the surplus, if any, to any Grantor.

(g) Direct Obligation. Neither the Canadian Agent nor any other Secured Party shall be required to make any demand upon, or pursue or exhaust any right or remedy against, any Grantor, any other Credit Party or any other Person with respect to the payment of the Obligations or to pursue or exhaust any right or remedy with respect to any Collateral therefor or any direct or indirect guarantee thereof. All of the rights and remedies of the Canadian Agent and any other Secured Party under any Loan Document shall be cumulative, may be exercised individually or concurrently and not exclusive of any other rights or remedies provided by any Requirement of Law. To the extent it may lawfully do so, each Grantor absolutely and irrevocably waives and relinquishes the benefit and advantage of, and covenants not to assert against the Canadian Agent or any Lender, any valuation, stay, appraisement, extension, redemption or similar laws and any and all rights or defences it may have as a surety, now or hereafter existing, arising out of the exercise by them of any rights hereunder. If any notice of a proposed sale or other disposition of any Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least 10 days before such sale or other disposition.

(h) Commercially Reasonable. To the extent that applicable Requirements of Law impose duties on the Canadian Agent to exercise remedies in a commercially reasonable manner, each Grantor acknowledges and agrees that it is not commercially unreasonable for the Canadian Agent to do any of the following:

(i) fail to incur significant costs, expenses or other Liabilities reasonably deemed as such by the Canadian Agent to prepare any Collateral for disposition or otherwise to complete raw material or work in process into finished goods or other finished products for disposition;

(ii) unless required by Requirements of Law, fail to obtain Permits, or other consents, for (A) access to any Collateral to sell, (B) the collection or sale of any Collateral, or (C) the collection or disposition of any Collateral;

(iii) fail to exercise remedies against account debtors or other Persons obligated on any Collateral or to remove Liens on any Collateral or to remove any adverse claims against any Collateral;

(iv) advertise dispositions of any Collateral through publications or media of general circulation, whether or not such Collateral is of a specialized nature, or to contact other Persons, whether or not in the same business as any Grantor, for expressions of interest in acquiring any such Collateral;

(v) exercise collection remedies against account debtors and other Persons obligated on any Collateral, directly or through the use of collection agencies or other collection specialists, hire one or more professional auctioneers to assist in the disposition of any Collateral, whether or not such Collateral is of a specialized nature, or, to the extent deemed appropriate by the Canadian Agent, obtain the services of other brokers, investment bankers, consultants and other professionals to assist the Canadian Agent in the collection or disposition of any Collateral, or utilize Internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capacity of doing so, or that match buyers and sellers of assets to dispose of any Collateral;

(vi) dispose of assets in wholesale rather than retail markets;

(vii) disclaim disposition warranties, such as title, possession or quiet enjoyment; or

(viii) purchase insurance or credit enhancements to insure the Canadian Agent against risks of loss, collection or disposition of any Collateral or to provide to the Canadian Agent a guaranteed return from the collection or disposition of any Collateral.

Each Grantor acknowledges that the purpose of this Section 6.1 is to provide a non-exhaustive list of actions or omissions that are commercially reasonable when exercising remedies against any Collateral and that other actions or omissions by the Secured Parties shall not be deemed commercially unreasonable solely on account of not being indicated in this Section 6.1. Without limitation upon the foregoing, nothing contained in this Section 6.1 shall be construed to grant any rights to any Grantor or to impose any duties on the Canadian Agent that would not have been granted or imposed by this Agreement or by applicable Requirements of Law in the absence of this Section 6.1.

(i) IP Licenses. For the purpose of enabling the Canadian Agent to exercise rights and remedies under this Section 6.1 (including in order to take possession of, collect,

receive, assemble, process, appropriate, remove, realize upon, sell, assign, convey, transfer or grant options to purchase any Collateral) at such time as the Canadian Agent shall be lawfully entitled to exercise such rights and remedies, each Grantor hereby grants to the Canadian Agent, for the benefit of the Secured Parties, (i) subject to the rights of the applicable third party, an irrevocable (except as otherwise set forth in Section 8.2), nonexclusive, worldwide license (exercisable without payment of royalty or other compensation to such Grantor), including in such license the right to sublicense, use and practice any Intellectual Property not constituting Excluded Property now owned or hereafter acquired by such Grantor and access to all media in which any of the licensed items may be recorded or stored and to all Software and programs used for the compilation or printout thereof and (ii) an irrevocable license (without payment of rent or other compensation to such Grantor) to use, operate and occupy all real Property owned, operated, leased, subleased or otherwise occupied by such Grantor.

Section 6.2 **Accounts and Payments in Respect of Intangibles** .

(e) In addition to, and not in substitution for, any similar requirement in the Credit Agreement, if required by the Canadian Agent at any time during the continuance of an Event of Default, any payment of accounts or payment in respect of intangibles, when collected by any Grantor, shall be promptly (and, in any event, within two (2) Business Days) deposited by such Grantor in the exact form received, duly endorsed by such Grantor to the Canadian Agent, in a Cash Collateral Account, subject to withdrawal by the Canadian Agent as provided in Section 6.4. Until so turned over, such payment shall be held by such Grantor in trust for the Canadian Agent, segregated from other funds of such Grantor. Each such deposit of proceeds of accounts and payments in respect of intangibles shall be accompanied by a report identifying in reasonable detail the nature and source of the payments included in the deposit.

(f) At any time during the continuance of an Event of Default:

(i) each Grantor shall, upon the Canadian Agent's request, deliver to the Canadian Agent all original and other documents evidencing, and relating to, the Contractual Obligations and transactions that gave rise to any account or any payment in respect of intangibles, including all original orders, invoices and shipping receipts and notify account debtors that the accounts or intangibles have been collaterally assigned to the Canadian Agent and that payments in respect thereof shall be made directly to the Canadian Agent;

(ii) the Canadian Agent may, without notice, at any time during the continuance of an Event of Default, limit or terminate the authority of a Grantor to collect its accounts or amounts due under intangibles or any thereof and, in its own name or in the name of others, communicate with account debtors to verify with them to the Canadian Agent's satisfaction the existence, amount and terms of any account or amounts due under any intangibles. In addition, the

Canadian Agent may at any time enforce such Grantor's rights against such account debtors and obligors of intangibles; and

(iii) each Grantor shall take all actions, deliver all documents and provide all information necessary or reasonably requested by the Canadian Agent to ensure any Internet Domain Name is registered.

(g) Anything herein to the contrary notwithstanding, each Grantor shall remain liable under each account and each payment in respect of intangibles to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise thereto. No Secured Party shall have any obligation or liability under any agreement giving rise to an account or a payment in respect of intangibles by reason of or arising out of any Loan Document or the receipt by any Secured Party of any payment relating thereto, nor shall any Secured Party be obligated in any manner to perform any obligation of any Grantor under or pursuant to any agreement giving rise to an account or a payment in respect of intangibles, to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party thereunder, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts that may have been assigned to it or to which it may be entitled at any time or times.

Section 6.3 **Pledged Collateral**.

(g) Voting Rights . During the continuance of an Event of Default, upon notice by the Canadian Agent to the relevant Grantor or Grantors, the Canadian Agent or its nominee may exercise (A) any voting, consent, corporate and other right pertaining to the Pledged Collateral at any meeting of shareholders, partners or members, as the case may be, of the relevant issuer or issuers of Pledged Collateral or otherwise and (B) any right of conversion, exchange and subscription and any other right, privilege or option pertaining to the Pledged Collateral as if it were the absolute owner thereof (including the right to exchange at its discretion any Pledged Collateral upon the merger, amalgamation, consolidation, reorganization, recapitalization or other fundamental change in the corporate or equivalent structure of any issuer of Pledged Stock, the right to deposit and deliver any Pledged Collateral with any committee, depositary, transfer agent, registrar or other designated agency upon such terms and conditions as the Canadian Agent may determine), all without liability except to account for property actually received by it; and except for any act constituting gross negligence, wilful misconduct or bad faith as finally determined by a court of competent jurisdiction provided, however, that the Canadian Agent shall have no duty to any Grantor to exercise any such right, privilege or option and shall not be responsible for any failure to do so or delay in so doing; provided, further that if and when any such Event of Default shall have been cured or waived, (i) such voting rights shall automatically revert to the applicable Grantor and (ii) the Canadian Agent, at the expense of the Grantors, shall execute such documents reasonably requested by Grantors to allow the owner of any equity interest to exercise any rights

associated with such equity interest.

(h) Proxies. In order to permit the Canadian Agent to exercise the voting and other consensual rights that it may be entitled to exercise pursuant hereto and to receive all dividends and other distributions that it may be entitled to receive hereunder, (i) each Grantor shall promptly execute and deliver (or cause to be executed and delivered) to the Canadian Agent all such proxies, dividend payment orders and other instruments as the Canadian Agent may from time to time reasonably request and (ii) without limiting the effect of clause (i) above, and, for greater certainty, subject to the limitation with respect to Pledged ULC Shares set out in Section 8.14, such Grantor hereby grants to the Canadian Agent an irrevocable proxy to vote all or any part of the Pledged Collateral and to exercise all other rights, powers, privileges and remedies to which a holder of the Pledged Collateral would be entitled (including giving or withholding written consents of shareholders, partners or members, as the case may be, calling special meetings of shareholders, partners or members, as the case may be, and voting at such meetings), which proxy shall be effective, automatically and without the necessity of any action (including any transfer of any Pledged Collateral on the record books of the issuer thereof) by any other person (including the issuer of such Pledged Collateral or any officer or agent thereof) during the continuance of an Event of Default and which proxy shall only terminate upon the payment in full of the Secured Obligations (other than contingent indemnification obligations to the extent no claim giving rise thereto has been asserted and Letter of Credit Obligations collateralized in the manner set forth in Section 7.4 of the Credit Agreement).

(i) Authorization of Issuers. Each Grantor hereby expressly irrevocably authorizes and instructs, without any further instructions from such Grantor, each issuer of any Pledged Collateral pledged hereunder by such Grantor to (i) comply with any instruction received by it from the Canadian Agent in writing that states that an Event of Default is continuing and is otherwise in accordance with the terms of this Agreement and each Grantor agrees that such issuer shall be fully protected from Liabilities to such Grantor in so complying and (ii) unless otherwise expressly permitted hereby or the Credit Agreement, pay any dividend or make any other payment with respect to the Pledged Collateral directly to the Canadian Agent. The Canadian Agent hereby agrees that it shall not give any such instructions unless an Event of Default has occurred and is continuing.

Section 6.4 **Proceeds to be Turned over to and Held by Canadian Agent** .

To the extent required in the Credit Agreement or this Agreement, all proceeds of any Collateral received by any Grantor hereunder in cash or Cash Equivalents shall be held by such Grantor in trust for the Canadian Agent and the other Secured Parties, segregated from other funds of such Grantor, and to the extent required by the Credit Agreement or this Agreement shall, promptly upon receipt by any Grantor, be turned over to the Canadian Agent in the exact form received (with any necessary endorsement). All such proceeds of Collateral and any other proceeds of any Collateral received by the Canadian Agent in cash or Cash Equivalents shall be held by the Canadian

Agent in a Cash Collateral Account. All proceeds being held by the Canadian Agent in a Cash Collateral Account (or by such Grantor in trust for the Canadian Agent) shall continue to be held as collateral security for the Secured Obligations and shall not constitute payment thereof until applied as provided in the Credit Agreement.

Section 6.5 **Sale of Pledged Collateral**.

(f) Each Grantor recognizes that the Canadian Agent may be unable to effect a public sale of any Pledged Collateral by reason of certain prohibitions contained in Securities Laws or otherwise or may determine that a public sale is impracticable, not desirable or not commercially reasonable and, accordingly, may resort to one or more private sales thereof to a restricted group of purchasers that shall be obliged to agree, among other things, to acquire such securities for their own account for investment and not with a view to the distribution or resale thereof. Each Grantor acknowledges and agrees that any such private sale may result in prices and other terms less favourable than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner. The Canadian Agent shall be under no obligation to delay a sale of any Pledged Collateral for the period of time necessary to permit the issuer thereof to register such securities for public sale under Securities Laws even if such issuer would agree to do so.

(g) Each Grantor agrees to use its commercially reasonable efforts to do or cause to be done all such other acts as may be necessary to make such sale or sales of any portion of the Pledged Collateral pursuant to Section 6.1 and this Section 6.5 valid and binding and in compliance with all applicable Requirements of Law. Each Grantor further agrees that a breach of any covenant contained herein will cause irreparable injury to the Canadian Agent and other Secured Parties, that the Canadian Agent and the other Secured Parties have no adequate remedy at law in respect of such breach and, as a consequence, that each and every covenant contained herein shall be specifically enforceable against such Grantor, and such Grantor hereby waives and agrees not to assert any defence against an action for specific performance of such covenants except for a defence that no Event of Default has occurred under the Credit Agreement or a defense of payment. Each Grantor waives any and all rights of contribution or subrogation upon the sale or disposition of all or any portion of the Pledged Collateral by Canadian Agent.

Section 6.6 **Deficiency**.

Each Grantor shall remain liable for any deficiency if the proceeds of any sale or other disposition of any Collateral are insufficient to pay the Secured Obligations and the fees and disbursements of any attorney employed by the Canadian Agent or any other Secured Party to collect such deficiency.

ARTICLE 7 - THE CANADIAN AGENT

Section 7.1 **Canadian Agent's Appointment as Attorney-in-Fact**.

(h) Each Grantor hereby irrevocably constitutes and appoints the Canadian Agent and any Related Person thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Grantor and in the name of such Grantor or in its own name, upon the occurrence and during the continuance of any Event of Default, for the purpose of carrying out the terms of the Loan Documents, to take any appropriate action and to execute any document or instrument that may be necessary or desirable to accomplish the purposes of the Loan Documents, and, without limiting the generality of the foregoing, each Grantor hereby gives the Canadian Agent and its Related Persons the power and right, on behalf of such Grantor, without notice to or assent by such Grantor, to do any of the following when an Event of Default shall be continuing:

(i) in the name of such Grantor, in its own name or otherwise, take possession of and endorse and collect any cheque, draft, note, acceptance or other instrument for the payment of moneys due under any account or intangible or with respect to any other Collateral and file any claim or take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Canadian Agent for the purpose of collecting any such moneys due under any account or intangibles or with respect to any other Collateral whenever payable;

(ii) in the case of any Intellectual Property owned by or licensed to the Grantors, execute, deliver and have recorded any document that the Canadian Agent may request to evidence, effect, publicize or record the Canadian Agent's security interest in such Intellectual Property and the goodwill and intangibles of such Grantor relating thereto or represented thereby, to the extent that such Intellectual Property is not Excluded Property;

(iii) pay or discharge taxes and Liens levied or placed on or threatened against any Collateral, effect any repair or pay any insurance called for by the terms of the Credit Agreement (including all or any part of the premiums therefor and the costs thereof);

(iv) execute, in connection with any sale provided for in Section 6.1 or Section 6.5, any document to effect or otherwise necessary or appropriate in relation to evidence the sale of any Collateral; or

(v) 1. direct any party liable for any payment under any Collateral to make payment of any moneys due or to become due thereunder directly to the Canadian Agent or as the Canadian Agent shall direct, (B) ask or demand for, and collect and receive payment of and receipt for, any moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral, (C) sign and endorse any invoice, freight or express bill, bill of lading, storage or warehouse receipt, draft against debtors,

assignment, verification, notice and other document in connection with any Collateral, (D) commence and prosecute any suit, action or proceeding at law or in equity in any court of competent jurisdiction to collect any Collateral and to enforce any other right in respect of any Collateral, (E) defend any actions, suits, proceedings, audits, claims, demands, orders or disputes brought against such Grantor with respect to any Collateral, (F) settle, compromise or adjust any such actions, suits, proceedings, audits, claims, demands, orders or disputes and, in connection therewith, give such discharges or releases as the Canadian Agent may deem appropriate, (G) assign any Intellectual Property owned by the Grantors or any IP Licenses of the Grantors throughout the world on such terms and conditions and in such manner as the Canadian Agent shall in its sole discretion determine, including the execution and filing of any document necessary to effectuate or record such assignment and (H) generally, sell, assign, convey, transfer or grant a Lien on, make any Contractual Obligation with respect to and otherwise deal with, any Collateral as fully and completely as though the Canadian Agent were the absolute owner thereof for all purposes and do, at the Canadian Agent's option, at any time or from time to time, all acts and things that the Canadian Agent deems necessary to protect, preserve or realize upon any Collateral and the Secured Parties' security interests therein and to effect the intent of the Loan Documents, all as fully and effectively as such Grantor might do.

(vi) If any Grantor fails to perform or comply with any Contractual Obligation contained herein, the Canadian Agent, at its option, but without any obligation so to do, may perform or comply, or otherwise cause performance or compliance, with such Contractual Obligation.

(i) The expenses of the Canadian Agent incurred in connection with actions undertaken as provided in this Section 7.1, together with interest thereon at a rate set forth in subsection 1.3(c) of the Credit Agreement, from the date of payment by the Canadian Agent to the date reimbursed by the relevant Grantor, shall be payable by such Grantor to the Canadian Agent within five (5) Business Days after demand.

(j) Each Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue of this Section 7.1 and in accordance with the terms herein. All powers, authorizations, proxies and agencies contained in this Agreement are coupled with an interest and are irrevocable until this Agreement is terminated and the security interests created hereby are released.

Section 7.2 **Authorization to File Financing Statements** .

Each Grantor authorizes the Canadian Agent and its Related Persons, at any time and from time to time, to file or record financing statements, financing change statements thereto, and other filing or recording documents or instruments with respect to any Collateral in such form and in such offices as the Canadian Agent reasonably determines appropriate to perfect the security interests of

the Canadian Agent under this Agreement, and such financing statements and financing change statements may describe the Collateral covered thereby as "**all present and after acquired property of the debtor** ". A photographic or other reproduction of this Agreement shall be sufficient as a financing statement or other filing or recording document or instrument for filing or recording in any jurisdiction. Such Grantor also hereby ratifies its authorization for the Canadian Agent to have filed any initial financing statement or financing change statement thereto under the PPSA (or other similar laws) in effect in any jurisdiction if filed prior to the date hereof.

Section 7.3 **Authority of Canadian Agent**.

Each Grantor acknowledges that the rights and responsibilities of the Canadian Agent under this Agreement with respect to any action taken by the Canadian Agent or the exercise or non-exercise by the Canadian Agent of any option, voting right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Agreement shall, as between the Canadian Agent and the other Secured Parties, be governed by the Credit Agreement and by such other agreements with respect thereto as may exist from time to time among them, but, as between the Canadian Agent and the Grantors, the Canadian Agent shall be conclusively presumed to be acting as agent for the Secured Parties with full and valid authority so to act or refrain from acting, and no Grantor shall be under any obligation or entitlement to make any inquiry respecting such authority.

Section 7.4 **Duty; Obligations and Liabilities**.

(h) Duty of Canadian Agent. The Canadian Agent's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession shall be to deal with it in the same manner as the Canadian Agent deals with similar property for its own account. The powers conferred on the Canadian Agent hereunder are solely to protect the Canadian Agent's interest in the Collateral and shall not impose any duty upon the Canadian Agent to exercise any such powers. The Canadian Agent shall be accountable only for amounts that it receives as a result of the exercise of such powers, and neither it nor any of its Related Persons shall be responsible to any Grantor for any act or failure to act hereunder, except for their own gross negligence, bad faith, or wilful misconduct as finally determined by a court of competent jurisdiction. In addition, the Canadian Agent shall not be liable or responsible for any loss or damage to any Collateral, or for any diminution in the value thereof, by reason of the act or omission of any warehousemen, carrier, forwarding agency, consignee or other bailee if such Person has been selected by the Canadian Agent in good faith.

(i) Obligations and Liabilities with respect to Collateral. No Secured Party and no Related Person thereof shall be liable for failure to demand, collect or realize upon any Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of any Grantor or any other Person or to take any other action whatsoever with regard to any Collateral. The powers conferred on the Canadian Agent hereunder shall not impose any duty upon any other Secured Party to exercise any such powers. The other Secured Parties

shall be accountable only for amounts that they actually receive as a result of the exercise of such powers, and neither they nor any of their respective officers, directors, employees or agents shall be responsible to any Grantor for any act or failure to act hereunder, except for their own gross negligence or wilful misconduct or bad faith as finally determined by a court of competent jurisdiction.

Section 7.5 ***Costs and Expenses; Indemnification***.

Each Grantor shall pay or reimburse the Canadian Agent for payment of all costs and expenses in accordance with the provisions of the Credit Agreement. Each Grantor agrees to indemnify and hold the Canadian Agent and each of the Secured Parties, and their respective employees, agents, officers and directors, harmless from all loss, cost, damage, liability or expenses, including expenses incurred by the Canadian Agent and each of the Secured Parties by reason of an Event of Default, or enforcing the obligations of such Grantor in accordance with the provisions of the Credit Agreement.

ARTICLE 8 - MISCELLANEOUS

Section 8.1 **Reinstatement**.

Each Grantor agrees that, if any payment made by any Credit Party or other Person and applied to the Secured Obligations is at any time annulled, avoided, set aside, rescinded, invalidated, declared to be fraudulent or preferential or otherwise required to be refunded or repaid, or the proceeds of any Collateral are required to be returned by any Secured Party to such Credit Party, its estate, trustee, receiver or any other party, including any Grantor, under any bankruptcy law, provincial or federal law, common law or equitable cause, then, to the extent of such payment or repayment, any Lien or other Collateral securing such liability shall be and remain in full force and effect, as fully as if such payment had never been made. If, prior to any of the foregoing, (a) any Lien or other Collateral securing such Grantor's liability hereunder shall have been released or terminated by virtue of the foregoing or (b) any provision of the Guarantee hereunder shall have been terminated, cancelled or surrendered, such Lien, other Collateral or provision shall be reinstated in full force and effect and such prior release, termination, cancellation or surrender shall not diminish, release, discharge, impair or otherwise affect the obligations of any such Grantor in respect of any Lien or other Collateral securing such obligation or the amount of such payment.

Section 8.2 **Release of Collateral**.

(a) At the time provided in Section 8.10(b)(iii) of the Credit Agreement, the Collateral shall automatically be released from the Lien created hereby and this Agreement and all obligations (other than those expressly stated to survive such termination) of the Canadian Agent and each Grantor hereunder shall terminate, all without delivery of any instrument or performance of any act by any party, and all rights to the Collateral shall revert to the Grantors. Each Grantor (or such Grantor's designee) is hereby authorized to file PPSA financing change statements, termination statements and other documents, such as releases of security interest with the Applicable IP Office

at such time evidencing the termination of the Liens so released; provided however, that in no event is any Grantor authorized to execute any instrument, agreement or document on behalf of Canadian Agent or any Lender to evidence such release pursuant to this Section 8.2. At the request of any Grantor following any such termination, the Canadian Agent shall deliver to such Grantor any Collateral of such Grantor held by the Canadian Agent hereunder and execute and deliver to such Grantor such documents as such Grantor shall reasonably request to evidence such termination.

(b) If the Canadian Agent shall be directed or permitted pursuant to subsection 8.10(b) of the Credit Agreement to release any Lien or any Collateral, such Collateral shall be released from the Lien created hereby to the extent provided under, and subject to the terms and conditions set forth in, such subsection. In connection therewith, the Canadian Agent, at the request of any Grantor, shall execute and deliver to such Grantor such documents as such Grantor shall reasonably request to evidence such release.

(c) At the time provided in subsection 8.10(b) of the Credit Agreement and at the request of the Canadian Borrower, unless as a condition to the consent of Canadian Agent and Lenders to such sale, if applicable, such Grantor is required to remain subject to this Agreement, a Grantor shall be released from its obligations hereunder in the event that all the Stock and Stock Equivalents of such Grantor shall be sold to any Person that is not a Credit Party, the Canadian Borrowers and the Subsidiaries of the Canadian Borrowers in a transaction permitted by the Loan Documents.

Section 8.3 **Independent Obligations**.

The obligations of each Grantor hereunder are independent of and separate from the Secured Obligations and the Guaranteed Obligations. If any Secured Obligation or Guaranteed Obligation is not paid when due, or during the continuance of any Event of Default, the Canadian Agent may, at its sole election, proceed directly and at once, without notice, against any Grantor and any Collateral to collect and recover the full amount of any Secured Obligation or Guaranteed Obligation then due, without first proceeding against any other Grantor, any other Credit Party or any other Collateral and without first joining any other Grantor or any other Credit Party in any proceeding.

Section 8.4 **No Waiver by Course of Conduct** .

No Secured Party shall by any act (except by a written instrument pursuant to Section 8.5), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default. No failure to exercise, nor any delay in exercising, on the part of any Secured Party, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by any Secured Party of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy that such Secured Party would otherwise have on any future occasion.

Section 8.5 **Amendments in Writing**.

None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified except in accordance with Section 9.1 of the Credit Agreement; provided, however, that annexes to this Agreement may be supplemented (but no existing provisions may be modified and no Collateral may be released) through Pledge Amendments and Joinder Agreements, in substantially the form of Annex 1 and Annex 2, respectively, in each case duly executed by the Canadian Agent and each Grantor directly affected thereby.

Section 8.6 **Additional Grantors; Additional Pledged Collateral** .

(a) Joinder Agreements. If, at the option of the Canadian Borrower or as required pursuant to Section 4.13 of the Credit Agreement, the Canadian Borrower shall cause any Subsidiary that is not a Grantor to become a Grantor hereunder, such Subsidiary shall promptly execute and deliver to the Canadian Agent a Joinder Agreement substantially in the form of Annex 2 and shall thereafter for all purposes be a party hereto and have the same rights, benefits and obligations as a Grantor party hereto on the Closing Date.

(b) Pledge Amendments. To the extent any Pledged Collateral which is otherwise required to be delivered hereunder and has not been delivered as of the Closing Date, such Grantor shall deliver a pledge amendment duly executed by the Grantor in substantially the form of Annex 1 (each, a "**Pledge Amendment**"). Such Grantor authorizes the Canadian Agent to attach each Pledge Amendment to this Agreement.

Section 8.7 **Notices**.

All notices, requests and demands to or upon the Canadian Agent or any Grantor hereunder shall be effected in the manner provided for in Section 9.2 of the Credit Agreement; provided, however, that any such notice, request or demand to or upon any Grantor shall be addressed to the Canadian Borrower's notice address set forth in Section 9.2 of the Credit Agreement.

Section 8.8 **Successors and Assigns** .

This Agreement shall be binding upon the successors and assigns of each Grantor and shall inure to the benefit of each Secured Party and their permitted successors and assigns; provided, however, that no Grantor may assign, transfer or delegate any of its rights or obligations under this Agreement without the prior written consent of the Canadian Agent.

Section 8.9 **Counterparts**.

This Agreement may be executed in any number of counterparts and by different parties in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Signature pages may be detached from multiple separate counterparts and attached to a single counterpart. Delivery of an executed signature page of this Agreement by facsimile transmission or by Electronic Transmission shall be as effective as delivery of a manually executed counterpart hereof.

Section 8.10 **Severability**.

Any provision of this Agreement being held illegal, invalid or unenforceable in any jurisdiction shall not affect any part of such provision not held illegal, invalid or unenforceable, any other provision of this Agreement or any part of such provision in any other jurisdiction.

Section 8.11 **Governing Law**.

This Agreement and the rights and obligations of the parties hereto shall be governed by, and construed and interpreted in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein.

Section 8.12 **Waiver of Jury Trial**.

EACH PARTY HERETO, TO THE EXTENT PERMITTED BY LAW, HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING WITH RESPECT TO, OR DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER, IN CONNECTION WITH OR RELATING TO, THIS AGREEMENT, ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREIN, THEREIN OR RELATED THERETO (WHETHER FOUNDED IN CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO OTHER PARTY AND NO RELATED PERSON OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 8.12.

EACH GRANTOR AGREES TO BE BOUND BY THE PROVISIONS OF SUBSECTION 9.18(b) AND (c) OF THE CREDIT AGREEMENT.

Section 8.13 **Permitted Liens.**

The inclusion or reference to Permitted Liens in this Agreement or in any other Loan Document is not intended to subordinate and shall no subordinate, and shall not be interpreted as subordinating, the Lien and security interest created by this Agreement or any other Loan Document to any Permitted Liens.

Section 8.14 **ULC Limitation**.

Notwithstanding any provisions to the contrary contained in this Agreement, the Credit Agreement or any other document or agreement among all or some of the parties hereto, each Grantor is as of the date of this Agreement the sole registered and beneficial owner of all Pledged ULC Shares more particularly described in Schedule 4 to this Agreement and will remain so until such time as such Pledged ULC Shares are fully and effectively transferred into the name of the Secured Party or any other person on the books and records of such ULC. Nothing in this Agreement, the Credit Agreement or any other document or agreement delivered among all or some of the parties

hereto is intended to or shall constitute the Secured Party or any person other than a Grantor to be a member or shareholder of any ULC until such time as written notice is given to the applicable Grantor and all further steps are taken so as to register the Secured Party or other person as holder of the Pledged ULC Shares. The granting of the pledge and Security Interest pursuant to Article III does not make the Secured Party a successor to any Pledgor as a member or shareholder of any ULC, and neither the Secured Party nor any of its respective successors or assigns hereunder shall be deemed to become a member or shareholder of any ULC by accepting this Agreement or exercising any right granted herein unless and until such time, if any, when the Secured Party or any successor or assign expressly becomes a registered member or shareholder of any ULC. Each Pledgor shall be entitled to receive and retain for its own account any dividends or other distributions if any, in respect of the Collateral, and shall have the right to vote such Pledged ULC Shares and to control the direction, management and policies of the ULC issuing such Pledged ULC Shares to the same extent as such Pledgor would if such Pledged ULC Shares were not pledged to the Secured Party or to any other person pursuant hereto. To the extent any provision hereof would have the effect of constituting the Secured Party to be a member or shareholder of any ULC prior to such time, such provision shall be severed herefrom and ineffective with respect to the relevant Pledged ULC Shares without otherwise invalidating or rendering unenforceable this Agreement or invalidating or rendering unenforceable such provision insofar as it relates to Collateral other than Pledged ULC Shares. Notwithstanding anything herein to the contrary (except to the extent, if any, that the Secured Party or any of its successors or assigns hereafter expressly becomes a registered member or shareholder of any ULC), neither the Secured Party nor any of its respective successors or assigns shall be deemed to have assumed or otherwise become liable for any debts or obligations of any ULC. Except upon the exercise by the Secured Party or other persons of rights to sell or otherwise dispose of Pledged ULC Shares or other remedies following the occurrence and during the continuance of an Event of Default, each Pledgor shall not cause or permit, or enable any ULC in which it holds Pledged ULC Shares to cause or permit, the Secured Party to: (a) be registered as member or shareholder of such ULC; (b) have any notation entered in its favour in the share register of such ULC; (c) be held out as member or shareholder of such ULC; (d) receive, directly or indirectly, any dividends, property or other distributions from such ULC by reason of the Secured Party or other person holding a security interest in the Pledged ULC Shares; or (e) act as a member or shareholder of such ULC, or exercise any rights of a member or shareholder of such ULC, including the right to attend a meeting of such ULC or vote the shares of such ULC.

Section 8.15 **Amalgamation**.

Each Grantor acknowledges and agrees that, in the event it amalgamates with any other corporation or corporations, it is the intention of the parties hereto that the term “Grantor”, when used herein, shall apply to each of the amalgamating corporations and to the amalgamated corporation, such that the Security Interest granted hereby:

(a) shall extend to “Collateral” (as that term is herein defined) owned by each of the amalgamating corporations and the amalgamated corporation at the time of amalgamation and to any “Collateral” thereafter owned or acquired by the amalgamated corporation, and

(b) shall secure all “Obligations” (as that term is herein defined) of each of the

amalgamating corporations and the amalgamated corporation to Canadian Agent and Secured Parties at the time of amalgamation and all "Obligations" of the amalgamated corporation to the Canadian Agent and Secured Parties thereafter arising. The Security Interest shall attach to all "Collateral" owned by each corporations amalgamating with any Debtor, and by the amalgamated company, at the time of the amalgamation, and shall attach to all "Collateral" thereafter owned or acquired by the amalgamated corporation when such becomes owned or is acquired.

Section 8.16 **Interest Act (Canada).**

For the purposes of this Agreement, whenever interest to be paid hereunder is to be calculated on the basis of 360 or 365 days or any other period of time that is less than a calendar year, the yearly rate of interest to which the rate determined pursuant to such calculation is equivalent is the rate so determined multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by 360 or 365 or such other number of days in such period, as the case may be.

Section 8.17 **Maximum Rate of Interest.**

Notwithstanding anything contained herein to the contrary, a Grantor will not be obliged to make any payment of interest or other amounts payable hereunder in excess of the amount or rate that would be permitted by Applicable Law or would result in receipt by a Lender of interest at a criminal rate (as such terms are construed under the *Criminal Code* (Canada)). If the making of any payment by a Grantor would result in a payment being made that is in excess of such amount or rate, such Lender will determine the payment or payments that are to be reduced or refunded, as the case may be, so that such result does not occur.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, each of the undersigned has caused this Guarantee and Security Agreement to be duly executed and delivered as of the date first above written.

THERMON CANADA INC.,
as a Grantor

By: /s/ Rodney Bingham
Name: Rodney Bingham
Title: Treasurer

ACCEPTED AND AGREED
as of the date first above written:

JPMORGAN CHASE BANK, N.A., TORONTO BRANCH,
as Canadian Agent

By: /s/ Michael N. Tam
Name: Michael N. Tam
Title: Senior Vice President

ANNEX 1
TO
GUARANTEE AND SECURITY AGREEMENT

FORM OF PLEDGE AMENDMENT

This Pledge Amendment, dated as of _____, 201__ , is delivered pursuant to Section 8.6 of the Guarantee and Security Agreement, dated as of _____, 2012, by Thermon Canada Inc. (the "Canadian Borrower"), the undersigned Grantor and the other Affiliates of the Canadian Borrower from time to time party thereto as Grantors in favour of JPMorgan Chase Bank, N.A., Toronto Branch, as Canadian Agent for the Secured Parties referred to therein (as the same may be modified from time to time, the "Guarantee and Security Agreement"). Capitalized terms used herein without definition are used as defined in the Guarantee and Security Agreement.

The undersigned hereby agrees that this Pledge Amendment may be attached to the Guarantee and Security Agreement and that the Pledged Collateral listed on Annex 1-A to this Pledge Amendment shall be and become part of the Collateral referred to in the Guarantee and Security Agreement and shall secure all Obligations of the undersigned.

The undersigned hereby represents and warrants that, with respect to the Pledged Collateral listed on Annex 1-A to this Pledge Amendment, each of the representations and warranties contained in Section 4.1, Section 4.2, Section 4.5 and Section 4.9 of the Guarantee and Security Agreement is true and correct and as of the date hereof as if made on and as of such date.

[GRANTOR]

By: _____

Name:

Title:

Annex 1-A

PLEDGED STOCK

ISSUER	CLASS	CERTIFICATE NO(S).	PAR VALUE	NUMBER OF SHARES, UNITS OR INTERESTS

PLEDGED DEBT INSTRUMENTS

ISSUER	DESCRIPTION OF DEBT	CERTIFICATE NO(S).	FINAL MATURITY	PRINCIPAL AMOUNT

ACKNOWLEDGED AND AGREED
as of the date first above written:

JPMORGAN CHASE BANK, N.A., TORONTO BRANCH,
as Canadian Agent

By: _____
Name:
Title:

ANNEX 2
TO
GUARANTEE AND SECURITY AGREEMENT

FORM OF JOINDER AGREEMENT

This JOINDER AGREEMENT, dated as of _____, 201__, is delivered pursuant to Section 8.6 of the Guarantee and Security Agreement, dated as of _____, 2012, by Thermon Canada Inc. (the "Canadian Borrower"), the undersigned Grantor and the other Affiliates of the Canadian Borrower from time to time party thereto as Grantors in favour of JPMorgan Chase Bank, N.A., Toronto Branch, as Canadian Agent for the Secured Parties referred to therein (as the same may be modified from time to time, the "Guarantee and Security Agreement"). Capitalized terms used herein without definition are used as defined in the Guarantee and Security Agreement.

By executing and delivering this Joinder Agreement, the undersigned, as provided in Section 8.6 of the Guarantee and Security Agreement, hereby becomes a party to the Guarantee and Security Agreement as a Grantor thereunder with the same force and effect as if originally named as a Grantor therein and, without limiting the generality of the foregoing, as collateral security for the prompt and complete payment and performance when due (whether at stated maturity, by acceleration or otherwise) of the Secured Obligations of the undersigned, hereby mortgages, pledges and hypothecates to the Canadian Agent for the benefit of the Secured Parties, and grants to the Canadian Agent for the benefit of the Secured Parties a lien on and security interest in, all of its right, title and interest in, to and under the Collateral of the undersigned and expressly assumes all obligations and liabilities of a Grantor thereunder. The undersigned hereby agrees to be bound as a Grantor for the purposes of the Guarantee and Security Agreement. During the effectiveness of the Guarantee and Security Agreement, each Grantor authorizes the Canadian Agent and its Related Persons, at any time and from time to time, to file or record financing statements, amendments, thereto, and other filing or recording documents or instruments with respect to any Collateral in such form and in such offices as the Canadian Agent reasonably determines appropriate to perfect the security interests of the Canadian Agent under the Guarantee and Security Agreement, and such financing statements and amendments may describe the Collateral covered thereby as "all present and after acquired assets of the debtor.

The information set forth in Annex 1-A is hereby added to the information set forth in Schedules 1 through 5 to the Guarantee and Security Agreement. By acknowledging and agreeing to this Joinder Agreement, the undersigned hereby agree that this Joinder Agreement may be attached to the Guarantee and Security Agreement and that the Pledged Collateral listed on Annex 1-A to this Joinder Amendment shall be and become part of the Collateral referred to in the Guarantee and Security Agreement and shall secure all Secured Obligations of the undersigned.

The undersigned hereby represents and warrants that each of the representations and warranties contained in Article 4 of the Guarantee and Security Agreement applicable to it is true and correct on and as the date hereof as if made on and as of such date.

IN WITNESS WHEREOF, THE UNDERSIGNED HAS CAUSED THIS JOINDER AGREEMENT TO BE DULY EXECUTED AND DELIVERED AS OF THE DATE FIRST

ABOVE WRITTEN.

[ADDITIONAL GRANTOR]

By: _____
Name:
Title:

ACKNOWLEDGED AND AGREED
as of the date first above written:

[EACH GRANTOR PLEDGING ADDITIONAL COLLATERAL]

By: _____
Name:
Title:

JPMORGAN CHASE BANK, N.A., TORONTO BRANCH,
as Canadian Agent

By: _____
Name:
Title:

Schedule 1

Filings

Name	Jurisdiction and Type of Filing
Thermon Canada Inc.	Nova Scotia; All assets PPSA Alberta; All assets PPSA Ontario; All assets PPSA

Schedule 2

Jurisdiction of Organization; Chief Executive Office

Company name	Headquarters	Principal Place of Business	Chief Executive Office	ID No.	Jurisdiction
Thermon Canada Inc.	Thermon Canada Inc. 333 28 Street NE Calgary, Alberta Canada T2A 7P4	Calgary, Alberta Canada	Calgary, Alberta Canada	Registration of Joint Stock Co. No.: 3222536 CRA No.: 13795 5431	Nova Scotia

Prior to the 2007 transaction by which Audax Private Equity Fund II, L.P. acquired control of the Thermon Industries, Inc. and all of Thermon Industries, Inc.'s Subsidiaries (the "Audax Acquisition"), Thermon Canada Inc. was a direct and wholly-owned subsidiary of Thermon Manufacturing Company, which in turn was a direct and wholly owned subsidiary of Thermon Industries, Inc. After several intermediate steps, the result of the Audax Acquisition was that Thermon Canada Inc. became a direct and wholly-owned subsidiary of Thermon Holding Corp., an entity that did not exist prior to the Audax Acquisition. In connection with this transaction the jurisdiction of organization of Thermon Canada Inc. changed from Alberta to Nova Scotia on September 19, 2007.

Schedule 3

Location of Inventory and Equipment

Current Locations.

Headquarters and Chief Executive Office
Thermon Canada Inc.
333 28 Street NE
Calgary, Alberta
Canada T2A 7P4

Other Leased Locations

1. Unit 1B, 2-8, 9, Suite 3310-14 Avenue NE, Calgary, Alberta, Canada T2A 6J4.

2. 850-854 Unit #6 & #7, Upper Canada Dr., Sarnia, Ontario, Canada N7W 1A4.

3. 8734, 8736 & 8738 – 51 Avenue, Edmonton, Alberta, Canada T6E 5E8.

4. 100 Bessemer Road, Unit #12, London, Ontario, Canada N6E 1R2

Project Sites
In the ordinary course of business, the US Borrower and its Subsidiaries may store certain assets, including inventory, on project sites (the "Project Site Assets"). Quantities of Project Site Assets are generally limited to that which is reasonably necessary to deliver to the customers of the US Borrower or its Subsidiaries the goods and/or services that it has agreed to provide to a particular customer for a particular project.

Schedule 4

Pledged Collateral

None.

Schedule 5

Intellectual Property

TRADEMARKS

1. **Jurisdiction**	2. **Mark**	**Int'l Class/ Goods and Services**	**Application Ser. No./** 3. **Filing Date**	4. **Registration No. /Registration Date**	**5. Status**	6. **Record Owner**
Canada	Cellex	1	0659282 6/5/1990	TMA391285 12/6/1991	Registered	Thermon Canada, Inc.
Canada	Thermocase	1	0658023 05/17/1990	TMA384739 05/17/1991	Registered	Thermon Canada, Inc.

License Agreements

None.

Exhibit 21.1

Subsidiaries of Thermon Group Holdings, Inc.

Name of Subsidiary	State or Other Jurisdiction of Incorporation or Organization
Thermon Holding Corp.	Delaware
Thermon Industries, Inc.	Texas
Thermon Canada Inc.	Nova Scotia
Thermon Manufacturing Company	Texas
Thermon Heat Tracing Services, Inc.	Texas
Thermon Heat Tracing Services-I, Inc.	Texas
Thermon Heat Tracing Services-II, Inc.	Louisiana
Thermon Latinoamericana, S. de R.L. de C.V.	Mexico DF, Mexico
Thermon Europe B.V.	Netherlands
Thermon Benelux B.V.	Netherlands
Thermon Deutschland GmbH	Germany
OOO Thermon	Russian Federation
OOO Thermon CIS	Russian Federation
Thermon France SAS	France
Thermon Italia, S.p.A (in liquidation)	Italy
Thermon U.K. Ltd.	United Kingdom
Thermon Australia Pty. Ltd.	Australia
Thermon Far East, Ltd.	Japan
Thermon Heat Tracers Pvt. Ltd.	India
Thermon Heat Tracing and Engineering (Shanghai) Co. Ltd.	China
Thermon Korea, Ltd.	Korea
Thermon Middle East, WLL	Bahrain

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement on Form S-8 (File No. 333-174039) pertaining to the Thermon Group Holdings, Inc. Restricted Stock and Stock Option Plan and the Thermon Group Holdings, Inc. 2011 Long-Term Incentive Plan and the Registration Statement on Form S-3 (File No. 333-181821) of Thermon Group Holdings, Inc. and in the related Prospectus of our report dated June 10, 2013, with respect to the consolidated financial statements of Thermon Group Holdings, Inc., and the effectiveness of internal control over financial reporting of Thermon Group Holdings, Inc. included in this Annual Report on Form 10-K for the year ended March 31, 2013.

San Antonio, Texas
June 10, 2013

By: /s/ Ernst & Young LLP
Name Ernst & Young LLP

Exhibit 23.2

CONSENT OF ALVAREZ & MARSAL PRIVATE EQUITY PERFORMANCE IMPROVEMENT GROUP, LLC

We hereby consent to the use of our name in the Annual Report on Form 10-K (the "10-K") of Thermon Group Holdings, Inc. (the "Company") (Commission File No. 001-35159) for the fiscal year ended March 31, 2013 (the "2013 Annual Report") and in any prospectus or prospectus supplement of the Company related to the Company's registration statement on Form S-3 (File No. 333-181821) and any related preliminary prospectuses and prospectuses and any further amendments or supplements thereto (collectively, the "Prospectus") and to all references to us, our report concerning the global heat tracing market and the data in that report appearing in "Industry Overview" in the 10-K and the Prospectus; provided, however, that the foregoing consent shall be limited in duration with respect to the Prospectus to filings made within the nine month period beginning as of the date hereof.

Date: June 7, 2013
ALVAREZ & MARSAL PRIVATE EQUITY PERFORMANCE IMPROVEMENT GROUP, LLC

By: /s/ Joel A. Poretsky
Name: Joel A. Poretsky
Title: Secretary

Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a) AND RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

I, Rodney Bingham, certify that:

1. I have reviewed this Annual Report on Form 10-K of Thermon Group Holdings, 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 annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 10, 2013

By: /s/ Rodney Bingham
Name: Rodney Bingham
Title: President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a) AND RULE 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934

I, Jay Peterson, certify that:

1. I have reviewed this Annual Report on Form 10-K of Thermon Group Holdings, 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 10, 2013

By: /s/ Jay Peterson
Name: Jay Peterson
Title: Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO SECTION 1350
OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE

In connection with the Annual Report on Form 10-K of Thermon Group Holdings, Inc. (the "Company") for the fiscal year ended March 31, 2013 (the "Report"), I, Rodney Bingham, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 10, 2013

By: /s/ Rodney Bingham
Name: Rodney Bingham
Title: President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE

In connection with the Annual Report on Form 10-K of Thermon Group Holdings, Inc. (the "Company") for the fiscal year ended March 31, 2013 (the "Report"), I, Jay Peterson, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 10, 2013

By: /s/ Jay Peterson
Name: Jay Peterson
Title: Chief Financial Officer