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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended September 30, 2020

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**

(State or other jurisdiction of incorporation or organization)

**27-2228185**

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

**7171 Southwest Parkway, Building 300, Suite 200, Austin, Texas 78735**

(Address of principal executive offices) (zip code)

**(512) 690-0600**

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.001 par value per share	THR	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  Yes  No

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

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

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

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

As of November 4, 2020, the registrant had 33,180,452 shares of common stock, par value \$0.001 per share, outstanding.

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THERMON GROUP HOLDINGS, INC.  
QUARTERLY REPORT  
FOR THE QUARTER ENDED September 30, 2020

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

Thermon Group Holdings, Inc.

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

	September 30, 2020 (Unaudited)	March 31, 2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 51,362	\$ 43,237
Accounts receivable, net of allowances of \$1,003 and \$834 as of September 30, 2020 and March 31, 2020, respectively	66,104	92,478
Inventories, net	71,317	60,273
Contract assets	11,979	10,194
Prepaid expenses and other current assets	11,435	9,219
Income tax receivable	7,370	2,535
Total current assets	219,567	217,936
Property, plant and equipment, net of depreciation and amortization of \$50,589 and \$43,550 as of September 30, 2020 and March 31, 2020, respectively	72,691	72,542
Goodwill	206,071	197,978
Intangible assets, net	104,174	104,546
Operating lease right-of-use assets	15,049	16,637
Deferred income taxes	2,944	2,904
Other long-term assets	6,579	8,362
Total assets	\$ 627,075	\$ 620,905
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	\$ 25,162	\$ 25,070
Accrued liabilities	21,269	23,757
Current portion of long-term debt	2,500	2,500
Contract liabilities	3,108	4,538
Lease liabilities	3,947	3,553
Income taxes payable	219	1,217
Total current liabilities	56,205	60,635
Long-term debt, net of current maturities and deferred debt issuance costs and debt discounts of \$3,962 and \$4,447 as of September 30, 2020 and March 31, 2020, respectively	168,288	169,053
Deferred income taxes	21,623	22,245
Non-current lease liabilities	14,072	15,571
Other non-current liabilities	8,288	6,962
Total liabilities	268,476	274,466
Commitments and contingencies (Note 11)		
<b>Equity</b>		
Common stock: \$.001 par value; 150,000,000 authorized; 33,169,798 and 32,916,818 shares issued and outstanding at September 30, 2020 and March 31, 2020, respectively	33	33
Preferred stock: \$.001 par value; 10,000,000 authorized; no shares issued and outstanding	—	—
Additional paid in capital	229,998	227,741
Accumulated other comprehensive loss	(49,744)	(63,894)
Retained earnings	178,312	182,559
Total equity	358,599	346,439
Total liabilities and equity	\$ 627,075	\$ 620,905

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

**Thermon Group Holdings, Inc.**

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

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Six Months Ended September 30, 2020	Six Months Ended September 30, 2019
Sales	\$ 66,406	\$ 102,935	\$ 123,254	\$ 194,647
Cost of sales	37,475	57,503	70,204	112,073
Gross profit	28,931	45,432	53,050	82,574
Operating expenses:				
Marketing, general and administrative and engineering	23,788	28,130	51,629	55,848
Amortization of intangible assets	2,097	4,461	5,130	8,894
Income (loss) from operations	3,046	12,841	(3,709)	17,832
Other income/(expenses):				
Interest income	17	65	42	116
Interest expense	(2,433)	(3,951)	(5,013)	(7,721)
Other income/(expense)	582	(172)	1,314	61
Income (loss) before provision for income taxes	1,212	8,783	(7,366)	10,288
Income tax expense (benefit)	(626)	1,862	(3,119)	1,906
Net income (loss)	\$ 1,838	\$ 6,921	\$ (4,247)	\$ 8,382
Income (loss) attributable to non-controlling interests	—	9	—	(1)
Net income (loss) available to Thermon Group Holdings, Inc.	<u>\$ 1,838</u>	<u>\$ 6,912</u>	<u>\$ (4,247)</u>	<u>\$ 8,383</u>
Comprehensive income (loss):				
Net income (loss) available to Thermon Group Holdings, Inc.	\$ 1,838	\$ 6,912	\$ (4,247)	\$ 8,383
Foreign currency translation adjustment	5,254	(4,813)	14,729	(378)
Other	(199)	337	(579)	337
Comprehensive income	<u>\$ 6,893</u>	<u>\$ 2,436</u>	<u>\$ 9,903</u>	<u>\$ 8,342</u>
Net income (loss) per common share:				
Basic	\$ 0.06	\$ 0.21	\$ (0.13)	\$ 0.26
Diluted	0.06	0.21	(0.13)	0.25
Weighted-average shares used in computing net income per common share:				
Basic	33,164,921	32,727,023	33,075,902	32,681,410
Diluted	33,417,654	33,244,387	33,075,902	33,111,778

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

**Thermon Group Holdings, Inc.**

Condensed Consolidated Statements of Equity (Unaudited)  
(Dollars in Thousands)

	Common Stock Outstanding	Common Stock	Additional Paid-in Capital	Retained Earnings (loss)	Accumulated Other Comprehensive Income (Loss)	Total
Balances at March 31, 2020	32,916,818	\$ 33	\$ 227,741	\$ 182,559	\$ (63,894)	\$ 346,439
Issuance of common stock in exercise of stock options	81,995	—	437	—	—	437
Issuance of common stock as deferred compensation to employees	39,458	—	—	—	—	—
Issuance of common stock as deferred compensation to executive officers	63,477	—	—	—	—	—
Issuance of common stock as deferred compensation to directors	13,520	—	—	—	—	—
Stock compensation expense	—	—	1,133	—	—	1,133
Repurchase of employee stock units on vesting	—	—	(557)	—	—	(557)
Net loss available to Thermon Group Holdings, Inc.	—	—	—	(6,085)	—	(6,085)
Foreign currency translation adjustment	—	—	—	—	9,475	9,475
Other	—	—	—	—	(380)	(380)
Balances at June 30, 2020	33,115,268	\$ 33	\$ 228,754	\$ 176,474	\$ (54,799)	\$ 350,462
Issuance of common stock in exercise of stock options	1,344	—	15	—	—	15
Issuance of common stock as deferred compensation to employees	33,789	—	—	—	—	—
Issuance of common stock as deferred compensation to executive officers	6,005	—	—	—	—	—
Issuance of common stock as deferred compensation to directors	13,392	—	—	—	—	—
Stock compensation expense	—	—	1,358	—	—	1,358
Repurchase of employee stock units on vesting	—	—	(129)	—	—	(129)
Net income available to Thermon Group Holdings, Inc.	—	—	—	1,838	—	1,838
Foreign currency translation adjustment	—	—	—	—	5,254	5,254
Other	—	—	—	—	(199)	(199)
Balances at September 30, 2020	33,169,798	\$ 33	\$ 229,998	\$ 178,312	\$ (49,744)	\$ 358,599

	Common Stock Outstanding	Common Stock	Additional Paid-in Capital	Retained Earnings	Non-controlling Interests	Accumulated Other Comprehensive Income (Loss)	Total
Balances at March 31, 2019	32,624,200	\$ 33	\$ 223,040	\$ 170,621	\$ 4,204	\$ (48,949)	\$ 348,949
Issuance of common stock in exercise of stock options	5,417	—	62	—	—	—	62
Issuance of common stock as deferred compensation to employees	39,139	—	—	—	—	—	—
Issuance of common stock as deferred compensation to executive officers	32,621	—	—	—	—	—	—
Issuance of common stock as deferred compensation to directors	3,654	—	—	—	—	—	—
Stock compensation expense	—	—	1,019	—	—	—	1,019
Repurchase of employee stock units on vesting	—	—	(784)	—	—	—	(784)
Net income available to Thermon Group Holdings, Inc.	—	—	—	1,471	—	—	1,471
Foreign currency translation adjustment	—	—	—	—	—	4,435	4,435
Remeasurement of non-controlling interest	—	—	(315)	—	315	—	—
Loss attributable to non-controlling interests	—	—	—	—	(10)	—	(10)
Balances at June 30, 2019	32,705,031	\$ 33	\$ 223,022	\$ 172,092	\$ 4,509	\$ (44,514)	\$ 355,142
Issuance of common stock as deferred compensation to employees	16,262	—	—	—	—	—	—
Issuance of common stock as deferred compensation to executive officers	14,757	—	—	—	—	—	—
Issuance of common stock as deferred compensation to directors	6,389	—	—	—	—	—	—
Stock compensation expense	—	—	1,323	—	—	—	1,323
Repurchase of employee stock units on vesting	—	—	(95)	—	—	—	(95)
Net income available to Thermon Group Holdings, Inc.	—	—	—	6,912	—	—	6,912
Foreign currency translation adjustment	—	—	—	—	—	(4,813)	(4,813)
Purchase of shares from non-controlling interests	—	—	—	—	(4,508)	—	(4,508)
Remeasurement of non-controlling interest	—	—	10	—	(10)	—	—
Income attributable to non-controlling interests	—	—	—	—	9	—	9
Other	—	—	—	—	—	337	337
Balances at September 30, 2019	32,742,439	\$ 33	\$ 224,260	\$ 179,004	\$ —	\$ (48,990)	\$ 354,307

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

**Thermon Group Holdings, Inc.**

Condensed Consolidated Statements of Cash Flows (Unaudited)  
(Dollars in Thousands)

	Six Months Ended September 30, 2020	Six Months Ended September 30, 2019
<b>Operating activities</b>		
Net income (loss)	\$ (4,247)	\$ 8,382
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	10,643	13,956
Amortization of deferred debt issuance costs	515	870
Stock compensation expense	2,491	2,342
Deferred income taxes	(2,142)	(462)
Release of reserve for uncertain tax positions, net	—	(2,343)
Loss on long-term cross currency swap	3,491	798
Remeasurement gain on intercompany balances	(4,537)	(147)
Changes in operating assets and liabilities:		
Accounts receivable	29,767	6,313
Inventories	(9,431)	(958)
Contract assets	(3,169)	9,054
Other current and non-current assets	(3,593)	(4,432)
Accounts payable	(17)	1,052
Accrued liabilities and non-current liabilities	(1,228)	(3,542)
Income taxes payable and receivable	(5,939)	(833)
Net cash provided by operating activities	<u>12,604</u>	<u>30,050</u>
<b>Investing activities</b>		
Purchases of property, plant and equipment	(4,132)	(3,839)
Sale of rental equipment	37	145
Net cash used in investing activities	<u>(4,095)</u>	<u>(3,694)</u>
<b>Financing activities</b>		
Proceeds from revolving credit facility	37,189	10,000
Payments on long-term debt and revolving credit facility	(38,714)	(23,131)
Purchase of shares from non-controlling interests	—	(4,508)
Proceeds from exercise of stock options	452	62
Repurchase of employee stock units on vesting	(686)	(879)
Payments on finance leases	(139)	(79)
Net used in financing activities	<u>(1,898)</u>	<u>(18,535)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	1,304	(121)
Change in cash, cash equivalents and restricted cash	<u>7,915</u>	<u>7,700</u>
Cash, cash equivalents and restricted cash at beginning of period	46,007	33,841
Cash, cash equivalents and restricted cash at end of period	<u>\$ 53,922</u>	<u>\$ 41,541</u>

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

## Thermon Group Holdings, Inc.

Notes to Condensed Consolidated Financial Statements (Unaudited)  
(Dollars in Thousands, Except Share and Per Share Data)

### 1. Basis of Presentation and Accounting Policy Information

Thermon Group Holdings, Inc. and its direct and indirect subsidiaries are referred to collectively as “we,” “our,” or the “Company” herein. We are a provider of highly engineered industrial process heating solutions for process industries. Our core thermal solutions product - also referred to as heat tracing - provides 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. In addition to our heat tracing products, we also provide (i) industrial process heating solutions focused on advanced heating and filtration solutions for industrial and hazardous area applications, which are sold under our Thermon Heating Solutions (or “THS”) brand, and (ii) temporary power products that are designed to provide a safe and efficient means of supplying temporary electrical power distribution and lighting at energy infrastructure facilities for new construction and during maintenance and turnaround projects at operating facilities, which are sold under our Thermon Power Solutions (or “TPS”) brand. As a manufacturer, we offer a full suite of products (such as heating units, heating cables, tubing bundles and control systems) and services (such as design optimization, engineering, installation and maintenance services) required to deliver comprehensive solutions to complex projects.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and notes thereto for the fiscal year ended March 31, 2020. In our opinion, the accompanying consolidated financial statements reflect all adjustments (consisting only of normal recurring items) considered necessary to present fairly our financial position at September 30, 2020 and March 31, 2020, and the results of our operations for the three and six months ended September 30, 2020 and 2019.

#### *Impact of COVID-19 Pandemic*

The recent COVID-19 pandemic and the measures being taken to address and limit the spread of the virus have adversely affected the economies and financial markets of many countries, resulting in an economic downturn that has negatively impacted, and may continue to negatively impact, global demand for our products and services. We may experience a decline in the demand of our products and services that could materially and negatively impact our business, financial condition, results of operation and overall financial performance in future periods.

On April 11, 2020, the Canadian government officially enacted the Canadian Emergency Wage Subsidy (“CEWS”) for the purposes of assisting employers in financial hardship due to the COVID-19 pandemic and of reducing potential lay-offs of employees. The CEWS, which was made retroactive to March 1, 2020, generally provides “eligible entities” with a wage subsidy of up to 75% of “eligible remuneration” paid to an eligible employee per week, limited to a certain weekly maximum. On September 23, 2020, the Canadian government announced that the CEWS program would be extended through the summer of 2021 and announced certain modifications to the subsidy calculation. Our Canadian operations have benefited from such wage subsidies and have received distributions from the Canadian government during the six months period ended September 30, 2020. During the three and six month ended September 30, 2020, we recorded subsidies in the amount of \$2,532 and \$4,948, respectively, for which we qualify, as an offset or reduction to the related underlying expenses and assets, accordingly.

#### *Use of Estimates*

Generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. While our management has based their assumptions and estimates on the facts and circumstances existing at September 30, 2020, actual results could differ from those estimates and affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the corresponding revenues and expenses as of the date of the financial statements. The operating results for the three and six months ended September 30, 2020 are not necessarily indicative of the results that may be achieved for the fiscal year ending March 31, 2021.

#### *Restricted Cash and Cash Equivalents*

The Company maintains restricted cash related to certain letter of credit guarantees and performance bonds securing performance obligations. The following table provides a reconciliation of cash, cash equivalents, restricted cash included in



prepaid expenses and other current assets and restricted cash included in other long-term assets reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows.

	September 30,	
	2020	2019
Cash and cash equivalents	\$ 51,362	\$ 39,014
Restricted cash included in prepaid expenses and other current assets	2,190	2,054
Restricted cash included in other long-term assets	370	473
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 53,922</u>	<u>\$ 41,541</u>

Amounts shown in restricted cash included in prepaid expenses and other current assets and other long-term assets represent those required to be set aside by a contractual agreement, which contain cash deposits pledged as collateral on performance bonds and letters of credit. Amounts shown in restricted cash in other long-term assets represent such agreements that require a commitment term longer than one year.

#### *Recent Accounting Pronouncements*

*Financial Instruments*- In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses* (“ASC Topic 326”), which amends the guidance on the impairment of financial instruments. The standard adds an impairment model, referred to as current expected credit loss, which is based on expected losses rather than incurred losses. The standard applies to most debt instruments, trade receivables, lease receivables, reinsurance receivables, financial guarantees and loan commitments. Under the guidance, companies are required to disclose credit quality indicators disaggregated by year of origination for a five-year period. The new guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2019. We adopted this standard effective April 1, 2020, and such adoption did not have a material impact on our consolidated financial statements.

*Intangibles*- In January 2017, the FASB issued Accounting Standards Update 2017-04 *Intangibles - Goodwill and other* (“ASC Topic 350”), which amends and simplifies the accounting for goodwill impairment by eliminating step 2 of the goodwill impairment test. Under the amended guidance, goodwill impairment will be measured as the excess of the reporting unit’s carrying value over its fair value, not to exceed the carrying amount of goodwill for that reporting unit. The changes are effective for annual and interim periods beginning after December 15, 2019, and amendments should be applied prospectively. Early adoption is permitted for any impairment tests performed after January 1, 2017. We adopted this standard effective April 1, 2020, and such adoption did 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 and cash equivalents, 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 September 30, 2020 and March 31, 2020, no assets or liabilities were valued using Level 3 criteria.

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

	September 30, 2020		March 31, 2020		Valuation Technique
	Carrying Value	Fair Value	Carrying Value	Fair Value	
<b>Financial Liabilities</b>					
Outstanding principal amount of senior secured credit facility	\$ 174,750	\$ 173,439	\$ 176,000	\$ 150,480	Level 2 - Market Approach

At September 30, 2020 and March 31, 2020, the fair value of our long-term debt is based on market quotes available for issuance of debt with similar terms. As the quoted price is only available for similar financial assets, the Company concluded the pricing is indirectly observable through dealers and has been classified as Level 2. The Company believes the decline in fair value as of March 31, 2020 was temporary due to the COVID-19 pandemic.

#### **Cross Currency Swap**

The Company has entered into a long-term cross currency swap to hedge the currency rate fluctuations related to a \$2,958 intercompany receivable at September 30, 2020 from our wholly-owned Canadian subsidiary, Thermon Canada Inc., maturing on October 30, 2022. Periodic principal payments are to be settled twice annually with interest payments settled quarterly through the cross currency derivative contract. We do not designate the cross currency swap as a cash flow hedge under ASC Topic 815, *Derivatives and Hedging* ("ASC 815"). We recorded \$1,507 and \$3,450 of unrealized mark-to-market losses on the cross currency swap, which is reported as "Other income and expense", in the condensed consolidated statement operations and comprehensive income for the three and six months ended September 30, 2020, respectively. Cross currency swap contracts are measured on a recurring basis at fair value and are classified as Level 2 measurements. Hedge assets in the amount of \$1,000 and \$4,011 were included in "Other long-term assets" in the condensed consolidated balance sheet as of September 30, 2020 and March 31, 2020, respectively. For the six months ended September 30, 2020, the loss on the long-term cross currency swap derivative contract was offset by unrealized gain on the intercompany note of \$3,805 for a net gain of \$355.

#### **Deferred Compensation Plan**

The Company provides a non-qualified deferred compensation plan for certain highly compensated employees where payroll contributions are made by the employees on a pre-tax basis. Included in "Other long-term assets" in the condensed consolidated balance sheet at September 30, 2020 and March 31, 2020 were \$4,132 and \$2,849, respectively, of deferred compensation plan assets held by the Company. Deferred compensation plan assets (mutual funds) are measured at fair value on a recurring basis based on quoted market prices in active markets (Level 1). The Company has a corresponding liability to participants of \$4,144 and \$2,886 included in "Other long-term liabilities" in the condensed consolidated balance sheet at September 30, 2020 and March 31, 2020, respectively. Deferred compensation expense included in "marketing, general and administrative and engineering" were \$781 and \$36 for the three months ended September 30, 2020 and 2019, respectively, and \$1,311 and \$139 for the six months ended September 30, 2020 and 2019, respectively. Expenses and income from our deferred compensation plan were offset by unrealized gains and losses for the deferred compensation plan included in "Other income and expense" on our condensed consolidated statements of comprehensive income. Our unrealized gains and losses on investments were gains of \$840 and \$21 for the three months ended September 30, 2020 and 2019, respectively, and \$1,363 and \$116 for the six months ended September 30, 2020 and 2019, respectively.

#### **Trade Related 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 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 foreign currency transaction gains or losses. These foreign currency exposures arise from intercompany transactions as well as third party accounts receivable or payable that are denominated in foreign currencies. 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 "Other income and expense" on our condensed consolidated statements of comprehensive income. These gains and losses are designed to offset gains and losses resulting from settlement of receivables or payables by our foreign operations which are settled in currency other than the local transactional currency. The fair value is determined by quoted prices from active foreign currency markets (Level 2). Fair value amounts for such forward contracts on our condensed consolidated balance sheets are either classified as accounts receivable, net or accrued liabilities depending on whether the forward contract is in a gain (accounts receivable, net) or loss (accrued liabilities) position. 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 September 30, 2020 and March 31, 2020, the notional amounts of forward contracts were as follows:

<b>Notional amount of foreign currency forward contracts by currency</b>				
	<b>September 30, 2020</b>		<b>March 31, 2020</b>	
Russian Ruble	\$	1,172	\$	1,103
Euro		—		500
Canadian Dollar		11,500		1,500
South Korean Won		3,000		3,500
Mexican Peso		1,500		2,000
Australian Dollar		800		700
Great Britain Pound		500		500
Total notional amounts	\$	<u>18,472</u>	\$	<u>9,803</u>

The following table represents the fair value of our foreign currency forward contracts:

	<b>September 30, 2020</b>				<b>March 31, 2020</b>			
	<b>Fair Value</b>				<b>Fair Value</b>			
	<b>Assets</b>		<b>Liabilities</b>		<b>Assets</b>		<b>Liabilities</b>	
Foreign currency forward contracts	\$	19	\$	114	\$	140	\$	49

Foreign currency gains or losses related to our forward contracts in the accompanying condensed consolidated statements of operations and comprehensive income were losses of \$145 and \$199 in the three months ended September 30, 2020 and 2019, respectively, and losses of \$49 and \$241 for the six months ended September 30, 2020 and 2019, respectively. Gains and losses from our forward contracts were offset by transaction gains or losses incurred with the settlement of transactions denominated in foreign currencies. For the three months ended September 30, 2020 and 2019, our net foreign currency transactions were gains of \$150 and losses of \$90, respectively, and gains of \$331 and \$123 for the six months ended September 30, 2020 and 2019, respectively.

### 3. Leases

In February 2016, the FASB issued ASC Topic 842, which amends the accounting guidance on leases. The new standard establishes a right-of-use (“ROU”) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance leases or operating leases as determined pursuant to ASC Topic 842, with classification affecting the pattern of expense recognition in the income statement. The FASB also subsequently issued amendments to the standard, including providing an additional and optional transition method to adopt the new standard, as well as certain practical expedients related to land easements and lessor accounting.

The Company adopted ASC Topic 842 and its amendments and applied the transition provisions as of April 1, 2019. The Company did not elect the package of practical expedients permitted under the transition guidance, which allows companies to carryforward historical assessments of: (1) whether contracts are or contain leases, (2) lease classification and (3) initial direct costs. In addition, the Company did not elect the hindsight practical expedient to determine the reasonably certain lease term for existing leases. The Company elected a policy of not recording leases on its condensed consolidated balance sheets when the leases have a term of 12 months or less and the Company is not reasonably certain to elect an option to purchase the leased asset. The Company recognizes payments on these leases within selling, administrative and other expenses on a straight-line basis over the lease term. Lease expense related to manufacturing facilities is included in overhead absorption rates and allocated to cost of sales. The Company elected the practical expedient to combine lease and non-lease components for all asset classes.

During the three months ended September 30, 2020, we exercised the early termination option in one of our existing leases in Canada, which resulted in the remeasurement of the related ROU asset and lease liability and accelerated the lease

amortization and expense to align with the cease use date of the facility. We intend to vacate the facility on December 31, 2020. The resulting incremental charges of \$6 for abandonment treatment of the lease have been included in our restructuring charges for the three months ended September 30, 2020.

#### *Description of Leases*

The significant majority of our lease obligations are for real property. We lease numerous facilities relating to our operations, primarily for office, manufacturing and warehouse facilities, as well as both long-term and short-term employee housing. Leases for real property have terms ranging from month-to-month to ten years. We also lease various types of equipment, including vehicles, office equipment (such as copiers and postage machines), heavy warehouse equipment (such as fork lifts), heavy construction equipment (such as cranes), medium and light construction equipment used for customer project needs (such as pipe threading machines) and mobile offices and other general equipment that is normally associated with an office environment. Equipment leases generally have terms ranging from six months to five years.

Our lease agreements do not contain any material residual value guarantees or material restrictive covenants. We do not have any significant leases that have not yet commenced but that create significant rights and obligations for us.

We lease temporary power products under our TPS product brand line to our customers on a short-term basis. Lease contracts associated with such rental of the temporary power products have historically been month-to-month contracts without purchase options. No lease contracts in which the Company was the lessor have had an initial term in excess of one year. As such, lease revenues for temporary power products recognized under ASC Topic 842 in the interim period did not materially differ from leases that would have been recorded under ASC Topic 840.

#### *Variable Lease Payments*

A majority of our lease agreements include fixed rental payments. A small number of our lease agreements include fixed rental payments that are adjusted periodically for changes in the Consumer Price Index ("CPI"). Payments based on an index or rate such as CPI are included in the lease payments based on the commencement date index or rate. Estimated changes to the index or rate during the lease term are not considered in the determination of the lease payments.

#### *Options to Extend or Terminate Leases*

Most of our real property leases include early termination options and/or one or more options to renew, with renewal terms that can extend the lease term for an additional one to five years or longer. The exercise of lease termination and renewal options is at our sole discretion. If it is reasonably certain that we will exercise such renewal options, the periods covered by such renewal options are included in the lease term and are recognized as part of our ROU assets and lease liabilities. Certain leases also include options to purchase the leased property. The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

#### *Discount Rate*

The Company's leases generally do not provide an implicit rate, and therefore the Company uses its incremental borrowing rate as the discount rate when measuring operating lease liabilities. The incremental borrowing rate represents an estimate of the interest rate the Company would incur at lease commencement to borrow an amount equal to the lease payments on a collateralized basis over the term of a lease within a particular currency environment. A large concentration of the Company's operating lease liabilities are attributed to our North American operations. Many of our Europe, Middle East and Africa ("EMEA") operations and Asia-Pacific operations borrow funds from the debt facilities maintained by our U.S. operating subsidiary and establish intercompany balances to account for these loans. This practice is due to the more preferential rates available to our U.S. operating subsidiary and/or the ease with which funds can be drawn from the debt facilities already established within the United States. With this in mind, the Company has utilized its U.S. credit facility rate as the worldwide incremental borrowing rate. The Company used incremental borrowing rates as of April 1, 2020 for operating leases that commenced prior to April 1, 2020 to establish the lease liabilities. For operating leases that commenced during the six months ended September 30, 2020, rates applicable at or close to the time of the inception of the lease were used to establish the new lease's ROU liabilities.

<b>Lease Term and Discount Rate</b>	<b>September 30, 2020</b>	<b>March 31, 2020</b>
<b>Weighted average remaining lease term</b>		
Operating	5.9	6.2
Finance	3.3	3.4
<b>Weighted average discount rate</b>		
Operating	4.83 %	4.82 %
Finance	6.95 %	6.98 %

Supplemental balance sheet information related to leases was as follows:

<b>Assets</b>	<b>Classification</b>	<b>September 30, 2020</b>	<b>March 31, 2020</b>
Operating	Operating lease right-of-use assets	\$ 15,049	\$ 16,637
Finance	Property, plant and equipment	551	695
<b>Total right-of-use assets</b>		<b>\$ 15,600</b>	<b>\$ 17,332</b>
<b>Liabilities</b>			
<i>Current</i>			
Operating	Lease liabilities	\$ 3,743	\$ 3,352
Finance	Lease liabilities	204	201
<i>Non-current</i>			
Operating	Non-current lease liabilities	13,703	15,060
Finance	Non-current lease liabilities	369	511
<b>Total lease liabilities</b>		<b>\$ 18,019</b>	<b>\$ 19,124</b>

Supplemental statement of operations information related to leases was as follows:

<b>Lease expense</b>	<b>Classification</b>	<b>Three Months Ended September 30, 2020</b>	<b>Three Months Ended September 30, 2019</b>	<b>Six Months Ended September 30, 2020</b>	<b>Six Months Ended September 30, 2019</b>
Operating lease expense	Marketing, general and administrative and engineering	\$ 1,243	\$ 959	\$ 2,384	\$ 1,767
<b>Finance lease expense:</b>					
Amortization of ROU assets	Marketing, general and administrative and engineering	68	66	145	125
Interest expense on finance lease liabilities	Interest expense	11	13	22	26
Short-term lease expense	Marketing, general and administrative and engineering	30	252	51	715
Net lease expense		<u>\$ 1,352</u>	<u>\$ 1,290</u>	<u>\$ 2,602</u>	<u>\$ 2,633</u>

Supplemental statement of cash flows information related to leases was as follows:

Cash paid for amounts included in the measurement of lease liabilities	Six Months Ended September 30, 2020	Six Months Ended September 30, 2019
Operating cash used for operating leases	\$ 1,697	\$ 1,365
Operating cash flows used for finance leases	22	26
Financing cash flows used for finance leases	139	108

Future lease payments under non-cancellable operating leases as of September 30, 2020 were as follows:

Future Lease Payments	Operating Leases	Finance Leases
Twelve months ending September 30,		
2021	\$ 4,502	\$ 191
2022	3,886	159
2023	3,022	147
2024	2,105	105
2025	1,683	30
Thereafter	5,383	—
Total lease payments	\$ 20,581	\$ 632
Less imputed interest	(3,135)	(59)
Total lease liability	\$ 17,446	\$ 573

#### 4. Restructuring

During the six months ended September 30, 2020, we enacted certain restructuring initiatives to align our current cost structure with the present decline in demand for our products and services primarily due to COVID-19 and depressed oil prices. Moreover, the Company eliminated approximately 85 and 196 positions during the three and six months ended September 30, 2020, respectively (both hourly and salaried positions), and incurred \$1,941 and \$4,862 in one-time severance costs during the three and six months ended September 30, 2020, respectively, which were recorded to marketing, general and administrative and engineering in our condensed consolidated statements of operations and comprehensive income. In addition, we incurred \$46 in lease abandonment charges related to a Canadian facility we intend to vacate on December 31, 2020, which was recorded to marketing, general and administrative and engineering expense in our condensed consolidated statements of operations and comprehensive income.

Restructuring costs by reportable segment were as follows:

	Three Months Ended September 30, 2020	Six Months Ended September 30, 2020
United States and Latin America	\$ 351	\$ 2,414
Canada	1,270	2,128
Europe, Middle East and Africa	356	356
Asia-Pacific	10	10
	\$ 1,987	\$ 4,908

Restructuring activity related to accrued severance recorded to accrued liabilities in the condensed consolidated balance sheets is summarized as follows for the six months ended September 30, 2020:

	September 30, 2020
Beginning balance	\$ —
Costs incurred	4,862
Less cash payments	(2,791)
Ending balance	<u>\$ 2,071</u>

## 5. Net Income per Common Share

Basic net income per common share is computed by dividing net income available to Thermon Group Holdings, Inc. by the weighted average number of common shares outstanding during each period. Diluted net income per common share is computed by dividing net income available to Thermon Group Holdings, Inc. 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.

The reconciliations of the denominators used to calculate basic and diluted net income (loss) per common share for the three and six months ended September 30, 2020 and 2019, respectively, are as follows:

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Six Months Ended September 30, 2020	Six Months Ended September 30, 2019
<b>Basic net income per common share</b>				
Net income (loss) available to Thermon Group Holdings, Inc.	\$ 1,838	\$ 6,912	\$ (4,247)	\$ 8,383
Weighted-average common shares outstanding	33,164,921	32,727,023	33,075,902	32,681,410
Basic net income (loss) per common share	<u>\$ 0.06</u>	<u>\$ 0.21</u>	<u>\$ (0.13)</u>	<u>\$ 0.26</u>

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Six Months Ended September 30, 2020	Six Months Ended September 30, 2019
<b>Diluted net income per common share</b>				
Net income (loss) available to Thermon Group Holdings, Inc.	\$ 1,838	\$ 6,912	\$ (4,247)	\$ 8,383
Weighted-average common shares outstanding	33,164,921	32,727,023	33,075,902	32,681,410
Common share equivalents:				
Stock options	3,376	201,730	—	205,359
Restricted and performance stock units	249,357	315,634	—	225,009
Weighted average shares outstanding – dilutive (1)	33,417,654	33,244,387	33,075,902	33,111,778
Diluted net income (loss) per common share (2)	<u>\$ 0.06</u>	<u>\$ 0.21</u>	<u>\$ (0.13)</u>	<u>\$ 0.25</u>

(1) For the three months ended September 30, 2020, 256,444 equity awards were not included in the calculation of diluted net income per common share, as they would have had an anti-dilutive effect. For the six months ended September 30, 2020 and 2019, 283,764 and 16,557 equity awards, respectively, were not included in the calculation of diluted net income per common share, as they would have had an anti-dilutive effect.

(2) As the Company incurred a net loss for the six months ended September 30, 2020, there was no dilutive effect on net loss per common share as common share equivalents are antidilutive. Therefore, both basic and diluted net loss per common share were \$(0.13) for the six months ended September 30, 2020.

## 6. Inventories

Inventories consisted of the following:

	September 30, 2020	March 31, 2020
Raw materials	\$ 38,564	\$ 31,300
Work in process	4,538	5,317
Finished goods	30,085	25,701
	73,187	62,318
Valuation reserves	(1,870)	(2,045)
Inventories, net	\$ 71,317	\$ 60,273

## 7. Goodwill and Other Intangible Assets

The carrying amount of goodwill by operating segment as of September 30, 2020 is as follows:

	United States and Latin America	Canada	Europe, Middle East and Africa	Asia-Pacific	Total
Balance as of March 31, 2020	\$ 62,725	\$ 107,739	\$ 18,890	\$ 8,624	\$ 197,978
Foreign currency translation impact	—	6,849	1,244	—	8,093
Balance as of September 30, 2020	\$ 62,725	\$ 114,588	\$ 20,134	\$ 8,624	\$ 206,071

Goodwill is tested for impairment on an annual basis and between annual tests if indicators of potential impairment exist. We perform a qualitative analysis to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If required, we also perform a quantitative analysis using the income approach, based on discounted future cash flows, which are derived from internal forecasts and economic expectations, and the market approach, which is based on market multiples of guideline public companies. The most significant inputs in the Company's quantitative goodwill impairment tests are projected financial information, the weighted average cost of capital and market multiples for similar transactions. Our annual impairment test is performed during the fourth quarter of our fiscal year.

During fiscal 2020, revenue from our operations decreased, year over year, by approximately 7% compared to revenues generated in fiscal 2019. Lower crude oil prices, which management attributes to the COVID-19 pandemic, have had a significant adverse impact on customer capital spending, which in turn resulted in a decline in our revenues.

We considered the decline in our business during fiscal 2020 to be an indicator of potential asset impairments in our reporting units. During the fourth quarter of fiscal 2020, we performed a goodwill and intangible asset impairment assessment of all of our reporting units utilizing the income approach, based on discounted future cash flows, which were derived from internal forecasts and economic expectations, and the market approach, based on market multiples of guideline public companies. Based on the results of our goodwill impairment assessment, the estimated fair value of the reporting units exceeded the carrying value. As such, there was no impairment of our reporting units' goodwill or intangible assets during fiscal 2020. We continue to monitor our reporting units' goodwill and intangible asset valuations and perform qualitative assessments at each interim reporting period. Changes in estimates and assumptions used to determine whether impairment exists or future declines in actual and forecasted operating results and/or market conditions, especially in energy markets, could indicate a need to reevaluate the fair value of our reporting units and may ultimately result in an impairment to goodwill and/or indefinite-lived intangible assets of our reporting units in future periods.

No triggering events were identified during the six month period ended September 30, 2020 which would indicate that the fair value of any of our reporting units was less than its carrying amount.

Our total intangible assets consisted of the following:



	Gross Carrying Amount at September 30, 2020	Accumulated Amortization	Net Carrying Amount at September 30, 2020	Gross Carrying Amount at March 31, 2020	Accumulated Amortization	Net Carrying Amount at March 31, 2020
Products	\$ 62,455	\$ 18,219	\$ 44,236	\$ 58,722	\$ 14,193	\$ 44,529
Trademarks	45,154	1,419	43,735	43,865	1,273	42,592
Developed technology	9,854	5,145	4,709	9,564	4,758	4,806
Customer relationships	111,403	100,358	11,045	105,912	93,729	12,183
Certifications	449	—	449	436	—	436
Total	\$ 229,315	\$ 125,141	\$ 104,174	\$ 218,499	\$ 113,953	\$ 104,546

## 8. Accrued Liabilities

Accrued current liabilities consisted of the following:

	September 30, 2020	March 31, 2020
Accrued employee compensation and related expenses	\$ 10,901	\$ 12,542
Accrued interest	692	782
Customer prepayments	357	357
Warranty reserves	500	477
Professional fees	1,829	2,086
Sales taxes payable	2,165	2,423
Other	4,825	5,090
Total accrued current liabilities	\$ 21,269	\$ 23,757

## 9. Long-Term Debt

Long-term debt consisted of the following:

	September 30, 2020	March 31, 2020
Variable Rate Term Loan, due October 2024, net of deferred debt issuance costs and debt discounts of \$3,962 and \$4,447 as of September 30, 2020 and March 31, 2020, respectively	\$ 170,788	\$ 171,553
Less current portion	(2,500)	(2,500)
Total long-term debt	\$ 168,288	\$ 169,053

### Senior Secured Credit Facility

On October 30, 2017, Thermon Group Holdings, Inc., as a credit party and a guarantor, Thermon Holding Corp. (the "US Borrower") and Thermon Canada Inc. (the "Canadian Borrower"), as borrowers, entered into a credit agreement with several banks and other financial institutions or entities from time to time party thereto (the "Lenders") and JPMorgan Chase Bank, N.A. as administrative agent (the "Agent"), which agreement provides for a \$250,000 seven-year term loan B facility (the "term loan B facility") made available to the US Borrower and a \$60,000 five-year senior secured revolving credit facility made available to the US Borrower and the Canadian Borrower (the "revolving credit facility" and, together with the term loan B facility, the "credit facility"). The proceeds of the term loan B facility were used to (1) pay in full \$70,875 principal and interest on a previously issued term loan due April 2019; (2) repay \$6,000 in unpaid principal and interest on the US Borrower's revolving line of credit; (3) fund approximately \$201,900 CAD of the purchase price of our acquisition (the "CCI acquisition") of 100% of the equity interests of CCI Thermal Technologies Inc. ("CCI") and certain related real estate assets for approximately \$164,900; and (4) pay certain transaction fees and expenses in connection with the CCI acquisition and the credit facility.

*Interest rates and fees.* The US Borrower will have the option to pay interest on the term loan B facility at a base rate, plus an applicable margin, or at a rate based on LIBOR (subject to a floor of 1.00%), plus an applicable margin. The applicable margin for base rate loans is 275 basis points and the applicable margin for LIBOR loans is 375 basis points. The US Borrower may borrow revolving loans in US dollars and the Canadian Borrower may borrow revolving loans in Canadian dollars. Borrowings under the revolving credit facility (a) made in US dollars will bear interest at a rate equal to a base rate, plus an applicable margin of 225 basis points or at a rate based on LIBOR, plus an applicable margin of 325 basis points, and (b) made in Canadian dollars will bear interest at a rate equal to a Canadian base rate, plus an applicable margin of 225 basis points, or at a rate based on Canadian Dollar Offered Rate, plus an applicable margin of 325 basis points; provided, that since the completion of the fiscal quarter ended March 31, 2018, the applicable margins in each case have been determined based on a leverage-based performance grid, as set forth in the credit agreement. In addition to paying interest on outstanding principal under the revolving credit facility, the US Borrower is required to pay a commitment fee in respect of unutilized revolving commitments of 0.50% per annum based on a leverage-based performance grid.

*Maturity and repayment.* The revolving credit facility terminates on October 28, 2022. The scheduled maturity date of the term loan facility is October 30, 2024. Commencing on April 1, 2018, the term loan B facility began amortizing in equal quarterly installments of 0.25% of the \$250,000 term loan B facility, with the payment of the balance at maturity. The US Borrower may voluntarily prepay the principal of the term loan B facility without penalty or premium (subject to breakage fees) at any time in whole or in part. The US Borrower is required to repay the term loan B facility with certain asset sale and insurance proceeds, certain debt proceeds and, commencing with the fiscal year ended March 31, 2019, 50% of excess cash flow (reducing to 25% if the Company's leverage ratio is less than 4.0 to 1.0 but greater than or equal to 3.5 to 1.0, and reducing to 0% if the Company's leverage ratio is less than 3.5 to 1.0). As of September 30, 2020, the Company's leverage ratio was less than 3.5 to 1.0. The Company is required to make quarterly principal payments of the term B loan facility of \$625 through July 31, 2024. The remaining balance will be due at maturity of the term loan B facility on October 30, 2024.

*Accordion.* The credit facility allows for incremental term loans and incremental revolving commitments in an amount not to exceed \$0,000 and an unlimited additional amount that would not cause the consolidated secured leverage ratio to exceed 4.0 to 1.0 (or, if less, the maximum consolidated leverage ratio permitted by the revolving credit facility on such date).

At September 30, 2020, we had no outstanding borrowings under our revolving credit facility for the Canadian Borrower line of credit or for the US Borrower line of credit. As of September 30, 2020, we had \$55,435 of available borrowing capacity under our revolving credit facility after taking into account the borrowing base, outstanding borrowings and letters of credit outstanding. The variable rate term loan bears interest at the LIBOR rate plus an applicable margin dictated by our leverage ratio (as described above). The interest rate on the variable rate term loan on September 30, 2020 was 4.75%.

*Guarantees and security.* The term loan is guaranteed by Thermon Group Holdings, Inc. and all of its current and future wholly-owned domestic material subsidiaries (the "US Subsidiary Guarantors"), subject to certain exceptions. Obligations of the US Borrower under the revolving credit facility are guaranteed by Thermon Group Holdings, Inc. and the US Subsidiary Guarantors. The obligations of the Canadian Borrower under the revolving credit facility are guaranteed by Thermon Group Holdings, Inc., the US Borrower, the US Subsidiary Guarantors and each of the wholly-owned Canadian material subsidiaries of the Canadian Borrower, subject to certain exceptions. The term loan B facility and the obligations of the US Borrower under the revolving credit facility are secured by a first lien on all of Thermon Group Holdings, Inc.'s assets and the assets of the US Subsidiary Guarantors, including 100% of the capital stock of the US Subsidiary Guarantors and 65% of the capital stock of the first tier material foreign subsidiaries of Thermon Group Holdings, Inc., the US Borrower and the US Subsidiary Guarantors, subject to certain exceptions. The obligations of the Canadian Borrower under the revolving credit facility are secured by a first lien on all of Thermon Group Holdings, Inc.'s assets, the US Subsidiary Guarantors' assets, the Canadian Borrower's assets and the assets of the material Canadian subsidiaries of the Canadian Borrower, including 100% of the capital stock of the Canadian Borrower's material Canadian subsidiaries.

*Financial covenants.* The term loan is not subject to any financial covenants. The revolving credit facility requires the Company, on a consolidated basis, to maintain certain financial covenant ratios. The Company must maintain the following consolidated leverage ratios on the last day of the respective periods: 4.5:1.0 for December 31, 2019 through September 30, 2020; and 3.75:1.0 for December 31, 2020 and each fiscal quarter thereafter. On June 18, 2020, our revolving credit lenders agreed to an amendment whereby the debt within the leverage ratio may be reduced by cash in excess of \$20,000. In addition, on the last day of any period of four fiscal quarters, the Company must maintain a consolidated fixed charge coverage ratio of not less than 1.25:1.0. As of September 30, 2020, we were in compliance with all financial covenants of the credit facility.

*Restrictive covenants.* The credit agreement governing our facility contains various restrictive covenants that, among other things, restrict or limit our ability to (subject to certain negotiated exceptions): incur additional indebtedness; grant liens; make fundamental changes; sell assets; make restricted payments; enter into sales and leasebacks; make investments; prepay certain indebtedness; enter into transactions with affiliates; and enter into restrictive agreements.

## 10. Related Party Transactions

In connection with the acquisition of Sumac Fabrication Co. Ltd. ("Sumac"), one of Sumac's former principals (the "Minority Shareholder") retained 25% of the ownership of the entities holding the equity acquired in our acquisition of Sumac. During the fiscal year ended March 31, 2017, this individual, together with the two other former principals of Sumac, were paid \$5,805 in the aggregate in full satisfaction of the Company's obligations under the \$5,905 non-interest bearing performance-based note issued in connection with the Sumac transaction.

On April 2, 2018, the Minority Shareholder provided the Company notice that he was exercising his option to sell one-half (2.5%) of his remaining equity interest in the entities holding equity acquired in our acquisition of Sumac business unit to the Company, and such sale was completed and effective as of July 20, 2018. The terms of the April 2015 Sumac purchase agreement prescribed a valuation formula for such a sale based on Sumac's financial results for the 12 months ended March 31, 2018. During the first quarter of the fiscal year ended March 31, 2019, the Company paid \$5,665 to purchase the 12.5% non-controlling interest.

Similarly, on April 2, 2019, the Minority Shareholder provided the Company notice in order to exercise his option to sell the entirety of his remaining equity interest (2.5% of the entities holding equity acquired in our acquisition of Sumac) to the Company. The terms of the April 2015 Sumac purchase agreement prescribed a valuation formula for such a sale based on Sumac's financial results for the fiscal year ended March 31, 2019. The Company paid \$4,508 to purchase the remaining 12.5% non-controlling interest on August 1, 2019.

## 11. Commitments and Contingencies

At September 30, 2020, the Company had in place letter of credit guarantees and performance bonds securing certain performance obligations of the Company. These arrangements totaled approximately \$12,006. Of this amount, \$2,560 is secured by cash deposits at the Company's financial institutions and an additional \$4,564 represents a reduction of the available amount of the Company's short-term and long-term revolving lines of credit. Our Indian subsidiary also has \$4,915 in customs bonds outstanding to secure the Company's customs and duties obligations in India.

We are involved in various legal and administrative proceedings 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 may adversely affect our financial results. In addition, from time to time, we are involved in various disputes, which may or may not be settled prior to legal proceedings being instituted and which may result in losses in excess of accrued liabilities, if any, relating to such unresolved disputes. Expenses related to litigation and other such proceedings or disputes reduce operating income as period expense when incurred. As of September 30, 2020, management believes that adequate reserves have been established for any probable and reasonably estimable losses. We do not believe that the outcome of any of these proceedings or disputes 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 of operations or cash flows in any one accounting period.

As of September 30, 2020, the Company has accrued \$3,553 as estimated additional cost related to the operational execution of projects.

In addition to the legal proceedings described above, in January 2020, the Company received service of process in a class action application in the Province of Quebec, Canada related to certain heating elements previously manufactured by CCI prior to our acquisition and incorporated into portable construction heaters sold by certain manufacturers. The Company believes this claim is without merit and intends to vigorously defend itself against the claim. The Company continues to evaluate the facts and circumstances of this claim; however, due to the current uncertainty of the basis for the claim, the Company is unable to establish an amount of an accrual for this claim at this time.

## 12. Stock Compensation Expense

Our 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 Plan ("2010 Plan") was approved on July 28, 2010. The 2010 Plan authorized the issuance of 2,767,171 stock options or restricted shares. 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 as compensation in the form of stock options, restricted stock awards or restricted stock units. At the Company's 2020 annual general meeting of stockholders held on July 22, 2020, the Company's stockholders approved the Thermon Group Holdings,

Inc. 2020 Long-Term Incentive Plan (the "2020 LTIP"), which had previously been approved by the Company's board of directors, subject to stockholder approval. The 2020 LTIP made available 1,400,000 shares of the Company's common stock that may be awarded to employees, directors or nonemployee contractors as compensation in the form of stock options, restricted stock awards or restricted stock units.

Stock compensation expense for the three months ended September 30, 2020 and 2019, was \$1,358 and \$1,323, respectively, and \$2,491 and \$2,342 for the six months ended September 30, 2020 and 2019, respectively.

At September 30, 2020, there were 139,485 options outstanding. During the six months ended September 30, 2020, 71,780 options were granted to certain members of senior management. The stock options were valued by using a Black Scholes option pricing model. We arrived at a total fair value for the option awards of \$439 by applying a volatility assumption of 41.1%, a risk free rate of 1.22%, expected term of 6.66 years and no expected dividend. The fair value of these options will be expensed on a straight line basis over three years. The right to purchase shares under the options vests over a five to ten-year period, beginning on the date of grant. Stock options must be exercised within ten years from date of grant. Stock options were issued with an exercise price that 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 the six months ended September 30, 2020, 183,937 restricted stock units were issued to our employees with an aggregate grant date fair value as determined by the closing price of our stock on the respective grant dates of \$2,622. The awards will be expensed on a straight-line basis over the three-year service period. At each anniversary of the applicable grant dates for the restricted stock units, a proportionate number of stock units will become vested for the employees and the shares will become issued and outstanding.

We maintain a plan to issue our directors awards of fully vested common stock every three months for a total award over a 12 month period of approximately \$60. The number of shares issued to our directors each period is equal to a pre-determined award value subject to the fair market value of the stock price on the date of grant. During the three and six months ended September 30, 2020, 13,392 and 26,912 fully vested common shares were granted in the aggregate to our directors, respectively. The aggregate grant date fair value as determined by the closing price of our common stock on the grant date was \$190 and \$380 for the three and six months ended September 30, 2020, respectively. The fair value of the awards is expensed on each grant date.

During the six months ended September 30, 2020, a target amount of 49,176 performance stock units were issued to certain members of our senior management that had a total grant date fair value of \$1,060. The performance indicator for these performance stock units is based on the market performance of our stock price from the date of grant through March 31, 2023, relative to the market price performance of a pre-determined peer group of companies. Since the performance indicator is market-based, we used a Monte-Carlo valuation model to calculate the probable outcome of the performance measure to arrive at the fair value. The requisite service period required to earn the awards is through March 31, 2023. We will expense the fair value of the performance stock units over the service period on a straight-line basis whether or not the stock price performance condition is met. At the end of the performance period, the performance stock units will be evaluated with the requisite number of shares being issued. The possible number of shares that could be issued ranges from zero to 99,432 in the aggregate. Shares that are not awarded at the measurement date will be forfeited.

In addition to the market-based performance stock units issued to certain members of senior management, we also granted these individuals, during the six months ended September 30, 2020, a target amount of 86,634 performance stock units based on the Company's Adjusted EBITDA performance over three separate one year performance periods beginning with the period ending March 31, 2021 and continuing for subsequent one year periods ending on March 31, 2022 and 2023. The performance goal for these shares has not been determined. As such, the total grant date fair value is indeterminable. However, we have estimated stock compensation expense based on current share price and will adjust for stock compensation expense as the performance goal is determined for the initial measurement period ending March 31, 2021. At each reporting period, we will estimate how many awards senior management may earn and adjust our stock compensation expense accordingly. At the end of each performance period, the performance stock units will be evaluated with the requisite number of shares issued. The possible number of shares that could be issued under such performance stock units ranges from zero to 173,268 in the aggregate. Shares that are not awarded after the end of the measurement period will be forfeited.

### 13. Revenue

#### *Disaggregation of Revenue*

We disaggregate our revenue from contracts with customers by geographic location, revenues recognized at point in time and revenues recognized over time, as we believe these best depict how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors.

Disaggregation of revenues from contracts with customers for the three and six months ended September 30, 2020 and 2019 is as follows:

	Three Months Ended September 30, 2020			Three Months Ended September 30, 2019		
	Revenues recognized at point in time	Revenues recognized over time	Total	Revenues recognized at point in time	Revenues recognized over time	Total
United States and Latin America	\$ 11,710	\$ 12,166	\$ 23,876	\$ 18,824	\$ 24,997	\$ 43,821
Canada	13,776	5,440	19,216	26,437	4,514	30,951
Europe, Middle East and Africa	6,703	5,627	12,330	8,974	6,714	15,688
Asia-Pacific	3,820	7,164	10,984	5,424	7,051	12,475
Total revenues	\$ 36,009	\$ 30,397	\$ 66,406	\$ 59,659	\$ 43,276	\$ 102,935

	Six Months Ended September 30, 2020			Six Months Ended September 30, 2019		
	Revenues recognized at point in time	Revenues recognized over time	Total	Revenues recognized at point in time	Revenues recognized over time	Total
United States and Latin America	\$ 19,985	\$ 22,534	\$ 42,519	\$ 37,138	\$ 47,110	\$ 84,248
Canada	27,423	11,106	38,529	49,281	8,922	58,203
Europe, Middle East and Africa	13,517	8,280	21,797	17,865	11,162	29,027
Asia-Pacific	7,905	12,504	20,409	10,124	13,045	23,169
Total revenues	\$ 68,830	\$ 54,424	\$ 123,254	\$ 114,408	\$ 80,239	\$ 194,647

#### Performance Obligations

At September 30, 2020, revenues associated with our open performance obligations totaled \$18,661, representing our combined backlog and deferred revenue. Within this amount, approximately \$20,003 will be earned as revenue in excess of one year. We expect to recognize the remaining revenues associated with unsatisfied or partially satisfied performance obligations within 12 months.

#### Contract Assets and Liabilities

As of September 30, 2020 and March 31, 2020, contract assets were \$1,979 and \$10,194, respectively. There were no impairment losses recognized on our contract assets for the six months ended September 30, 2020 and 2019. As of September 30, 2020 and March 31, 2020, contract liabilities were \$3,108 and \$4,538, respectively. The majority of contract liabilities at March 31, 2020 were recognized as revenue as of September 30, 2020.

#### 14. Income Taxes

Our effective income tax, after discrete tax events, was a 42.3% benefit against our loss before provision for taxes and 18.5% of tax expense for the six months ended September 30, 2020 and 2019, respectively. During the six months ended September 30, 2020, the Company recorded a tax benefit of \$1,403 related to updated Internal Revenue Service rules regarding the United States Global intangible low-taxed income or ("GILTI tax"). Under the new rules, Thermon was able to reduce previously incurred GILTI tax under the high tax exception rules. During the six months ended September 30, 2019, the Company recorded the impact of a prospective income tax rate reduction in the province of Alberta, Canada. The scheduled rate reduction of 4% resulted in a net reduction of deferred tax liabilities of \$784 reported as a benefit to tax expense. Excluding the

impact of the change in GILTI tax rules and other discrete items, the Company estimates that the effective tax rate will be 25.4% for the fiscal year ending March 31, 2021. The estimated effective income tax rate represents the weighted average of the estimated tax expense over our global income before tax.

As of September 30, 2020, we have established a long-term liability for uncertain tax positions in the amount of \$756. As of September 30, 2020, the tax years for the fiscal years ended March 31, 2015 through March 31, 2020 remain open to examination by the major taxing jurisdictions to which we are subject.

## 15. Segment Information

We operate in four reportable segments based on four geographic countries or regions in which we operate: (i) United States and Latin America ("US-LAM"), (ii) Canada, (iii) Europe, Middle East and Africa ("EMEA") and (iv) Asia-Pacific ("APAC"). Within our four reportable segments, our core products and services are focused on thermal solutions primarily related to the electrical heat tracing industry. Each of our reportable segments serves a similar class of customers, including engineering, procurement and construction companies, international and regional oil and gas companies, commercial sub-contractors, electrical component distributors and direct sales to existing plant or industrial applications. Profitability within our segments is measured by operating income. Profitability can vary in each of our reportable segments based on the competitive environment within the region, the level of corporate overhead, such as the salaries of our senior executives, and the level of research and development and marketing activities in the region, as well as the mix of products and services. Since March 2015, we acquired Unitemp Close Corporation ("Unitemp"), Industrial Process Insulators, Inc. ("IPI"), Sumac and CCI. Our THS business line provides advanced industrial heating and filtration solutions for industrial and hazardous area applications that closely align with Thermon's core business and serves similar end markets in North America. As such, we have elected to report operations attributable to our THS products through our US-LAM and Canada reportable segments. Both Unitemp and IPI offer thermal solutions and have been included in our EMEA and US-LAM reportable segments, respectively. Our TPS product line provides temporary power products that differ from our core thermal solutions business. As we anticipate that our full year operating results from TPS will comprise less than 10% of our total sales and operating income, operations attributable to our TPS products have been aggregated in our Canada segment. For purposes of this note, revenue is attributed to individual countries or regions on the basis of the physical location and jurisdiction of organization of the subsidiary that invoices the material and services.

Total sales to external customers, inter-segment sales, depreciation expense, amortization expense, income from operations, property, plant and equipment, net and total assets for each of our four reportable segments are as follows:

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Six Months Ended September 30, 2020	Six Months Ended September 30, 2019
<b>Sales to External Customers:</b>				
United States and Latin America	\$ 23,876	\$ 43,821	\$ 42,519	\$ 84,248
Canada	19,216	30,951	38,529	58,203
Europe, Middle East and Africa	12,330	15,688	21,797	29,027
Asia-Pacific	10,984	12,475	20,409	23,169
	<u>\$ 66,406</u>	<u>\$ 102,935</u>	<u>\$ 123,254</u>	<u>\$ 194,647</u>
<b>Inter-Segment Sales:</b>				
United States and Latin America	\$ 9,825	\$ 15,720	\$ 21,098	\$ 25,461
Canada	1,363	1,005	2,855	2,129
Europe, Middle East and Africa	378	1,033	1,073	1,594
Asia-Pacific	345	157	518	445
	<u>\$ 11,911</u>	<u>\$ 17,915</u>	<u>\$ 25,544</u>	<u>\$ 29,629</u>
<b>Depreciation Expense:</b>				
United States and Latin America	\$ 1,542	\$ 1,596	\$ 3,080	\$ 3,095
Canada	1,079	840	2,111	1,600
Europe, Middle East and Africa	115	125	227	264
Asia-Pacific	48	49	95	103
	<u>\$ 2,784</u>	<u>\$ 2,610</u>	<u>\$ 5,513</u>	<u>\$ 5,062</u>
<b>Amortization Expense:</b>				
United States and Latin America	\$ 198	\$ 1,438	\$ 874	\$ 2,876
Canada	1,758	2,434	3,655	4,836
Europe, Middle East and Africa	33	323	397	650
Asia-Pacific	108	266	204	532
	<u>\$ 2,097</u>	<u>\$ 4,461</u>	<u>\$ 5,130</u>	<u>\$ 8,894</u>
<b>Income (Loss) from Operations:</b>				
United States and Latin America	\$ 896	\$ 5,333	\$ (7,832)	\$ 6,336
Canada	2,019	5,282	4,178	8,777
Europe, Middle East and Africa	1,124	1,472	1,476	1,829
Asia-Pacific	837	2,527	1,834	4,097
Unallocated:				
Stock compensation	(1,358)	(1,323)	(2,491)	(2,342)
Public company costs	(472)	(450)	(874)	(865)
	<u>\$ 3,046</u>	<u>\$ 12,841</u>	<u>\$ (3,709)</u>	<u>\$ 17,832</u>

	September 30, 2020	March 31, 2020
<b>Property, Plant and Equipment, Net:</b>		
United States and Latin America	\$ 39,476	\$ 39,815
Canada	29,218	28,703
Europe, Middle East and Africa	3,221	3,246
Asia-Pacific	776	778
	<u>\$ 72,691</u>	<u>\$ 72,542</u>
<b>Total Assets:</b>		
United States and Latin America	\$ 240,019	\$ 239,751
Canada	272,741	270,055
Europe, Middle East and Africa	75,581	73,334
Asia-Pacific	38,734	37,765
	<u>\$ 627,075</u>	<u>\$ 620,905</u>

Capital expenditures for our reportable segments were as follows:

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Six Months Ended September 30, 2020	Six Months Ended September 30, 2019
<b>Capital Expenditures:</b>				
United States and Latin America	\$ 1,363	\$ 827	\$ 3,157	\$ 1,988
Canada	634	1,196	867	1,584
Europe, Middle East and Africa	29	(17)	48	151
Asia-Pacific	47	109	60	116
	<u>\$ 2,073</u>	<u>\$ 2,115</u>	<u>\$ 4,132</u>	<u>\$ 3,839</u>

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

### Introduction and Special Note Regarding Forward-Looking Statements

Management's discussion and analysis of our financial condition and results of operations is provided as a supplement to the unaudited interim condensed consolidated financial statements and accompanying notes thereto for the three and six months ended September 30, 2020 and 2019 to help provide an understanding of our financial condition, changes in our financial condition and results of our operations. In this quarterly report, we refer to the three month periods ended September 30, 2020 and 2019 as "Interim 2021" and "Interim 2020," respectively, and the six month periods ended September 30, 2020 and 2019 as "YTD 2021" and "YTD 2020," respectively. The following discussion should be read in conjunction with, and is qualified in its entirety by reference to, our unaudited condensed consolidated financial statements and related notes included in Item 1 above.

This quarterly 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 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," "contemplate," "could," "should," "estimate," "expect," "intend," "may," "plan," "possible," "potential," "predict," "project," "will," "would," "future" and similar terms and phrases are intended to identify forward-looking statements in this quarterly 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. These forward-looking statements include but are not limited to statements



regarding: (i) our plans to strategically pursue emerging growth opportunities, including strategic acquisitions, 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 increase; (ix) our belief in the sufficiency of our cash flows to meet our needs for the next year; (x) our ability to integrate acquired companies; (xi) our ability to successfully achieve synergies from acquisitions; and (xii) our ability to make required debt repayments.

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) the outbreak of the novel strain of coronavirus (COVID-19); (ii) general economic conditions and cyclicalities in the markets we serve; (iii) future growth of energy, chemical processing and power generation capital investments; (iv) our ability to operate successfully in foreign countries; (v) our ability to deliver existing orders within our backlog; (vi) our ability to effectively integrate THS product lines into our existing sales and market channels; (vii) the imposition of certain operating and financial restrictions contained in our debt agreements; (viii) tax liabilities and changes to tax policy; (ix) our ability to bid and win new contracts; (x) our ability to successfully develop and improve our products and successfully implement new technologies; (xi) competition from various other sources providing similar heat tracing and process heating products and services, or alternative technologies, to customers; (xii) our revenue mix; (xiii) our ability to acquire smaller value added companies; (xiv) changes in relevant currency exchange rates; (xv) impairment of goodwill and other intangible assets; (xvi) our ability to attract and retain qualified management and employees, particularly in our overseas markets; (xvii) our ability to protect our trade secrets; (xviii) our ability to protect our intellectual property; (xix) our ability to protect data and thwart potential cyber-attacks; (xx) a material disruption at any of our manufacturing facilities; (xxi) our dependence on subcontractors and third-party suppliers; (xxii) our ability to profit on fixed-price contracts; (xxiii) our ability to achieve our operational initiatives; (xxiv) potential liability related to our products as well as the delivery of products and services; (xxv) our ability to comply with foreign anti-corruption laws; (xxvi) export control regulations or sanctions; (xxvii) changes in U.S. and foreign government administrative policy; (xxviii) geopolitical instability in Russia and Ukraine and related sanctions by the U.S. government; (xxix) our ability to comply with the complex and dynamic system of laws and regulations applicable to domestic and international operations, including U.S. government tariffs; (xxx) environmental and health and safety laws and regulations as well as environmental liabilities; (xxxi) climate change and related regulation of greenhouse gases; and (xxxii) those factors listed under Item 1A, "Risk Factors" included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2020 filed with the Securities and Exchange Commission (the "SEC") on June 1, 2020 and in any subsequent Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other filings that we have filed or may file with the SEC. Any one or a combination of these factors could materially affect our future results of operations and could influence whether any forward-looking statements contained or incorporated by reference in this quarterly report ultimately prove to be accurate.

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.

## Overview

We are one of the largest providers of highly engineered industrial process heating solutions for process industries. For over 65 years, we have served a diverse base of thousands of customers around the world in diverse markets including: oil & gas, chemical processing, power generation, mining and other industrial markets. We are a global leader and one of the few thermal solutions providers with a global footprint. We offer a full suite of products (such as heating units, heating cables, temporary power solutions and tubing bundles) and services (such as engineering, installation and maintenance services) and software (such as design optimization and control systems) required to deliver comprehensive solutions to some of the world's largest and most complex projects. We serve our customers through a global network of sales and service professionals and distributors in more than 30 countries and through our ten manufacturing facilities on three continents. These global capabilities and longstanding relationships with some of the largest multinational oil & gas, chemical processing, power and EPC companies in the world have enabled us to diversify our revenue streams and opportunistically access high growth markets worldwide. During YTD 2021 and YTD 2020, approximately 66% and 57% of our revenues were generated from outside of the United States, respectively. Since March 2015, we have acquired four companies, CCI Thermal Technologies Inc. ("CCI"), Unitemp Close Corporation ("Unitemp"), Sumac Fabrication Co. Ltd. ("Sumac") and Industrial Process Insulators, Inc. ("IPI"), that offer complementary products and services to our core thermal solution offerings. We actively pursue both organic and inorganic growth initiatives that serve to advance our corporate strategy.

**Revenue.** Our revenues are derived from providing customers with a full suite of innovative and reliable process heating solutions, including electric and steam heat tracing, tubing bundles, control systems, design optimization, engineering services, installation services and portable power solutions. Additionally, our Thermon Heating Systems (“THS”) business line offers a suite of advanced heating and filtration solutions for industrial and hazardous area applications. Historically, our sales are primarily to industrial customers for petroleum and chemical plants, oil and gas production facilities and power generation facilities. Our petroleum customers represent a significant portion of our business. We serve all three major categories of customers in the petroleum industry, including in upstream exploration/production, midstream transportation and downstream refining. Overall, 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 a 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 a customer of less than \$1 million annually as MRO/UE revenue, as we believe such revenues are typically derived from MRO/UE. 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 that 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. Our THS business line has been excluded from the Greenfield and MRO/UE calculations as substantially all revenue attributed to THS products would be classified as MRO/UE under these definitions.

We believe that our pipeline of planned projects, in addition to our backlog of signed purchase orders, provides us with visibility into our future revenue. 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 September 30, 2020 was \$118.7 million, as compared to \$105.4 million at March 31, 2020. 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 sales primarily includes the costs of raw material items used in the manufacturing of our products, costs of ancillary products that are sourced from external suppliers and construction labor cost. Additional costs of revenue include contract engineering costs directly associated to projects, direct labor costs, shipping and handling costs and other costs associated with our manufacturing/fabrication operations. The other costs associated with our manufacturing/fabrication operations are primarily 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, our primary raw materials have been readily available from multiple suppliers. Raw material costs have been stable 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, including the potential impacts of tariffs, 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 expense.

**Key drivers affecting our results of operations.** Our results of operations and financial condition are affected by numerous factors, including those described under the caption “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended March 31, 2020 filed with the SEC on June 1, 2020 and in any subsequent Quarterly Reports on Form 10-Q that we have filed or may file with the SEC, including those described below. These factors include the following:

- **Timing of Greenfield projects.** Our results of operations in recent years have been impacted by the various construction phases of large Greenfield projects. On our large Greenfield 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), historically have been a substantial source of revenue growth, and Greenfield revenues tend to be more cyclical than MRO/UE revenues. A sustained decrease in capital and maintenance spending on 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.
- *Acquisition strategy.* In recent years, we have been executing on a strategy to grow the Company through the acquisition of businesses that are either in the heat tracing solutions industry or provide complementary products and solutions for the markets and customers we serve. Since March 2015, we have acquired four companies that offer complementary products and services to our core thermal solution offerings: CCI, Unitemp, Sumac and IPI. We actively pursue both organic and inorganic growth initiatives that serve to advance our corporate strategy.
- *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 related revenues have each made the following contribution as a percentage of total revenue in the periods listed:

	Three Months Ended September 30,*		Six Months Ended September 30,*	
	2020	2019	2020	2019
Greenfield	36 %	47 %	34 %	47 %
MRO/UE	64 %	53 %	66 %	53 %

\* THS products have been excluded from the table above. Substantially all revenue attributable to our THS business line would be classified as MRO/UE under the current definitions.

We believe that our analysis of Greenfield and MRO/UE is an important measure 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. THS has been excluded from MRO/UE calculations to enhance comparability across periods as most of revenue attributable to the THS business line would be classified as MRO/UE.

For MRO/UE orders, the sale of our manufactured products typically represents a higher proportion of the overall revenues associated with such orders 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. As new

Greenfield projects are completed, our installed base continues to grow, and we expect that such installed base will continue to generate ongoing high margin MRO/UE revenues. For YTD 2021 and YTD 2020, MRO/UE sales (excluding sales attributable to our THS business line) comprised approximately 66% and 53% of our consolidated revenues, respectively. A sustained decline in Greenfield projects could slow the growth in our installed base and reduce demand for our MRO/UE business and have a material adverse effect on our business, financial condition and results of operations.

- *Seasonality of MRO/UE revenues.* MRO/UE revenues for the legacy heat tracing business are typically highest during the second and third fiscal quarters, as most of our customers perform preventative maintenance prior to the winter season. However, revenues realized from MRO/UE orders tend to be less cyclical than Greenfield projects.

**Recent Developments - COVID-19 Pandemic.** The recent COVID-19 pandemic and the measures being taken to address and limit the spread of the virus have adversely affected the economies and financial markets of many countries, resulting in an economic downturn that has negatively impacted, and may continue to negatively impact, global demand for our products and services. See part Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended March 31, 2020 filed with the SEC on June 1, 2020, for further discussion. The Company has taken the following precautionary measures in light of current macroeconomic uncertainty resulting from the COVID-19 pandemic:

- Reducing discretionary spending across the organization by approximately \$8.5 million in the fiscal year ending March 31, 2021 by reducing consulting fees and travel expenses and consolidating our global operating footprint;
- Decreasing payroll expense, including temporarily decreasing salaries for certain officers and implementing a reduction in force initiative that will reduce ongoing personnel cost by approximately \$15.5 million in the fiscal year ending March 31, 2021;
- Reducing the budget for capital expenditures in the fiscal year ending March 31, 2021 to approximately \$4.5 million, a reduction of \$6.4 million as compared to fiscal 2020; and
- Reducing manufacturing overhead expense across the organization by approximately \$1.8 million in the fiscal year ending March 31, 2021 by consolidating our manufacturing footprint.

During fiscal 2020, revenue from our operations decreased, year over year, by approximately 7% compared to revenues generated in fiscal 2019. Lower crude oil prices driven in part by the global oversupply of crude oil, which management largely attributes to the COVID-19 pandemic, have had a significant adverse impact on customer capital and maintenance related spending, which in turn resulted in the decline in our revenues. We believe that the revenue decline in our reporting units is cyclical in nature and that our long-term business model is sound. We cannot, however, provide any assurances regarding a recovery in the financial performance of our operations.

During the six months ended September 30, 2020, we completed a reduction in force initiative (referenced above) in which we reduced approximately 16% of our global workforce and limited discretionary spending across the organization. The employee severance and office closure costs totaled approximately \$4.9 million. These spending reductions are intended to align the expected cost structure with future expected revenue levels. The Company estimates that these total cost reductions will contribute \$24.0 million in cost reductions for the fiscal year ending March 31, 2021.

Changes in estimates and assumptions used to determine whether impairment exists or future declines in actual and forecasted operating results and/or market conditions, especially in energy markets, could indicate a need to reevaluate the fair value of our reporting units and may ultimately result in an impairment to goodwill and/or indefinite-lived intangible assets of our reporting units in future periods.

During fiscal 2020, we considered the decline in our business to be an indicator of potential asset impairments in our reporting units. During in the fourth quarter of fiscal 2020, we performed a goodwill and intangible asset impairment assessment of all of our reporting units utilizing the income approach, based on discounted future cash flows, which were derived from internal forecasts and economic expectations, and the market approach, based on market multiples of guideline public companies. Based on the results of our goodwill impairment assessment, the estimated fair value of the reporting units exceeded the carrying value. As such, there was no impairment of our reporting units' goodwill or intangible assets during fiscal 2020. No triggering events were identified during the six month period ended September 30, 2020 which would indicate that the fair value of any of our reporting units was less than its carrying amount. We will continue to monitor our reporting units' goodwill and intangible asset valuations and perform qualitative assessments at each interim reporting period.

## Results of Operations (Three-month periods ended September 30, 2020 and 2019)

The following table sets forth our consolidated statements of operations for the three months ended September 30, 2020 and 2019 and indicates the amount of change and percentage change between periods.

	Three Months Ended September 30,		Increase/(Decrease)	
	(dollars in thousands)			
	2020	2019	\$	%
<b>Consolidated Statements of Operations Data:</b>				
Sales	\$ 66,406	\$ 102,935	\$ (36,529)	(35)%
Cost of sales	37,475	57,503	(20,028)	(35)%
Gross profit	\$ 28,931	\$ 45,432	\$ (16,501)	(36)%
Gross margin %	43.6 %	44.1 %		
<b>Operating expenses:</b>				
Marketing, general and administrative and engineering	\$ 22,430	\$ 26,807	\$ (4,377)	(16)%
Stock compensation expense	1,358	1,323	35	3 %
Amortization of intangible assets	2,097	4,461	(2,364)	(53)%
Income (loss) from operations	\$ 3,046	\$ 12,841	\$ (9,795)	(76)%
<b>Interest expense, net:</b>				
Interest income	\$ 17	\$ 65	\$ (48)	(74)%
Interest expense	(2,175)	(3,377)	1,202	(36)%
Amortization of debt costs	(258)	(574)	316	(55)%
Interest expense, net	\$ (2,416)	\$ (3,886)	\$ 1,470	(38)%
Other income/(expense)	582	(172)	754	(438)%
Income before provision for income taxes	\$ 1,212	\$ 8,783	\$ (7,571)	(86)%
Income tax expense (benefit)	(626)	1,862	(2,488)	(134)%
Net income (loss)	\$ 1,838	\$ 6,921	\$ (5,083)	(73)%
Income attributable to non-controlling interests (1)	—	9	(9)	(100)%
Net income available to Thermon Group Holdings, Inc.	\$ 1,838	\$ 6,912	\$ (5,074)	(73)%

(1) Represents income attributable to the 12.5% non-controlling equity interest in the Sumac business that was retained by sellers in the Sumac transaction. Subsequent to August 1, 2019, income attributable to non-controlling equity interest is 0%. (See Note 10, "Related Party Transactions" to our unaudited condensed consolidated financial statements for additional information).

## Three Months Ended September 30, 2020 ("Interim 2021") Compared to the Three Months Ended September 30, 2019 ("Interim 2020")

**Revenues.** Revenues for Interim 2021 were \$66.4 million, compared to \$102.9 million for Interim 2020, a decrease of \$36.5 million or 35%, which management attributes to lower crude oil prices driven in part by the global oversupply of crude oil in connection with the global COVID-19 pandemic (which has had a significant adverse impact on customer capital spending). Our sales mix (excluding attributable to our THS business line) in Interim 2021 was 36% Greenfield and 64% MRO/UE, as compared to 47% Greenfield and 53% MRO/UE in Interim 2020. Greenfield revenue is historically at or near 40% of our total revenue. In Interim 2021, revenues declined in all reportable segments. These decreases were primarily related to a decline in demand for our products and services in connection with the COVID-19-driven economic downturn in both Greenfield and MRO/UE business activity.

**Gross profit and margin.** Gross profit totaled \$28.9 million in Interim 2021, compared to \$45.4 million in Interim 2020, a decrease of \$16.5 million or 36%. The decrease is in line with the decrease in Interim 2021 sales. Gross margins were 43.6% and 44.1% in Interim 2021 and Interim 2020, respectively. The higher gross margin in Interim 2020 is attributable to the decline in sales volume in Interim 2021. This decrease was partially offset by the Canadian Emergency Wage Subsidy, through

which we received subsidies with respect to our Canadian manufacturing operations. Please see Note 1, "Basis of Presentation and Accounting Policy Information" in our financial statements for more information on the Canadian Emergency Wage Subsidy.

**Marketing, general and administrative and engineering.** Marketing, general and administrative and engineering costs were \$22.4 million in Interim 2021, compared to \$26.8 million in Interim 2020, a decrease of \$4.4 million or 16%. During Interim 2021, we incurred one-time severance costs of \$2.0 million related to a reduction in force that will reduce ongoing personnel costs to address the COVID-19 driven economic downturn. We estimate that reductions in headcount as part of the Company's reduction in force initiative will result in annual cost savings of approximately \$15.5 million. The severance related charges were partially offset by the wage subsidy credits mentioned above. The Company proportionally allocated the subsidy between marketing, general and administrative and engineering wages and cost of sales wages in a similar manner in which the wage relief was intended to offset.

**Amortization of intangible assets.** Amortization of intangible assets was \$2.1 million in Interim 2021 and \$4.5 million in Interim 2020, a decrease of \$2.4 million attributable to certain intangible assets becoming fully amortized during fiscal 2020.

**Interest expense, net.** Interest expense, net, was \$2.4 million and \$3.9 million in Interim 2021 and Interim 2020, respectively, a decrease of \$1.5 million. The decrease in interest expense is due to voluntary principal prepayments of \$41.8 million during fiscal 2020 on both the revolving credit facility and the term loan B credit facility (see Note 9, "Long-Term Debt", to our unaudited condensed consolidated financial statements for additional information on our long-term debt).

**Other income and expense.** Other income and expense was income of \$0.6 million and expense of \$0.2 million in Interim 2021 and Interim 2020, respectively, representing an increase of \$0.8 million in other income. The increase primarily relates to gains and losses associated with our deferred compensation plan for certain highly compensated employees and, to a lesser extent, transactional foreign exchange gains and losses.

**Income taxes.** Income tax benefit was \$0.6 million in Interim 2021 on pre-tax income of \$1.2 million compared to income tax expense of \$1.9 million in Interim 2020 on pre-tax income of \$8.8 million, a decrease of \$2.5 million in income tax expense in line with higher pre-tax income in Interim 2020. Our effective tax rate was 51.7% and 21.2% in Interim 2021 and Interim 2020, respectively. During Interim 2021, the Company recorded a tax benefit of \$1,403 related to updated Internal Revenue Service rules regarding the United States global intangible low-taxed income or ("GILTI tax"). Under the new rules, Thermon was able to reduce previously incurred GILTI tax under the high tax exception rules. During Interim 2020, the Company recorded the impact of a prospective income tax rate reduction in the province of Alberta Canada. The scheduled rate reduction of 4% resulted in a net reduction of deferred tax liabilities of \$0.8 million reported as a benefit to tax expense.

Our global anticipated annual effective income tax rate before discrete events was 25.4% and 30.1% for Interim 2021 and Interim 2020, respectively. This estimate is based on a forecast of earnings in all of our jurisdictions. The effective income tax rate represents the weighted average of the estimated tax expense over our global income before tax. See Note 14, "Income Taxes," to our unaudited condensed consolidated financial statements included elsewhere in this quarterly report for further detail on income taxes.

**Net income available to Thermon.** Net income available to the Company, after non-controlling interest, was \$1.8 million in Interim 2021 as compared to \$6.9 million in Interim 2020, a decrease of \$5.1 million. The decrease in Interim 2021 net income is primarily due to a \$16.5 million decrease in gross profit offset in part by (i) a decrease of \$6.7 million in marketing, general and administrative and engineering expense (inclusive of stock compensation expense and intangible amortization expense) mostly attributable to a reduction in force initiative and other cost saving initiatives, (ii) a \$1.5 million decrease in interest expense, net, (iii) a \$0.8 million increase in other income and (iv) a \$2.5 million decrease in income tax expense.

## Results of Operations (Six-month periods ended September 30, 2020 and 2019)

The following table sets forth our unaudited consolidated statements of operations for the six months ended September 30, 2020 and 2019, respectively, and indicates the amount of change and percentage change between periods.

	Six Months Ended September 30,		Increase/(Decrease)	
	(dollars in thousands)			
	2020	2019	\$	%
Consolidated Statements of Operations Data:				
Sales	\$ 123,254	\$ 194,647	\$ (71,393)	(37)%
Cost of sales	70,204	112,073	(41,869)	(37)%
Gross profit	\$ 53,050	\$ 82,574	\$ (29,524)	(36)%
Gross margin %	43.0 %	42.4 %		
Operating expenses:				
Marketing, general and administrative and engineering	\$ 49,138	\$ 53,506	\$ (4,368)	(8)%
Stock compensation expense	2,491	2,342	149	6 %
Amortization of intangible assets	5,130	8,894	(3,764)	(42)%
Income (loss) from operations	\$ (3,709)	\$ 17,832	\$ (21,541)	(121)%
Interest expense, net:				
Interest income	42	116	(74)	(64)%
Interest expense	(4,497)	(6,851)	2,354	(34)%
Amortization of debt costs	(516)	(870)	354	(41)%
Interest expense, net	(4,971)	(7,605)	2,634	(35)%
Other income	1,314	61	1,253	2,054 %
Income (loss) before provision for income taxes	\$ (7,366)	\$ 10,288	\$ (17,654)	(172)%
Income tax expense (benefit)	(3,119)	1,906	(5,025)	(264)%
Net income (loss)	\$ (4,247)	\$ 8,382	\$ (12,629)	(151)%
Loss attributable to non-controlling interests (1)	—	(1)	1	(100)%
Net income (loss) available to Thermon Group Holdings, Inc.	\$ (4,247)	\$ 8,383	\$ (12,630)	(151)%

(1) Represents income attributable to the 12.5% non-controlling equity interest in the Sumac business that was retained by sellers in the Sumac transaction. Subsequent to August 1, 2019, income attributable to non-controlling equity interest is 0%. (See Note 10, "Related Party Transactions" to our unaudited condensed consolidated financial statements for additional information).

## Six Months Ended September 30, 2020 ("YTD 2021") Compared to the Six Months Ended September 30, 2019 ("YTD 2020")

**Revenues.** Revenues for YTD 2021 were \$123.3 million, compared to \$194.6 million for YTD 2020, a decrease of \$71.4 million or 37% which management attributes to lower crude oil prices driven in part by the global oversupply of crude oil in connection with the global COVID-19 pandemic (which has had a significant adverse impact on customer capital spending). Our sales mix (excluding sales attributable to our THS business line) in YTD 2021 was 34% Greenfield and 66% MRO/UE, as compared to 47% Greenfield and 53% MRO/UE in YTD 2020. Greenfield revenue is typically near 40% of our total revenue. In YTD 2021, revenues declined in all reportable segments. These decreases were primarily related to a decline in demand for our products and services in connection with the COVID-19-driven economic downturn in both Greenfield and MRO/UE business activity.

**Gross profit and margin.** Gross profit totaled \$53.1 million in YTD 2021, compared to \$82.6 million in YTD 2020, a decrease of \$29.5 million primarily due to a decline in revenues. Gross margins were 43.0% and 42.4% in YTD 2021 and YTD 2020, respectively. The higher gross margin in YTD 2021 is attributable to considerably higher sales of higher margin MRO/UE revenue relative to lower margin Greenfield revenues. In addition, our gross margins were positively impacted by the Canadian Emergency Wage Subsidy in the amount of \$2.2 million, through which we received subsidies with respect to our

Canadian manufacturing operations. Please see Note 1, "Basis of Presentation and Accounting Policy Information" in our financial statements, for more information on the Canadian Emergency Wage Subsidy.

**Marketing, general and administrative and engineering.** Marketing, general and administrative and engineering costs were \$49.1 million in YTD 2021, compared to \$53.5 million in YTD 2020, a decrease of \$4.4 million. During YTD 2021, we incurred one-time severance costs of \$4.9 million related to a reduction in force that will reduce ongoing personnel cost to help address the business impacts of the COVID-19 economic downturn. We estimate that reductions in headcount as part of the Company's reduction in force initiative will result in annual cost savings of approximately \$15.5 million. The severance related charges were partially offset by the wage subsidy credits in the amount of \$1.7 million. The Company proportionally allocated the subsidy between marketing, general and administrative and engineering wages and cost of sales wages in a similar manner in which the wage relief was intended to offset.

**Amortization of intangible assets.** Amortization of intangible assets was \$5.1 million in YTD 2021 and \$8.9 million in YTD 2020, a decrease of \$3.8 million. The decrease in amortization expense is attributable to certain intangible assets that became fully amortized during fiscal 2020.

**Interest expense net.** Interest expense, net, was \$5.0 million in YTD 2021, compared to \$7.6 million in YTD 2020, a decrease of \$2.6 million. The decrease in interest expense is due to voluntary principal prepayments of \$41.8 million during fiscal 2020 on both the revolving credit facility and the term loan B credit facility (see Note 9, "Long-Term Debt", to our unaudited condensed consolidated financial statements for additional information on our long-term debt).

**Other income.** Other income was income of \$1.3 million and \$0.1 million in YTD 2021 and YTD 2020, respectively, an increase in other income of \$1.2 million. The increase primarily relates to gains and losses associated with our deferred compensation plan for certain highly compensated employees and, to a lesser extent, transactional foreign exchange gains and losses.

**Income taxes.** Income tax was a \$3.1 million benefit in YTD 2021 on pre-tax loss of \$7.4 million compared to an income tax expense of \$1.9 million in YTD 2020 on pre-tax net income of \$10.3 million, a decrease in income tax expense of \$5.0 million primarily attributable to our lower pretax income. Our effective tax rate was 42.3% and 18.5% in YTD 2021 and YTD 2020, respectively.

Our anticipated annual effective income tax rate before discrete events is 25.4% in fiscal 2021. The anticipated annual effective tax rate is established by estimating anticipated tax rates in each of the countries where we earn taxable income as adjusted for known differences as well as our ability to apply any jurisdictional tax losses to prior or future periods. See Note 14, "Income Taxes," to our unaudited condensed consolidated financial statements included elsewhere in this quarterly report for further detail on income taxes.

**Net loss available to Thermon.** Net loss available to the Company was \$4.2 million in YTD 2021 as compared to income of \$8.4 million in YTD 2020, a decrease of \$12.6 million. The decrease in YTD 2021 net income is primarily due to a \$29.5 million decrease in gross profit, offset in part by (i) a \$4.4 million decrease in marketing, general and administrative and engineering mostly attributable to a reduction in force initiative and other cost saving initiatives, (ii) a \$3.8 million decrease in amortization of intangibles due to certain intangibles that became fully amortized in YTD 2020, (iii) a \$2.6 million decrease in net interest expense, (iv) a \$1.3 million increase in other income, and (v) a \$5.0 million decrease in income tax expense.



## Contractual Obligations and Contingencies

**Contractual Obligations.** The following table summarizes our significant contractual payment obligations as of September 30, 2020 and the effect such obligations are expected to have on our liquidity position assuming all obligations reach maturity.

	TOTAL	Payment due by period (dollars in thousands)			
		Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
Variable rate term loan(1)	\$ 174,750	\$ 2,500	\$ 5,000	\$ 167,250	\$ —
Interest payments on variable rate term loan(2)	33,910	8,501	15,961	9,448	—
Operating lease obligations(3)	19,772	4,235	6,299	3,810	5,428
Information technology services agreements(4)	1,930	1,014	916	—	—
Total	<u>\$ 230,362</u>	<u>\$ 16,250</u>	<u>\$ 28,176</u>	<u>\$ 180,508</u>	<u>\$ 5,428</u>

(1) Consists of quarterly scheduled principal payments under our new term loan B credit facility of \$0.6 million through July 31, 2024, with the remaining principal balance being settled with a lump-sum payment of \$164.8 million due at maturity in October 2024. Please see Note 9, "Long-Term Debt" in our financial statements, for more information on our new term loan B credit facility.

(2) Consists of estimated future term loan interest payments under our credit facility based on our current interest rate as of September 30, 2020.

(3) 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 and offices.

(4) 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 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 may adversely affect our financial results. In addition, from time to time, we are involved in various disputes, which may or may not be settled prior to legal proceedings being instituted and which may result in losses in excess of accrued liabilities, if any, relating to such unresolved disputes. As of September 30, 2020, management believes that adequate reserves have been established for any probable and reasonably estimable losses. Expenses related to litigation reduce operating income as period expense when incurred. We do not believe that the outcome of any of these proceedings or disputes 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 of operations or cash flows in any one accounting period.

See Note 11 "Commitments and Contingencies" to our unaudited interim condensed consolidated financial statements included above in Part I, Item 1. Financial Statements (Unaudited) of this quarterly report, which is hereby incorporated by reference into this Item 2.

## Liquidity and Capital Resources

Our primary sources of liquidity are cash flows from operations and funds available under our revolving credit facility and other revolving lines of credit. Our primary liquidity needs are to finance our working capital, capital expenditures, debt service needs and potential future acquisitions.

During the six months ended September 30, 2020, we drew down under our revolving credit facility as a precautionary measure in order to increase our cash position and preserve financial flexibility in light of current macroeconomic uncertainty resulting from the COVID-19 pandemic and volatility in commodity markets. We made several draws on our revolving credit facility, resulting in a total of \$41.2 million (including \$4.0 million in letters of credit) in outstanding borrowings and approximately \$18.6 million of remaining borrowing capacity (subject to the borrowing base) under our revolving credit facility, in each case as of April 30, 2020. Subsequent to April 30, 2020, we made repayments on our revolving credit facility in the amount of \$37.5 million, which offsets the previously mentioned draw down resulting in no outstanding borrowings as of September 30, 2020.

**Cash and cash equivalents.** At September 30, 2020, we had \$51.4 million in cash and cash equivalents. We maintain cash and cash equivalents at various financial institutions located in many countries throughout the world. Approximately \$23.5 million, or 46%, of these amounts were held in domestic accounts with various institutions and approximately \$27.9 million, or 54%, of these amounts were held in accounts outside of the United States with various financial institutions.

**Senior secured credit facility.** In October 2017, we entered into a credit agreement that provides for (i) a seven-year \$250.0 million variable rate senior secured term loan B facility and (ii) a five-year \$60.0 million senior secured revolving credit facility. See Note 9, "Long-Term Debt—Senior Secured Credit Facility" to our unaudited interim condensed consolidated financial statements and accompanying notes thereto included above in Item 1. Financial Statements (Unaudited) of this quarterly report for information on our senior secured term loan and revolving credit facility, which is hereby incorporated by reference into this Item 2. At September 30, 2020, we had no outstanding borrowings under our revolving credit facility and \$55.4 million of available capacity thereunder after taking into account the borrowing base, outstanding borrowings and \$4.6 million of outstanding letters of credit. From time to time, we may choose to utilize our revolving credit facility to fund operations, acquisitions or other investments despite having cash available within our consolidated group in light of the cost, timing and other business considerations.

As of September 30, 2020, we had \$174.8 million of outstanding principal on our term loan B facility. We are required to make quarterly principal payments of the term loan of \$0.6 million through July 31, 2024. Thereafter, the remaining principal balance will be settled with a lump-sum payment of \$164.8 million due at maturity of the term loan in October 2024.

**Guarantees; security.** The term loan is guaranteed by Thermon Group Holdings, Inc. and all of its current and future wholly-owned domestic material subsidiaries (the "US Subsidiary Guarantors"), subject to certain exceptions. Obligations of Thermon Group Holdings, Inc. under the revolving credit facility are guaranteed by Thermon Group Holdings, Inc. and the US Subsidiary Guarantors. The obligations of Thermon Canada Inc. (the "Canadian Borrower") under the revolving credit facility are guaranteed by the Company, Thermon Holding Corp. (the "US Borrower"), the US Subsidiary Guarantors and each of the wholly-owned Canadian material subsidiaries of the Canadian Borrower, subject to certain exceptions. The term loan B facility and the obligations of the US Borrower under the revolving credit facility are secured by a first lien on all of the Company's assets and the assets of the US Subsidiary Guarantors, including 100% of the capital stock of the US Subsidiary Guarantors and 65% of the capital stock of the first tier material foreign subsidiaries of the Company, the US Borrower and the US Subsidiary Guarantors, subject to certain exceptions. The obligations of the Canadian Borrower under the revolving credit facility are secured by a first lien on all of the Company's assets, the US Subsidiary Guarantors' assets, the Canadian Borrower's assets and the assets of the material Canadian subsidiaries of the Canadian Borrower, including 100% of the capital stock of the Canadian Borrower's material Canadian subsidiaries.

**Financial covenants.** The term loan is not subject to any financial covenants. The revolving credit facility requires the Company, on a consolidated basis, to maintain certain financial covenant ratios. The Company must maintain the following consolidated leverage ratios on the last day of the respective periods: 4.5:1.0 for December 31, 2019 through September 30, 2020; and 3.75:1.0 for December 31, 2020 and each fiscal quarter thereafter. In addition, on the last day of any period of four fiscal quarters, the Company must maintain a consolidated fixed charge coverage ratio of not less than 1.25:1.0. As of September 30, 2020, we were in compliance with all financial covenants of the credit facility.

**Restrictive covenants.** The credit agreement governing our credit facility contains various restrictive covenants that, among other things, restrict or limit our ability to (subject to certain negotiated exceptions): incur additional indebtedness; grant liens; make fundamental changes; sell assets; make restricted payments; enter into sales and leasebacks; make investments; prepay certain indebtedness; enter into transactions with affiliates; and enter into restrictive agreements.

**Repatriation considerations.** Given the significant changes resulting from the Tax Cuts and Jobs Act of 2017 (the "Tax Act") and potential opportunities to repatriate cash tax free, we will no longer assert a permanent reinvestment position in most of our foreign subsidiaries. We expect to repatriate certain earnings, which will be subject to withholding taxes. These additional withholding taxes are being recorded as an additional deferred tax liability associated with the basis difference in such jurisdictions. The uncertainty related to the taxation of such withholding taxes on distributions under the Tax Act and finalization of the cash repatriation plan makes the deferred tax liability a provisional amount.

**Future capital requirements.** Our future capital requirements will depend on a number of factors. We believe that, based on our current level of operations, cash flow from operations and available cash, together with available borrowings under our revolving credit facility, will be adequate to meet our liquidity needs for the next twelve months. We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to service our indebtedness, including our 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, including our credit facility, on commercially reasonable terms or at all.

For the remainder of fiscal year 2021, we estimate that we will invest approximately \$0.5 million in property, plant and equipment for our thermal solutions business and will continue to make investments in Thermon Power Solutions ("TPS") product line (based on market demand). In order to preserve liquidity in response to the current macroeconomic uncertainty resulting from the COVID-19 pandemic, we reduced the budget for capital expenditures in the fiscal year ending March 31, 2021 by approximately \$6.4 million as compared to fiscal 2020. Key investments for fiscal 2021 include the purchase of capital equipment used in our manufacturing facilities, land and building improvements and continued investments in our enterprise resource planning software upgrade. During YTD 2021, we invested \$0.8 million in our TPS product line for temporary power products that were or are expected to be deployed to our customers on a rental basis throughout Canada and the United States.

**Net cash provided by operating activities** totaled \$12.6 million and \$30.1 million in YTD 2021 and YTD 2020, respectively, a decrease of \$17.5 million mostly attributable to a decline in net income. During YTD 2021 as compared to YTD 2020, net income represented a decrease in cash provided of \$12.6 million, working capital accounts represented a decrease in cash provided of \$0.3 million, and non-cash reconciling items represented a decrease in cash provided of \$4.6 million.

Our working capital assets in accounts receivable, inventory, contract assets and other current assets represented a source of cash of \$13.6 million and \$10.0 million in YTD 2021 and YTD 2020 respectively, an increase in the source of cash of \$3.6 million in YTD 2021. During YTD 2021 and YTD 2020, accounts receivable decreased due to a decline in revenues and strong collections efforts, representing a source of cash of \$29.8 million and \$6.3 million, respectively. Contract assets represented a use of cash of \$3.2 million and a source of cash of \$9.1 million in YTD 2021 and YTD 2020, respectively, which is primarily attributed to timing of billings on our projects. In YTD 2021 and YTD 2020 our inventory increased due to a decline in incoming order rates, representing a use of cash of \$9.4 million and \$1.0 million, respectively.

Our combined balance of accounts payable, accrued liabilities and other non-current liabilities represented a use of cash of \$1.2 million and \$2.5 million in YTD 2021 and YTD 2020, respectively, a decrease in the use of cash of \$1.2 million. The change in accounts payable and accrued liabilities is primarily due to the timing of vendor payments and our annual incentive program accrual. Changes in our income taxes payable and receivable balances represented a use of cash of \$5.9 million and \$0.8 million in YTD 2021 and YTD 2020, respectively.

**Net cash used in investing activities** totaled \$4.1 million and \$3.7 million for YTD 2021 and YTD 2020, respectively, a comparative increase in the use of cash for investing activities of \$0.4 million. Net cash used in investing activities relates to the purchase of capital assets primarily to maintain the existing operations of the business.

**Net cash used in financing activities** totaled \$1.9 million and \$18.5 million in YTD 2021 and YTD 2020, respectively, a comparative decrease in the use of cash from financing activities of \$16.6 million. Cash proceeds in financing activities are primarily short-term borrowings net of contractual and principal payments on our outstanding long-term debt and revolving credit facility.

#### **Off-Balance Sheet Arrangements**

As of September 30, 2020, 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 purpose 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 price increases of our products. We cannot assure you, however, that we will not be affected by general inflation in the future.

## Critical Accounting Policies

See Part I, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates” in our Annual Report on Form 10-K for the fiscal year ended March 31, 2020 filed with the SEC on June 1, 2020 for a discussion of the Company’s critical accounting policies and estimates.

## Recent Accounting Pronouncements

See Note 1, “Basis of Presentation and Accounting Policy Information” to our unaudited interim condensed consolidated financial statements and accompanying notes thereto included above in Item 1. Financial Statements (Unaudited) of this quarterly report for information on recent accounting pronouncements, which is hereby incorporated by reference into this Item 2.

## Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our primary market risk exposures are 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 66% of our YTD 2021 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 manufacturing facilities located elsewhere, primarily the United States, Canada and 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, Japanese Yen and South African Rand.

During YTD 2021, 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 \$0.2 million for YTD 2021. Conversely, a 10% depreciation of the U.S. dollar relative to the Canadian dollar would result in a net increase in net income of \$0.2 million for YTD 2021. A 10% appreciation of the U.S. dollar relative to the Euro would result in a net increase in net income of approximately \$0.1 million for YTD 2021. Conversely, a 10% depreciation of the U.S. dollar relative to the Euro would result in a net decrease in net income of approximately \$0.1 million for YTD 2021.

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 net impact of foreign currency transactions on our condensed consolidated statements of operations were gains of \$0.3 million and \$0.1 million in YTD 2021 and YTD 2020, respectively.

As of September 30, 2020, we had approximately \$18.5 million in notional forward contracts to reduce our exposure to foreign currency exchange rate fluctuations. These forward contracts were in place to offset in part the foreign currency exchange risk to intercompany payables due from our foreign operations to be settled in U.S. dollars. See Note 2, “Fair Value Measurements” to our unaudited interim condensed financial statements included above in Item 1. Financial Statements (Unaudited) of this quarterly report for further information regarding our foreign currency forward contracts.

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 increase or 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. We estimate that our sales were negatively impacted by \$3.4 million in YTD 2021 when compared to foreign exchange translation rates that were in effect in YTD 2020. Foreign currency impact on revenue is calculated by comparing actual current period revenue in U.S. dollars to the theoretical U.S. Dollar revenue we would have achieved based on the weighted-average foreign exchange rates in effect in the

comparative prior periods for all applicable foreign currencies. In YTD 2020, we were mostly impacted by the appreciation of the U.S. dollar relative to the Canadian Dollar and the Euro. 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 condensed consolidated balance sheets. The unrealized effects of foreign currency translations were gains of \$14.7 million and losses of \$0.4 million in YTD 2021 and YTD 2020, respectively, representing a comparative increase in foreign currency translation gains of \$15.1 million. The comparative increase in YTD 2021 foreign currency translation gains is primarily due to the strengthening of the Canadian dollar and Euro relative to the U.S. dollar as compared to YTD 2020. Foreign currency translation gains or losses are reported as part of comprehensive income or loss which is after net income in the condensed consolidated statements of comprehensive income (unaudited). As discussed above, foreign currency transactions gains and losses are the result of the settlement of payables and receivables in foreign currency. These gains or losses are included in net income or loss as part of other income and expense in the condensed consolidated statements of comprehensive income (unaudited).

**Foreign currency risks related to intercompany notes.** The Company has entered into a cross currency swap for the purposes of mitigating potential exposures to currency rate fluctuations related to an intercompany note of \$43.0 million with our wholly-owned Canadian subsidiary. See Note 2, "Fair Value Measurements" to our unaudited interim condensed financial statements included above in Item 1. Financial Statements (Unaudited) of this quarterly report for further information regarding our cross currency swap.

**Interest rate risk and foreign currency risk relating to debt.** Borrowings under both our variable rate term loan B credit facility and revolving credit facility incur interest expense that is variable in relation to the LIBOR rate. As of September 30, 2020, we had \$174.8 million of outstanding principal under our variable rate LIBOR-based term loan B credit facility and no borrowings under our revolving credit facility. The interest rate for borrowings under our term loan B credit facility was 4.75% as of September 30, 2020. Based on the outstanding borrowings, a one percent change in the interest rate would result in a \$1.7 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 4. Controls and Procedures**

##### **Controls and Procedures**

##### **Disclosure Controls and Procedures**

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 (the "Exchange Act") as of the end of the period covered by this quarterly report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this quarterly 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 our management to allow timely decisions regarding required disclosure.

##### **Changes in Internal Control Over Financial Reporting**

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) of under Exchange Act) that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II**  
**OTHER INFORMATION**

**Item 1. Legal Proceedings**

See Note 11 “Commitments and Contingencies” to our unaudited interim condensed consolidated financial statements included above in Part I, Item 1. Financial Statements (Unaudited) of this quarterly report, which is hereby incorporated by reference into this Item 1.

**Item 1A. Risk Factors**

There have been no material changes from the risk factors previously disclosed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended March 31, 2020 filed with the SEC on June 1, 2020.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

There were no unregistered sales of our equity securities during the three months ended September 30, 2020.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable

**Item 5. Other Information**

On November 3, 2020, the Company’s board of directors (the “Board”) amended and restated the Company’s bylaws to clarify certain corporate procedures and make certain other enhancements and technical changes. The changes effected by the amendment and restatement of the Company’s bylaws (as so amended and restated, the “Amended and Restated Bylaws”) include, without limitation, the following:

- updating the advance notice provisions for director nominations and stockholder proposals at stockholder meetings;
- allowing emergency special Board meetings to be held with less than 24 hours’ advance notice;
- clarifying the powers of the chairman of a stockholder meeting to regulate conduct at such meeting;
- clarifying that the Board may postpone, reschedule or cancel a stockholder meeting;
- designating the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of litigation; and
- outlining the process for Board action in the event of an emergency in order to ensure Board decision-making continuity and leadership resiliency in the event of director unavailability due to an emergency.

The Amended and Restated Bylaws are effective November 3, 2020. The foregoing description of the Amended and Restated Bylaws is qualified in its entirety by the full text of the Amended and Restated Bylaws, a copy of which is filed as Exhibit 3.1 hereto and is incorporated by reference herein.

**Item 6. Exhibits**

See Exhibit Index below for a list of exhibits filed as part of this quarterly report, which Exhibit Index is incorporated herein by reference.

## EXHIBIT INDEX

Exhibit Number	Description
3.1	<a href="#"><u>Amended and Restated Bylaws of Thermon Group Holdings, Inc.*</u></a>
31.1	<a href="#"><u>Certification of Bruce Thames, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*</u></a>
31.2	<a href="#"><u>Certification of Jay Peterson, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*</u></a>
32.1	<a href="#"><u>Certification of Bruce Thames, Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*</u></a>
32.2	<a href="#"><u>Certification of Jay Peterson, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*</u></a>
101	Interactive Data Files formatted in Inline eXtensible Business Reporting Language (iXBRL) pursuant to Rule 405 of Regulation S-T: (i) the cover page, (ii) Condensed Consolidated Balance Sheets, (iii) Condensed Consolidated Statements of Operations and Comprehensive Income, (iv) Condensed Consolidated Statements of Cash Flows and (v) Notes to Condensed Consolidated Financial Statements*
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)*

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\* Filed herewith





**AMENDED AND RESTATED BYLAWS  
OF**

**THERMON GROUP HOLDINGS, INC.**

(As adopted November 3, 2020, effective as of November 3, 2020)

ARTICLE IOffices

Section 1.1 Registered Offices. The registered office of Thermon Group Holdings, Inc. (the "Corporation") in the State of Delaware shall be located at 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808, County of New Castle. The name of the Corporation's registered agent at such address shall be Corporation Service Company. The registered office and/or registered agent of the Corporation may be changed from time to time by action of the Board of Directors.

Section 1.2 Other Offices. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

Section 1.3 Books. The books of the Corporation may be kept within or without of the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE IIStockholders MeetingsSection 2.1 Annual Meetings.

(a) An annual meeting of stockholders shall be held for the election of directors and the transaction of such other business as may properly be brought before the meeting in accordance with these Bylaws at such date, time and place, if any, as may be fixed by resolution of the Board of Directors of the Corporation from time to time. The Board of Directors may for any reason postpone, adjourn, recess, reschedule or cancel any previously scheduled meeting of stockholders.

(b) Only such business (other than stockholder nominations of directors, which shall be made in compliance with, and shall be exclusively governed by, Section 3.1(a) and Section 3.2) shall be conducted at an annual meeting of stockholders as shall have been properly brought before the meeting. For business to be properly brought before the meeting, it must be (i) authorized by the Board of Directors and specified in the notice, or a supplemental notice, of the meeting, (ii) otherwise brought before the meeting by or at the direction of the Board of Directors, or (iii) otherwise properly brought before the meeting by a stockholder of the Corporation who was a stockholder of record both at the time of giving of notice by the stockholder as provided for in this Section 2.1(b) and at the time of the annual meeting of stockholders, who is entitled to vote at the meeting on any such business and who has complied with the notice and other requirements set forth in these Bylaws; clause (iii) shall be the exclusive means for a stockholder to submit such business (other than proposals properly brought under Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and included in the Corporation's notice of the meeting, which proposals are not governed by these Bylaws) before an annual meeting of stockholders.

(c) For business to be properly brought before an annual meeting by a stockholder pursuant to Section 2.1(b)(iii), the stockholder must have given timely written notice thereof to the Secretary of the Corporation as hereinafter provided and such proposal must otherwise be a proper subject for action by the Corporation's stockholders. To be timely, a stockholder's written notice shall set forth all information required under this Section 2.1(c) and shall be delivered or mailed to and received at the principal executive offices of the Corporation not less than 90 days nor more than 120 days prior to the first anniversary of the date on which the Corporation first mailed its proxy materials or a notice of availability of proxy materials (whichever is earlier) for the immediately preceding year's annual meeting; provided, however, that in the event that no annual meeting was held in the previous year or the annual meeting is called for a date that is not within 30 days from the first anniversary of the immediately preceding year's annual meeting date, written notice by a stockholder in order to be timely must be received not earlier than the 120th day before the date of such annual meeting and not later than the later of the 90th day before the date of such annual meeting, as originally convened, or the close of business on the tenth day following the day

on which the first public disclosure of the date of such annual meeting was made. In no event shall an adjournment, rescheduling, recess or postponement, or the public disclosure thereof, of an annual meeting commence a new time period (or extend any time period) for the giving of stockholder's notice as described above. A stockholder's notice to the Secretary delivered pursuant to this Section 2.1(c) shall set forth:

(i) as to each matter the stockholder proposes to bring before the meeting, (A) a description of the proposal or business (including the complete text of any resolutions to be presented at the annual meeting, and, in the event that such business includes a proposal to amend these Bylaws, the text of the proposed amendment) desired to be brought before the annual meeting, (B) the reasons for conducting such business at the annual meeting, (C) a complete and accurate description of any material interest in such business of such stockholder or any Stockholder Associated Person (as defined below), individually or in the aggregate, including any anticipated benefit to the stockholder or the Stockholder Associated Person therefrom, and (D) all other information related to such proposed business that would be required to be disclosed in a proxy statement or other filing required to be made by the stockholder or any Stockholder Associated Person in connection with the solicitation of proxies or consents in support of such proposed business by such stockholder or any Stockholder Associated Person pursuant to Regulation 14A under the Exchange Act;

(ii) to the extent known by the stockholder giving the notice, the name and address of any other stockholder supporting the proposal of business on the date of such stockholder's notice;

(iii) as to the stockholder giving the notice and any Stockholder Associated Person:

(A) the class or series and number of shares of capital stock or other securities of the Corporation (collectively, "Company Securities"), if any, which are, directly or indirectly, owned beneficially and/or of record by such person, the date(s) on which such Company Securities were acquired and the investment intent of such acquisition(s), and any short interest (including any opportunity to profit or share in any benefit from any decrease in the price of such stock or other security) in any Company Securities of any such person,

(B) the nominee holder for, and number of, any Company Securities owned beneficially but not of record by such person,

(C) a complete and accurate description of any agreement, arrangement or understanding (whether written or oral) (including any derivative or short positions, profit interests, options, warrants, convertible securities, stock appreciation or similar rights with an exercise or conversion privilege or a settlement payment or mechanism at a price related to the Company Securities or with a value derived in whole or in part from the value of the Company Securities, hedging transactions, and borrowed or loaned shares) (a "Derivative Instrument") that has been entered into as of the date of the stockholder's notice or any supplement thereto by, or on behalf of, such stockholder or Stockholder Associated Person (or Proposed Nominee (as defined below)) and such beneficial owners, whether or not such instrument or right shall be subject to settlement in underlying Company Securities, (including those that the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such stockholder or Stockholder Associated Person, with respect to Company Securities without regard to whether such transaction is required to be reported on a Schedule 13D in accordance with the Exchange Act) and any other information about such Derivative Instrument that would be required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies for the election of directors in an election contest (even if an election contest is not involved), or is otherwise required, in each case pursuant to and in accordance with Section 14(a) of the Exchange Act and the rules and regulations promulgated thereunder, if such Derivative Instruments were treated the same as Company Securities under such requirements;

(D) any rights to dividends from Company Securities owned beneficially by such stockholder or Stockholder Associated Person;

(E) any proportionate interest in Company Securities or Derivative Instruments held, directly or indirectly, by a general or limited partnership or similar entity in which such stockholder or Stockholder Associated Person (A)

is a general partner or, directly or indirectly, beneficially owns an interest in a general partner, or (B) is the manager, managing member or, directly or indirectly, beneficially owns an interest in the manager or managing member of a limited liability company or similar entity;

(F) any substantial interest, direct or indirect (including, without limitation, any existing or prospective commercial, business or contractual relationship with the Corporation), by security holdings or otherwise, of such stockholder or Stockholder Associated Person, in the Corporation or any affiliate (as defined below) thereof, other than an interest arising from the ownership of Company Securities where such stockholder or Stockholder Associated Person receives no extra or special benefit not shared on a pro rata basis by all other holders;

(G) a complete and accurate description of all agreements, arrangements or understandings, written or oral, and formal or informal, (A) between or among the stockholder giving the notice and any of the Stockholder Associated Persons or (B) between or among the stockholder giving the notice or any of the Stockholder Associated Persons and any other person or entity (naming each such person or entity) in connection with or related to the foregoing, including without limitation (x) any proxy, contract, arrangement, understanding or relationship pursuant to which such stockholder giving the notice or Stockholder Associated Person has the right to vote any Company Securities; (y) any understanding, formal or informal, written or oral, that the stockholder giving the notice or any of the Stockholder Associated Persons may have reached with any stockholder of the Corporation (including their names) with respect to how such stockholder will vote its shares in the Corporation at any meeting of the Corporation's stockholders or take other action in support of any proposal(s), or other action to be taken, by the stockholder giving the notice or any of the Stockholder Associated Persons, and (z) any other agreements that would be required to be disclosed by the stockholder giving the notice or any Stockholder Associated Person or any other person or entity pursuant to Item 5 or Item 6 of a Schedule 13D that would be filed pursuant to the Exchange Act and the rules and regulations promulgated thereunder (regardless of whether the requirement to file a Schedule 13D is applicable to the stockholder giving the notice or any Stockholder Associated Person or other person or entity);

(H) a complete and accurate description of any performance-related fees (other than an asset-based fee) to which any such stockholder or Stockholder Associated Person may be entitled as a result of any increase or decrease in the value of Company Securities or any Derivative Instruments; and

(I) a complete and accurate description of any pending or threatened legal proceeding in which such stockholder or Stockholder Associated Person is a party or participant involving the Corporation or any officer, affiliate or associate (as defined below) of the Corporation; and

(iv) as to the stockholder giving the notice or any Stockholder Associated Person with an interest or ownership referred to in clause (i) or clause (iii)(C) of this Section 2.1(c):

(A) the name and address of such stockholder, as they appear on the Corporation's stock ledger, and the current name and business address, if different, of each such Stockholder Associated Person, and

(B) the investment strategy or objective, if any, of such stockholder and each such Stockholder Associated Person who is not an individual and a copy of the prospectus, offering memorandum or similar document, if any, provided to investors or potential investors in such stockholder and each such Stockholder Associated Person;

(v) as to the stockholder giving the notice and any Stockholder Associated Person, a description of all arrangements or understandings between such person and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder or such beneficial owner in such business, including any anticipated benefit to the stockholder or such beneficial owner therefrom;

(vi) as to the stockholder giving the notice, a representation that (A) such stockholder (x) is a holder of record of stock of the Corporation entitled to vote at such meeting, (y) intends to vote such stock at such meeting, and (z) intends to appear in person or by proxy at the annual meeting to bring such business (and/or nominate any Proposed Nominees) before the meeting, and (B) if such stockholder does not appear to present such proposal(s) (or

Proposed Nominee(s)) at such meeting, the Corporation need not present such proposal(s) (or Proposed Nominee(s)) for a vote at such meeting, notwithstanding that proxies in respect of such vote may have been received by the Corporation;

(vii) as to the stockholder giving the notice and/or any Stockholder Associated Person, a representation whether that such person intends or is part of a group which intends (A) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal(s) and/or (B) otherwise to solicit proxies from stockholders in support of such proposal(s); and

(viii) as to the stockholder giving the notice and any Stockholder Associated Person, any other information relating to such stockholder and any Stockholder Associated Person, if any, required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of directors in an election contest (even if an election contest is not involved) pursuant to and in accordance with Section 14(a) of the Exchange Act and the rules and regulations promulgated thereunder. The foregoing notice requirements of this Section 2.1(c) shall be deemed satisfied by a stockholder with respect to business if the stockholder has notified the Corporation of his or her intention to present a proposal at an annual meeting in compliance with applicable rules and regulations promulgated under the Exchange Act and such stockholder's proposal has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such annual meeting. The Corporation may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the Corporation (the information described in clauses (iii) through (viii), the "Proposing Stockholder Information").

Unless otherwise required by law, if a stockholder (or qualified representative) does not appear at the meeting of stockholders to present business proposed by such stockholder pursuant to this Section 2.1(c), such proposed business shall not be transacted, even though proxies in respect of such vote may have been received by the Corporation. No business shall be conducted at any annual meeting except in accordance with the procedures set forth in this paragraph (c). The chairman of the meeting at which any business is proposed by a stockholder shall, if the facts warrant, determine and declare to the meeting that such business was not properly brought before the meeting in accordance with the provisions of this Section 2.1(c), and in such event, the business not properly before the meeting shall not be transacted.

A stockholder providing notice of any proposed business under this Section 2.1(c) shall update such notice, if necessary, so that the information provided or required to be provided in such notice shall continue to be true and correct (i) as of the record date for the meeting and (ii) as of the date that is ten business days prior to the meeting (or any postponement, adjournment or recess thereof), and such update shall be received by, the Secretary at the principal executive office of the Corporation not later than five business days after the record date for the meeting (in the case of an update required to be made as of the record date) and not later than seven business days prior to the date for the meeting, if practicable or, if not practicable, on the first practicable date prior to the meeting or any adjournment, recess or postponement thereof (in the case of an update required to be made as of ten business days prior to the meeting or any adjournment, recess or postponement thereof).

If any information submitted pursuant to this Section 2.1(c) by any stockholder proposing business for consideration at a meeting of stockholders shall be inaccurate in any respect, such information may be deemed not to have been provided in accordance with these Bylaws. Any such stockholder shall notify the Corporation of any inaccuracy or change in any such information within two business days of becoming aware of such inaccuracy or change. Upon written request by the Secretary, the Board of Directors or any committee thereof, any such stockholder shall provide, within seven business days of delivery of such request (or such other period as may be specified in such request), (A) written verification, reasonably satisfactory to the Board of Directors, any committee thereof or any authorized officer of the Corporation, to demonstrate the accuracy of any information submitted by the stockholder pursuant to this Section 2.1(c), and (B) a written update of any information (including written confirmation by such stockholder that it continues to intend to bring such nomination or other business proposal before the meeting) submitted by the stockholder pursuant to this Section 2.1(c) as of an earlier date. If a stockholder

fails to provide such written verification within such period, the information as to which written verification was requested may be deemed not to have been provided in accordance with this Section 2.1(c).

Section 2.2 Special Meetings. Special meetings of stockholders may be called only as set forth in the Second Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") of the Corporation. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting.

Section 2.3 Notice of Meetings. A written notice of each annual or special meeting of stockholders shall be given stating the place, if any, date and time of the meeting, the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such meeting, the record date for determining the stockholders entitled to vote at the meeting (if such date is different from the record date for stockholders entitled to notice of the meeting) and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by law, the Certificate of Incorporation or these Bylaws, such notice of meeting shall be given not less than ten nor more than 60 days before the date of the meeting to each stockholder of record entitled to vote at such meeting as of the record date for determining the stockholders entitled to notice of the meeting, personally, by mail or, to the extent and in the manner permitted by applicable law, electronically. If mailed, such notice shall be deemed to be given when deposited in the mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the Corporation.

Section 2.4 Adjournments. Regardless of whether a quorum is present, any annual or special meeting of stockholders may be adjourned from time to time to reconvene at the same or some other place, if any, and notice need not be given of any such adjourned meeting if the date, time and place, if any, thereof and the means of remote communication, if any, by which stockholders and proxyholders may be deemed present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken. At the adjourned meeting any business may be transacted which might have been transacted at the original meeting. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the adjourned meeting in accordance with Section 2.3. If the Board of Directors shall fix a new record date for determination of stockholders entitled to vote at an adjourned meeting, the Board of Directors shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as the record date determined for stockholders entitled to vote at the adjourned meeting.

Section 2.5 Quorum. Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, the presence in person or by proxy of the holders of stock having a majority of the votes which could be cast by the holders of all outstanding stock entitled to vote at the meeting shall constitute a quorum at each meeting of stockholders. In the absence of a quorum, the chairman of the meeting or, in the absence of the chairman of the meeting, the stockholders so present, by the affirmative vote of the holders of stock having a majority of the votes which could be cast by all such holders, may adjourn the meeting for any reason from time to time in the manner provided in Section 2.4 of these Bylaws until a quorum is present. If a quorum is present when a meeting is convened, the subsequent withdrawal of stockholders, even though less than a quorum remains, shall not affect the ability of the remaining stockholders lawfully to transact business. In the event a quorum is present at a meeting of the stockholders, only the Board of Directors or the chairman of the meeting may adjourn the meeting for any reason from time to time in the manner provided in Section 2.4 of these Bylaws. If a quorum is present at the original duly organized meeting of stockholders, it shall also be deemed present at an adjourned session of such meeting, unless a new record date is set for the adjourned session.

#### Section 2.6 Conduct; Remote Communication.

(a) Meetings of stockholders shall be presided over by the Chairman of the Board of Directors unless otherwise designated by the Board of Directors. The Secretary shall act as secretary of the meeting, but in his or her absence the chairman of the meeting may appoint any person to act as secretary of the meeting. The Board of Directors may adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of

Directors, the chairman of any meeting of stockholders shall have the right and authority to convene and (for any or no reason) to recess and/or adjourn the meeting, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman of the meeting, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chairman of the meeting, may include or address, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) the determination of when the polls shall open and close for any given matter to be voted on at the meeting (iii) maintenance of order and security at the meeting and the safety of those present; (iv) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine; (v) restrictions on entry to the meeting after the time fixed for the commencement thereof; (vi) limitations on the time allotted to questions or comments by participants; and (g) removing any stockholder or any other individual who refuses to comply with the meeting rules, regulations and procedures as set forth by such chairman of the meeting; (h) conclusion, recess or adjournment of the meeting, regardless of whether a quorum is present in person or by proxy, to a later date and time and at a place announced at the meeting; (i) restricting the use of audio/video recording devices, cell phones and other electronic devices; and (j) complying with any state or local laws and regulations concerning safety and security. The chairman at any meeting of stockholders, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall, if the facts warrant, determine and declare to the meeting that a matter or business was not properly brought before the meeting and if such chairman of the meeting should so determine, such chairman of the meeting shall so declare to the meeting and any such matter or business not properly brought before the meeting shall not be transacted or considered. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

(b) If authorized by the Board of Directors in accordance with these Bylaws and applicable law, stockholders and proxyholders not physically present at a meeting of stockholders may, by means of remote communication, (1) participate in a meeting of stockholders and (2) be deemed present in person and vote at a meeting of stockholders, whether such meeting is to be held at a designated place or solely by means of remote communication, provided that (i) the Corporation shall implement reasonable measures to verify that each person deemed present and permitted to vote at the meeting by means of remote communication is a stockholder or proxyholder, (ii) the Corporation shall implement reasonable measures to provide such stockholders and proxyholders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the stockholders, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with such proceedings, and (iii) if any stockholder or proxyholder votes or takes other action at the meeting by means of remote communication, a record of such vote or other action shall be maintained by the Corporation.

#### Section 2.7 Voting.

(a) Except as otherwise provided by the Certificate of Incorporation, each stockholder entitled to vote at any meeting of stockholders shall be entitled to one vote for each share of stock held by such stockholder which has voting power on the matter in question.

(b) Voting at meetings of stockholders need not be by written ballot and need not be conducted by inspectors of election unless so required by Section 2.9 of these Bylaws or so determined by the holders of stock having a majority of the votes which could be cast by the holders of all outstanding stock entitled to vote which are present in person or by proxy at such meeting. Unless otherwise provided in the Certificate of Incorporation, directors shall be elected by a plurality of the votes cast in the election of directors. Each other question shall, unless otherwise provided by law, the Certificate of Incorporation or these Bylaws, be decided by the vote of the holders of stock having a majority of the votes which could be cast by the holders of all stock entitled to vote on such question which are present in person or by proxy at the meeting.

(c) Stock of the Corporation standing in the name of another corporation and entitled to vote may be voted by such officer, agent or proxy as the Bylaws or other internal regulations of such other corporation may prescribe or, in the absence of such provision, as the board of directors or comparable body of such other corporation may determine.

(d) Stock of the Corporation standing in the name of a deceased person, a minor, an incompetent or a debtor in a case under Title 11, United States Code, and entitled to vote may be voted by an administrator, executor, guardian, conservator, debtor-in-possession or trustee, as the case may be, either in person or by proxy, without transfer of such shares into the name of the official or other person so voting.

(e) A stockholder whose voting stock of the Corporation is pledged shall be entitled to vote such stock unless on the transfer records of the Corporation the pledgor has expressly empowered the pledgee to vote such shares, in which case only the pledgee, or such pledgee's proxy, may represent such shares and vote thereon.

(f) If voting stock is held of record in the names of two or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety or otherwise, or if two or more persons have the same fiduciary relationship respecting the same shares, unless the Secretary is given written notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect: (i) if only one votes, such act binds all; (ii) if more than one vote, the act of the majority so voting binds all; and (iii) if more than one votes, but the vote is evenly split on any particular matter each faction may vote such stock proportionally, or any person voting the shares, or a beneficiary, if any, may apply to the Court of Chancery of the State of Delaware or such other court as may have jurisdiction to appoint an additional person to act with the persons so voting the stock, which shall then be voted as determined by a majority of such persons and the person appointed by the Court. If the instrument so filed shows that any such tenancy is held in unequal interests, a majority or even split for the purpose of this subsection shall be a majority or even split in interest.

(g) Stock of the Corporation belonging to the Corporation, or to another corporation a majority of the shares entitled to vote in the election of directors of which are held by the Corporation, shall not be voted at any meeting of stockholders and shall not be counted in the total number of outstanding shares for the purpose of determining whether a quorum is present. Nothing in this Section 2.7 shall limit the right of the Corporation to vote shares of stock of the Corporation held by it in a fiduciary capacity.

#### Section 2.8 Proxies.

(a) Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for such stockholder by proxy filed with the Secretary before or at the time of the meeting. No such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A duly executed proxy shall be irrevocable only if it expressly states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power or unless otherwise made irrevocable by law. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by filing with the Secretary an instrument in writing revoking the proxy or another duly executed proxy bearing a later date.

(b) A stockholder may authorize another person or persons to act for such stockholder as proxy (i) by executing a writing authorizing such person or persons to act as such, which execution may be accomplished by such stockholder or such stockholder's authorized officer, director, partner, employee or agent (or, if the stock is held in a trust or estate, by a trustee, executor or administrator thereof) signing such writing or causing his or her signature to be affixed to such writing by any reasonable means, including, but not limited to, facsimile signature, or (ii) by transmitting or authorizing the transmission of a telegram, cablegram or other means of electronic transmission (each, a "Transmission") to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such Transmission; provided that any such Transmission must either set forth or be submitted with information from which it can be determined that such Transmission was authorized by such stockholder.

(c) Any inspector or inspectors appointed pursuant to Section 2.9 of these Bylaws shall examine Transmissions to determine if they are valid. If no inspector or inspectors are so appointed, the Secretary or such other person or persons as shall be appointed from time to time by the Board of Directors shall examine



Transmissions to determine if they are valid. If it is determined that a Transmission is valid, the person or persons making that determination shall specify the information upon which such person or persons relied. Any copy, facsimile telecommunication or other reliable reproduction of such a writing or Transmission may be substituted or used in lieu of the original writing or Transmission for any and all purposes for which the original writing or Transmission could be used; provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or Transmission.

#### Section 2.9 Voting Procedures and Inspectors of Elections.

(a) If the Corporation has a class of voting stock that is (i) listed on a national securities exchange, (ii) authorized for quotation on an interdealer quotation system of a registered national securities association or (iii) held of record by more than 2,000 stockholders, the Board of Directors shall, in advance of any meeting of stockholders, appoint one or more inspectors (individually an "Inspector," and collectively the "Inspectors") to act at such meeting and make a written report thereof. The Board of Directors may designate one or more persons as alternate Inspectors to replace any Inspector who shall fail to act. If no Inspector or alternate is able to act at such meeting, the chairman of the meeting shall appoint one or more other persons to act as Inspectors. Each Inspector, before entering upon the discharge of his or her duties, shall take and sign an oath to execute faithfully the duties of Inspector with strict impartiality and according to the best of his or her ability.

(b) The Inspectors shall (i) ascertain the number of shares of stock of the Corporation outstanding and the voting power of each, (ii) determine the number of shares of stock of the Corporation present in person or by proxy at such meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period of time a record of the disposition of any challenges made to any determination by the Inspectors, and (v) certify their determination of the number of such shares present in person or by proxy at such meeting and their count of all votes and ballots. The Inspectors may appoint or retain other persons or entities to assist them in the performance of their duties.

(c) The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at such meeting. No ballots, proxies or votes, nor any revocations thereof or changes thereto, shall be accepted by the Inspectors after the closing of the polls unless the Court of Chancery of the State of Delaware upon application by any stockholder shall determine otherwise.

(d) In determining the validity and counting of proxies and ballots, the Inspectors shall be limited to an examination of the proxies, any envelopes submitted with such proxies, any information referred to in paragraphs (b) and (c) of Section 2.8 of these Bylaws, ballots and the regular books and records of the Corporation, except that the Inspectors may consider other reliable information for the limited purpose of reconciling proxies and ballots submitted by or on behalf of banks, brokers, their nominees or similar persons which represent more votes than the holder of a proxy is authorized by a stockholder of record to cast or more votes than such stockholder holds of record. If the Inspectors consider other reliable information for the limited purpose permitted herein, the Inspectors, at the time they make their certification pursuant to paragraph (b) of this Section 2.9, shall specify the precise information considered by them, including the person or persons from whom such information was obtained, when and the means by which such information was obtained and the basis for the Inspectors' belief that such information is accurate and reliable.

#### Section 2.10 Fixing Date of Determination of Stockholders of Record.

(a) In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment or postponement thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors and which record date shall, unless otherwise required by law, be not more than sixty (60) nor less than ten (10) days before the date of such meeting. If the Board of Directors so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting, unless the Board of Directors determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board of Directors in respect of a meeting, the record date for

determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for determination of stockholders entitled to vote at the adjourned meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance herewith at the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion, or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which shall not be more than sixty (60) days prior to such action. If no such record date is so fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 2.11 List of Stockholders Entitled to Vote. The Secretary shall prepare, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting (provided, however, if the record date for determining the stockholders entitled to vote is less than ten (10) days before the date of the meeting, the list shall reflect the stockholders entitled to vote as of the tenth day before the meeting date), arranged in alphabetical order, and showing the address and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting for a period of at least ten days prior to the meeting: (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours, at the principal place of business of the Corporation. In the event that the Corporation determines to make the list available on an electronic network, the Corporation may take reasonable steps to ensure that such information is available only to stockholders of the Corporation. If the meeting is to be held at a place, the list shall also be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present. If the meeting is to be held solely by means of remote communication, the list shall be open to the examination of any stockholder during the whole time thereof on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting. Except as otherwise provided by law, the stock ledger shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list of stockholders or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

### ARTICLE III

#### Board of Directors

##### Section 3.1 Election; Resignation; Vacancies.

(a) Only persons who are nominated in accordance with the procedures set forth in this Section 3.1(a) or Section 3.2 shall be eligible for election as directors of the Corporation. Nominations of persons for election to the Board of Directors may be made at a meeting of stockholders by the Board of Directors or by any stockholder of the Corporation who (i) was a stockholder of record of the Corporation (x) at the time the notice provided for in this Section 3.1 is delivered to the Secretary, (y) on the record date for the determination of stockholders entitled to notice of and to vote at the annual meeting and (z) through the date of such annual meeting, (ii) who is entitled to vote at the annual meeting and (iii) who complies with the notice procedures set forth in this paragraph (a). Any nomination by a stockholder must be made by timely written notice to the Secretary as hereinafter provided. To be timely, a stockholder's written notice shall set forth all information required under this Section 3.1(a) and shall be delivered or mailed to and received at the principal executive offices of the Corporation: (i) with respect to an election to be held at an annual meeting of stockholders, not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the date on which the Corporation first mailed its proxy materials or a notice of availability of proxy materials (whichever is earlier) for the

immediately preceding year's annual meeting; provided, however, that in the event that no annual meeting was held in the previous year or the annual meeting is called for a date that is not within 30 days from the first anniversary of the immediately preceding year's annual meeting date, written notice by a stockholder in order to be timely must be received not earlier than the close of business on the 120th day before the date of such annual meeting and not later than the later of (x) the close of business on the 90th day before the date of such annual meeting, as originally convened, or the close of business on the tenth day following the day on which the first public disclosure of the date of such annual meeting was made, and (ii) with respect to an election to be held at a special meeting of stockholders called for the purpose of electing directors, not later than the close of business on the tenth day following the day on which the first public disclosure of the date of such special meeting was made. The number of nominees a stockholder may nominate for election at the annual meeting (or in the case of a stockholder giving the notice on behalf of a beneficial owner, the number of nominees a stockholder may nominate for election at the annual meeting on behalf of such beneficial owner) shall not exceed the number of directors to be elected at such annual meeting. In no event shall the public disclosure of an adjournment or postponement of any annual or special meeting commence a new time period (or extend any time period) for giving of a stockholder notice as described above. A stockholder's notice to the Secretary delivered pursuant to this Section 3.1(a) shall set forth:

(i) as to each person whom the stockholder proposes to nominate for election or re-election as a director (each, a "Proposed Nominee"):

(A) the name, age, business address and residence address of such Proposed Nominee;

(B) the principal occupation and employment of such Proposed Nominee;

(C) the name and address of such Proposed Nominee, if a holder of stock of the Corporation, as it appears on the Corporation's books and records,

(D) a written questionnaire with respect to the background and qualification of such Proposed Nominee completed by the Proposed Nominee in the form required by the Corporation (which form the stockholder shall request in writing from the Secretary and which the Secretary shall provide to such stockholder within ten days of receiving such request);

(E) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among such Proposed Nominee being nominated, on the one hand, and the stockholder and any Stockholder Associated Person, on the other hand, including, without limitation all information that would be required to be disclosed pursuant to Item 404 promulgated under Regulation S-K if the stockholder making the nomination and any Stockholder Associated Person were the "registrant" for purposes of such rule and the Proposed Nominee were a director or executive officer of such registrant;

(F) the information required under Section 2.1(c)(iii)(A)-(C) with respect to the Proposed Nominee; and

(G) all information relating to the Proposed Nominee that would be required to be disclosed in connection with the solicitation of proxies for the election of the Proposed Nominee as a director in an election contest (even if an election contest is not involved), or would otherwise be required in connection with such solicitation, in each case pursuant to Regulation 14A (or any successor provision) under the Exchange Act and the rules thereunder; and

(ii) as to the stockholder giving the notice and any Stockholder Associated Person, the Proposing Stockholder Information with respect to such person.

Such notice shall be accompanied by a written representation and agreement, in the form required by the Corporation (which form the stockholder shall request in writing from the Secretary and which the Secretary shall provide to such stockholder within ten days of receiving such request), executed by the Proposed Nominee, that such Proposed Nominee (i) is not, and will not become a party to, any agreement, arrangement or understanding with any person or entity other than the Corporation, including but not limited to with respect to any direct or indirect

compensation, reimbursement or indemnification, in connection with service or action as a director that has not been disclosed to the Corporation, (ii) consents to being named as a nominee and to serve as a director if elected, (iii) is not and will not become a party to (A) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such Proposed Nominee, if elected as a director of the Corporation, will act or vote on any issue or question (a "Voting Commitment") that has not been disclosed to the Corporation or (B) any Voting Commitment that could limit or interfere with such Proposed Nominee's ability to comply, if elected as a director of the Corporation, with such Proposed Nominee's fiduciary duties under applicable law and (iv) would, if elected as a director of the Corporation, comply with applicable law of the principal U.S. exchange(s) upon which the stock of the Corporation is traded, all of the applicable corporate governance, conflict of interest, confidentiality, stock ownership and trading and other policies and guidelines of the Corporation, as well as the applicable provisions of the Bylaws and the rules and regulations of the Securities and Exchange Commission, and applicable fiduciary duties under state law and, if elected as a director of the Corporation, currently would be in compliance with any such policies and guidelines that have been publicly disclosed; (v) intends to serve a full term if elected as a director of the Corporation; and (vi) will provide facts, statements and other information in all communications with the Corporation and its stockholders that are or will be true and correct in all material respects, and that do not and will not omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading;

At the request of the Board of Directors any person nominated by the Board of Directors for election as a director shall furnish to the Secretary (in accordance with any applicable time periods prescribed for delivery of notice under these Bylaws) that information required to be set forth in a stockholder's notice of nomination which pertains to the nominee. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation or that could be material to a reasonable stockholder's understanding of the independence, or lack thereof, of such Proposed Nominee, under the listing standards of each principal securities exchange upon which the stock of the Corporation is listed, any applicable rules of the Securities and Exchange Commission and any publicly disclosed standards used by the Board of Directors in determining and disclosing the independence of the Corporation's directors, including those applicable to a director's service on any of the committees of the Board of Directors.

A stockholder providing notice of any nomination of a director under this Section 3.1(a) shall update such notice, if necessary, so that the information provided or required to be provided in such notice shall continue to be true and correct (i) as of the record date for the meeting and (ii) as of the date that is ten business days prior to the meeting (or any postponement, adjournment or recess thereof), and such update shall be received by, the Secretary at the principal executive office of the Corporation not later than five business days after the record date for the meeting (in the case of an update required to be made as of the record date) and not later than seven business days prior to the date for the meeting, if practicable or, if not practicable, on the first practicable date prior to the meeting or any adjournment, recess or postponement thereof (in the case of an update required to be made as of ten business days prior to the meeting or any adjournment, recess or postponement thereof).

If any information submitted pursuant to this Section 3.1(a) by any stockholder proposing individuals to nominate for election or reelection as a director at a meeting of stockholders shall be inaccurate in any respect, such information may be deemed not to have been provided in accordance with these Bylaws. Any such stockholder shall notify the Corporation of any inaccuracy or change in any such information within two business days of becoming aware of such inaccuracy or change. Upon written request by the Secretary, the Board of Directors or any committee thereof, any such stockholder shall provide, within seven business days of delivery of such request (or such other period as may be specified in such request), (A) written verification, reasonably satisfactory to the Board of Directors, any committee thereof or any authorized officer of the Corporation, to demonstrate the accuracy of any information submitted by the stockholder pursuant to this Section 3.1(a), and (B) a written update of any information (including written confirmation by such stockholder that it continues to intend to bring such nomination or other business proposal before the meeting) submitted by the stockholder pursuant to this Section 3.1(a) as of an earlier date. If a stockholder fails to provide such written verification within such period, the information as to which written verification was requested may be deemed not to have been provided in accordance with this Section 3.1(a).

Notwithstanding anything in this Section 3.1(a) to the contrary, in the event that the number of directors to be elected to the Board of Directors is increased, and there is no public disclosure of such action at least 90 days prior to the first anniversary of the date on which the Corporation first mailed its proxy materials or a notice of availability of proxy materials (whichever is earlier) for the immediately preceding year's annual meeting, a stockholder's notice required by this Section 3.1(a) shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive office of the Corporation not later than the close of business on the tenth day following the day on which such public disclosure is first made by the Corporation.

No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 3.1(a). Unless otherwise required by law, if a stockholder (or qualified representative) does not appear at the meeting of stockholders to present a nomination proposed by such stockholder pursuant to this Section 3.1(a), such nomination shall be disregarded, even though proxies in respect of such vote may have been received by the Corporation. The chairman of the meeting at which a stockholder nomination is presented shall, if the facts warrant, determine and declare to the meeting that such nomination was not made in accordance with the procedures prescribed by this Section 3.1(a), and, in such event, the defective nomination shall be disregarded.

(b) Resignations

(i) Any director may resign at any time by giving written notice to the Chairman of the Board of Directors, the Chief Executive Officer or the Secretary. A resignation shall take effect when the resignation is delivered to the officer to whom it is directed unless the resignation specifies a later effective date or an effective date determined upon the happening of an event or events, without any need for its acceptance. A resignation that is conditioned upon the director failing to receive a specified vote for reelection as a director may provide that it is irrevocable.

(ii) Each individual nominated for election as a director of the Corporation who consents to stand for election shall tender an irrevocable resignation in advance of the meeting for the election of directors. Such resignation shall become effective upon a determination by a majority of the remaining directors that (i) the information provided to the Corporation by such individual pursuant to Section 3.1(a) or Section 3.2(f) of these Bylaws, as applicable, was untrue in any material respect or omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading or (ii) such individual, or any stockholder or group of stockholders who nominated such individual, shall have breached any obligations owed to the Corporation under these Bylaws.

(c) Any newly created directorship or any vacancy occurring in the Board of Directors for any reason shall be filled as set forth in the Certificate of Incorporation.

Section 3.2 Proxy Access for Director Nominees

(a) Definitions. For purposes of this Section 3.2, the following terms shall have the following meanings:

(i) "Compensation Arrangement" shall mean any direct or indirect compensatory, payment or other financial agreement, arrangement or understanding with any person or entity other than the Corporation, including, without limitation, any agreement, arrangement or understanding with respect to any direct or indirect compensation, reimbursement or indemnification in connection with candidacy, service or action as a nominee or as a director.

(ii) "Eligible Stockholder" shall mean a person who has either (1) been a record holder of the shares of common stock of the Corporation used to satisfy the eligibility requirements in Section 3.2(d) continuously for the required three-year period or (2) provides to the Secretary of the Corporation, within the time period referred to in Section 3.2(e), evidence of continuous Ownership of such shares for such three-year period from one or more securities intermediaries.

(iii) "Maximum Number" shall mean that number of directors constituting the greater of (x) two and (y) 20% of the total number of directors of the Corporation on the last day on which a Nomination Notice may be submitted pursuant to this Section 3.2 (rounded down to the nearest whole number), which number shall be reduced as set forth in Section 3.2(c)(i).

(iv) "Minimum Number" shall mean 3% of the number of outstanding shares of common stock of the Corporation as of the most recent date for which such amount is given in any filing by the Corporation with the Securities and Exchange Commission prior to the submission of the Nomination Notice.

(v) "Nominating Stockholder" shall mean any Eligible Stockholder or group of up to 20 stockholders (a "Nominator Group") that, collectively as a group, satisfy the requirements to qualify as an Eligible Stockholder, that (1) has (individually and collectively, in the case of a Nominator Group) satisfied all applicable conditions and complied with all applicable procedures set forth in this Section 3.2 (including, without limitation, the timely submission of a Nomination Notice that meets the requirements set forth in this Section 3.2), and (2) has nominated a Stockholder Nominee.

(vi) "Nomination Notice" shall mean all information and documents that a Nominating Stockholder is required to submit to the Secretary of the Corporation pursuant to Section 3.2(f).

(vii) "Own," "Owned" or "Owning" shall mean those outstanding shares of the Corporation's common stock with respect to which a stockholder possesses both:

(A) the full voting and investment rights pertaining to the shares; and

(B) the full economic interest in (including the opportunity for profit and risk of loss on) such shares; provided, that the number of shares calculated in accordance with clauses (1) and (2) shall not include any shares:

(1) sold by such stockholder or any of its affiliates in any transaction that has not been settled or closed, including any short sale;

(2) borrowed by such stockholder or any of its affiliates for any purposes or purchased by such stockholder or any of its affiliates pursuant to an agreement to resell; or

(3) subject to any option, warrant, forward contract, swap, contract of sale, other derivative or similar agreement entered into by such stockholder or any of its affiliates, whether any such instrument or agreement is to be settled with shares or with cash based on the notional amount or value of shares of outstanding capital stock of the Corporation, in any such case which instrument or agreement has, or is intended to have, or if exercised by either party thereto would have, the purpose or effect of reducing in any manner, to any extent or at any time in the future, such stockholder's or affiliates' full right to vote or direct the voting of any such shares, and/or hedging, offsetting or altering to any degree gain or loss arising from the full economic Ownership of such shares by such stockholder or affiliate, other than any such arrangements solely involving a national or multi-national multi-industry market index.

A stockholder shall "Own" shares held in the name of a nominee or other intermediary so long as the stockholder retains the right to instruct how the shares are voted with respect to the election of directors and possesses the full economic interest in the shares. A stockholder's ownership of shares shall be deemed to continue during any period in which the stockholder has delegated any voting power over such shares by means of a proxy, power of attorney or other instrument or arrangement which is revocable at any time by the stockholder. A stockholder's Ownership of shares shall be deemed to continue during any period in which the stockholder has loaned such shares provided that the stockholder has the power to recall such loaned shares within five business days' notice. The terms "Owned," "Owning" and other variations of the word "Own" shall have correlative meanings.

(viii) "Stock Exchange Rules" shall mean the rules of any stock exchange on which the Corporation's securities are traded.

(ix) "Stockholder Nominee" shall mean any person nominated for election pursuant to this Section 3.2.

(x) "Voting Commitment" shall mean any agreement, arrangement or understanding with, and any commitment or assurance to, any person or entity as to how a person, if elected as a director of the Corporation, will act or vote on any issue or question.

(b) Proxy Access at Annual Meeting. Subject to the provisions of this Section 3.2, if expressly requested in the relevant Nomination Notice, the Corporation shall include in its proxy statement for any annual meeting of stockholders:

(i) the name of any Stockholder Nominee, which shall also be included on the Corporation's form of proxy and ballot;

(ii) disclosure about the Stockholder Nominee and the Nominating Stockholder required under the rules of the Securities and Exchange Commission or other applicable law to be included in the proxy statement;

(iii) any statement included by the Nominating Stockholder in the Nomination Notice for inclusion in the proxy statement in support of the Stockholder Nominee's election to the Board of Directors (subject, without limitation, to Section 3.2(g)), if such statement does not exceed 500 words; and

(iv) any other information that the Corporation or the Board of Directors determines, in its discretion, to include in the proxy statement relating to the nomination of the Stockholder Nominee, including, without limitation, any statement in opposition to the nomination, information relating to any Compensation Arrangement and/or Voting Commitment, and any of the information provided pursuant to this Section 3.2.

For the avoidance of doubt, the provisions of this Section 3.2 shall not apply to a special meeting of stockholders, and the Corporation shall not be required to include a director nominee of a stockholder or group of stockholders in the Corporation's proxy statement form of proxy or ballot for any special meeting of stockholders.

(c) Maximum Number of Stockholder Nominees.

(i) The Corporation shall not be required to include in the proxy statement for an annual meeting of stockholders more Stockholder Nominees than the Maximum Number. In the event that one or more vacancies for any reason occurs on the Board of Directors after the deadline set forth in Section 3.2(e) but before the date of the annual meeting and the Board of Directors resolves to reduce the size of the board in connection therewith, the Maximum Number shall be calculated based on the number of directors in office as so reduced. The Maximum Number for a particular annual meeting shall be reduced by:

(A) Stockholder Nominees whose nominations for election at such annual meeting are subsequently withdrawn;

(B) Stockholder Nominees who the Board of Directors itself decides to nominate for election at such annual meeting;

(C) the number of incumbent directors or director candidates (including, without limitation, candidates who are not Stockholder Nominees) that in either case will be included in the Corporation's proxy statement for an annual meeting of stockholders as an unopposed (by the Corporation) nominee pursuant to any agreement, arrangement or other understanding with any stockholder or group of stockholders; and

(D) the number of incumbent directors who had been Stockholder Nominees at any of the preceding two annual meetings of stockholders and whose reelection at the upcoming annual meeting is being recommended by the Board of Directors.

(ii) Any Nominating Stockholder submitting more than one Stockholder Nominee for inclusion in the Corporation's proxy materials pursuant to this Section 3.2 shall rank such Stockholder Nominees based on the order that the Nominating Stockholder desires such Stockholder Nominees to be selected for inclusion in the Corporation's proxy materials. In the event that the number of Stockholder Nominees submitted by Nominating Stockholders pursuant to this Section 3.2 exceeds the Maximum Number, the highest ranking Stockholder Nominee who meets the requirements of this Section 3.2 from each Nominating Stockholder will be selected for inclusion in the Corporation's proxy materials until the Maximum Number is reached, going in order of the amount (largest to smallest) of shares of the stock of the Corporation each Nominating Stockholder Owns, as disclosed in its respective Nomination Notice submitted to the Corporation. This selection process will continue with the next highest ranked nominees as many times as necessary, following the same order each time, until the Maximum Number is reached.

(d) Eligible Stockholders.

(i) An Eligible Stockholder or Nominator Group may submit a nomination in accordance with this Section 3.2 only if the person or group (in the aggregate) has continuously Owned at least the Minimum Number (as adjusted for any stock splits, stock dividends or similar events) of shares of the Corporation's common stock throughout the three-year period preceding and including the date of submission of the Nomination Notice, and continues to Own at least the Minimum Number of shares through the date of the annual meeting. The following shall be treated as one Eligible Stockholder or one member of a Nominator Group if such Eligible Stockholder or member of a Nominator Group shall provide together with the Nomination Notice documentation that demonstrates compliance with the following criteria:

(A) funds under common management and investment control;

(B) funds under common management and funded primarily by the same employer; or

(C) a "family of investment companies" or a "group of investment companies" (each as defined in the Investment Company Act of 1940, as amended).

For the avoidance of doubt, in the event of a nomination by a Nominator Group, any and all requirements and obligations for a given Eligible Stockholder (including, without limitation, each and every fund or company that comprises the Nominator Group) that are set forth in this Section 3.2, including the minimum holding period, shall apply to each member of such group; provided, however, that the Minimum Number shall apply to the Ownership of the Nominator Group in the aggregate. Should any stockholder withdraw from a Nominator Group at any time prior to the annual meeting of stockholders, the Nominator Group shall only be deemed to Own the shares held by the remaining members of the group.

(ii) No stockholder shall be permitted to be in more than one Nominator Group, and if any stockholder appears as a member of more than one Nominator Group, or as a member of a Nominator Group and as a Nominating Stockholder without any such group, such stockholder shall be deemed to be a member of only the Nominator Group that has the largest Ownership position as reflected in the Nomination Notice and is not permitted to act as a Nominating Stockholder separate from such Nominator Group.

(e) Timely Nomination Notice. To be timely, the Nomination Notice shall have been delivered to or mailed and received by the Secretary at the principal executive offices of the Corporation not less than 120 nor more than 150 days in advance of the date which is the anniversary of the date the Corporation's proxy statement was released to security holders in connection with the previous year's annual meeting, except where information or documents are required to be provided after the date the Nomination Notice is first submitted, as set forth in this Section 3.2, or, if the date of the applicable annual meeting has been changed by more than 30 days from the date contemplated at the time of the previous year's proxy statement, not less than 90 days before the date of the applicable annual meeting, or, if later, the tenth day following the day on which notice of the date of the annual meeting was mailed or public disclosure of the date of the annual meeting, whichever occurs first, and in no event shall the adjournment or postponement of an annual meeting, or the announcement thereof, commence a new time period (or extend any time period) for the giving of the Nomination Notice.



(f) Nomination Notice. The Nomination Notice shall consist of, collectively, the following information, documents and agreements which shall, for avoidance of doubt, be compiled, completed and submitted by the Nominating Stockholder or its representatives at its own cost:

(i) documentary evidence in the form of one or more written statements from the record holder of the shares (and from each intermediary through which the shares are or have been held during the requisite three-year holding period, provided that each such intermediary must be a participant in the Depository Trust Company or an affiliate of a participant in the Depository Trust Company) verifying and certifying that, as of a date within seven calendar days prior to the date of the Nomination Notice, the Nominating Stockholder Owns, and has continuously Owned for the preceding three years, the Minimum Number of shares, and the Nominating Stockholder's agreement to provide, within five business days after the record date for the annual meeting, documentary evidence in the form of written statements from the record holder and intermediaries verifying and certifying the Nominating Stockholder's continuous Ownership of the Minimum Number of shares through the record date;

(ii) an undertaking to provide immediate notice if the Nominating Stockholder ceases to Own the Minimum Number of shares prior to the date of the annual meeting;

(iii) a copy of the Schedule 14N (or any successor form) relating to the Stockholder Nominee, completed and filed with the Securities and Exchange Commission by the Nominating Stockholder as applicable, in accordance with Securities and Exchange Commission rules;

(iv) the written consent of each Stockholder Nominee to being named in the Corporation's proxy statement, form of proxy and ballot as a nominee and to serving as a director if elected;

(v) a written notice of the nomination of such Stockholder Nominee that includes the following additional information, agreements, representations and warranties by the Nominating Stockholder (including, for the avoidance of doubt, each member of a Nominator Group):

(A) the information and other deliverables that would be required to be set forth in a stockholder's notice of nomination pursuant to this Section 3.2, as if the Nominating Stockholder were proposing a director nominee under that section;

(B) to the extent not included in the response to paragraph (1) above, a detailed description of all direct and indirect material compensation and other monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among the Nominating Stockholder, on the one hand, and each Stockholder Nominee, on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Item 404 promulgated under Regulation S-K (or its successor Item) if the Nominating Stockholder were the "registrant" for purposes of such item and the Stockholder Nominee, were a director or executive officer of such registrant;

(C) a detailed description of all communications by such Nominating Stockholder with any other stockholder or beneficial owner of any securities of the Corporation regarding such Stockholder Nominee;

(D) the details of any relationship that existed within the past three years and that would have been described pursuant to Item 6(e) of Schedule 14N (or any successor item) if it existed on the date of submission of the Schedule 14N;

(E) a representation and warranty that the Nominating Stockholder did not acquire, and is not holding, securities of the Corporation for the purpose or with the effect of influencing or changing control of the Corporation;

(F) a representation and warranty that the Nominating Stockholder has not nominated and will not nominate for election to the Board of Directors at the annual meeting any person other than such Nominating Stockholder's Stockholder Nominee(s);

(G) a representation and warranty that the Nominating Stockholder has not engaged in and will not engage in a "solicitation" within the meaning of Rule 14a-1(l) under the Exchange Act with respect to the annual meeting, other than with respect to such Nominating Stockholder's Stockholder Nominee(s) or any nominee of the Board of Directors;

(H) a representation and warranty that the Nominating Stockholder has not engaged in and will not engage in, other than with respect to such Nominating Stockholder's Stockholder Nominee(s) or any nominee of the Board of Directors, (1) an exempt solicitation as described in Rule 14a-2(b) under the Exchange Act, or (2) any communication, as described in Rule 14a-1(l)(2)(iv) under the Exchange Act, stating how the Nominating Stockholder intends to vote at the annual meeting and the reasons therefore;

(I) a representation and warranty that the Nominating Stockholder will not use or distribute any proxy card other than the Corporation's proxy card in soliciting stockholders in connection with the election of a Stockholder Nominee at the annual meeting;

(J) a representation and warranty that the Stockholder Nominee's candidacy or, if elected, board membership would not violate applicable state or federal law or Stock Exchange Rules;

(K) a representation and warranty that the Stockholder Nominee: (A) qualifies as independent under the Stock Exchange Rules and any publicly disclosed standards used by the Board of Directors in determining and disclosing the independence of the directors; and (B) is not and has not been subject to any event specified in Rule 506(d)(1) of Regulation D (or any successor rule) under the Securities Act of 1933 or Item 401(f) of Regulation S-K (or any successor rule) under the Exchange Act, without reference to whether the event is material to an evaluation of the ability or integrity of the Stockholder Nominee;

(L) a representation and warranty that the Nominating Stockholder satisfies the eligibility requirements set forth in Section 3.2(d);

(M) a representation and warranty that the Nominating Stockholder will continue to satisfy the eligibility requirements described in Section 3.2(d) through the date of the annual meeting;

(N) The details of any position of the Stockholder Nominee as an officer or director of any competitor (that is, any entity that provides products or services that compete with or are alternatives to the principal products produced or services provided by the Corporation or its affiliates) of the Corporation, within the three years preceding the submission of the Nomination Notice;

(O) if desired, a statement for inclusion in the proxy statement in support of the Stockholder Nominee's election to the Board of Directors; provided, that any such statement shall not exceed 500 words and shall fully comply with Section 14 of the Exchange Act; and

(P) in the case of a nomination by a Nominator Group, the designation by all group members of one group member that is authorized to act on behalf of all group members with respect to matters relating to the nomination, including withdrawal of the nomination;

(vi) an executed agreement (which form of agreement shall be provided to the Nominating Stockholder by the Secretary upon written request), which must be submitted within ten days of the Nominating Stockholder's first submission of the Nomination Notice, pursuant to which the Nominating Stockholder (including each member of a Nominator Group) agrees:

(A) to comply with all applicable laws, rules and regulations in connection with the nomination, solicitation and election;

(B) to file any written solicitation or other communication with the Corporation's stockholders relating to one or more of the Corporation's directors or director nominees or any Stockholder Nominee with the Securities and Exchange Commission, regardless of whether any such filing is required under any rule or regulation or whether any exemption from filing is available for such materials under any rule or regulation;

(C) to assume all liability stemming from any action, suit or proceeding concerning any actual or alleged legal or regulatory violation arising out of any communication by the Nominating Stockholder or the Stockholder Nominee nominated by such Nominating Stockholder with the Corporation, its stockholders or any other person, including, without limitation, the Nomination Notice;

(D) to indemnify and hold harmless (jointly with all other members of a Nominator Group, if applicable) the Corporation and each of its directors, officers and employees individually against any liability, loss, damages, expenses or other costs (including attorneys' fees) incurred in connection with any action, suit or proceeding (whether threatened, pending or completed), whether legal, judicial administrative or investigative, against the Corporation or any of its directors, officers or employees arising out of or relating to a failure or alleged failure of the Nominating Stockholder or Stockholder Nominee to comply with, or any breach or alleged breach of, its, or his or her, as applicable, obligations, agreements or representations under or pursuant to this Section 3.2, or otherwise arising out of any nomination, solicitation or other activity by any Eligible Stockholder or any member of a Nominator Group in connection with its efforts pursuant to this Section 3.2;

(E) to promptly (and in any event within 48 hours of discovering such misstatement or omission) notify the Corporation and any other recipient of any misstatement or omission if information included in the Nomination Notice, or any other communication by the Nominating Stockholder (including with respect to any member of a Nominator Group) with the Corporation, its stockholders or any other person in connection with the nomination or election ceases to be true and accurate in all material respects (or omits a material fact necessary to make the statements made not misleading), and promptly notify the Corporation and any other recipient of the information that is required to correct the misstatement or omission; and

(F) in the event that the Nominating Stockholder (including any member of a Nominator Group) has failed to continue to satisfy the eligibility requirements described in Section 3.2(d), to promptly notify the Corporation.

(vii) an executed questionnaire (which form of questionnaire shall be provided to the Nominating Stockholder by the Secretary upon written request), which must be submitted within ten days of the Nominating Stockholder's first submission of the Nomination Notice;

(viii) an executed agreement (which form of agreement shall be provided to the Nominating Stockholder by the Secretary upon written request), which must be submitted within ten days of the Nominating Stockholder's first submission of the Nomination Notice, by the Stockholder Nominee:

(A) to provide to the Corporation such other information as it may reasonably request;

(B) that the Stockholder Nominee has read and agrees, if elected, to serve as a member of the Board of Directors, act as a representative of all of the stockholders of the Corporation while serving as a director, comply with all of the duties of directors under applicable law and adhere to the Corporation's Corporate Governance Principles and Policies on Business Conduct and any other policies and guidelines applicable to directors as well as the rules and regulations of the Securities and Exchange Commission and any Stock Exchange Rules; and

(C) that the Stockholder Nominee is not and will not become a party to (1) any Compensation Arrangement in connection with such person's nomination or candidacy for director and/or such person's service or action as a director of the Corporation that has not been disclosed to the Corporation prior to or concurrently with the Nominating Stockholder's submission of the Nomination Notice, or (2) any Voting Commitment that has not been disclosed to the Corporation prior to or concurrently with the Nominating Stockholder's submission of the Nomination Notice. The information and documents required by this Section 3.2(f) shall be provided with respect to and be executed by the Nominating Stockholder (and each member of a Nominator Group), and provided with

respect to the persons specified in Instructions 1 and 2 to Items 6(c) and (d) of Schedule 14N (or any successor item) in the case of a Nominating Stockholder or any member of a Nominator Group that is an entity. The Nomination Notice shall be deemed submitted on the date on which all the information and documents referred to in this Section 3.2(f) (other than such information and documents required to be provided after the date the Nomination Notice is first submitted) have been delivered to or, if sent by mail, received by the Secretary of the Corporation. The Nominating Stockholder shall further update and supplement the Nominating Notice, if necessary, so that the information provided or required to be provided in such Nomination Notice shall be true and correct as of the record date for the meeting and as of the date that is ten business days prior to the meeting or any adjournment or postponement thereof, and any such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not later than five business days after the record date for the meeting (in the case of the update and supplement required to be made as of the record date), and not later than eight business days prior to the date for the meeting or, if practicable, any adjournment or postponement thereof (and, if not practicable, on the first practicable date prior to the date to which the meeting has been adjourned or postponed) (in the case of the update and supplement required to be made as of ten business days prior to the meeting or any adjournment or postponement thereof).

(g) Exclusion or Disqualification of Stockholder Nominees.

(i) If, after the deadline for submitting a Nomination Notice as set forth in Section 3.2(e), a Nominating Stockholder becomes ineligible or withdraws its nomination or a Stockholder Nominee becomes ineligible or unwilling to serve on the Board of Directors, whether before or after the mailing of the definitive proxy statement, the Corporation:

(A) shall not be required to include in its proxy statement or on any ballot or form of proxy the Stockholder Nominee or any successor or replacement nominee proposed by the Nominating Stockholder or by any other Nominating Stockholder; and

(B) may otherwise communicate to its stockholders, including without limitation by amending or supplementing its proxy statement or ballot or form of proxy, that the Stockholder Nominee will not be included as a Stockholder Nominee in the proxy statement or on any ballot or form of proxy and will not be voted on at the annual meeting.

(ii) Notwithstanding anything to the contrary contained in this Section 3.2, the Corporation may omit from its proxy materials any Stockholder Nominee, and any information concerning such Stockholder Nominee (including a Nominating Stockholder's statement in support), and in such case no vote on such Stockholder Nominee will occur (notwithstanding that proxies in respect of such vote may have been received by the Corporation), and the Nominating Stockholder may not, after the last day on which a Nomination Notice would be timely, cure in any way any defect preventing the nomination of the Stockholder Nominee, if:

(A) the Corporation receives a notice that a stockholder intends to nominate a candidate for director at the annual meeting pursuant to the advance notice requirements set forth in this Section 3.2;

(B) the Nominating Stockholder has engaged in a "solicitation" within the meaning of Rule 14a-1(l) under the Exchange Act with respect to the annual meeting, other than with respect to such Nominating Stockholder's Stockholder Nominee(s) or any nominee of the Board of Directors;

(C) the Nominating Stockholder has engaged in, other than with respect to such Nominating Stockholder's Stockholder Nominee(s) or any nominee of the Board of Directors, (1) an exempt solicitation as described in Rule 14a-2(b) under the Exchange Act, or (2) any communication, as described in Rule 14a-1(l)(2)(iv) under the Exchange Act, stating how the Nominating Stockholder intends to vote at the annual meeting and the reasons therefore;

(D) the Nominating Stockholder or the designated lead group member of a Nominator Group, as applicable, or any qualified representative thereof, does not appear at the annual meeting to present the nomination submitted in accordance with this Section 3.2;

(E) the Board of Directors, acting in good faith, determines that such Stockholder Nominee's nomination or election to the Board of Directors would result in the Corporation violating or failing to be in compliance with these By-laws or the Corporation's Certificate of Incorporation or any applicable law, rule or regulation to which the Corporation is subject, including the Stock Exchange Rules;

(F) the Stockholder Nominee was nominated for election to the Board of Directors pursuant to this Section 3.2 at one of the Corporation's two preceding annual meetings of stockholders and either withdrew from or became ineligible or unavailable for election at such annual meeting or received a vote of less than 25% of the shares of common stock entitled to vote for such Stockholder Nominee;

(G) the Stockholder Nominee has been, within the past three years, an officer or director of a competitor, as defined for purposes of Section 8 of the Clayton Antitrust Act of 1914, as amended; or

(H) the Nominating Stockholder has failed to continue to satisfy the eligibility requirements described in Section 3.2(d), any of the representations and warranties made in the Nomination Notice ceases to be true and accurate in all material respects (or the Nomination Notice omits a material fact necessary to make the statement made not misleading), the Stockholder Nominee becomes unwilling or unable to serve on the Board of Directors or any violation or breach occurs of any of the obligations, agreements, representations or warranties of the Nominating Stockholder or the Stockholder Nominee under this Section 3.2.

(iii) Notwithstanding anything to the contrary contained in this Section 3.2, the Corporation may omit from its proxy statement, or may supplement or correct, any information, including all or any portion of the statement in support of the Stockholder Nominee included in the Nomination Notice, if:

(A) such information is not true in all material respects or omits a material statement necessary to make the statements made not misleading;

(B) such information directly or indirectly impugns the character, integrity or personal reputation of, or directly or indirectly makes charges concerning improper, illegal or immoral conduct or associations, without factual foundation, with respect to, any individual, Corporation, partnership, association or other entity, organization or governmental authority;

(C) the inclusion of such information in the proxy statement would otherwise violate the Securities and Exchange Commission proxy rules or any other applicable law, rule or regulation; or

(D) the inclusion of such information in the proxy statement would impose a material risk of liability upon the Corporation.

(iv) The Corporation may solicit against, and include in the proxy statement its own statement relating to, any Stockholder Nominee.

(h) Interpretation. The Board of Directors (and any other person or body authorized by the Board of Directors, including, without limitation, the person presiding over the relevant annual meeting) shall have the power and authority to interpret this Section 3.2 and to make any and all determinations necessary or advisable to apply this Section 3.2 to any persons, facts or circumstances, including the power to determine (i) whether one or more stockholders or beneficial owners qualifies as an Eligible Stockholder or Nominator Group, as applicable, (ii) whether a Nomination Notice complies with this Section 3.2, (iii) whether a Stockholder Nominee satisfies the qualifications and requirements in this Section 3.2, and (iv) whether any and all requirements of this Section 3.2 have been satisfied. Any such interpretation or determination adopted in good faith by the Board of Directors (or any other person or body authorized by the Board of Directors, including, without limitation, the person presiding over

the relevant annual meeting) shall be binding on all persons, including the Corporation and its stockholders (including any beneficial owners). The person presiding over the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedures, and the defective nomination shall be disregarded.

Section 3.3 Regular Meetings. Unless otherwise determined by the Board of Directors, a regular annual meeting of the Board of Directors shall be held, without call or notice, immediately after and, if the annual meeting of stockholders is held at a place, at the same place as the annual meeting of stockholders, for the purpose of organizing the Board of Directors, electing officers and transacting any other business that may properly come before such meeting. Additional regular meetings of the Board of Directors may be held without call or notice at such times as shall be fixed by resolution of the Board of Directors.

Section 3.4 Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board of Directors, the Chief Executive Officer or the Secretary, and shall be called by any of the aforementioned people at the written request of any two members of the Board of Directors. Notice of a special meeting of the Board of Directors shall be given by the person or persons calling the meeting at least twenty-four (24) hours before the special meeting; provided, however, that if the Chairman of the Board of Directors or the Chief Executive Officer determines in good faith that holding a special meeting of the Board of Directors is necessary or advisable, the Chairman of the Board of Directors or the Chief Executive Officer may provide less than twenty-four (24) hours' notice. The purpose or purposes of a special meeting need not be stated in the call or notice.

Section 3.5 Organization. Meetings of the Board of Directors shall be presided over by the Chairman of the Board of Directors or, in his or her absence, by the Chief Executive Officer, or in his or her absence, by a chairman chosen at the meeting. The Secretary shall act as secretary of the meeting, but in his or her absence the chairman of the meeting may appoint any person to act as secretary of the meeting. A majority of the directors present at a meeting, whether or not they constitute a quorum, may adjourn such meeting to any other date, time or place without notice other than announcement at the meeting.

Section 3.6 Quorum; Vote Required for Action. Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, at all meetings of the Board of Directors a majority of the whole Board of Directors shall constitute a quorum for the transaction of business. Unless the Certificate of Incorporation or these Bylaws otherwise provide, the vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 3.7 Committees. The Board of Directors may, by resolution, designate one or more committees, including but not limited to an Audit Committee, a Compensation Committee and a Nominating and Governance Committee, each committee to consist of one or more directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of the committee, the member or members present at any meeting and not disqualified from voting, whether or not a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member. Any such committee, to the extent permitted by law and provided in these Bylaws or in the resolution of the Board of Directors designating such committee, or an amendment to such resolution, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it.

Section 3.8 Telephonic Meetings. Directors, or any committee of directors designated by the Board of Directors, may participate in a meeting of the Board of Directors or such committee by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 3.8 shall constitute presence in person at such meeting.

Section 3.9 Board of Director Action by Written Consent Without a Meeting. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of

the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board of Directors or such committee, as the case may be, consent thereto in writing (which may be in counterparts) or by electronic transmission or transmissions, and the written consent or consents or electronic transmission or transmissions are filed with the minutes of proceedings of the Board of Directors or such committee. Such filing shall be made in paper form if the minutes of the Corporation are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form. Such action by written consent or consent by electronic transmission shall have the same force and effect as a unanimous vote of the Board of Directors or of such committee.

Section 3.10 Committee Rules. Unless the Board of Directors otherwise provides, each committee designated by the Board of Directors may make, alter and repeal rules not inconsistent with the provisions of law for the conduct of its business. In the absence of such rules, each committee shall conduct its business in the same manner as the Board of Directors conducts its business pursuant to this Article III of these Bylaws.

Section 3.11 Reliance upon Records. Every director, and every member of any committee of the Board of Directors, shall, in the performance of his or her duties, be fully protected in relying in good faith upon the records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of its officers or employees, or committees of the Board of Directors, or by any other person as to matters the director or member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation, including, but not limited to, such records, information, opinions, reports or statements as to the value and amount of the assets, liabilities and/or net profits of the Corporation, or any other facts pertinent to the existence and amount of surplus or other funds from which dividends might properly be declared and paid, or with which the Corporation's capital stock might properly be purchased or redeemed.

Section 3.12 Interested Directors. A director who is directly or indirectly a party to a contract or transaction with the Corporation, or is a director or officer of or has a financial interest in any other corporation, partnership, association or other organization which is a party to a contract or transaction with the Corporation, may be counted in determining whether a quorum is present at any meeting of the Board of Directors or a committee thereof at which such contract or transaction is considered or authorized, and such director may participate in such meeting and vote on such authorization to the extent permitted by applicable law, including Section 144 of the General Corporation Law of the State of Delaware.

Section 3.13 Compensation. Unless otherwise restricted by the Certificate of Incorporation, the Board of Directors shall have the authority to fix the compensation of directors. The directors shall be paid their reasonable expenses, if any, of attendance at each meeting of the Board of Directors or a committee thereof and may be paid a fixed sum for attendance at each such meeting and an annual retainer or salary for services as a director or committee member. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 3.14 Emergency Bylaw. Notwithstanding anything to the contrary in the Certificate of Incorporation or these Bylaws, this Section 3.14 shall be operative during any emergency, resulting from an attack on the United States or on a locality in which the Corporation conducts its business or customarily holds meetings of its Board of Directors or its stockholders, or during any nuclear or atomic disaster or during the existence of any catastrophe, including, but not limited to, an epidemic or pandemic, and a declaration of a national emergency by the United States government, or other similar emergency condition, irrespective of whether a quorum of the Board of Directors or a standing committee thereof can readily be convened for action (an "Emergency").

(a) During any Emergency, any director or officer of the Corporation may call a meeting of the Board of Directors or any committee thereof and notice of the place and time of such meeting of the Board of Directors or any committee thereof may be given only to such directors as may be feasible to reach at the time and by such means as may be feasible at the time and with such advance notice as circumstances permit in the judgment of the person calling the meeting. Neither the business to be transacted nor the purpose of any such meeting need be specified in the notice thereof.

(b) At any meeting of the Board of Directors or any committee thereof, called in accordance with this Section 3.14, the director or directors in attendance at the meeting shall constitute a quorum. Vacancies on the Board of Directors, or any committee thereof, may be filled by a majority vote of the directors in attendance at the meeting. In the event that no directors are able to attend the meeting of the Board of Directors, then the Designated Officers in attendance shall serve as directors for the meeting, without any additional quorum requirement and will have full powers to act as directors of the Corporation for such meeting. For purposes of this Section 3.14, "Designated Officers" means a list of officers of the Corporation who shall be deemed to be directors of the Corporation for purposes of obtaining a quorum during an Emergency if a quorum of directors cannot otherwise be obtained during such Emergency, which officers have been designated by the Board of Directors or a committee thereof, as the case may be, from time to time but in any event prior to such time or times as an Emergency may have occurred. If the Board of Directors or a committee thereof has not approved a list of Designated Officers prior to the Emergency, then the officers of the Corporation in attendance shall serve as directors for the meeting, without any additional quorum requirement and will have full powers to act as directors of the Corporation for such meeting.

(c) No director, officer or employee acting in accordance with this Section 3.14 or otherwise pursuant to Section 110 of the General Corporation Law of the State of Delaware (or any successor section) shall be liable except for willful misconduct.

(d) The Board of Directors, either before or during any Emergency, may, effective in the Emergency, change the head office or designate several alternative head offices or regional offices, or authorize the officers so to do. Without limiting any powers or emergency actions that the Board of Directors may take during an Emergency, during an Emergency, the Board of Directors may take any action that it determines to be practical and necessary to address the circumstances of the Emergency including, without limitation, taking the actions with respect to stockholder meetings and dividends as provided in Section 110(i) of the General Corporation Law of the State of Delaware.

(e) At any meeting called in accordance with this Section 3.14(a), the Board of Directors may modify, amend or add to the provisions of this Section 3.14 in order to make any provision that may be practical or necessary given the circumstances of the Emergency.

(f) The provisions of this Section 3.14 shall be subject to repeal or change by further action of the Board of Directors or by action of the stockholders, but no such repeal or change shall modify the provisions of paragraph (c) hereof with regard to action taken prior to the time of such repeal or change.

(g) Nothing contained in this Section 3.14 shall be deemed exclusive of any other provisions for emergency powers consistent with other sections of the General Corporation Law of the State of Delaware which have been or may be adopted by corporations created under the General Corporation Law of the State of Delaware.

#### ARTICLE IV

##### Officers

Section 4.1 Executive Officers; Election; Qualification; Term of Office. The Board of Directors shall elect a Chairman of the Board of Directors from among its members and shall elect a Chief Executive Officer and a Chief Financial Officer. The Board of Directors shall also elect a Secretary and may elect a President, one or more Vice Presidents, and one or more Assistant Secretaries. Any number of offices may be held by the same person. Each officer shall hold office until the first meeting of the Board of Directors after the annual meeting of stockholders next succeeding his or her election, and until his or her successor is elected and qualified or until his or her earlier death, resignation or removal.

Section 4.2 Resignation; Removal; Vacancies. Any officer may resign at any time by giving written notice to the Chairman of the Board of Directors, the Chief Executive Officer or the Secretary. Unless otherwise stated in a notice of resignation, it shall take effect when received by the officer to whom it is directed, without any need for its



acceptance. The Board of Directors may remove any officer with or without cause at any time, but such removal shall be without prejudice to the contractual rights of such officer, if any, with the Corporation. A vacancy occurring in any office of the Corporation may be filled for the unexpired portion of the term thereof by the Board of Directors at any regular or special meeting.

Section 4.3 Powers and Duties of Executive Officers. The officers of the Corporation shall have such powers and duties in the management of the Corporation as may be prescribed by the Board of Directors and, to the extent not so provided, as generally pertain to their respective offices, subject to the control of the Board of Directors. The Board of Directors may require any officer, agent or employee to give security for the faithful performance of his or her duties.

Section 4.4 Chief Executive Officer. The Chief Executive Officer of the Corporation shall in general supervise and control all of the business affairs of the Corporation, subject to the direction of the Board of Directors. The Chief Executive Officer may execute, in the name and on behalf of the Corporation, any deeds, mortgages, bonds, contracts or other instruments which the Board of Directors or a committee thereof has authorized to be executed, except in cases where the execution shall have been expressly delegated by the Board of Directors or a committee thereof to some other officer or agent of the Corporation.

Section 4.5 President. The President shall perform such duties and possess such powers as the Board of Directors or the Chief Executive Officer may from time to time prescribe. In the event of the absence, inability or refusal to act of the Chief Executive Officer, the President shall perform the duties of the Chief Executive Officer and, when so performing, shall have all the powers and be subject to all the restrictions upon the office of Chief Executive Officer.

Section 4.6 Chief Financial Officer. The Chief Financial Officer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Chief Financial Officer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Controlling Officer and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all such officer's transactions as Chief Financial Officer and of the financial condition of the Corporation. If required by the Board of Directors, the Chief Financial Officer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of the office and for the restoration to the Corporation, in case of such person's death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

Section 4.7 Secretary. In addition to such other duties, if any, as may be assigned to the Secretary by the Board of Directors, the Chairman of the Board of Directors or the Chief Executive Officer, the Secretary shall (i) keep the minutes of proceedings of the stockholders, the Board of Directors and any committee of the Board of Directors in one or more books provided for that purpose; (ii) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (iii) be the custodian of the records and seal of the Corporation; (iv) affix or cause to be affixed the seal of the Corporation or a facsimile thereof, and attest the seal by his or her signature, to all documents the execution of which under seal is authorized by the Board of Directors; and (v) unless such duties have been delegated by the Board of Directors to a transfer agent of the Corporation, keep or cause to be kept a register of the name and address of each stockholder, as the same shall be furnished to the Secretary by such stockholder, and have general charge of the stock transfer records of the Corporation.

Section 4.8 Assistant Secretaries. Except as may be otherwise provided in these Bylaws, Assistant Secretaries, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the Chairman of the Board of Directors, the Chief Executive Officer, the President, if there be one, or any Vice President, if there be one, or the Secretary, and in the absence of the Secretary or in the event of such person's disability or refusal to act, shall perform the duties of the Secretary, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Secretary.

Section 4.9 Vice Presidents. Except as may be otherwise provided in these Bylaws, Vice Presidents, if there be any, shall perform such duties and possess such powers as from time to time may be assigned to them by the Board of Directors, the Chief Executive Officer or the President. The Board of Directors may assign to any Vice President the title of Executive Vice President, Senior Vice President or any other such title.

Section 4.10 Other Officers. Such other officers as the Board of Directors may choose shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors. The Board of Directors may delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

## ARTICLE V

### Stock Certificates and Transfers

Section 5.1 Certificated and Uncertificated Shares. Shares of the Corporation's stock may be certificated or uncertificated, as provided under Delaware law. All certificates of stock of the Corporation shall be numbered and shall be entered in the books of the Corporation as they are issued. The certificates shall be signed by (i) the Chairman of the Board of Directors, the Chief Executive Officer, the President, if any, or a Vice President, if any, and (ii) the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, and certify the number of shares owned by such holder in the Corporation.

Section 5.2 Signatures. Any signature required to be on a certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

Section 5.3 Lost Certificates; Issuance of New Certificates. The Board of Directors may direct a new certificate to be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or his legal representative, to advertise the same in such manner as the Board of Directors shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 5.4 Transfers of Stock. Stock of the Corporation shall be transferable in the manner prescribed by law and in these Bylaws. Transfers of stock shall be made on the books of the Corporation only by the record holder of such stock, or by their attorney lawfully constituted in writing, and, in the case of stock represented by a certificate, upon the surrender of the certificate.

Section 5.5 Stockholders of Record. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty (60) days nor less than ten days before the date of such meeting, nor more than sixty days prior to any such other corporate action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 5.6 Beneficial Owners. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to

recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

## ARTICLE VI

### Notices

#### Section 6.1 Manner of Notice.

(a) Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, whenever notice is required to be given to any stockholder, director or member of any committee of the Board of Directors, such notice may be given by (i) personal delivery, (ii) depositing it, in a sealed envelope, in the United States mails, first class, postage prepaid, addressed, (iii) delivering to a company for overnight or second day mail or delivery, (iv) delivering it to a telegraph company, charges prepaid, for transmission, or by transmitting it via telecopier, or (v) any other reliable means permitted by applicable law (including, subject to Section 6.1(b), electronic transmission) to such stockholder, director or member, either at the address of such stockholder, director or member as it appears on the records of the Corporation or, in the case of such a director or member, at his or her business address; and such notice shall be deemed to be given at the time when it is thus personally delivered, deposited, delivered or transmitted, as the case may be. Such requirement for notice shall also be deemed satisfied, except in the case of stockholder meetings, if actual notice is received orally or by other writing by the person entitled thereto as far in advance of the event with respect to which notice is being given as the minimum notice period required by law or these Bylaws.

(b) Without limiting the foregoing, any notice to stockholders given by the Corporation pursuant to these Bylaws shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice to the Corporation and shall also be deemed revoked if (1) the Corporation is unable to deliver by electronic transmission two consecutive notices given by the Corporation in accordance with such consent and (2) such inability becomes known to the Secretary of the Corporation, the transfer agent or other person responsible for the giving of notice; provided, however, that the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action. Notice given by a form of electronic transmission in accordance with these Bylaws shall be deemed given: (i) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice; (ii) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice; (iii) if by a posting on an electronic network, together with separate notice to the stockholder of such specific posting, upon the later of such posting and the giving of such separate notice; and (iv) if by another form of electronic transmission, when directed to the stockholder.

#### Section 6.2 Dispensation with Notice.

(a) Whenever notice is required to be given by law, the Certificate of Incorporation or these Bylaws to any stockholder to whom (i) notice of two consecutive annual meetings of stockholders, and all notices of meetings of stockholders to such stockholder during the period between such two consecutive annual meetings, or (ii) all, and at least two, payments (if sent by first class mail) of dividends or interest on securities of the Corporation during a 12-month period, have been mailed addressed to such stockholder at the address of such stockholder as shown on the records of the Corporation and have been returned undeliverable, the giving of such notice to such stockholder shall not be required. Any action or meeting which shall be taken or held without notice to such stockholder shall have the same force and effect as if such notice had been duly given. If any such stockholder shall deliver to the Corporation a written notice setting forth the then current address of such stockholder, the requirement that notice be given to such stockholder shall be reinstated.

(b) Whenever notice is required to be given by law, the Certificate of Incorporation or these Bylaws to any person with whom communication is unlawful, the giving of such notice to such person shall not be required, and there shall be no duty to apply to any governmental authority or agency for a license or permit to give such notice to

such person. Any action or meeting which shall be taken or held without notice to any such person with whom communication is unlawful shall have the same force and effect as if such notice had been duly given.

Section 6.3 Waiver of Notice. Any written waiver of notice, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, directors, or members of a committee or directors need be specified in any written waiver of notice.

## ARTICLE VII

### Indemnification

#### Section 7.1 Right to Indemnification

(a) The Corporation shall indemnify and hold harmless, to the fullest extent permitted by law as in effect on the date of adoption of these Bylaws or as it may thereafter be amended, any person who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "proceeding") by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture or other enterprise, against any and all liability and loss (including judgments, fines, penalties and amounts paid in settlement) suffered or incurred and expenses reasonably incurred by such person. The Corporation may, by action of its Board of Directors, provide indemnification to such of the employees and agents of the Corporation to such extent and to such effect as the Board of Directors shall determine to be appropriate and authorized by Delaware law. The Corporation shall not be required to indemnify a person in connection with a proceeding initiated by such person, including a counterclaim or crossclaim, unless the proceeding was authorized by the Board of Directors.

(b) For purposes of this Article VII: (i) any reference to "other enterprise" shall include all plans, programs, policies, agreements, contracts and payroll practices and related trusts for the benefit of or relating to employees of the Corporation and its related entities ("employee benefit plans"); (ii) any reference to "fines", "penalties", "liability" and "expenses" shall include any excise taxes, penalties, claims, liabilities and reasonable expenses (including reasonable legal fees and related expenses) assessed against or incurred by a person with respect to any employee benefit plan; (iii) any reference to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation or trustee or administrator of any employee benefit plan which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants, beneficiaries, fiduciaries, administrators and service providers; (iv) any reference to serving at the request of the Corporation as a director, officer, employee or agent of a partnership or trust shall include service as a partner or trustee; and (v) a person who acted in good faith and in a manner he or she reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" for purposes of this Article VII.

Section 7.2 Prepayment of Expenses. The Corporation shall pay or reimburse the reasonable expenses incurred in defending any proceeding in advance of its final disposition if the Corporation has received an undertaking by the person receiving such payment or reimbursement to repay all amounts advanced if it should be ultimately determined that he or she is not entitled to be indemnified under this Article VII or otherwise.

Section 7.3 Claims. If a claim for indemnification or payment of expenses under this Article VII is not paid in full within 60 days after a written claim therefor has been received by the Corporation, the claimant may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action the Corporation shall have the burden of proving that the claimant was not entitled to the requested indemnification or payment of expenses under applicable law.

Section 7.4 Non-Exclusivity of Rights. The rights conferred on any person by this Article VII shall not be exclusive of any other rights which such person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, these Bylaws, agreement, vote of stockholders or disinterested directors or otherwise.

Section 7.5 Other Indemnification. The Corporation's obligation, if any, to indemnify any person who was or is serving at its request as a director, officer, employee, partner or agent of another corporation, partnership, joint venture or other enterprise shall be reduced by any amount such person may collect as indemnification from such other corporation, partnership, joint venture or other enterprise.

Section 7.6 Amendment or Repeal. Any repeal or modification of the foregoing provisions of this Article VII shall not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to the time of such repeal or modification.

## ARTICLE VIII

### General

Section 8.1 Fiscal year. The fiscal year of the Corporation shall be determined by resolution of the Board of Directors. Initially, the fiscal year of the Corporation shall end on March 31 of each year.

Section 8.2 Seal. The corporate seal shall have the name of the Corporation inscribed thereon and shall be in such form as may be approved from time to time by the Board of Directors.

### Section 8.3 Definitions.

(a) For purposes of these Bylaws, "electronic transmission" means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

(b) For purposes of these Bylaws, "public disclosure" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press, Business Wire, PR Newswire or comparable national news service, or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(c) For purposes of these Bylaws, a "qualified representative" of a stockholder shall mean a duly authorized officer, manager or partner of such stockholder or a person authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders, which writing (or a reliable reproduction thereof) shall be produced at the meeting of stockholders.

(d) For purposes of these Bylaws, "Stockholder Associated Person" of any stockholder means (i) any person acting in concert with such stockholder, (ii) any beneficial owner of shares of stock of the Corporation owned of record or beneficially by such stockholder (other than a stockholder that is a depository) and (iii) any person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such stockholder or such Stockholder Associated Person.

Section 8.4 Exclusive Forum. Unless the Corporation consents in writing to the selection of an alternative forum (an "Alternative Forum Consent"), the Delaware Court of Chancery shall be the sole and exclusive forum for, and shall have exclusive jurisdiction with respect to, (a) any derivative action or proceeding brought on behalf of the Corporation, (b) any action asserting a claim of breach of a fiduciary duty owed by any current or former director, officer, stockholder, employee or agent of the Corporation to the Corporation or the Corporation's stockholders, including a claim alleging the aiding and abetting of such a breach of fiduciary duty, (c) any action asserting a claim against the Corporation or any current or former director, officer, stockholder, employee or agent

of the Corporation arising out of or relating to any provision of the General Corporation Law of the State of Delaware, the Certificate of Incorporation or these Bylaws, (d) any action asserting a claim related to or involving the Corporation or any director, officer, stockholder, employee or agent of the Corporation that is governed by the internal affairs doctrine of the State of Delaware, or (e) any action asserting an “internal corporate claim” as that term is defined in Section 115 of the General Corporation Law of the State of Delaware; provided, however, that, in the event that the Delaware Court of Chancery lacks subject matter jurisdiction over any such action or proceeding, the sole and exclusive forum for such action or proceeding shall be another state or federal court located within the State of Delaware. If any action the subject matter of which is within the scope of this Section is filed in a court other than the Delaware Court of Chancery (or any other state or federal court located within the State of Delaware, as applicable) (a “Foreign Action”) by or in the name of any stockholder, such stockholder shall be deemed to have notice of and consented to (i) the exclusive personal jurisdiction of the Delaware Court of Chancery (or such other state or federal court located within the State of Delaware, as applicable) in connection with any action brought in any such court to enforce this Section and (ii) having service of process made upon such stockholder in any such action by service upon such stockholder’s counsel in the Foreign Action as agent for such stockholder. The existence of any prior Alternative Forum Consent shall not act as a waiver of the Corporation’s ongoing consent right as set forth above in this Section with respect to any current or future actions or claims. Failure to enforce the foregoing provisions would cause the Corporation irreparable harm and the Corporation shall be entitled to equitable relief, including injunctive relief and specific performance, to enforce the foregoing provisions.

Section 8.5 Amendment of Bylaws. These Bylaws may be altered or repealed, and new Bylaws made, by the majority vote of the whole Board of Directors; provided, however, that a Bylaw adopted by the holders of stock representing a majority of the votes which could be cast by the holders of all outstanding stock that prescribes the required vote for the election of directors may not be altered by the Board of Directors. The holders of stock representing a majority of the votes which could be cast by the holders of all outstanding stock may make additional Bylaws and may alter and repeal any Bylaws whether adopted by them or otherwise.

**CERTIFICATION PURSUANT TO RULE 13a-14(a) AND RULE 15d-14(a)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

I, Bruce Thames, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: November 5, 2020

By: /s/ Bruce Thames  
Name: Bruce Thames  
Title: President and Chief Executive Officer

**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 Quarterly Report on Form 10-Q 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: November 5, 2020

By: /s/ Jay Peterson

Name: Jay Peterson

Title: Chief Financial Officer



**CERTIFICATION PURSUANT TO SECTION 1350  
OF CHAPTER 63 OF TITLE 18 UNITED STATES CODE**

In connection with the Quarterly Report on Form 10-Q of Thermon Group Holdings, Inc. (the "Company") for the quarterly period ended September 30, 2020 (the "Report"), I, Bruce Thames, 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: November 5, 2020

By: /s/ Bruce Thames  
Name: Bruce Thames  
Title: President and Chief Executive Officer

**CERTIFICATION PURSUANT TO SECTION 1350  
OF CHAPTER 63 OF TITLE 18 UNITED STATES CODE**

In connection with the Quarterly Report on Form 10-Q of Thermon Group Holdings, Inc. (the "Company") for the quarterly period ended September 30, 2020 (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: November 5, 2020

By: /s/ Jay Peterson  
Name: Jay Peterson  
Title: Chief Financial Officer