SYNALLOY CORPORATION

FORM 10-K FOR PERIOD ENDED JANUARY 3, 2004

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED JANUARY 3, 2004

OR

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

COMMISSION FILE NUMBER 0-19687

SYNALLOY CORPORATION

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	57-0426694 I.R.S. Employer Identification No.)

Croft Industrial Park, P.O. Box 5627, Spartanburg, South Carolina 29304
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (864) 585-3605

Securities registered pursuant to Section 12(b) of the Act :	Name of each exchange on which registered
None Title of Class	None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $1.00 Par Value
(Title of Class)

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 X No ___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

Yes No X

Based on the closing price as of June 28, 2003, which was the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the common stock held by non-affiliates of the registrant was $32 million. Based on the closing price of March 1, 2004, the aggregate market value of common stock held by non-affiliates of the registrant was $40 million. The registrant did not have any non-voting common equity outstanding at either date.

The number of shares outstanding of the registrant's common stock as of March 1, 2004 was 5,989,304.

Documents Incorporated By Reference

Portions of the proxy statement for the annual shareholders' meeting are incorporated by reference into Part III.

PART I

Item 1 Business

Synalloy Corporation, a Delaware Corporation ("the Company"), was incorporated in 1958 as the successor to a chemical manufacturing business founded in 1945. Its charter is perpetual. The name was changed on July 31, 1967 from Blackman Uhler Industries, Inc. On June 3, 1988, the state of incorporation was changed from South Carolina to Delaware. The Company's executive offices are located at Croft Industrial Park, Spartanburg, South Carolina.

General

Metals Segment-- This segment is comprised of a wholly-owned subsidiary, Synalloy Metals, Inc. which owns 100 percent of Bristol Metals, L.P.,("Bristol") located in Bristol, Tennessee.

Bristol manufactures welded pipe, primarily from stainless steel, but also from other corrosion-resistant metals. Pipe is produced in sizes from one-half inch to 60 inches in diameter and wall thickness up to three-quarters inch. Sixteen-inch and smaller pipe is made on equipment that forms and welds the pipe in a continuous process. Pipe larger than sixteen inches is formed on presses or rolls and welded on batch welding equipment. Pipe is normally produced in standard 20-foot lengths. However, Bristol has unusual capabilities in the production of long length pipe without circumferential welds. This can reduce installation cost for the customer. Lengths up to 60 feet can be produced in sizes up to sixteen inches in diameter. In larger sizes Bristol has a unique ability among domestic producers to make 48-foot lengths in sizes up to 30 inches.

A significant amount of the pipe produced is further processed into piping systems that conform to engineered drawings furnished by the customers. This allows the customer to take advantage of the high quality and efficiency of Bristol's fabrication shop instead of performing all of the welding on the construction site. The pipe fabricating shop can make one and one-half diameter cold bends on one-half inch through eight-inch stainless pipe with thicknesses up through schedule 40. Most of the piping systems are produced from pipe manufactured by Bristol.

Bristol also has the capability of producing carbon and chrome piping systems from pipe purchased from outside suppliers since Bristol does not manufacture carbon or chrome pipe. Carbon and chrome pipe fabrication enhances the stainless fabrication business by allowing Bristol to quote inquiries utilizing any of these three material types. Bristol can also produce pressure vessels and reactors, tanks and other processing equipment.

In order to establish stronger business relationships, only a few raw material suppliers are used. Three suppliers furnish more than two-thirds of total dollar purchases of raw materials. However, raw materials are readily available from a number of different sources and the Company anticipates no difficulties in obtaining its requirements.

This segment's products are used principally by customers requiring materials that are corrosion-resistant or suitable for high-purity processes. The largest users are the chemical, petrochemical and pulp and paper industries with some other important industry users being mining, power generation, waste water treatment, liquid natural gas, brewery, food processing, petroleum and pharmaceutical.

Chemicals Group-- This group is comprised of two business segments: Colors Segment and Specialty Chemicals Segment. The Group includes four operating companies: Blackman Uhler Chemical Company (BU Specialties), a division of the Company; Manufacturers Soap and Chemical Company, which owns 100 percent of Manufacturers Chemicals, L.P. (MC); Organic-Pigments Corporation (OP); and Blackman Uhler, LLC (BU Colors). MC and OP are wholly-owned subsidiaries of the Company and BU Colors is 75 percent owned by the Company. BU Specialties and BU Colors operate out of a plant in Spartanburg, South Carolina which is fully licensed for chemical manufacture and maintains a permitted waste treatment system. BU Colors also has a sales and distribution facility in Clifton, New Jersey. MC is located in Cleveland, Tennessee and Dalton, Georgia and is fully licensed for chemical manufacture. OP is located in Greensboro, North Carolina.

The Colors Segment includes OP and BU Colors. The Colors Segment's principal business is the manufacture and sale of dyes and pigments ("colors") to the paper, textile, carpet, flexographic printing, graphic arts and coatings industries. BU Colors produces dyes at the Spartanburg plant and pigments are produced at OP in Greensboro. Dyes are produced in both liquid and powder form, and pigments primarily as a specially formulated paste. Dyes fix themselves to textile fibers by a particular reaction or penetration into the yarn fiber, whereas pigments are normally applied as a surface coating during a printing operation. Dyeing of textile fabrics in solid colors is primarily accomplished by the use of dyes. Pigment colors are uniquely suitable for printing of multi-colored patterns. Raw materials used to manufacture colors consist chiefly of organic intermediates and inorganic chemicals which are purchased from manufacturers in the United States, Europe and Asia. Currently, raw materials are readily available and management does not anticipate any difficulty in obtaining adequate supplies.

The Company purchased OP in 1998. OP manufactures aqueous pigment dispersions sold to the textile industry and used in printing inks for use on paper and in paints for the industrial coatings industry. The addition of OP provided the ability to produce higher solid and finer particle size dispersions allowing the Colors Segment to diversify into non-textile applications.

On July 29, 2003, the Company acquired certain assets of Rite Industries. These assets along with Synalloy's existing textile dye business were placed into a newly formed subsidiary of the Company called Blackman Uhler, LLC (BU Colors). The newly formed company is owned 75 percent by the Company with the remaining percentage owned by a group of former Rite Industries executives now associated with BU Colors. The acquisition provides a significant number of customers in the paper and other non-textile industries and expands the Colors Segment's non-textile sales base. Combining the production capacity and eliminating duplicated overhead costs provides the opportunity to reduce operating costs. It also provides a more diverse product offering and stronger selling and technical support capabilities.

The Specialty Chemicals Segment includes MC in Cleveland, Tennessee and Dalton, Georgia and specialty chemicals produced in the BU Specialties plant. The Segment is a producer of specialty chemicals for the textile, carpet, chemical, paper, metals, photographic, pharmaceutical, agricultural and fiber industries. The Company has been focusing on specialty chemicals as a primary growth area over the past several years. Facilities and equipment at the BU Specialties plant provide toll and custom manufacturing of organic chemicals using reactions that include nitrations, hydrogenation, distillation, diazotizations, methylation and custom drying. These chemicals are used in a wide array of products including sun screens, UV absorbers for plastics, Cetane improver for diesel fuel, absorbers for gaseous pollutants, herbicides, anti-wicking agents, fire retardants, processing aids for PVC and paper resins.

The Company purchased MC in 1996. MC produces defoamers, surfactants, dye assists, softening agents, polymers and specialty lubricants for the textile, paper, chemical and metals industries. MC also manufactures chelating agents and water treatment chemicals. Manufacturing capabilities include a wide range of chemical reactions and mixing and blending applications. MC's products are sold to direct users in a variety of manufacturing areas, directly to other chemical companies in the form of intermediates or as finished products for resale, and as contract manufacturing where the customer provides formula specifications and, in some cases, raw materials.

In 2000, MC acquired the assets of a manufacturer of sulfated fats and oils. The manufacturing equipment for these products was moved to the Cleveland, Tennessee plant where both capacity and chilling capabilities were increased. These products are used as lubricants, wetting agents, detergents and emulsifiers in a variety of chemical formulations. The addition of these capabilities and processes broadens the range of sulfated products already manufactured at MC.

In July 2001, the Company completed an asset purchase of Global Chemical Resources (Dalton) located in Dalton, Georgia. Dalton manufactures and resells chemical specialties and heavy chemicals and blends and resells dyestuffs to the carpet and rug industries, selected textile mills and the wire drawing industry. The manufacture of liquid products was immediately transferred to the Cleveland plant, and the remaining warehousing and dye blending operation along with the shade matching lab and sales offices were moved to a leased facility in Dalton. In addition, Dalton markets the chemical specialties produced at other Specialty Chemicals Segment locations.

The Chemicals Group maintains eight laboratories for applied research and quality control which are staffed by 32 employees.

Sales and Distribution

Metals Segment-- The Metals Segment utilizes separate sales organizations for its different product groups. Stainless steel pipe is sold nationwide under the Brismet trade name through authorized stocking distributors with over 200 warehouse locations throughout the country. In addition, large quantity orders are shipped directly from Bristol's plant to end-user customers. Producing sales and providing service to the distributors and end-user customers are the Vice President of Sales, two outside sales employees, four independent manufacturers' representatives and six inside sales employees.

Piping systems are sold nationwide under the Bristol Piping Systems trade name by three outside sales employees. They are under the direction of the Vice President in charge of piping systems who spends over half of his time in sales and service to customers. Piping systems are marketed to engineering firms and construction companies or directly to project owners. Orders are normally received as a result of competitive bids submitted in response to inquiries and bid proposals.

Colors Segment-- Ten full-time outside sales employees and 19 manufacturers' representatives market colors to the textile industry nationwide. In addition, the market development manager of BU Colors devotes a substantial part of his time to sales.

Specialty Chemicals Segment-- Specialty chemicals are sold directly to various industries nationwide by 11 full-time outside sales employees and four manufacturers' representatives. In addition, the President, market development manager and another employee of MC devote a substantial part of their time to sales.

Competition

Metals Segment-- Welded stainless steel pipe is the largest sales volume product of the Metals Segment. Although information is not publicly available regarding the sales of most other producers of this product, management believes that the Company is one of the largest domestic producers of such pipe. This commodity product is highly competitive with eight known domestic producers and imports from many different countries. The largest sales volume among the specialized products comes from fabricating light-wall stainless piping systems. Management believes the Company is one of the largest producers of such systems.

Colors Segment-- The market for dyes and pigments is highly competitive and the Company has less than ten percent of the market for its products.

Specialty Chemicals Segment-- The Company is the sole producer of certain specialty chemicals manufactured for other companies under processing agreements. However, the Company's sales of specialty products are insignificant compared to the overall market for specialty chemicals. The market for most of the products is highly competitive and many competitors have substantially greater resources than does the Company.

Environmental Matters

Environmental expenditures that relate to an existing condition caused by past operations and that do not contribute to future revenue generation are expensed. Liabilities are recorded when environmental assessments and/or cleanups are probable and the costs of these assessments and/or cleanups can be reasonably estimated. See Note I to Consolidated Financial Statements for further discussion.

Research and Development Activities

The Company spent approximately $457,000 in 2003, $524,000 in 2002 and $701,000 in 2001 on research and development programs in its Chemicals Group. Nine individuals, all of whom are graduate chemists, are engaged primarily in research and development of new products and processes, the improvement of existing products and processes, and the development of new applications for existing products.

Seasonal Nature of the Business

The annual requirements of certain specialty chemicals are produced over a period of a few months as requested by the customers. Accordingly, the sales of these products may vary significantly from one quarter to another.

Backlogs

The Colors and Specialty Chemicals Segments operate primarily on the basis of delivering products soon after orders are received. Accordingly, backlogs are not a factor in these businesses. The same applies to commodity pipe sales in the Metals Segment. However, backlogs are important in the piping systems products because they are produced only after orders are received, generally as the result of competitive bidding. Order backlogs for these products were $6,700,000, $5,800,000 and $3,700,000 at the 2003, 2002 and 2001 respective year ends.

Employee Relations

As of January 3, 2004, the Company had 470 employees. The Company considers relations with employees to be satisfactory. The number of employees of the Company represented by unions at the Bristol, Tennessee facility is 170. They are represented by two locals affiliated with the AFL-CIO and one local affiliated with the Teamsters. Collective bargaining contracts will expire in December 2004, March 2005 and February 2009.

Financial Information About Geographic Areas

Information about revenues derived from domestic and foreign customers is set forth in Note R to the Consolidated Financial Statements.

Item 2 Properties

The Company operates the major plants and facilities described herein, all of which are well maintained and in good condition. All facilities throughout the Company are adequately insured. The buildings are of various types of construction including brick, steel, concrete, concrete block and sheet metal. All have adequate transportation facilities for both raw materials and finished products. The Company owns all of these plants and facilities, except as noted.

Location	Principal Operations	Building Square Feet	Land Acres
Spartanburg, SC	Corporate headquarters; Chemical manufacturing and warehouse facilities	211,000	60.9
Cleveland, TN	Chemical manufacturing	90,000	8.6
Greensboro, NC	Chemical manufacturing	57,000	3.7
Bristol, TN	Manufacturing of stainless steel pipe and stainless steel piping systems	218,000	73.1
Dalton, GA	Dye blending and warehouse facilities (1)	32,000	2.0
Clifton, NJ	Office and warehouse facilities (1)	9,600	-
Augusta, GA	Chemical manufacturing(2)	52,500	46.0

(1) Leased facility.
(2) Plant closed in 2001.

Item 3 Legal Proceedings

For a discussion of legal proceedings, see Note O to the Consolidated Financial Statements.

Item 4 Submission of Matters to a Vote of Security Holders

No matters were submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders through the solicitation of proxies or otherwise.

PART II

Item 5 Market for the Registrant's Common Stock and Related Security Holder Matters

The Company had 1,039 common shareholders of record at January 3, 2004. The Company's common stock trades on the Nasdaq National Market System of The Nasdaq Stock Market and changed its trading symbol to SYNL effective October 6, 2003. On October 26, 2001, the Company's Board of Directors voted to suspend cash dividends. On July 26, 2002, the Company entered into a new credit agreement which prohibits the payment of dividends. The prices shown below are the last reported high and low sales prices for the common stock for each full quarterly period in the last two fiscal years as quoted on The Nasdaq National Market System.

	2003		2002	
Qtr	High	Low	High	Low
1	$4.24	$3.96	$5.05	$3.47

2	5.50	3.97	4.92	2.93
3	6.40	5.34	4.10	1.69
4	8.54	5.50	4.85	2.03

The information required by Item 201(d) of Regulation S-K is set forth under Part III, Item 12 of this Form 10-K.

Item 6 Selected Financial Data

	(Dollars in thousands except for per share data)	**2003**	2002	2001	2000	1999
Operations	Net sales	**$ 98,808**	$ 85,461	$ 91,104	$ 113,952	$ 116,884
	Gross profit	**11,068**	5,641	10,584	12,404	16,574
	Selling, general and administrative expense	**12,132**	10,176	10,572	11,182	11,335
	Long-lived asset impairment and environmental remediation costs (1)	**681**	2,365	- -	1,765	- -
	Operating (loss) income	**(1,745)**	(6,900)	12	(543)	5,239
	Net (loss) income	**(1,421)**	(4,843)	(318)	(1,083)	2,947
Financial Position	Total assets	**64,925**	59,966	69,846	73,344	78,053
	Working capital	**28,706**	20,060	21,141	25,483	28,001
	Long-term debt, less current portion	**18,761**	10,000	10,000	10,000	10,000
	Shareholders' equity	**32,556**	33,874	38,949	40,173	44,660
Financial Ratios	Current ratio	**3.5**	2.5	2.2	2.4	2.5
	Gross profit to net sales	**11%**	7%	12%	11%	14%
	Long-term debt to capital	**37%**	23%	20%	20%	18%
	Return on average assets	**-**	-	-	4%	4%
	Return on average equity	**-**	-	-	6%	7%
Per Share Data	Net (loss) income - diluted	**$ (.24)**	$ (.81)	$ (.05)	$ (.18)	$ .45
	Dividends declared and paid	**-**	-	.15	.20	.20
	Book value	**5.44**	5.68	6.53	6.74	7.10
Other Data	Depreciation and amortization	**3,072**	3,380	3,378	4,069	3,732
	Capital expenditures	**2,009**	2,152	6,437	3,383	4,214
	Employees at year end	**470**	406	472	510	622
	Shareholders of record at year end	**1,039**	1,082	1,120	1,154	1,226
	Average shares outstanding - diluted	**5,997**	5,964	5,965	6,166	6,559
Stock Price	Price range of Common Stock					
	High	**$8.54**	$5.05	$7.65	$9.13	$10.75
	Low	**3.96**	1.69	2.95	4.50	6.25
	Close	**6.92**	4.13	3.60	4.75	7.50
Special and Environmental Charges						
	Environmental remediation costs (1)	**-**	97	-	1,765	-
	Special charges (1)	**1,452**	4,738	-	4,064	-

Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses the Company's consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments based on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Management believes the following critical accounting policies, among others, affect its more significant judgments and estimates used in the preparation of the Company's consolidated financial statements.

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. A significant portion of the Company's accounts receivable in the Colors Segment are from domestic customers in the textile industry, which has been in a steady decline over the last several years. If the financial condition of these or any other customers of the Company were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

The Company writes down its inventory for estimated obsolescence or unmarketable inventory in an amount equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and current market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

As with the accounts receivable, a significant portion of the Company's inventories in the Colors Segment are used by domestic customers in the textile industry. In addition, most of the key raw materials are imported from Asian countries which requires the Company to maintain significant amounts of inventory for certain products in order to adequately service the Colors Segment's customers in a timely manner. If the financial condition of these customers were to deteriorate, resulting in the elimination or reduction of their demand for our products, additional inventory write-downs may be required.

As noted in Note I to the Consolidated Financial Statements, the Company has accrued $845,000 in environmental remediation costs which, in management's best estimate, will satisfy anticipated costs of known remediation requirements as outlined in Note I. As a result of the evolving nature of the environmental regulations, the difficulty in estimating the extent and remedy of environmental contamination, and the availability and application of technology, the estimated costs for future environmental compliance and remediation are subject to uncertainties and it is not possible to predict the amount or timing of future costs of environmental matters which may subsequently be determined. Subject to the difficulty in estimating future environmental costs, the Company believes that the likelihood of material losses in excess of the amounts recorded is remote. However, any changes, including regulatory changes, may require the Company to record additional remediation reserves.

Liquidity and Capital Resources

The current ratio for the year ended January 3, 2004, was 3.5:1, which is up from the previous year-end ratios of 2.5:1 in 2002 and 2.2:1 in 2001. Working capital increased $8,646,000 to $28,706,000 and cash flows used in operations totaled $3,820,000. The increase in working capital and use of cash flows came primarily from increases in accounts receivable and inventories of $4,845,000 and $5,136,000, respectively, offset by an increase of $1,410,000 in accounts payable. Also contributing to the cash use was the net loss incurred of $1,421,000 offset by depreciation and amortization expense of $3,072,000, and the receipt of a $2,653,000 tax refund from prior years. The increases in inventories, accounts receivable and accounts payable were generated from a combination of the acquisition of the Rite Industries' assets by the Colors Segment, and increased sales activity in the Metals Segment discussed in the Segment comparisons below. An increase in line of credit borrowings of $4,898,000 funded the working capital increase along with capital expenditures of $2,009,000. The Company expects that cash flows from 2004 operations and available borrowings will be sufficient to make debt payments and fund estimated capital expenditures of $2,400,000 and normal operating requirements. On July 26, 2002, the Company entered into a new Credit Agreement with a new lender to provide a $19,000,000 line of credit. On July 24, 2003, the Agreement was amended increasing the borrowing amount to $23,000,000, primarily under the existing terms, and extending the expiration date to July 25, 2006. Borrowings under the Agreement are limited to a borrowing base calculation including eligible accounts receivable, inventories, and cash surrender value of the Company's life insurance as defined in the Agreement. As of January 3, 2004, the amount available for borrowing was $23,000,000 of which $18,761,000 was borrowed leaving $4,239,000 of availability. Covenants include, among others, a prohibition on the payment of dividends. At January 3, 2004, the Company was in violation of its earnings covenant for which the Company received a waiver from its lender.

Results of Operations

Comparison of 2003 to 2002

The Company incurred a consolidated loss for 2003 of $.24 per share on a 16 percent sales increase to $98,808,000. This compares to a loss of $.81 per share in the prior year. For the fourth quarter of 2003, the Company had a loss of $1,272,000, or $.21 per share, on a 35 percent increase in sales to $28,504,000. This compares to net income of $17,000, or $.00 per share earned in the fourth quarter of 2002.

Consolidated operating results were significantly impacted by several transactions that were recorded during the year. In the fourth quarter of 2003, the Company recorded charges discussed in the Segment comparisons below totaling $979,000, net of tax, or $.17 per share. Without the charges, losses of $442,000 and $293,000, or $.07 and $.05 per share, were incurred for the year ended and fourth quarter of 2003, respectively. Included in the 2003 other income are $150,000 of non-recurring income received from the sale of the Company's NASDAQ stock symbol, and $119,000 in dividend income received from the Company's life insurance policies, both recorded in the third quarter of 2003.

Consolidated selling, general and administrative expense for 2003 increased $1,956,000 to $12,132,000 compared to 2002 and was 12 percent of sales for both 2003 and 2002. The acquisition of the Rite Industries operations by the Colors Segment accounted for almost all of the dollar increase offset somewhat by cost reductions of personnel and non-critical operating expense items, many of which impacted selling and administrative expense, implemented in the third quarter of 2002.

Comparison of 2002 to 2001

Consolidated sales were down for 2002, decreasing six percent from the same period one year ago, as the Company incurred a loss for 2002 of $.81 per share. This compares to a loss of $.05 per share in the prior year. For the fourth quarter of 2002, the Company had a profit of $17,000 on a 6 percent increase in sales to $21,675,000. This compares to a loss of $457,000 in the last quarter of 2001.

Consolidated operating results for 2002 were significantly impacted by several transactions that were recorded during the year. In the second quarter of 2002, the Company recorded charges discussed in the Segment comparisons below totaling $3,368,000, net of tax, or $.56 per share. The Company sold certain non-operating assets during 2002, including its investments in equity securities, for an after-tax gain of $392,000, or $.07 per share, of which $349,000, or $.06 per share, was recorded in the fourth quarter of 2002.

Consolidated selling, general and administrative expense for 2002 declined $396,000 to $10,176,000 compared to 2001, and was 12 percent of sales for both 2002 and 2001. Beginning in September 2002, cost reductions, including reductions of personnel and non-critical operating expenses, were implemented, many of which impacted selling, general and administrative expense.

Metals Segment-- The following table summarizes operating results and backlogs for the three years indicated. Reference should be made to Note R to the Consolidated Financial Statements.

(Dollar amounts in thousands)	2003 Amount	2003 %	2002 Amount	2002 %	2001 Amount	2001 %
Net sales	**$ 48,674**	**100.0%**	$ 43,364	100.0%	$ 47,343	100.0%
Cost of goods sold	**44,086**	**90.6%**	41,411	95.5%	41,116	86.8%
Gross profit	**4,588**	**9.4%**	1,953	4.5%	6,227	13.2%
Selling and administrative expense	**3,285**	**6.7%**	3,605	8.3%	3,783	8.0%
Operating income (loss)	**$ 1,303**	**2.7%**	$ (1,652)	(3.8%)	$ 2,444	5.2%
Special charges described below						
Write-down of inventories	**$ -**		$ 671		$ -	
Year-end backlog - Piping systems	**$ 6,700**		$ 5,800		$ 3,700	

Comparison of 2003 to 2002 - Metals Segment

Dollar sales increased 12 percent for the year from the same period a year earlier. The increase for the year resulted from 19 percent higher average selling prices partially offset by six percent lower unit volumes. Surcharges paid on stainless steel raw materials increased throughout the year increasing from an average of about $.12 per pound in December 2002 to an average of about $.38 per pound in December 2003. The Segment was able to pass through most of these cost increases, which accounted for most of the increase in selling prices, especially in the fourth quarter. The increase in the year-to-date selling price also resulted from a change in product mix to a higher percentage of higher-margin large diameter pipe, experienced primarily in the second and third quarters of 2003. The combination of higher selling prices and favorable product mix along with cost reductions implemented in the third quarter of 2002 contributed to the significant profit improvement experienced for the year compared to the same period of 2002. While commodity pipe generated operating income for the year, piping systems did not fare as well, incurring losses for the year consistent with 2002. Piping systems' backlog maintained a better than average level throughout the year, ending the year at $6,700,000. However, due to the customers' scheduling requirements for our material, we were unable to get a sufficient amount of work in the shop from the backlog to enable piping systems to operate profitably through the first nine months. The situation improved in the fourth quarter as piping systems was able to generate a modest profit for the quarter.

Selling and administrative expense decreased $320,000, or nine percent, and declined slightly as a percentage of sales compared to 2002 as a result of cost reductions implemented in September of 2002, including reductions of personnel and non-critical operating expense items, many of which impacted selling and administrative expense.

Comparison of 2002 to 2001 - Metals Segment

Dollar sales for 2002 were down eight percent as the result of an 18 percent average decline in sales prices offset by a 12 percent increase in unit volumes. Extremely competitive market conditions, together with a change in product mix, with a lower percentage of sales coming from higher-priced fabricated piping systems, led to the fall in average selling prices. The increase in volume came primarily from the increase in sales of lower-margin smaller diameter commodity pipe. The market conditions, together with the change in product mix had a significant effect on profits as the Segment incurred an operating loss of $981,000 for 2002 compared to operating income of $2,444,000 in 2001. Also contributing to the loss was the recording of a $671,000 charge in the second quarter of 2002 to write down inventory. The Company has historically sold off excess inventory slowly to avoid distressed pricing that would be required to dispose of the excess inventory more quickly. With the price erosion that occurred over the first six months of the year and weak business conditions that existed, excess inventories were not reduced as much as planned. Most of the inventory write-down was the result of excess inventories of fittings, flanges and special alloy pipe related to the piping systems business. The unexpectedly low level of new orders impacted piping systems' products to the extent that use of some of this inventory became uncertain. Therefore, excess inventories were written down to reflect management's estimate of the values that could be realized under a plan to scrap, sell or return the excess inventory as quickly as feasible.

Although fabricated piping systems' volume was down for 2002, it improved slightly in the fourth quarter of 2002 compared to the first three quarters of the same year. Management achieved modest success in obtaining non-stainless projects for fabricated piping systems during 2002 with most of the fourth quarter's sales coming from non-stainless projects. However, projects requiring stainless steel pipe, which is provided by the Segment's pipe manufacturing plant, were significantly below prior years' levels. This reduction in volume through the pipe manufacturing plant impacted the absorption of operating costs which also contributed to the lack of profitability by the Segment for the year.

Selling and administrative expense decreased $178,000, or five percent in 2002 compared to the prior year. However, it increased slightly as a percent of sales compared to the prior year as a result of the decline in sales in 2002 compared to 2001. Beginning in September 2002, cost reductions, including reductions of personnel and non-critical operating expense items, were implemented many of which impacted selling and administrative expense. As a result, selling and administrative expense for the fourth quarter of 2002 declined to $717,000 or six percent of sales as compared to $933,000 or nine percent of sales for the same period of the previous year.

Chemicals Group-- The following tables summarize operating results for the three years indicated. Reference should be made to Note R to the Consolidated Financial Statements.

Specialty Chemicals Segment

(Dollar amounts in thousands)	2003 Amount	2003 %	2002 Amount	2002 %	2001 Amount	2001 %
Net sales	**$ 24,013**	**100.0%**	$ 22,915	100.0%	$ 20,626	100.0%
Cost of goods sold	**20,569**	**85.7%**	19,426	84.8%	18,796	91.1%
Gross profit	**3,444**	**14.3%**	3,489	15.2%	1,830	8.9%
Selling and administrative expense	**2,709**	**11.3%**	2,786	12.2%	2,573	12.5%
Long-lived asset impairment cost	**-**	**.0%**	481	2.1%	-	
Operating income (loss)	**$ 735**	**3.0%**	$ 222	.9%	$ (743)	(3.6%)
Special charges described below						
Write-down of plant and equipment	**$ -**		$ 481		$ -	

Colors Segment

(Dollar amounts in thousands)	2003 Amount	2003 %	2002 Amount	2002 %	2001 Amount	2001 %

Net sales	**$ 26,121**	**100.0%**	$ 19,182	100.0%	$ 23,135	100.0%
Cost of goods sold	**23,085**	**88.4%**	18,983	99.0%	20,608	89.1%
Gross profit	**3,036**	**11.6%**	199	1.0%	2,527	10.9%
Selling and administrative expense	**5,305**	**21.3%**	3,003	15.7%	3,339	14.4%
Minority interest in loss	**(250)**	**(1.0%)**				
Long-lived asset impairment cost	**681**	**.7%**	1,786	9.3%	-	
Environmental remediation costs	**-**	**.0%**	97	.5%	-	
Operating loss	**$ (2,700)**	**(10.4%)**	$ (4,687)	(24.5%)	$ (812)	(3.5%)

Special charges described below			
Write-down of inventories	**$ 771**	$ 1,800	$ -
Write-down of plant and equipment	**681**	1,786	- -
Environmental remediation costs	**- -**	97	- -

Chemicals Group

(Dollar amounts in thousands)	**2003**		2002		2001	
	Amount	**%**	Amount	%	Amount	%
Net sales	**$ 50,134**	**100.0%**	$ 42,097	100.0%	$ 43,761	100.0%
Cost of goods sold	**43,654**	**87.1%**	38,409	91.2%	39,404	90.0%
Gross profit	**6,480**	**12.9%**	3,688	8.8%	4,357	10.0%
Selling and administrative expense	**8,014**	**16.0%**	5,789	13.8%	5,912	13.5%
Minority interest in loss	**(250)**	**(.5%)**				
Long-lived asset impairment and environmental remediation costs	**681**	**1.4%**	2,364	5.6%	-	-
Operating loss	**$ (1,965)**	**(4.0%)**	$ (4,465)	(10.6%)	$ (1,555)	(3.5%)

Comparison of 2003 to 2002- Specialty Chemicals Segment

Sales were up five percent and operating income increased 232 percent for the year from 2002 as both of this Segment's locations ended the year profitable. The large increase in operating income was mostly due to a $481,000 impairment charge taken in 2002 discussed in the comparison of 2002 to 2001 below. The Segment was unable to pass higher operating costs, especially energy costs, to its customers which more than offset additional margin contribution received from the increased sales volume. As a result, the Segment experienced a reduction in gross profits for the year compared to 2002. The Segment has been able to expand production at its Spartanburg location by adding new products, which provides a better opportunity for the location to more evenly absorb manufacturing cost and avoid significant negative manufacturing variances this location has historically experienced. This allowed the location to operate profitably for the year. However, the location continues to have significant swings in profitability from the timing of its contract tolling campaigns as it incurred losses in the first and fourth quarters of 2003, while generating profits in the second and third quarters of 2003.

Selling and administrative expense for 2002 includes the impairment charge discussed below of $481,000. Without the charge, selling and administrative expense declined $77,000 in 2003 compared to the adjusted 2002 total of $2,786,000. Selling and administrative expenses as a percent of sales declined to 11 percent in 2003 compared to 12 percent in 2002. The decline came from cost reductions implemented in the fourth quarter of 2002, including reductions of personnel, many of which impacted selling and administrative expense.

Comparison of 2002 to 2001 - Specialty Chemicals Segment

Sales were up 11 percent for 2002 as compared to 2001 and the Segment had operating profits for 2002 of $222,000, including a $481,000 impairment charge as discussed in the Comparison of 2002 to 2001 - Colors Segment, compared to an operating loss of $743,000 for 2001. The improved performance was experienced at both of the Segment's locations as both operations ended the year profitable. Several factors, including improved business conditions, increases in toll and other contract business compared to the prior year, and cost reductions implemented in the third quarter of 2002, including reductions of personnel and non-critical operating expense items, led to the increase in sales and profits. These factors were most prevalent in the last six months of 2002 as the Segment had $594,000 of operating income compared to an operating loss of $372,000 for the first six months of 2002.

Selling and administrative expense for 2002 totaled $2,786,000 which is $213,000 above the 2001 amount primarily as a result of increased selling expenses from the acquisition of the Dalton, Georgia business in the third quarter of 2001, offset by the cost reductions described above. Selling and administrative expenses as a percent of sales remained consistent at 12 percent for 2002 and 2001.

Comparison of 2003 to 2002 - Colors Segment

Sales increased 36 percent for 2003 from the same period of 2002 reflecting the impact of acquiring certain assets of Rite Industries, Inc. ("Rite") on July 23, 2003. Without the addition of Rite's sales, revenues in the Segment would have decreased 15 percent for 2003 from the same period of 2002 reflecting the continued decline in the textile industry. The acquisition of Rite provides a significant amount of non-textile dye sales, $6,292,000 in 2003, primarily to the paper industry. During a transition period, the Segment reimbursed Rite for part of its operating costs at its plant in High Point, North Carolina where it blended and shipped dyes for the Segment. By the middle of November 2003, production in High Point was discontinued and the blending operation installed in the Segment's Spartanburg plant became fully operational. The Segment incurred significant non-recurring costs transitioning the operations acquired from Rite into the existing Colors business as the transition was more difficult than anticipated. The Segment also incurred $667,000 of bad debt expense for 2003, primarily from accounts receivable write-offs due to the bankruptcy of several customers. The difficult transition performance and accounts receivable write-offs, coupled with the impact from the deteriorated conditions in the textile industry, accounted for the majority of the Segment's significant losses incurred for the year without including the charges recorded for writing down plant, equipment and inventory in both years as discussed below and in the comparison of 2002 to 2001.

As a result of the continuing downward trends in the textile industry producing poor results for this Segment, the Company is downsizing its dye business servicing the textile industry. The Company has entered into an agreement, which is expected to close before the end of March 2004, to sell the Segment's liquid dye business comprised of vat, sulfur, liquid disperse and liquid reactive dyes with annual sales of approximately $4,500,000. Several customers and related products serviced by the Segment's remaining textile dye business have been rationalized. The Segment is reducing staff and eliminating applicable manufacturing and support functions. At 2003 year-end, a $290,000 pretax charge was recorded to write down inventories related to discontinuing affected product lines and $191,000 was recorded to write off impaired plant and equipment utilized by the liquid dye business. The Segment will continue to maintain several specialty dye products to service the textile industry, including the hosiery industry and certain other textile customers with which the Segment has had long-term relationships.

The Segment's pigment business located in Greensboro, North Carolina, experienced a significant downturn in textile business during the last six months of 2003 incurring losses during that period. Although the non-textile portion of the pigment business is growing, it is not expanding fast enough to offset the declining textile business. The reduced volume did not produce sufficient contribution margin to offset operating costs causing the losses. As a result of lost business, mainly from customers closing their operations, the location accumulated excessive inventories with few or no customers available to systematically sell off and or blend off the inventory. As a result, a $481,000 inventory charge was recorded in the fourth quarter of 2003. Also during the fourth quarter of 2003, the Company completed an impairment assessment on the plant and equipment located at Greensboro and based on the results of the assessment, recorded a $490,000 impairment loss. See Note C to the Consolidated Financial Statements.

Selling and administrative expense increased $2,302,000 in 2003 over last year's amount and was 21 percent of sales compared to 16 percent. The increases came from adding sales and administrative personnel from the acquisition of Rite discussed above.

Comparison of 2002 to 2001 - Colors Segment

Sales declined 17 percent in 2002 from 2001 reflecting the continuing contraction of the textile industry. The operating loss for 2002 occurred primarily from the recording of an impairment charge of $1,786,000, described below, an inventory charge of $1,800,000 and an environmental charge of $97,000, all recorded in the second quarter of 2002. The poor sales performance also contributed to the loss, as market conditions continued to be extremely competitive, impacting margins and creating unabsorbed operating costs. The Segment implemented an aggressive inventory reduction program in the first two quarters of 2002 which also impacted profitability. As previously stated, the Company has historically sold off excess inventory slowly to avoid distressed pricing that would be required to dispose of the excess inventory more quickly. With the price erosion that occurred over the first six months of 2002 and weak business conditions that existed, excess inventories were not reduced as much as planned and the inventory charge was recorded.

Sales demand showed limited improvement in the third quarter and first half of the fourth quarter of 2002. In addition, cost reductions implemented at the beginning of September 2002, including reductions of personnel and non-critical operating expense items had a positive impact on the last half of 2002. However, the limited improved sales activity diminished over the last half of the fourth quarter of 2002. The reduced sales volume caused the Segment to incur an operating loss for the fourth quarter of 2002. The loss was disappointing since the Segment had $77,000 of operating profit for the third quarter of 2002 after four consecutive quarters of operating losses. The Segment was able to generate $1,644,000 of cash flow for 2002, resulting primarily from the inventory reduction program.

Selling and administrative expense for 2002 totaled $3,003,000, which was $336,000 below the prior year's amount, primarily as a result of the cost reductions discussed previously. However, selling and administrative expense as a percent of sales was 16 percent which was one percent above the prior year's percentage due to the significant decline in sales.

The Spartanburg plant, which includes the Colors Segment dye business and part of the Specialty Chemicals Segment's operations, was substantially underutilized and generated operating losses in 2002, primarily because of deteriorating market conditions. The Segments were able to minimize the operating losses for these operations through the first quarter of 2002, and 2002 business plans for this facility anticipated positive cash flows for these operations going forward. Although the Colors Segment experienced a significant decline of textile dye sales in the first quarter of 2002, management believed that this situation was temporary and seasonal and would not continue. There were indications that conditions should improve in the near term, such as increases in month-to-month sales and sales order activity. Based on historical results and management's projections, the operations were expected to generate positive cash flows and did not support a write down at the end of the first quarter of 2002. Although conditions improved slightly during the second quarter, there were sufficient new indications, including the unexpected loss of anticipated dye business, increases in pricing pressure from competitors, and reductions in expected revenues in the Specialty Chemicals Segment's tolling business, to require management to revise its projections to better reflect what management believed were current market conditions. After completing an analysis of the businesses, evaluations of the plant and equipment values at the site, completing projected cash flow calculations, and exploring other options that were available, it became apparent that the facility could not adequately recover costs related to the facility under current business conditions. Accordingly, an impairment charge of $2,267,000, $1,786,000 related to the Colors Segment and $481,000 to the Specialty Chemicals Segment, was recorded in the second quarter of 2002 to write down the plant and equipment reflecting the undiscounted cash flow assessments.

For information related to environmental matters, see Note I to the Consolidated Financial Statements.

Unallocated Income and Expense

Reference should be made to Note R to the Consolidated Financial Statements for the schedule that includes these items.

Comparison of 2003 to 2002 - Corporate

Corporate expense increased $51,000, or seven percent to $833,000 for 2003 compared to 2002. The increase resulted primarily from an increase in directors' fees and expenses. In 2003, the Company began paying the directors' retainer fees by issuing shares of its common stock, and issued 25,000 shares expensing $103,000 as retainer fees compared to $66,000 paid and expensed in 2002. Other expense, net in 2003 included $150,000 of non-recurring income received from the sale of the Company's NASDAQ stock symbol, and $119,000 in dividend income received from the Company's life insurance policies, both recorded in the third quarter of 2003. Other expense, net in 2002 included the sale of certain non-operating assets, including its investment in a foreign corporation, for a pre-tax gain of $605,000. Interest expense in 2003 increased $150,000 from last year from increases in borrowings under the lines of credit with a lender.

Comparison of 2002 to 2001 - Corporate

Corporate expense declined $94,000, or 11 percent to $783,000 for 2002 compared to 2001. The decline resulted primarily from cost reductions implemented at the beginning of September 2002, including reductions of personnel and non-critical operating expense items. Other expense, net in 2002 declined $291,000 from 2001's total. The Company sold certain non-operating assets during 2002, including its investment in a foreign corporation, for pre-tax gains of $605,000. In 2001 the Company recognized gains from the sale of its Whiting plant in Camden, South Carolina of $143,000 and $68,000 from the partial sale of one of its investments. Interest expense in 2002 decreased $72,000 compared to 2001 from decreases in borrowings under the lines of credit with a lender. Interest income decreased $183,000 primarily from interest received in 2001 under a Metals Segment's contract with a customer.

Current Conditions and Outlook

Metals Segment's dollar sales increased 23 percent for the fourth quarter of 2003 from the same period a year earlier. The increase for the quarter resulted from eight percent higher average selling prices coupled with nine percent higher unit volumes. The Segment has been able to pass through most of the surcharge cost increases as discussed above, which accounted for most of the increase in selling prices in the fourth quarter. Piping systems' work through the shop improved significantly in the fourth quarter of 2003, allowing it to generate a modest profit for the quarter. The combination of piping systems' profitability and higher unit volumes and selling prices in commodity pipe contributed to the significant profit improvement experienced in the fourth quarter of 2003 compared to the same quarter of 2002. This Segment is tied very closely to domestic capital spending. Although market conditions in this Segment continue to be very competitive, sales activity, pricing and unit volumes for commodity pipe have improved over the past several months, consistent with an apparent improvement in the construction industry. Management is optimistic about the current conditions that exist in the commodity pipe market. If piping systems can continue to generate sufficient volume through its operations and the construction sector continues to improve, management believes this Segment has a good chance to continue to operate profitably in 2004, especially in the first six months, but there can be no assurance that this will occur.

Specialty Chemicals Segment's sales increased three percent for the fourth quarter of 2003 from the same period of 2002. However, operating income declined 90 percent. The increase in sales for the fourth quarter of 2003 compared to the same period last year came from the Cleveland location. The Spartanburg location experienced a decline in

fourth quarter of 2003 sales from the timing of several contract campaigns. The campaigns were completed by the end of the third quarter of 2003 compared to their running into the fourth quarter during 2002, causing declines in sales and profits for the 2003 fourth quarter compared to the 2002 quarter. The Segment has been able to expand production in Spartanburg by adding new products, which should help to reduce the significant swings in quarterly profits and losses historically experienced at this location. Management is encouraged by the performance of this Segment and believes it is positioned to continue to grow from new product opportunities. This Segment's business tends to be impacted by general economic conditions. Assuming no significant downturn in the general economy, management feels this Segment has a good chance to continue to operate profitably in 2004, especially in the first six months, but there can be no assurance that this will occur.

Colors Segment sales increased 116 percent for the fourth quarter of 2003 from the same period of 2002 reflecting the impact of acquiring the Rite assets. Without the addition of Rite's sales, revenues in the segment would have decreased slightly for the 2003 quarter from the same period of the prior year. The Segment incurred $475,000 of bad debt expense for the fourth quarter of 2003, primarily from accounts receivable write-offs due to the bankruptcy of several customers. The difficult transition performance up through November of 2003 and accounts receivable write-offs, coupled with the impact of the deteriorated conditions in the textile industry, resulted in the Segment incurring significant losses in the fourth quarter without including the charges recorded for writing down plant, equipment and inventory. The Company's color business has always been primarily dependent on the domestic textile industry. It has proven to be impossible to avoid the fallout from the well-chronicled decline of this industry resulting from cheap imports. Management believes the downsizing of the textile portion of this Segment's business will reduce its exposure to the inventory valuation and accounts receivable collection problems that have contributed to the operating losses incurred by this Segment. Management believes that by focusing on the non-textile dye business acquired from Rite and the non-textile pigment business, the Segment has the potential to operate profitably going forward, but there can be assurance that this will occur.

Forward-Looking Statements

This Annual Report on Form 10-K includes and incorporates by reference "forward-looking statements" within the meaning of the securities laws. All statements that are not historical facts are "forward looking statements." The words "estimate," "project," "intend," "expect," "believe," "anticipate," "plan" and similar expressions identify forward-looking statements. The forward-looking statements are subject to certain risks and uncertainties, including without limitation those identified below, which could cause actual results to differ materially from historical results or those anticipated. Readers are cautioned not to place undue reliance on these forward looking statements. The following factors could cause actual results to differ materially from historical results or those anticipated: adverse economic conditions, the impact of competitive products and pricing, product demand and acceptance risks, raw material and other increased costs, customer delays or difficulties in the production of products, unavailability of debt financing on acceptable terms and exposure to increased market interest rate risk, inability to comply with covenants and ratios required by our debt financing arrangements and other risks detailed from time-to-time in Synalloy's Securities and Exchange Commission filings. Synalloy Corporation assumes no obligation to update the information included in this Annual Report on Form 10-K.

Item 7a Quantitative and Qualitative Disclosures About Market Risks

The Company is exposed to market risks from adverse changes in interest rates. In this regard, changes in U. S. interest rates affect the interest earned on the Company's cash and cash equivalents as well as interest paid on its indebtedness. As a policy, the Company does not engage in speculative or leveraged transactions, nor does it hold or issue financial instruments for trading purposes. The Company is exposed to changes in interest rates primarily as a result of its borrowing activities used to maintain liquidity and fund business operations. There have been no significant changes in the Company's risk exposures from the prior year.

Fair value of the Company's debt obligations, which approximated the recorded value, consisted of:

At January 3, 2004

$18,761,000 under a $23,000,000 line of credit expiring July 25, 2006 with an average variable interest rate of 3.82 percent.

At December 28, 2002

$13,863,000 ($3,863,000 classified as current) under a $19,000,000 line of credit expiring July 25, 2004 with an average variable interest rate of 5.41 percent.

Item 8 Financial Statements and Supplementary Data

The Company's consolidated financial statements, related notes, report of management and report of the independent auditors follow on subsequent pages of this report.

Consolidated Statements of Operations

Years ended January 3, 2004, December 28, 2002 and December 29, 2001	**2003**	2002	2001
Net sales	**$ 98,808,441**	$ 85,461,394	$ 91,103,968
Cost of sales	**87,740,452**	79,820,103	80,520,104
Gross profit	**11,067,989**	5,641,291	10,583,864
Selling, general and administrative expense	**12,131,785**	10,176,414	10,572,009
Long-lived asset impairment and environmental remediation costs (Note C)	**680,850**	2,364,643	-
Operating (loss) income	**(1,744,646)**	(6,899,766)	11,885
Other (income) and expense			
Interest expense	**996,003**	846,188	918,035
Other, net	**(340,001)**	(29,277)	(203,677)
Gain on sale of investments and assets	**-**	(605,061)	(211,369)
Loss before taxes	**(2,400,648)**	(7,111,616)	(491,134)
Minority interest in loss of subsidiary	**(250,000)**	-	-
Benefit from income taxes	**(730,000)**	(2,504,000)	(173,000)
Loss before cumulative effect of a change in accounting principle	**(1,420,648)**	(4,607,616)	(318,134)
Cumulative effect, net of income tax of $127,000, of a change in accounting principle (Note B)	**-**	(235,473)	-
Net loss	**$ (1,420,648)**	$ (4,843,089)	$ (318,134)
Net loss per basic and diluted common share:			
Loss before cumulative effect of a change in accounting principle	**($.24)**	($.77)	($.05)
Cumulative effect of a change in accounting principle (Note B)	**-**	($.04)	-
Net loss	**($.24)**	($.81)	($.05)

Consolidated Balance Sheets

Years ended January 3, 2004, December 28, 2002 and December 29, 2001	2003	2002	2001
Assets			
Current assets			
Cash and cash equivalents	**$ 2,110**	$ 48,656	$ 4,989
Accounts receivable, less allowance for doubtful accounts of $323,000, $1,248,000 and $1,128,000, respectively	**15,545,238**	11,424,904	11,337,899
Inventories			
Raw materials	**10,504,072**	7,053,787	7,101,443
Work-in-process	**4,641,392**	3,586,785	3,556,472
Finished goods	**8,973,810**	9,113,902	14,682,330
Total inventories	**24,119,274**	19,754,474	25,340,245
Deferred income taxes (Note M)	**172,000**	479,000	325,000
Prepaid expenses and other current assets	**346,736**	541,696	1,068,099
Income tax receivable	**-**	1,342,435	86,831
Total current assets	**40,185,358**	33,591,165	38,163,063
Cash value of life insurance	**2,467,457**	2,381,299	2,344,139
Investments (Note D)	**-**	-	885,194
Property, plant and equipment, net (Note E)	**19,563,499**	21,206,419	25,500,074
Deferred charges, net and other assets (Note F)	**2,708,720**	2,787,336	2,953,348
Total assets	**$ 64,925,034**	$ 59,966,219	$ 69,845,818

Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable	**$ 8,448,757**	$ 7,039,179	$ 6,425,074
Accrued expenses (Note H)	**2,374,062**	1,612,794	1,987,310
Current portion of environmental reserves (Note I)	**656,254**	1,016,454	1,423,959
Current portion of long-term debt (Note G)	**-**	3,863,088	7,186,000
Total current liabilities	**11,479,073**	13,531,515	17,022,343
Long-term debt, less current portion (Note G)	**18,761,415**	10,000,000	10,000,000
Environmental reserves (Note I)	**188,249**	567,696	1,361,005
Deferred compensation (Note J)	**543,975**	814,662	1,074,644
Deferred income taxes (Note M)	**1,396,000**	1,178,000	1,439,000
Shareholders' equity (Notes G, K and L)			
Common stock, par value $1 per share - authorized 12,000,000; issued 8,000,000 shares	**8,000,000**	8,000,000	8,000,000
Capital in excess of par value	**- -**	9,491	9,491
Retained earnings	**41,433,837**	42,952,216	47,795,305
Accumulated other comprehensive income	**-**	-	231,391
	49,433,837	50,961,707	56,036,187
Less cost of common stock in treasury: 2,010,696, 2,035,696 and 2,035,696 respectively	**16,877,515**	17,087,361	17,087,361
Total shareholders' equity	**32,556,322**	33,874,346	38,948,826
Total liabilities and shareholders' equity	**$ 64,925,034**	$ 59,966,219	$ 69,845,818

Consolidated Statements of Shareholders' Equity

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income	Cost of Common Stock in Treasury	Total
Balance at December 30, 2000	$ 8,000,000	$ 9,491	$49,008,090	$ 242,251	$(17,087,003)	$40,172,829
Comprehensive income:						
Net loss			(318,134)			(318,134)
Other comprehensive loss, net of tax (Notes A and D)				(10,860)		(10,860)
Comprehensive loss						(328,994)
Purchase of common stock for treasury					(358)	(358)
Cash dividends - $.15 per share			(894,651)			(894,651)
Balance at December 29, 2001	8,000,000	9,491	47,795,305	231,391	(17,087,361)	38,948,826
Comprehensive income:						
Net loss			(4,843,089)			(4,843,089)
Other comprehensive loss, net of tax (Notes A and D)				(231,391)		(231,391)
Comprehensive loss						(5,074,480)
Balance at December 28, 2002	8,000,000	9,491	42,952,216	-	(17,087,361)	33,874,346
Net loss			(1,420,648)			(1,420,648)
Issuance of common stock from the treasury		(9,491)	(97,731)		209,846	102,624
Balance at January 3, 2004	**$ 8,000,000**	**$ -**	**$41,433,837**	**$ -**	**$(16,877,515)**	**$32,556,322**

See accompanying notes to financial statements

Consolidated Statements of Cash Flows

	2003	2002	2001
Operating activities			
Net loss	**$ (1,420,648)**	$ (4,843,089)	$ (318,134)
Adjustments to reconcile net loss to cash provided by operating activities:			
Depreciation expense	**2,692,082**	3,183,971	3,009,269
Amortization of deferred charges	**380,016**	195,610	369,093
Deferred compensation	**(270,687)**	(259,982)	(278,600)
Deferred income taxes	**(730,000)**	(290,000)	509,408
Provision for losses on accounts receivable	**724,799**	521,639	72,810
Provision for write-down of inventories	**771,000**	2,470,565	- -
Provision for write-down of plant and equipment	**680,850**	2,267,643	- -
(Gain) loss on sale of property, plant and equipment	**(8,886)**	62,390	(171,203)
Cash value of life insurance	**(86,158)**	(37,160)	(99,400)
Environmental reserves	**(739,647)**	(1,200,814)	(526,736)
Minority interest in operations of subsidiary	**(250,000)**	- -	- -
Issuance of treasury stock for director fees	**102,624**	- -	- -
Write-off of goodwill	**- -**	362,473	- -
Gain on sale of investments	**- -**	(605,061)	(67,934)
Changes in operating assets and liabilities:			
Accounts receivable	**(4,845,133)**	(608,644)	2,904,451
Inventories	**(5,135,800)**	3,115,206	5,006,900
Other assets	**(453,130)**	(45,810)	382,642
Accounts payable	**1,409,578**	614,105	311,964
Accrued expenses	**761,007**	(374,516)	(1,198,769)
Income taxes payable	**2,597,696**	(1,255,604)	189,351
Net cash (used in) provided by operating activities	**(3,820,437)**	3,272,922	10,095,112
Investing activities			
Purchases of property, plant and equipment	**(2,008,506)**	(2,152,086)	(6,436,972)
Proceeds from sale of property, plant and equipment	**487,380**	949,389	832,319
Decrease in notes receivable	**346,690**	365,175	26,053
Proceeds from sale of investment in subsidiary	**250,000**	- -	- -
Acquisitions, net of cash	**(200,000)**	- -	(2,818,399)
Proceeds from sale of investment	**-**	931,179	245,418
Net cash (used in) provided by investing activities	**(1,124,436)**	93,657	(8,151,581)
Financing activities			
Proceeds from (payments on) revolving lines of credit	**4,898,327**	(3,322,912)	(1,044,000)
Dividends paid	**- -**	- -	(894,651)
Purchases of treasury stock	**-**	-	(358)
Net cash provided (used in) by financing activities	**4,898,327**	(3,322,912)	(1,939,009)
(Decrease) increase in cash and cash equivalents	**(46,546)**	43,667	4,522
Cash and cash equivalents at beginning of year	**48,656**	4,989	467
Cash and cash equivalents at end of year	**$ 2,110**	$ 48,656	$ 4,989

See accompanying notes to financial statements

Notes to Consolidated Financial Statements

Note A Summary of Significant Accounting Policies

Principles of Consolidation. The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned except Blackman Uhler, LLC which is 75 percent owned by the Company (see Note Q). All significant intercompany transactions have been eliminated.

Reclassification. For comparative purposes, certain amounts in the 2001 financial statements have been reclassified to conform with the 2003 and 2002 presentation.

Use of Estimates. The preparation of the financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Accounting Period. The Company's fiscal year is the 52- or 53-week period ending the Saturday nearest to December 31. Fiscal year 2003 ended on January 3, 2004, fiscal year 2002 ended on December 28, 2002 and 2001 ended on December 29, 2001. The 2003 fiscal year included 53 weeks and 2002 and 2001 fiscal years included 52 weeks.

Revenue Recognition. Revenue from product sales is recognized at the time ownership of goods transfers to the customer and the earnings process is complete. Shipping costs of approximately $2,252,000, $1,803,000 and $1,640,000 in 2003, 2002 and 2001, respectively, are recorded as a reduction of sales.

Inventories. Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out (FIFO) method. The Company writes down its inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and current market conditions.

Long-Lived Assets. Property, plant and equipment are stated at cost. Depreciation is provided on the straight-line method over the estimated useful life of the assets.

The costs of software licenses are amortized over five years using the straight-line method. Debt expenses are amortized over the periods of the underlying debt agreements using the straight-line method.

Intangibles arising from acquisitions represent the excess of cost over fair value of net assets of businesses acquired. In June 2001, the FASB issued Statement of Financial

Accounting Standards ("SFAS") No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." Under the new rules, goodwill and indefinite lived intangible assets are no longer amortized but are reviewed annually for impairment. Separate intangible assets that are not deemed to have an indefinite life are amortized over their useful lives. The amortization provisions of SFAS No. 142 apply to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill, recorded in the Specialty Chemicals Segment's assets, and intangible assets acquired prior to July 1, 2001, the Company has applied the new accounting rules beginning December 30, 2001. Application of the non amortization provisions of the statement resulted in an increase in net income of $110,000 or $.02 per share in 2003 and 2002, and would have impacted 2001 by the same amounts.

The Company continually reviews the recoverability of the carrying value of long-lived assets. The Company also reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable. When the future undiscounted cash flows of the operation to which the assets relate do not exceed the carrying value of the asset, the assets are written down to fair value.

Cash Equivalents. The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Concentrations of Credit Risk. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of trade accounts receivable and cash surrender value of life insurance.

Accounts receivable from the sale of products are recorded at net realizable value and the Company grants credit to customers on an unsecured basis. Substantially all of the Company's accounts receivable are due from companies located throughout the United States. The Company provides an allowance for doubtful collections that is based upon a review of outstanding receivables, historical collection information and existing economic conditions. The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral. Receivables are generally due within 30 to 45 days. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

The cash surrender value of life insurance is the contractual amount on policies maintained with one insurance company. The Company performs a periodic evaluation of the relative credit standing of this company as it relates to the insurance industry.

Research and Development Expense. The Company incurred research and development expense of approximately $457,000, $524,000 and $701,000 in 2003, 2002 and 2001, respectively.

Fair Value of Financial Instruments. The carrying amounts reported in the balance sheet for cash and cash equivalents, cash surrender value of life insurance, investments and borrowings under the Company's short-term line of credit and long-term debt approximate their fair values.

Stock Options. The Company accounts for stock options under Accounting Principles Board Opinion 25, "Accounting for Stock Issued to Employees." See Note L.

In December 2002, the FASB issued Statement No. 148 (SFAS No. 148), "Accounting for Stock-Based Compensation-Transition and Disclosure." SFAS No. 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS No. 148 is effective for financial statements for fiscal years ending after December 15, 2002. The Company adopted the disclosure requirements of this Statement in 2002.

Comprehensive Income. Comprehensive income is comprised of net income plus other comprehensive income which, under existing accounting standards, consists of unrealized gains and losses on certain investments in equity securities. Comprehensive income is reported by the Company in the Consolidated Statements of Shareholders' Equity.

Variable Interest Entities. In January 2003, the FASB released Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"). FIN 46 requires that all primary beneficiaries of Variable Interest Entities (VIE) consolidate that entity. FIN 46 is effective immediately for VIEs created or acquired after January 31, 2003. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a VIE it acquired before February 1, 2003. The Company has determined that it has not created or modified any relationships or contracts since February 1, 2003 that could result in potential VIEs and did not identify any relationships that existed prior to February 1, 2003 that could potentially be classified as a VIE. As a result, there was no impact on the Company's financial statements in 2003.

Note B Change in Accounting Principle

In accordance with SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets" ("the Statements"), goodwill and intangible assets deemed to have indefinite lives are no longer amortized but are subject to annual impairment tests. Impairment assessments were performed at the end of the second quarter of 2002 on goodwill recorded at each of the operating entities. The assessment resulted in an impairment charge of $362,000 of goodwill, $201,000 in the Metals Segment and $161,000 in the Colors Segment. The write-down was recorded as a one-time after-tax charge of $235,000, or $.04 per share, which was recorded as a restatement in the first quarter of 2002 reflecting the cumulative effect of a change in accounting principle. The impairment assessment was updated through 2003 year-end on the remaining goodwill related to the acquisition of Manufacturers Chemicals and no further write-down was considered necessary.

Note C Special Charges

Accounting For The Impairment Of Long-lived Assets . In August 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, effective for fiscal years beginning after December 15, 2001. During the fourth quarter of 2003, the Company completed an impairment assessment on the plant and equipment located at Greensboro, North Carolina. Pigment sales to the textile industry out of the Greensboro plant have declined, especially in the last six months of 2003 and as a result the plant has become underutilized generating operating losses over the last six months of 2003, primarily because of deteriorating market conditions in the textile industry. After completing an analysis of the business at the site and exploring other options that were available, it became apparent that the facility could not adequately recover the fixed costs related to the facility under current business conditions. This resulted in the recording of a $490,000 impairment loss in the fourth quarter of 2003 on the plant and equipment. The impairment loss was calculated based on the excess of the carrying amount of the long-lived assets over their fair value. Management utilized its best estimate to determine fair values including market conditions, experience in acquiring and disposing of similar plant and equipment, and estimates of future cash flows, to test for recoverability of the long-lived assets. During the second quarter of 2002, the Company completed an impairment assessment on the plant and equipment located at Spartanburg, South Carolina. The Spartanburg plant was substantially underutilized and generating operating losses, primarily because of deteriorating market conditions. The Company began experiencing certain indications that the operations at this site were deteriorating further, including the unexpected loss of anticipated dye business, increases in pricing pressure from competitors, and reductions in expected revenues in the specialty chemical tolling business. As a result, the Company revised its business plans and projections to better reflect what management believed were current market conditions. After completing an analysis of the business at the site and exploring other options that were available, it became apparent that the facility could not adequately recover the fixed costs related to the facility under current business conditions. This resulted in the recording in the second quarter of 2002 of a $2,267,000 impairment loss on the plant and equipment, $1,786,000 related to the Colors Segment and $481,000 to the Specialty Chemicals Segment. The impairment loss was calculated as described above. The impairment assessments at Spartanburg were updated through the 2003 year-end which resulted in the recording of an additional write-down of $191,000 in the fourth quarter of 2003 against plant and equipment utilized by the Colors Segment's liquid dye business, which is currently being sold (see below).

Other Special Charges. As a result of the continuing downward trends in the textile industry and poor financial performance of the Colors Segment, the Company began at the end of the fourth quarter of 2003 downsizing its dye business servicing the textile industry. The Company has entered into an agreement, which is expected to close before the end of March 2004, to sell the Segment's liquid dye business composed of vat, sulfur, liquid disperse and liquid reactive dyes with annual sales of approximately $4,500,000. Several customers and related products serviced by the Segment's remaining textile dye business have been rationalized. In the fourth quarter of 2003, a $290,000 inventory charge was recorded to cost of goods sold to write down inventories related to discontinuing affected product lines. As discussed above, the Colors Segment's pigment business located in Greensboro, North Carolina, experienced a significant downturn in textile business during the last six months of 2003. As a result of lost business, mainly from

customers closing their operations, the location accumulated excessive inventories with few or no customers available to systematically sell or blend off the inventory. As a result a $481,000 inventory charge was recorded to cost of goods sold in the fourth quarter of 2003. In the second quarter of 2002 inventory charges of $2,471,000 were recorded to cost of goods sold, $1,800,000 for the Colors Segment and $671,000 for the Metals Segment. The Company has historically sold off excess inventory slowly to avoid distressed pricing that would be required to dispose of the excess inventory more quickly. With the price erosion that occurred over the first six months of 2002 and weak business conditions that existed, excess inventories were not reduced as much as planned. Therefore, excess inventories were written down to reflect management's estimate of the market values. As further discussed in Note I, a $97,000 environmental charge was accrued in the second quarter of 2002 in the Colors Segment to provide for a proposed settlement of a claim related to shipment of waste to an outside waste disposal site during the 1980s.

Note D Investments in Equity Securities

During 2002, the Company sold its investment in Ta Chen International Corp. for $701,000, realizing a pretax gain of $418,000. The Company also sold the remaining shares of its investment in SpanAmerica for $285,000, realizing a pretax gain of $87,000.

During 2001, the Company received $245,000 from the sale of a portion of its SpanAmerica investment, realizing a pre-tax gain of $68,000.

Investments in equity securities consisted of the following:

	Fair Value of Investment	Unrealized Appreciation	Other Comprehensive Income, Net	Deferred Income Taxes
2001	$ 885,194	$ 356,391	$ 231,391	$ 125,000

The unrealized appreciation of the investments were recorded as other comprehensive income included in shareholders' equity, net of deferred income taxes.

All the Company's investments were classified as available for sale.

Note E Property, Plant and Equipment

Property, plant and equipment consist of the following:

	2003	2002	2001
Land	**$ 406,868**	$ 406,868	$ 458,720
Land improvements	**957,218**	953,390	970,900
Buildings	**13,916,819**	14,227,581	16,896,378
Machinery, fixtures and equipment	**40,404,271**	40,855,133	42,656,337
Construction-in-progress	**839,171**	283,739	1,139,734
	56,524,347	56,726,711	62,122,069
Less accumulated depreciation	**36,960,848**	35,520,292	36,621,995
Total property, plant and equipment	**$ 19,563,499**	$ 21,206,419	$ 25,500,074

Note F Deferred Charges

Deferred charges consist of the following:

	2003	2002	2001
Goodwill	**$ 2,050,559**	$ 2,050,559	$ 2,843,965
Product license agreements	**150,000**	150,000	169,057
Debt expense	**763,285**	473,285	-
Other	**68,402**	-	-
	3,032,246	2,673,844	3,013,022
Less accumulated amortization	**1,196,690**	816,674	1,251,868
	$ 1,835,556	$ 1,857,170	$ 1,761,154

Note G Line of Credit

On July 26, 2002, the Company entered into a new Credit Agreement with a new lender to provide a $19,000,000 line of credit expiring on July 25, 2004, and refinanced the Company's notes payable and long-term debt replacing the existing bank indebtedness. On July 24, 2003, the agreement was amended, increasing the borrowing amount to $23,000,000, primarily under the existing terms, and extending the expiration date to July 25, 2006. Current interest rates are prime plus .25 percent or LIBOR plus 2.75 percent, and can vary based on EBITDA performance from prime to prime plus .75 percent and LIBOR plus 2.50 percent to LIBOR plus 3.25 percent. The Company has the option of electing to borrow portions of the outstanding loan balance under the LIBOR plus 2.50 rate, and has had $10,000,000 subject to that rate since July 28, 2003. The rates at January 3, 2004 were 4.0 percent for borrowings based on the prime rate, and 3.6631 percent for borrowings based on the LIBOR rate. Borrowings under the Agreement are limited to a borrowing base calculation including eligible accounts receivable, inventories, and cash surrender value of the Company's life insurance as defined in the Agreement. As of January 3, 2004, the amount available for borrowing was $23,000,000 of which $18,761,000 was borrowed leaving $4,239,000 of availability.

Borrowings under the Credit Agreement are collateralized by accounts receivable, inventory, cash surrender value of life insurance and the equipment located at the Manufacturers Chemicals and Bristol Metals plants. Covenants include, among others, maintaining certain EBITDA and tangible net worth amounts, and prohibit the payment of dividends.

Average borrowings outstanding during fiscal 2003, 2002 and 2001 were $14,923,000, $14,178,000 and $14,966,000 with weighted average interest rates of 3.82 percent, 5.41 percent and 5.47 percent, respectively. The Company made interest payments of $747,000 in 2003, $668,000 in 2002 and $957,000 in 2001. At January 3, 2004, the Company was in violation of its earnings covenant for which the Company received a waiver from the lender.

Note H Accrued Expenses

Accrued expenses consist of the following:

	2003	2002	2001
Salaries, wages and commissions	**$ 569,502**	$ 382,311	$ 634,090
Insurance	**390,533**	319,919	364,406

Interest	**100,387**	141,879	68,621
Pension	**118,339**	124,608	113,138
Taxes, other than income taxes	**190,128**	118,152	402,025
Advances from customers	**597,805**	77,011	23,965
Other accrued items	**407,368**	448,914	381,065
Total accrued expenses	**$ 2,374,062**	$ 1,612,794	$ 1,987,310

Note I Environmental Compliance Costs

At January 3, 2004, the Company has accrued $845,000 in remediation costs which, in management's best estimate, will satisfy anticipated costs of known remediation requirements as outlined below. Expenditures related to costs currently accrued are not discounted to their present values and are expected to be made over the next two to three years. As a result of the evolving nature of the environmental regulations, the difficulty in estimating the extent and remedy of environmental contamination, and the availability and application of technology, the estimated costs for future environmental compliance and remediation are subject to uncertainties and it is not possible to predict the amount or timing of future costs of environmental matters which may subsequently be determined. Subject to the difficulty in estimating future environmental costs, the Company believes that the likelihood of material losses in excess of the amounts recorded is remote.

Prior to 1987, the Company utilized certain products at its chemical facilities that are currently classified as hazardous waste. Testing of the groundwater in the areas of the treatment impoundments at these facilities disclosed the presence of certain contaminants. In addition, several solid waste management units ("SWMUs") at the plant sites have been identified. During 1994, the Company completed a reevaluation of its remediation plans including RCRA Facility Investigations which have been submitted for regulatory approval. In 1998 the Company completed an RCRA Facility Investigation at its Spartanburg plant site, and based on the results, completed a Corrective Measures Study in 2000. A Corrective Measures Plan specifying remediation procedures to be performed was submitted in 2000 for regulatory approval. The Company recorded a special charge of $560,000 in 2000 and has $606,000 accrued at January 3, 2004, to provide for additional estimated future remedial, cleanup and monitoring costs.

At the Augusta plant site, the Company submitted in 2000 results of a Phase II Monitoring Plan for regulatory approval. After receiving approval, a Risk Assessment and Corrective Measures Plan was developed and submitted for regulatory approval. A Closure and Post-Closure Care Plan was submitted and approved in 2001 for the closure of the surface impoundment. Based on the anticipated results of the studies performed at the site, the Company recorded a special charge of $1,148,000 in the fourth quarter of 2000. The Company completed the surface impoundment during 2002, and has $156,000 accrued at January 3, 2004 for additional estimated future remedial, cleanup and monitoring costs.

The Company has identified and evaluated two SWMUs at its plant in Bristol, Tennessee that revealed residual groundwater contamination. An Interim Corrective Measures Plan was submitted for regulatory approval in December 2000 to address the final area of contamination identified. The Company accrued $61,000 in the fourth quarter of 1998 and an additional $57,000 in the fourth quarter of 2000, of which $83,000 remains accrued at January 3, 2004, to provide for estimated future remedial and cleanup costs.

The Company has been designated, along with others, as a potentially responsible party under the Comprehensive Environmental Response, Compensation, and Liability Act, or comparable state statutes, at two waste disposal sites. During 2002, the Company settled its obligation at one of the sites, accruing $97,000 in June 2002. It is impossible to determine the ultimate costs related to the remaining two sites due to several factors such as the unknown magnitude of possible contamination, the unknown timing and extent of the corrective actions which may be required, and the determination of the Company's liability in proportion to other responsible parties. At the present time, the Company does not have sufficient information to form an opinion as to whether it has any liability, or the amount of such liability, if any. However, it is reasonably possible that some liability exists.

The Company does not anticipate any insurance recoveries to offset the environmental remediation costs it has incurred. Due to the uncertainty regarding court and regulatory decisions, and possible future legislation or rulings regarding the environment, many insurers will not cover environmental impairment risks, particularly in the chemical industry. Hence, the Company has been unable to obtain this coverage at an affordable price.

Note J Deferred Compensation

The Company had a deferred compensation agreement with a former officer and current Board of Directors member. Amounts deferred became payable upon retirement of the officer in 2002. Interest accrued on amounts deferred, net of estimated income tax benefits deferred by the Company until payments were made, at rates consistent with other invested retirement funds held by the Company in accordance with the agreement. The Company made a $266,000 payment in 2002. At December 28, 2002, the amount deferred totaled $272,000 and the remaining balance was paid in January 2003.

The Company has deferred compensation agreements with certain former officers providing for payments for ten years in the event of pre-retirement death or the longer of ten years or life beginning at age 65. The present value of such vested future payments, $544,000 at January 3, 2004, has been accrued.

Note K Shareholders' Rights

On February 4, 1999, the Board of Directors adopted a new Shareholders' Rights Plan (the "Plan") to succeed the Shareholders' Rights Plan which expired on March 26, 1999. Under the terms of the Plan, which expires in March 2009, the Company declared a dividend distribution of one right for each outstanding share to holders of record at the close of business on March 26, 1999. Each Right entitles holders to purchase 2/10 of one share of Common Stock at a price of $25.00 per share. Initially, the Rights are not exercisable and will automatically trade with the Common Stock. Each right becomes exercisable only after a person or group acquires more than 15 percent of the Company's Common Stock, or announces a tender or exchange offer for more than 15 percent of the stock. At that time, each right holder, other than the acquiring person or group, may use the Right to purchase $25.00 worth of the Company's Common Stock at one-half of the then market price.

Note L Stock Options

A summary of activity in the Company's stock option plans is as follows:

		Weighted Average Exercise Price	Outstanding	Available
At December 30, 2000	$	11.13	396,250	220,750
Granted	$	6.05	106,000	(106,000)
Exercised	$	-	-	-
Cancelled			(28,750)	28,750
Expired			(30,000)	-
At December 29, 2001	$	9.94	443,500	143,500

Authorized				222,000
Granted	$	4.65	163,500	(163,500)
Exercised	$	-	-	-
Cancelled			(3,750)	3,750
Expired			-	
At December 28, 2002	$	8.52	603,250	205,750
Granted	**$**	**6.12**	**97,000**	**(97,000)**
Exercised	**$**	**-**	**-**	**-**
Cancelled			**(50,250)**	**50,250**
Expired			**(55,500)**	**-**
At January 3, 2004	**$**	**6.16**	**594,500**	**159,000**

The following table summarizes information about stock options outstanding at January 3, 2004:

	Outstanding Stock Options			**Exercisable Stock Options**	
			Weighted Average		
Range of Prices	**Shares**	**Exercise Price**	**Remaining Contractual Life in Years**	**Shares**	**Weighted Average Exercise Price**
$11.88 to $14.83	39,000	$ 12.44	.46	39,000	$ 12.44
$18.88	14,500	$ 18.88	2.32	14,500	$ 18.88
$15.13	82,500	$ 15.13	3.32	82,500	$ 15.13
$13.63	4,500	$ 13.63	4.32	4,500	$ 13.63
$7.28 to $7.75	103,000	$ 7.71	5.37	83,300	$ 7.71
$6.75	4,500	$ 6.75	6.37	4,500	$ 6.75
$5.01 to $6.11	106,000	$ 6.05	7.56	46,000	$ 5.97
$4.65	143,500	$ 4.65	8.31	34,700	$ 4.65
$5.82 to $6.21	97,000	$ 6.12	9.79	-	$ 6.12

The Company grants to non-employee directors, officers and key employees options to purchase common stock of the Company under three Plans adopted in 1988, 1994 and 1998. Options were granted through January 28, 1998 under the 1988 Plan. Under the 1994 Plan options may be granted through April 29, 2004, and through April 30, 2008 under the 1998 Plan at a price not less than the fair value on the date of grant. Under the 1988 and 1998 Plans, options may be exercised beginning one year after date of grant at a rate of 20 percent annually on a cumulative basis. Under the 1994 Non-Employee Directors' Plan, options may be exercised at the date of grant. At the 2003, 2002 and 2001 respective year ends, 309,000, 319,950 and 253,900 shares of the options outstanding were fully exercisable.

The Company has elected to apply the provisions of Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees," (APB No. 25) in the computation of compensation expense. Under APB No. 25's intrinsic value method, compensation expense is determined by computing the excess of the market price of the shares over the exercise price on the measurement date. For the Company's options, the intrinsic value on the measurement date (or grant date) is zero, and no compensation expense is recognized. FASB Statement No. 123 requires the Company to disclose pro forma net income and income per share as if a fair value based accounting method had been used in the computation of compensation expense. The fair value of the options computed under Statement No. 123 would be recognized over the vesting period of the options. The fair value for the Company's options granted subsequent to December 31, 1994 was estimated at the time the options were granted using the Black-Scholes option pricing model with the following weighted-average assumptions for 2003, 2002 and 2001, respectively: risk-free interest rate of five percent; volatility factors of the expected market price of the Company's Common Shares of .676, .694 and .690; an expected life of the option of seven years. The dividend yield used in the calculation was zero percent for 2003 and 2002 and two percent for 2001. The weighted average fair values on the date of grant were $4.22, $3.26 and $3.54 in 2003, 2002 and 2001, respectively. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its options. The effects of applying Statement No. 123 may not be representative of the effects on reported net income in future years.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The following is the pro forma information for 2003, 2002 and 2001:

	2003	2002	2001
Net loss reported	**$ (1,420,648)**	$ (4,843,089)	$ (318,134)
Compensation expense, net of tax	**(127,066)**	(199,370)	(93,076)
Pro forma net loss	**$ (1,547,714)**	$ (5,042,459)	$ (411,210)
Basic and diluted loss per share	**$ (.24)**	$ (.81)	$ (.05)
Compensation expense, net of tax	**(.02)**	(.04)	(.02)
Pro forma basic and diluted loss per share	**$ (.26)**	$ (.85)	$ (.07)

Note M Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax liabilities and assets are as follows at the respective year ends:

2003	2002	2001

	2003	2002	2001
Deferred tax assets:			
Allowance for doubtful accounts	**$ 46**	$ 287	$ 333
Deferred compensation	**196**	296	384
Inventory capitalization	**384**	386	381
Accrued group insurance	**132**	109	122
Environmental reserves	**305**	358	486
NOL carryforward	**822**	- -	- -
Other	**-**	233	41
Total deferred tax assets	**1,885**	1,669	1,747
Deferred tax liabilities:			
Tax over book depreciation	**1,897**	1,831	2,184
Prepaid expenses	**523**	537	552
Other	**689**	-	125
Total deferred tax liabilities	**3,109**	2,368	2,861
Net deferred tax liabilities	**$ (1,224)**	$ (699)	$ (1,114)

Significant components of the provision for income taxes are as follows:

	2003	2002	2001
Current:			
Federal	**$ -**	$ (2,180)	$ (701)
State	**-**	(34)	(22)
Total current	**-**	(2,214)	(723)
Deferred:			
Federal	**(730)**	(286)	534
State	**-**	(4)	16
Total deferred	**(730)**	(290)	550
Total	**$ (730)**	$ (2,504)	$ (173)

The reconciliation of income tax computed at the U. S. federal statutory tax rates to income tax expense is:

	2003		2002		2001	
(Dollar amount in thousands)	**Amount**	%	Amount	%	Amount	%
Tax at U.S. Statutory rates	**$ (731)**	**34.0%**	$ (2,414)	34.0%	$ (167)	34.0%
State income taxes, net of federal tax benefit	**(28)**	**1.4%**	(25)	..3%	(3)	..6%
Other, net	**29**	**(1.4%)**	(65)	.9%	(3)	.6%
Total	**$ (730)**	**34.0%**	$ (2,504)	35.2%	$ (173)	35.2%

Income tax payments of approximately $71,000, $93,000 and $278,000 were made in 2003, 2002 and 2001, respectively. The Company has a Federal net operating loss carryforward (NOL) of $2,526,000 which expires in 2023.

Note N Benefit Plans

The Company has a 401(k) Employee Stock Ownership Plan covering all non-union employees. Employees may contribute to the Plan up to 100 percent of their salary with a maximum of $12,000 for 2003. Contributions by the employees are invested in one or more funds at the direction of the employee; however, employee contributions cannot be invested in Company stock.

Contributions by the Company are made primarily in Synalloy stock. The Company contributes on behalf of each participant who is eligible a matching contribution equal to a percentage which is determined each year by the Board of Directors. For 2003 the maximum was four percent. The matching contribution is allocated bi-monthly. Matching contributions of approximately $331,000, $334,000 and $342,000 were made for 2003, 2002 and 2001, respectively. The Company may also make a discretionary contribution, which shall be distributed to all eligible participants regardless of whether they contribute to the Plan. No discretionary contributions were made to the Plan in 2003, 2002 and 2001.

The Company also contributes to union-sponsored defined contribution retirement plans. Contributions relating to these plans were approximately $276,000, $265,000 and $339,000 for 2003, 2002 and 2001, respectively.

Note O Contingencies

The Company is from time-to-time subject to various claims, other possible legal actions for product liability and other damages, and other matters arising out of the normal conduct of the Company's business. Other than the environmental contingencies discussed in Note I, management believes that based on present information, the likelihood that liability, if any exists, is remote.

Note P Earnings Per Share

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

	2003	2002	2001
Numerator:			
Net loss	**$ (1,420,648)**	$ (4,843,089)	$ (318,134)

Denominator:			
Denominator for basic earnings per share -weighted average shares	**5,976,905**	5,964,304	5,964,336
Effect of dilutive securities:			
Employee stock options	**20,225**	-	538
Denominator for diluted earnings per share	**5,997,130**	5,964,304	5,964,874
Basic loss per share	**$ (.24)**	$ (.81)	$ (.05)
Diluted loss per share	**$ (.24)**	$ (.81)	$ (.05)

The diluted earnings per share calculation excludes the effect of potentially dilutive shares when the inclusion of those shares in the calculation would have an anti-dilutive effect. The Company had 574,275, 603,250 and 437,500 weighted average shares of common stock which were not included in the diluted earnings per share calculation as their effect was anti-dilutive in 2003, 2002 and 2001, respectively.

Note Q Acquisitions

On July 23, 2003 the Company purchased certain assets of Rite Industries. These assets along with Synalloy's existing textile dye business were placed in a newly formed subsidiary of the Company called Blackman Uhler, LLC (BU Colors). The newly formed company is owned 75 percent by the Company with the remaining percentage owned by a group of former Rite Industries executives now associated with BU Colors. The acquisition provides a significant number of customers in the paper and other non-textile industries expanding the Color Segment's non-textile sales base. Total cost of the acquisition was $200,000 and the Company funded the acquisition with available cash. On July 16, 2001, the Company purchased certain assets of Global Chemical Resources, located in Dalton, Georgia. Dalton, which is part of the Specialty Chemicals Segment, manufactures and resells chemical specialties and heavy chemicals and blends and resells dyestuffs to the carpet and rug industries, selected textile mills and the wire drawing industry. Total cost of the acquisition was $2,818,000. The Company funded the acquisition with available cash. Both acquisitions were accounted for by the purchase method of accounting with the purchase price allocated to the underlying assets based on their respective fair values at the date of acquisition. Since both purchase prices were approximately equal to the fair value of the net assets acquired, no goodwill was recorded on either transaction. The Company's consolidated financial statements include the results of both acquisitions from the date of acquisition. Neither acquisition had a material impact on 2003 and 2001 operations, respectively; therefore, no pro forma data has been presented.

Note R Industry Segments

Synalloy Corporation operates in three principal industry segments: metals, colors and specialty chemicals. The Company identifies such segments based on products and services. The Metals Segment consists of Bristol Metals, a wholly-owned subsidiary. The Colors and Chemicals Segments consist of Blackman Uhler Chemical Company, a division of the Company, Manufacturers Chemicals and Organic-Pigments Corporation, wholly-owned subsidiaries, and Blackman Uhler, LLC which is 75 percent owned by the Company.

The Colors Segment manufactures dyes, pigments and auxiliaries primarily for the paper, textile, carpet, flexographic printing, graphic arts and coatings industries. The Specialty Chemicals Segment manufactures a wide variety of specialty chemicals for the textile, carpet, chemical, paper, metals, petroleum and pharmaceutical industries. The Metals Segment manufactures welded stainless steel pipe and highly specialized products, most of which are custom-produced to individual orders, required for corrosive and high-purity processes used principally by the chemical, petrochemical and pulp and paper industries. Products include piping systems, fittings, tanks, pressure vessels and a variety of other components.

Operating profit is total revenue less operating expenses, excluding interest expense and income taxes. Identifiable assets (all of which are in the United States) are those assets used in operations by each segment. Centralized data processing and accounting expenses are allocated to the three Segments based upon estimates of their percentage of usage. Corporate assets consist principally of cash, certain investments, and property and equipment. No single customer or agency (domestic or foreign) accounted for more than ten percent of revenues in 2003, 2002 and 2001.

Segment information:

	2003	2002	2001
Net sales			
Specialties Segment	**$ 24,013**	$ 22,915	$ 20,626
Colors Segment	**26,121**	19,182	23,135
Chemicals Group	**50,134**	42,097	43,761
Metals Segment	**48,674**	43,364	47,343
Total net sales	**$ 98,808**	$ 85,461	$ 91,104
Operating (loss) income			
Specialties Segment	**735**	222	(743)
Colors Segment	**(2,700)**	(4,687)	(812)
Chemicals Group	**(1,965)**	(4,465)	(1,555)
Metals Segment	**1,303**	(1,652)	2,444
	(662)	(6,117)	889
Less unallocated corporate expense	**833**	783	877
Operating (loss) income	**(1,495)**	(6,900)	12
Other expense, net	**656**	212	503
Loss before taxes	**$ (2,151)**	$ (7,112)	$ (491)
Identifiable assets			
Specialties Segment	**$ 16,007**	$ 16,352	$ 16,728
Colors Segment	**14,152**	11,567	20,406
Chemicals Group	**30,159**	27,919	37,134
Metals Segment	**29,472**	25,907	27,124
Corporate	**5,294**	6,140	5,588
	$ 64,925	$ 59,966	$ 69,846
Depreciation and amortization			
Specialties Segment	**$ 818**	$ 884	$ 824
Colors Segment	**278**	616	791
Chemicals Group	**1,096**	1,500	1,615
Metals Segment	**1,329**	1,391	1,395
Corporate	**647**	489	368

	$ 3,072	$ 3,380	$ 3,378
Capital expenditures			
Specialties Segment	**$ 484**	$ 1,259	4,089
Colors Segment	**764**	154	157
Chemicals Group	**1,248**	1,413	4,246
Metals Segment	**697**	378	1,171
Corporate	**64**	361	1,019
	$ 2,009	$ 2,152	$ 6,436
Geographic sales			
United States	**$ 96,226**	$ 83,067	$ 87,298
Elsewhere	**2,582**	2,394	3,806
	$ 98,808	$ 85,461	$ 91,104

Note S Quarterly Results (unaudited)

The following is a summary of quarterly operations for 2003, 2002 and 2001:

(Dollars in thousands, except per share data)	Net Sales	Gross Profit	Net (Loss) Income	Net (Loss) Income Per Common Share Diluted	Basic
2003					
First Quarter	**$ 20,298**	**$ 2,175**	**$ (338)**	**$(.06)**	**$(.06)**
Second Quarter	**24,155**	**3,082**	**185**	**..03**	**..03**
Third Quarter	**25,851**	**3,109**	**4**	**..00**	**..00**
Fourth Quarter	**28,504**	**2,702**	**(1,272)**	**(.21)**	**(.21)**
2002					
First Quarter	$ 20,422	$ 1,585	$ (1,158)	$(.19)	$(.19)
Second Quarter	22,013	(493)	(3,744)	(.63)	(.63)
Third Quarter	21,958	2,681	42	..01	..01
Fourth Quarter	21,068	1,868	17	..00	..00
2001					
First Quarter	$ 25,103	$ 3,600	$ 486	$.08	$.08
Second Quarter	22,605	2,632	(54)	(.01)	(.01)
Third Quarter	22,997	2,617	(293)	(.05)	(.05)
Fourth Quarter	20,399	1,735	(457)	(.08)	(.08)

First quarter Net Income and Per Share numbers for 2002 include a goodwill impairment charge of $235,000 and $.04 per share, respectively.

Report of Management

The accompanying financial statements have been prepared in conformity with U. S. generally accepted accounting principles and the financial statements for the year ended January 3, 2004 have been audited by Dixon Hughes PLLC, Independent Auditors. The financial statements for the years ended December 28, 2002 and December 29, 2001 have been audited by Ernst & Young LLP. Management of the Company assumes responsibility for the accuracy and reliability of the financial statements. In discharging such responsibility, management has established certain standards which are subject to continuous review and are monitored through the Company's financial management. The Board of Directors pursues its oversight role for the financial statements through its Audit Committee which consists of outside directors. The Audit Committee meets on a regular basis with representatives of management and Dixon Hughes PLLC.

Report of Independent Auditors

Shareholders and Board of Directors
Synalloy Corporation

We have audited the accompanying consolidated balance sheet of Synalloy Corporation (a Delaware corporation) and subsidiaries as of January 3, 2004 and the related consolidated statements of operations, shareholders' equity, and cash flows for the year then ended. Our audit also includes the financial statement schedule listed in the index at Item 15(a). These consolidated financial statements and schedule for the year ended January 3, 2004 are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of Synalloy Corporation as of December 28, 2002 and December 29, 2001, were audited by other auditors whose report dated February 21, 2003, expressed an unqualified opinion on those statements.

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

In our opinion, the January 3, 2004, consolidated financial statements referred to above present fairly, in all material respects, the financial position of Synalloy Corporation and subsidiaries as of January 3, 2004, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to the January 3, 2004 basic consolidated financial statements and schedule taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Dixon Hughes PLLC

Charlotte, North Carolina
February 18, 2004

Shareholders and Board of Directors
Synalloy Corporation

We have audited the accompanying consolidated balance sheets of Synalloy Corporation and subsidiaries as of December 28, 2002 and December 29, 2001, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the two years in the period ended December 28, 2002. Our audits also included the financial statement schedule listed in the index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is

to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Synalloy Corporation and subsidiaries at December 28, 2002 and December 29, 2001, and the consolidated results of their operations and their cash flows for each of the two years in the period ended December 28, 2002, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements and schedule taken as a whole, presents fairly in all material respects the information set forth therein.

As described in Note B to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets" in the year ending December 28, 2002.

/s/ Ernst & Young LLP

Greenville, South Carolina
February 21, 2003

Item 9 Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

Ernst & Young LLP ("E&Y"), certified public accountants, which had served as the Company's principal independent accountant since the Company's inception, was dismissed from such position effective September 26, 2003. Auditor's reports issued by E&Y on the Company's financial statements for each of the Company's fiscal years ended December 28, 2002 and December 29, 2001 contained no adverse opinion or disclaimer of opinion, nor was modified as to uncertainty, audit scope, or accounting principles. The decision to change accountants was approved by the Audit Committee of the Board of Directors after a review of the Company's auditing requirements and the cost thereof in light of changes resulting from the Sarbanes-Oxley Act of 2002. During the fiscal years ended December 28, 2002 and December 29, 2001, and the subsequent interim periods preceding the dismissal of E&Y, there were no disagreements with E&Y on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to E&Y's satisfaction, would have caused E&Y to make reference to the subject matter of the disagreement in its reports on the financial statements for such years. None of the kinds of events required to be reported under Item 304(a) (1) (v) of the SEC's Regulation S-K occurred during Company's fiscal years ended December 28, 2002 and December 29, 2001, or the subsequent interim periods preceding the dismissal of E&Y.

Elliott Davis, LLP, certified public accountants, was engaged by the Company on September 26, 2003 to audit the Company's financial statements for the year ending January 3, 2004. During the Company's two most recent fiscal years and the subsequent interim periods prior to engaging Elliott Davis, the Company did not consult Elliott Davis regarding any matter required to be reported under Item 304(a)(2) of the SEC's Regulation S-K. Elliott Davis was subsequently dismissed as the Company's independent auditors, effective December 2, 2003. Elliott Davis did not audit the Company's financial statements and did not issue an opinion on the Company's financial statements. The decision to dismiss Elliott Davis was approved by the Audit Committee of the Board of Directors. From the engagement of Elliott Davis until its dismissal, there were no disagreements with the firm on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to the satisfaction of Elliott Davis, would have caused it to make reference to the subject matter of the disagreement in its reports on the financial statements. None of the kinds of events required to be reported under Item 304(a) (1) (v) of the SEC's Regulation S-K occurred during Company's two most recent fiscal years and the subsequent interim periods preceding the dismissal of Elliott Davis.

The Audit Committee of the Board of Directors of Synalloy Corporation (the "Company") has approved the engagement of Dixon Hughes PLLC, the successor in the merger of its current independent auditors, Crisp Hughes Evans LLP, and the firm of Dixon Odom PLLC, as its independent auditors effective with the successful merger of the two firms. On March 1, 2004, the Audit Committee of the Board of Directors was notified that the merger of the two firms was completed and that the firm of Crisp Hughes Evans LLP ceased to exist. The Company engaged Crisp Hughes Evans LLP on December 2, 2003, as its new Independent public accountants. Crisp Hughes Evans LLP did not audit the Company's consolidated financial statements and has not issued an opinion on the Company's consolidated financial statements. During the period from December 2, 2003 through the merger of Crisp Hughes Evans LLP with Dixon Odom PLLC, there were no disagreements between the Company and Crisp Hughes Evans LLP on any matter of accounting principles or practices, financial statement disclosures, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Crisp Hughes Evans LLP, would have caused it to make reference to the subject matter of the disagreements in connection with its report. During the Company's two most recent fiscal years and the subsequent interim periods prior to engaging Dixon Hughes, the Company did not consult Dixon Hughes regarding any of the matters required to be reported under Item 304(a) (2) of the SEC's Regulation S-K.

Item 9A Controls and Procedures

Based on the evaluation required by 17 C.F.R. Section 240.13a-15(b) or 240.15d-15(b) of the Company's disclosure controls and procedures (as defined in 17 C.F.R. Sections 240.13a-15(e) and 240.15d-15(e)), the Company's chief executive officer and chief financial officer concluded that the effectiveness of such controls and procedures, as of the end of the period covered by this annual report, was adequate.

No disclosure is required under 17 C.F.R. Section 228.308.

PART III

Item 10 Directors and Executive Officers of the Registrant

Incorporated by reference to the information set forth under the captions "Election of Directors," "Executive Officers" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's definitive proxy statement to be used in connection with its Annual Meeting of Shareholder to be held April 29, 2004 (the "Proxy Statement").

Audit Committee Financial Expert. The Company's Board of Directors has determined that the Company has at least one "audit committee financial expert," as that term is defined by Item 401(h) of Regulation S-K promulgated by the Securities and Exchange Commission, serving on its Audit Committee. Mr. Carroll Vinson meets the terms of the definition. Pursuant to the terms of Item 401(h) of Regulation S-K a person who is determined to be an "audit committee financial expert" will not be deemed an expert for any purpose as a result of being designated or identified as an "audit committee financial expert" pursuant to Item 401, and such designation or identification does not impose on such person any duties, obligations or liability that are greater than the duties, obligations or liability imposed on such person as a member of the Audit Committee and Board of Directors in the absence of such designation or identification. Further, the designation or identification of a person as an "audit committee financial expert" pursuant to Item 401 does not affect the duties, obligations or liability of any other member of the Audit Committee or Board of Directors.

Audit Committee. The Company has a separately designated standing Audit Committee of the board of Directors established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The members of the Audit Committee are Carroll D. Vinson, Murray H. Wright and Craig C. Bram.

Code of Ethics. The Company's Board of Directors has adopted a Code of Ethics that applies to the Company's Chief Executive Officer, Vice President, Finance and corporate and divisional controllers. The Code of Ethics is available on the Company's website at: www.synalloy.com. Any amendment to, or waiver from, this Code of Ethics will be posted on the Company's internet site.

Item 11 Executive Compensation

Incorporated by reference to the information set forth under the caption "Remuneration of Directors and Officers" in the Proxy Statement.

Item 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Incorporated by reference to the information set forth under the captions "Beneficial Owners of More Than Five Percent of the Company's Common Stock" and "Security Ownership of Management" in the Proxy Statement.

Equity Compensation Plan Information. The following table sets forth aggregated information as of January 3, 2004 about all of the Company's equity compensation plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a) (c)
Equity compensation plans approved by security holders	594,500	$6.16	159,000
Equity compensation plans not approved by security holders	0	0	0
Total	594,500	$6.16	159,000

At the February 6, 2003 meeting of the Board, the Board determined that for the 12-month period beginning at the 2003 Annual Meeting of Shareholders, each non-employee Director elected to serve would receive 5,000 shares of the Company's stock in lieu of the annual cash retainer and option to purchase 1,500 shares of the Company's stock that had been provided to directors upon election in prior years. On February 5, 2004, the Board determined that for the 12-month period beginning at the 2004 Annual Meeting of Shareholders, each non-employee Director elected to serve will receive a retainer equivalent to $25,000 to be paid in stock, the number of shares to be determined by the stock price on the day prior to the Annual Meeting of Shareholders. The shares granted to the Directors are not registered and are subject to forfeiture in whole or in part upon the occurrence of certain events. The above table does not reflect these shares issued to non-employee directors.

Item 13 Certain Relationships and Related Transactions

None

Item 14 Principal Accountant Fees and Services

Incorporated by reference to the information set forth under the caption "Independent Public Accountants - Fees Paid to Independent Auditors" in the Proxy Statement.

PART IV

Item 15 Exhibits, Financial Statement Schedules and Reports on Form 8-K

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

1. Financial Statements: The following consolidated financial statements of Synalloy Corporation are included in Item 8:

   Consolidated Statements of Operations at January 3, 2004, December 28, 2002 and December 29, 2001

   Consolidated Balance Sheets for the years ended January 3, 2004, December 28, 2002 and December 29, 2001

   Consolidated Statements of Shareholders' Equity for the years ended January 3, 2004, December 28, 2002 and December 29, 2001

   Consolidated Statements of Cash Flows for the years ended January 3, 2004, December 28, 2002 and December 29, 2001

   Notes to Consolidated Financial Statements

2. Financial Statements Schedules: The following consolidated financial statements schedule of Synalloy Corporation is included in Item 15(d).

   Schedule II - Valuation and Qualifying Accounts for the years ended January 3, 2004, December 28, 2002 and December 29, 2001

   All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

3. Listing of Exhibits:

   See "Exhibit Index"

(b.) Reports on Form 8-K: There were three reports on Form 8-K filed during the fourth quarter of the 2003 fiscal year. Form 8-Ks were filed on October 2, 2003 and December 9, 2003 disclosing information pursuant to Item 4. A Form 8-K was filed October 22, 2003 disclosing information pursuant to Item 12.

(c.) Exhibits: The response to this portion of Item 15 is submitted in a separate section of this report.

(d.) Financial Statements Schedules: The response to this portion of Item 15 is submitted as a separate section of this report.

Schedule II Valuation and Qualifying Accounts

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning of Period	Charged to Cost and Expenses	Deductions Describe (1)	Balance at End of Period

Year ended January 3, 2004	-	-	-	-
Deducted from asset account:				
Allowance for doubtful accounts	**$ 1,248,000**	**$ 725,000**	**$1,650,000**	**$ 323,000**
Year ended December 28, 2002	-	-	-	-
Deducted from asset account:				
Allowance for doubtful accounts	$ 1,128,000	$ 522,000	$ 402,000	$ 1,248,000
Year ended December 29, 2001	-	-	-	-
Deducted from asset account:				
Allowance for doubtful accounts	$ 1,056,000	$ 295,000	$ 223,000	$ 1,128,000

(1) Allowances, uncollected accounts and credit balances written off against reserve, net of recoveries.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

By /s/ Ralph Matera Ralph Matera Chief Executive Officer	March 30, 2004 Date
By /s/ Gregory M. Bowie Gregory M. Bowie Chief Financial Officer	March 30, 2004 Date

SYNALLOY CORPORATION
Registrant

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

By /s/ James G. Lane, Jr. James G. Lane, Jr. Chairman of the Board	March 30, 2004 Date
By /s/ Craig C. Bram Craig C. Bram Director	March 30, 2004 Date
By /s/ Sibyl N. Fishburn Sibyl N. Fishburn Director	March 30, 2004 Date
By /s/ Carroll D. Vinson Carroll D. Vinson Director	March 30, 2004 Date
By /s/ Murray H. Wright Murray H. Wright Director	March 30, 2004 Date

Index to Exhibits

Exhibit No. from Item 601 of Regulation S-B	Description
2.1	Purchase Agreement between Synalloy Corporation and Rite Industries, Inc., as amended, incorporated by reference to Registrant's Form 8-K filed August 11, 2003
3.1	Restated Certificate of Incorporation of Registrant, as amended, incorporated by reference to Registrant's Form 10-Q for the period ended March 31, 2001 (the "first quarter 2001 Form 10-Q")
3.2	Bylaws of Registrant, as amended, incorporated by reference to the first quarter 2001 Form 10-Q
4.1	Form of Common Stock Certificate, incorporated by reference to the first quarter 2001 Form 10-Q
4.2	Rights Agreement, dated as of February 4, 1999, as amended May 22, 2000, between registrant and American Stock Transfer and Trust Company, incorporated by reference to exhibits to Registrant's Form 8-K filed May 22, 2000 and Form 8-A filed March 29, 1999, to the first quarter 2001 Form 10-Q
10.1	Synalloy Corporation 1988 Long-Term Incentive Stock Plan, incorporated by reference to the first quarter 2001 Form 10-Q
10.2	Synalloy Corporation Restated 1994 Non-Employee Directors' Stock Option Plan, incorporated by reference to the first quarter 2001 Form 10-Q
10.3	Synalloy Corporation 1998 Long-Term Incentive Stock Plan, incorporated by reference to the first quarter 2001 Form 10-Q
10.8	Registrant's Subsidiary and Divisional Management Incentive Plan, incorporated by reference to the first quarter 2001 Form 10-Q
10.10	Amended Employment Agreement, dated July 25, 2003, between Registrant and Ralph Matera
10.11	Loan and Security Agreement, dated as of July 26, 2002 between Registrant and Foothill Capital Corporation, and related documents, incorporated by reference to the Registrant's Form 10-Q for the period ended June 29, 2002
10.11.1	Amended Loan and Security Agreement, dated as of January 28, 2003 between Registrant and Foothill Capital Corporation

10.12	Amended Loan and Security Agreement, dated as of July 24, 2003 between Registrant and Foothill Capital Corporation
10.13	Amended Loan and Security Agreement, dated as of January 12, 2004 between Registrant and Foothill Capital Corporation
10.14	Amended Salary Continuation Agreement, dated February 6, 2003, between Registrant and Ronald H. Braam
10.15	Amended Employment Agreement, dated November 1, 2003, between Registrant and Ronald H. Braam
21	Subsidiaries of the Registrant
31	Rule 13a-14(a)/15d-14(a) Certifications of Chief Executive Officer and Chief Financial Officer
32	Certifications Pursuant to 18 U.S.C. Section 1350

Synalloy Corporation

Exhibit 21 Subsidiaries of the Registrant

All of the Company's subsidiaries are wholly owned except Blackman Uhler, LLC which is 75 percent owned by the Company. All subsidiaries are included in the Company's consolidated financial statements. The subsidiaries are as follows:

Synalloy Metals, Inc., formerly Bristol Metals, Inc., a Tennessee corporation

Manufacturers Soap and Chemicals Company, a Tennessee corporation

Organic-Pigments Corporation, a North Carolina corporation

Metchem, Inc., a Delaware corporation

Blackman Uhler, LLC, a Delaware limited liability corporation

CERTIFICATIONS **Exhibit 31**

I, Ralph Matera, certify that:

1. I have reviewed this annual report on Form 10-K of Synalloy Corporation;

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 officers 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)) 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;
>
> 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 fourth fiscal quarter 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 officers 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:

> 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: March 30, 2004 /s/ Ralph Matera

Ralph Matera

Chief Executive Officer

I, Gregory M. Bowie, certify that:

1. I have reviewed this annual report on Form 10-K of Synalloy Corporation;

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 officers 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)) 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;

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 fourth fiscal quarter 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 officers 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:

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: March 30, 2004 /s/ Gregory M. Bowie

Gregory M. Bowie

Chief Financial Officer

Exhibit 32

Certifications Pursuant to 18 U.S.C. Section 1350

The undersigned, who are the chief executive officer and the chief financial officer of Synalloy Corporation, each hereby certifies that, to the best of his knowledge, the accompanying Form 10-K of the issuer fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and that information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the issuer.

Date: March 30, 2004

/s/ Ralph Matera

Ralph Matera

Chief Executive Officer

/s/ Gregory M. Bowie

Gregory M. Bowie

Chief Financial Officer

THIS AGREEMENT IS SUBJECT TO ARBITRATION PURSUANT TO S.C.CODE ANN. SECTION 15-48-10 ET SEQ., CODE OF LAWS OF SOUTH CAROLINA, 1976 (AS AMENDED).

IF THE SOUTH CAROLINA UNIFORM ARBITRATION ACT IS DEEMED NOT TO APPLY, THIS AGREEMENT IS SUBJECT TO ARBITRATION PURSUANT TO THE FEDERAL ARBITRATION ACT, TITLE 9, SECTION 1 ET. SEQ., UNITED STATES CODE (AS AMENDED).

AMENDED

EMPLOYMENT AGREEMENT

This Agreement is effective upon its execution by and between Synalloy Corporation, a corporation organized under the laws of the State of Delaware (the "'Corporation"'), and Ralph Matera, a resident of Johnson City, Tennessee (the "'Employee"').

W I T N E S S E T H:

That in consideration of the agreements hereinafter contained, the parties hereto agree as follows:

1. Employment. The Corporation agrees to extend until July 1, 2004, the term of the initial Agreement between Employer and the Employee. The Employee agrees to serve as Chief Executive Officer and President of the Corporation, and Chief Executive Officer of Bristol Metals, L.P., a subsidiary of the Company located in Bristol, Tennessee, and in such other capacities as the Board of Directors of the Corporation (the "'Board"') may designate from time to time. During the term of his employment, the Employee shall devote his full time, attention, skill and efforts to the performance of his duties for the Corporation.

2. Compensation. The Corporation shall pay the Employee during the term of his employment hereunder a base salary of One Hundred Eighty Thousand and 00/100ths Dollars ($180,000.00) per year together with compensation payable as provided in Paragraph 3 below, unless forfeited by the occurrence of any of the events of forfeiture specified in Paragraph 7 below. Salary shall be payable monthly or on a less frequent basis by mutual agreement.

3. Bonus. In addition to the base salary provided for in Paragraph 2 above, for each fiscal year during which Employee serves as Chief Executive Officer of Corporation and provided Employee is in the employ of the Corporation on the last day of such fiscal year (except as provided in paragraphs 5 and 6 hereof), the Employee shall be entitled to a bonus equal to five percent (5%) of "'net income before income taxes"' in excess of ten percent (10%) of average shareholders' equity.

   As used in this Agreement, the term "'net income before income taxes"' shall mean the consolidated net income before income taxes of the Corporation before the bonus-compensation payable under this Agreement and before gains and losses on the sale or other disposition of capital assets. Such net income before income taxes shall be determined by the independent public accountants regularly retained by the Corporation, in accordance with sound accounting principles and consistent with the past accounting practices of the Corporation (except as otherwise expressly provided for herein), within ninety (90) days after the end of its fiscal year (Saturday nearest December 31), and the determination of such accountants shall be final, binding and conclusive upon the parties hereto. The Corporation may at any time or times change or discontinue any or all of its present or future operations, or may close, sell or move any one or more of its plants, facilities or divisions, or may undertake any new or other operations, or may take any and all other steps which the Board, in its exclusive judgment, shall deem advisable or desirable for the Corporation, and if any such action taken by the Corporation or its Board adversely affects net income before income taxes as hereinabove defined, the Employee shall have no claim or recourse by reason of any such action.

4. Vacations. The Employee shall be entitled (each year) to a vacation of four (4) weeks, during which time his compensation shall be paid in full. Said vacation may be taken by the Employee over a consecutive period or in several non-consecutive periods, at the discretion of the Employee.

5. Disability. If because of illness, physical or mental disability, or other incapacity, certified by a physician acceptable to the Corporation, Employee shall fail to render the services provided for by this Agreement, or if Employee contracts an illness or injury, certified by a physician acceptable to the Corporation, which will permanently prevent the performance by him of the services provided for by this Agreement, then the "'base salary"' provided for in Paragraph 2 hereof shall continue during the term of this Agreement, but in no event less than three (3) months, with the bonus-compensation for that fiscal year to be prorated to the date Employee's disability commenced.

6. Death. If the Employee dies during the term of this Agreement, then the "'base salary"' provided for in Paragraph 2 hereof shall continue during the term of this Agreement, but in no event less than three (3) months, which "'base salary"' shall be paid to the estate of Employee, with the bonus-compensation for that fiscal year to be prorated to the date of Employee's death In the event of Employee's death and the termination of this Agreement on the terms of this paragraph, all other obligations of the Corporation under this Agreement shall cease and terminate.

7. Termination for Cause. Nothing in this Agreement shall be construed to prevent the Corporation from terminating Employee's employment hereunder at any time for cause. Fraud, dishonesty, gross negligence, willful misconduct, misappropriation, embezzlement, material violation of any code of conduct adopted by the Board, excessive absences from work (except for reasons of health), entry of any order by the Securities and Exchange Commission pursuant to Section 21C of the Securities Exchange Act of 1934 or Section 8A of the Securities Act of 1933 prohibiting Employee from serving as an officer or director of an issuer that has a class of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934 or that is required to file reports

pursuant to Section 15(d) of that Act, or the like, or any act or omission deemed by the Board to have been disloyal to the Corporation shall constitute cause for termination. Termination for cause pursuant to this paragraph shall not constitute a breach of this Agreement by the Corporation.

8. Covenant Not to Compete. Employee agrees during the term of employment and for a period of one (1) year after his employment terminates for any reason, the Employee will not, without the prior written approval of the Board, become an officer, employee, agent, partner, or director of any business enterprise which competes with the Corporation and its affiliates for customers, orders, supply sources, or contracts in those businesses in which the Corporation and its affiliates were engaged on the date his employment terminated, unless, Employee's activities for such business enterprise are limited in such a way that Employee is not engaged, directly or indirectly, in competition with the Corporation or its affiliates for customers, orders, supply sources or contracts. Employee acknowledges that the Corporation is a leader in the chemical and metals businesses in which it manufactures and has substantial customer relationships throughout the continental United States.

   Employee further agrees that at no time during his employment or thereafter will he divulge, communicate or use to the detriment of the Corporation any of the Corporation's_confidential information, data, trade secrets, sale methods, customer lists, supply sources, or other proprietary information.

9. Severability. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision hereof.`

10. Arbitration. Any controversy or claim arising out of, or relating to this Agreement, or the breach thereof, shall be settled by arbitration in the City of Spartanburg, State of South Carolina, in accordance with the rules then obtaining of the American Arbitration Association, and judgment upon the award rendered may be entered in any Court having jurisdiction thereof.

11. Notices. Any notice required or permitted to be given under this Agreement shall be sufficient if in writing, and if sent by registered or certified mail to his residence in the case of Employee, or to its Executive Offices in the case of the Corporation.

12. Benefit. This Agreement, in accordance with its terms and conditions, shall inure to the benefit of and be binding upon the Corporation, its successors and assigns, including but not limited to any corporation which may acquire all or substantially all of the Corporation's assets and business, or with or into which the Corporation may be consolidated or merged, and Employee, his heirs, executors, administrators, and legal representatives, provided that the obligations of the Employee hereunder may not be delegated. Employee agrees, however, that any such sale or merger shall not be deemed a termination hereunder provided that the Employee's operational duties are not substantially reduced as a result thereof.

13. Choice of Law. This Agreement shall be construed in accordance with and governed by the laws of the State of South Carolina.

14. Entire Agreement. This instrument amends and restates the Employment Agreement between the parties dated July 16, 2001, and contains the entire agreement of the parties hereto. It may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year below written.

[SIGNATURES OMITTED]

FIRST AMENDMENT TO LOAN AND SECURITY AGREEMENT

This FIRST AMENDMENT TO LOAN AND SECURITY AGREEMENT (this "Amendment") is entered into as of January 28, 2003 by and among **SYNALLOY CORPORATION**, a Delaware corporation ("Parent"), and each of Parent's Subsidiaries identified on the signature pages hereof (such Subsidiaries, together with Parent, are referred to hereinafter each individually as a "Borrower," and individually and collectively, jointly and severally, as "Borrowers") and **FOOTHILL CAPITAL CORPORATION**, a California corporation ("Lender").

WITNESSETH:

WHEREAS, Borrowers and Lender are party to that certain Loan and Security Agreement dated as of July 26, 2002 (as amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement") (capitalized terms used herein without definition shall have the respective meanings ascribed to such terms in the Loan Agreement); and

WHEREAS, Borrowers have requested that certain terms and conditions of the Loan Agreement be amended; and

WHEREAS, Lender has agreed to the requested amendments on the terms and conditions set forth herein;

NOW THEREFORE, in consideration of the foregoing premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Amendment to the Loan Agreement. Section 1.1 of the Loan Agreement, "Definitions," is hereby amended and modified by deleting clause (i) from the definition of "Eligible Accounts" in its entirety and by substituting the following in lieu thereof:

   "(i) Accounts with respect to (i) an Account Debtor (other than an Account Debtor solely of Bristol Metals, L.P.) whose total obligations owing to Borrowers exceed 5% (such percentage as applied to a particular Account Debtor being subject to reduction by Lender in its Permitted Discretion if the creditworthiness of such Account Debtor deteriorates) of all Eligible Accounts, to the extent the obligations owing by such Account Debtor exceed such percentage and (ii) an Account Debtor solely of Bristol Metals, L.P., whose total obligations owing to Bristol Metals, L.P. exceed 10% (such percentage as applied to a particular Account Debtor being subject to reduction by Lender in its Permitted Discretion if the creditworthiness of such Account Debtor deteriorates) of all Eligible Accounts.

2. No other Amendments and Waivers. Except as otherwise expressed herein, the execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of Lender under the Loan Agreement or any of the other Loan Documents, nor constitute a waiver of any provision of the Loan Agreement or any of the other Loan Documents. Except for the amendment and waiver set forth above, the text of the Loan Agreement and all other Loan Documents shall remain unchanged and in full force and effect and each Borrower hereby ratifies and confirms its obligations thereunder. This Amendment shall not constitute a modification of the Loan Agreement or a course of dealing with Lender at variance with the Loan Agreement such as to require further notice by Lender to require strict compliance with the terms of the Loan Agreement and the other Loan Documents in the future, except as expressly set forth herein. Each Borrower acknowledges and expressly agrees that Lender reserves the right to, and does in fact, require strict compliance with all terms and provisions of the Loan Agreement and the other Loan Documents. Borrowers have no knowledge of any challenge to Lender's claims arising under the Loan Documents or the effectiveness of the Loan Documents.
3. Conditions Precedent to Effectiveness. This Amendment shall become effective as of the date hereof when, and only when Lender shall have received each of the following, in form and substance acceptable to Lender:
   a. counterparts of this Amendment executed by Borrowers and Lender; and
   b. such other information, documents, instruments or approvals as Lender or Lender's counsel may reasonably require.
4. Representations and Warranties of Borrowers. Each Borrower represents and warrants to Lender as follows:
   a. Each Borrower is duly organized and existing and in good standing under the laws of the jurisdiction of its organization and qualified to do business in any state where the failure to be so qualified reasonably could be expected to have a Material Adverse Change;
   b. The execution, delivery, and performance by each Borrower of this Amendment and the Loan Documents to which it is a party, as amended hereby, are within such Borrower's corporate or partnership authority, have been duly authorized by all necessary corporate or partnership action and do not and will not (i) violate any provision of federal, state, or local law or regulation applicable to such Borrower, the Governing Documents of any Borrower, or any order, judgment, or decree of any court or other Governmental Authority binding on any Borrower, (ii) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any material contractual obligation of any Borrower, (iii) result in or require the creation or imposition of any Lien of any nature whatsoever upon any properties or assets of any Borrower, other than Permitted Liens, or (iv) require any approval of any Borrower's shareholders, partners, or members or any approval or consent of any Person under any material contractual obligation of any Borrower;
   c. The execution, delivery, and performance by each Borrower of this Amendment and the Loan Documents to which it is a party, as amended hereby, do not and will not require any registration with, consent, or approval of, or notice to, or other action with or by, any Governmental Authority or other Person;
   d. This Amendment and each other Loan Document to which each Borrower is a party, and all other documents contemplated hereby and thereby, when executed and delivered by such Borrower will be the legally valid and binding obligations of such Borrower, enforceable against each Borrower in accordance with their respective terms, except as enforcement may be limited by equitable principles or by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or limiting creditors' rights generally; and
   e. No Default or Event of Default is existing.

5. Counterparts. This Amendment may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same agreement. Delivery of an executed counterpart of this Amendment by telefacsimile shall be equally as effective as delivery of an original executed counterpart of this Amendment. Any party delivering an executed counterpart of this Amendment by telefacsimile also shall deliver an original executed counterpart of this Amendment but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Amendment.
6. Reference to and Effect on the Loan Documents. Upon the effectiveness of this Amendment, on and after the date hereof each reference in the Loan Agreement to "this Agreement," "hereunder," "hereof" or words of like import referring to the Loan Agreement, and each reference in the other Loan Documents to "the Loan Agreement" "thereunder," "thereof" or words of like import referring to the Loan Agreement, shall mean and be a reference to the Loan Agreement as amended hereby.
7. Costs, Expenses and Taxes. Borrowers agree to pay on demand all reasonable costs and expenses in connection with the preparation, execution, and delivery of this Amendment and the other instruments and documents to be delivered hereunder, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for Lender with respect thereto and with respect to advising Lender as to its rights and responsibilities hereunder and thereunder.
8. Governing Law. The validity of this Amendment, the construction, interpretation, and enforcement hereof, and the rights of the parties hereto with respect to all matters arising hereunder or related hereto shall be determined under, governed by, and construed in accordance with the laws of the State of Georgia, without regard to the conflicts of law principles thereof.
9. Loan Document. This Amendment shall be deemed to be a Loan Document for all purposes.

[SIGNATURE OMITTED]

SECOND AMENDMENT TO LOAN AND SECURITY AGREEMENT

AND CONSENT

This SECOND AMENDMENT TO LOAN AND SECURITY AGREEMENT AND CONSENT (this "Amendment") is entered into as of July 24, 2003 by and among **SYNALLOY CORPORATION**, a Delaware corporation ("Parent"), and each of Parent's Subsidiaries identified on the signature pages hereof (such Subsidiaries, together with Parent, are referred to hereinafter each individually as a "Borrower," and individually and collectively, jointly and severally, as "Borrowers") and **WELLS FARGO FOOTHILL, INC.**, formerly known as Foothill Capital Corporation, a California corporation ("Lender").

WITNESSETH:

WHEREAS, Borrowers and Lender are party to that certain Loan and Security Agreement dated as of July 26, 2002, as amended by that certain First Amendment to Loan and Security Agreement dated as of January 28, 2003 (as amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement") (capitalized terms used herein without definition shall have the respective meanings ascribed to such terms in the Loan Agreement); and

WHEREAS, Parent has formed a new subsidiary named Blackman Uhler, LLC, a Delaware limited liability company ("Blackman Uhler"); and

WHEREAS, Parent has agreed to contribute certain assets to Blackman Uhler pursuant to its Contribution Agreement with Blackman Uhler dated as of July 24, 2003; and

WHEREAS, Parent has requested that Lender consent to Parent's purchase assets from Rite Industries, Inc., a Delaware corporation ("Rite"), pursuant to that certain Asset Purchase Agreement between Parent and Rite dated as of July 22, 2003 (the "Asset Purchase Agreement"), and Lender has agreed to consent to such purchase pursuant to the terms and conditions set forth herein; and

WHEREAS, Borrowers have also requested that certain terms and conditions of the Loan Agreement be amended whereby, among other things, Blackman Uhler shall become a Borrower thereunder; and

WHEREAS, Lender has agreed to the requested amendments on the terms and conditions set forth herein;

NOW THEREFORE, in consideration of the foregoing premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

I.
AMENDMENTS TO THE LOAN AGREEMENT.

1. Amendments to Section 1.1 of the Loan Agreement. Section 1.1 of the Loan Agreement, "Definitions", is hereby amended and modified as follows:
    a. The definition of "Applicable Prepayment Premium" is hereby modified and amended by deleting such definition in its entirety and by substituting the following in lieu thereof:

       ""Applicable Prepayment Premium" means, as of any date of determination, an amount equal to (a) during the period of time from and after the date of the execution and delivery of this Agreement up to the date that is the first anniversary of the Closing Date, 2.0% *times* the Maximum Revolver Amount, (b) during the period of time from and including the date that is the first anniversary of the Closing Date up to the second anniversary of the Closing Date, 1.5% *times* the Maximum Revolver Amount, (c) during the period of time from and including the date that is the second anniversary of the Closing Date up to the third anniversary of the Closing Date, 1.0% *times* the Maximum Revolver Amount, and (d) during the period of time from and including the date that is the third anniversary of the Closing Date up to the Maturity Date, 0.5% *times* the Maximum Revolver Amount. Notwithstanding the foregoing, if Borrowers refinance all of the Obligations hereunder from the proceeds of a loan from Carolina First Bank or First Tennessee Bank National Association, the Applicable Prepayment Premium shall be reduced to zero."

    b. The definition of change of control is hereby amended and modified by deleting such definition in its entirety and by substituting the following in lieu thereof:

       ""Change of Control" means (a) any "person" or "group" (within the meaning of Sections 13(d) and 14(d) of the Exchange Act), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 15%, or more, of the Stock of Parent having the right to vote for the election of members of the Board of Directors, or (b) a majority of the members of the Board of Directors do not constitute Continuing Directors, (c) any Borrower ceases to directly own and control 100% of the outstanding capital Stock of each of its Subsidiaries extant as of the Closing Date, or (d) Parent ceases to directly own and control at least 75% of the outstanding capital Stock of Blackman Uhler."

    c. The definition of "Eligible Accounts" is hereby amended and modified by deleting clause (i) of such definition in its entirety and by substituting the following in lieu thereof:

       ""(i) Accounts with respect to (i) an Account Debtor (other than an Account Debtor solely of Bristol Metals, L.P.) whose total obligations owing to Borrowers exceed 5% (such percentage as applied to a particular Account Debtor

being subject to reduction by Lender in its Permitted Discretion if the creditworthiness of such Account Debtor deteriorates) of all Eligible Accounts, to the extent the obligations owing by such Account Debtor exceed such percentage, (ii) an Account Debtor solely of Bristol Metals, L.P. (excluding Scientific Sales), whose total obligations owing to Bristol Metals, L.P. exceed 10% (such percentage as applied to a particular Account Debtor being subject to reduction by Lender in its Permitted Discretion if the creditworthiness of such Account Debtor deteriorates) of all Eligible Accounts, to the extent the obligations owing by such Account Debtor exceed such percentage, and (iii) Scientific Sales, whose total obligations owing to Bristol Metals, L.P. exceed 20% (such percentage as applied to such Account Debtor being subject to reduction by Lender in its Permitted Discretion if the creditworthiness of such Account Debtor deteriorates) of all Eligible Accounts, to the extent the obligations owing by such Account Debtor exceed such percentage."

d. The definition of "Eligible Inventory" is hereby amended and modified by deleting clause (g) of such definition in its entirety and by substituting the following in lieu thereof:

"(g) it consists of goods that are work-in-process (other than work-in-process consisting of stainless, carbon or chrome materials that otherwise constitutes Eligible Inventory),".

e. The definition of "Fee Letter" is hereby amended and modified by deleting such definition in its entirety and by substituting the following in lieu thereof:

""Fee Letter" means, collectively, (a) that certain fee letter dated as of July 26, 2002, among Borrowers and Lender, and (b) that certain fee letter dated as of the Second Amendment Effective Date, among Borrowers and Lender, the form and substance of which are satisfactory to Lender."

f. The definition of "Guaranty" is hereby amended and modified by deleting such definition in its entirety and by substituting the following in lieu thereof:

""Guaranty" means, collectively, each continuing guaranty executed and delivered by any Guarantor in favor of Lender, the form and substance of which are satisfactory to Lender."

g. The definition of "Loan Documents" is hereby amended and modified by deleting such definition in its entirety and by substituting the following in lieu thereof:

""Loan Documents" means this Agreement, the Assignment of Life Insurance Policies, the Assumption Agreement, the Bank Product Agreements, the Cash Management Agreements, the Control Agreements, the Disbursement Letter, the Due Diligence Letter, the Fee Letter, the Guarantor Security Agreement, the Guaranty, the Intercompany Subordination Agreement, the Letters of Credit, the Officers' Certificate, the Pledge Agreement, the Northern Pledge Agreement, the Trademark Security Agreement, any note or notes executed by a Borrower in connection with this Agreement and payable to Lender, and any other agreement entered into, now or in the future, by any Borrower and Lender in connection with this Agreement."

h. The definition of "Maximum Revolver Amount" is hereby modified and amended by deleting the amount of "$19,000,000" referenced therein and by substituting "$23,000,000" in lieu thereof.

i. The definition of "Permitted Dispositions" is hereby amended and modified by (i) deleting ", and" immediately prior to clause (d) of such definition, (ii) deleting the period and the conclusion of clause (d) and substituting ", and" in lieu thereof and (iii) adding the following clauses (e) and (f) at the conclusion of such definition:

"(e) contributions or other dispositions of assets by Parent pursuant to the Contribution Agreement, and (f) the transfer by Parent to Chris Arnold of not more than 5% of the Stock of Blackman Uhler so long as Chris Arnold duly executes and delivers a pledge agreement, in favor of, and in form and substance satisfactory to, Lender, pledging such Stock to Lender."

j. The definition of "Permitted Investments" is hereby amended and modified by deleting such definition in its entirety and by substituting the following in lieu thereof:

""Permitted Investments" means (a) Investments in Cash Equivalents, (b) Investments in negotiable instruments for collection, (c) advances made in connection with purchases of goods or services in the ordinary course of business, (d) Investments by any Borrower in any other Borrower (excluding Blackman Uhler) provided that if any such Investment is in the form of Indebtedness, such Indebtedness Investment shall be subject to the terms and conditions of an Intercompany Subordination Agreement, and (e) Investments by Parent in Blackman Uhler pursuant to the terms and conditions of the Blackman Uhler Note and the Contribution Agreement."

k. The definition of "Permitted Liens" is hereby modified and amended as follows:
   i. By deleting the word "and" at the conclusion of clause (j) of such definition;
   ii. By deleting the period at the conclusion of (k) of such definition and by substituting ", and" in lieu thereof; and
   iii. By inserting the new clause (l) at the conclusion of such definition:

"(l) the Liens granted pursuant that certain Intercompany Subordinated Security Agreement dated as of July 24, 2003 between Parent and Blackman Uhler, in form and substance satisfactory to Lender, which Liens secure the

Indebtedness evidenced by, and are subject to the provisions of, the Blackman Uhler Note."

l. The definition of "Tangible Net Worth" is hereby modified and amended by deleting the phrase "Parent and its Subsidiaries," from the second line of such definition and by substituting "Parent and its Subsidiaries, on a consolidated basis," in lieu thereof.
m. Section 1.1 is hereby further amended and modified by inserting the following new definitions therein in correct alphabetical order:

""Assumption Agreement" means that certain Assumption Agreement dated as of the Second Amendment Effective Date between Blackman Uhler, Borrowers and Lender, the form and substance of which are satisfactory to Lender."

""Blackman Uhler" means Blackman Uhler, LLC, a Delaware limited liability company, which is a Subsidiary Parent."

""Blackman Uhler Note" means that certain Subordinated Demand Intercompany Promissory Note dated as of July 24, 2003, the form and substance of which are satisfactory to Lender, executed by Blackman Uhler in favor of Parent, as such note may be amended, restated, supplemented or otherwise modified from time to time."

""Contribution Agreement" means that certain Contribution Agreement dated as of July 24, 2003 between Parent and Blackman Uhler, as such agreement may be amended as permitted herein."

""Enumerated Defaults" has the meaning set forth in Section 9.3(a)."

""Northern Dye" means Northern Dye Equities, L.L.C., a Delaware limited liability company."

""Northern Pledge Agreement" means that certain Pledge Agreement dated as of the Second Amendment Effective Date executed and delivered by Northern Dye to Lender, the form and substance of which are satisfactory to Lender."

""Release Price" shall have the meaning set forth in Section 9.4(a)."

""Rite" mean Rite Industries, Inc., a Delaware corporation."

""Second Amendment" means that certain Second Amendment to Loan and Security Agreement and Consent dated as of July 24, 2003 among Borrowers and Lender."

""Second Amendment Effective Date" shall mean the Second Amendment Effective Date as defined in the Second Amendment."

""Scientific Sales" means Scientific Sales, Inc., a Tennessee corporation."

2. General Amendment to Loan Agreement and Loan Documents. Each reference to "Borrower" or "Borrowers" in the Loan Agreement and the Loan Documents shall hereafter include Blackman Uhler, which shall become a Borrower under the Loan Agreement pursuant to the Assumption Agreement.
   a. Amendments to Section 2.1 of the Loan Agreement. Section 2.1 of the Loan Agreement, "Revolver Advances", is hereby amended and modified by deleting subsection 2.1(a) in its entirety and by substituting the following in lieu thereof:

"(a) Subject to the terms and conditions of this Agreement, and during the term of this Agreement, Lender agrees to make advances ("Advances") to Borrowers in an amount at any one time outstanding not to exceed of an amount equal to the lesser of (i) the Maximum Revolver Amount less the Letter of Credit Usage, or (ii) the Borrowing Base less the Letter of Credit Usage. For purposes of this Agreement, "Borrowing Base," as of any date of determination, shall mean the result of:

(w) *the lesser of*

(i) 85% *times* the amount of Eligible Accounts *less* the amount, if any, of the Dilution Reserve, and

(ii) an amount equal to Borrowers' Collections with respect to Accounts for the immediately preceding 75 day period, *plus*

(x) *the lowest of*

(i) $11,000,000,

(ii) the sum of (A) 60% *times* the aggregate cost of Borrowers' eligible stainless raw materials inventory and Borrowers' eligible stainless finished goods inventory, *plus* (B) *the lesser of* (1) 25% *times* the cost of Borrowers' eligible stainless work in process inventory or (2) $1,000,000, *plus* (C) 50% *times* the cost of Borrowers' eligible chemical and colors raw materials and finished goods inventory,

(iii) 80% *times* the then extant Net Liquidation Percentage times the book value of Borrowers' Eligible Inventory as calculated by Lender, and

(iv) 110% of the amount of credit Availability created by clause (w) above; provided that, at the request of Borrowers, for 90

consecutive days during each 12-month period after the Closing Date, which 90-day period shall commence on the date of the requested adjustment, such percentage may be increased to 125% of the amount of credit Availability created by clause (w) above, *plus*

(y) so long as Lender has a first priority lien on and security interest in the Life Insurance Policies, *the lesser of*

(i) $3,500,000, and

(ii) 95% of the aggregate cash surrender value of the Life Insurance Policies, *minus*

(z) the sum of (i) the Bank Product Reserves, and (ii) the aggregate amount of reserves, if any, established by Lender under Section 2.1(b)."

3. Amendment to Section 2.11 of the Loan Agreement. Section 2.11 of the Loan Agreement, "Fees", is hereby amended and modified by deleting the final sentence of subsection 2.11(c) and by substituting the following in lieu thereof:

   "Borrowers hereby acknowledge that Lender shall have the right to conduct (x) Collateral audits on a quarterly basis, (y) Inventory appraisals on a semi-annual basis and (z) Equipment appraisals in May 2003 and May 2005, or, in the case of each of clauses (x), (y) and (z), more frequently if an Event of Default has occurred and is continuing."

4. Amendment to Section 3.4 of the Loan Agreement. Section 3.4 of the Loan Agreement, "Term", is hereby modified and amended by deleting the phrase "second anniversary" from the first sentence of such section and by substituting "fourth anniversary" in lieu thereof.
5. Amendment to Section 4.2 of the Loan Agreement. Section 4.2 of the Loan Agreement, "Negotiable Collateral and Chattel Paper", is hereby modified and amended by deleting the phrase "Foothill Capital Corporation" from subsection 4.2(c) and by substituting "Wells Fargo Foothill, Inc., formerly known as Foothill Capital Corporation" in lieu thereof.
6. Amendment to Article 6 of the Loan Agreement. Article 6 of the Loan Agreement, "Affirmative Covenants", is hereby amended and modified by inserting the following new Section 6.17 at the conclusion of such Article:

   "**6.17 Transactions with Rite.** Complete all covenants and obligations under both that certain Asset Purchase Agreement between Parent and Rite between Parent and Rite, dated as of July 22, 2003, on or before the date that is 120 days after the Second Amendment Effective Date."

7. Amendment to Section 7.6 of the Loan Agreement. Section 7.6 of the Loan Agreement, "Guarantee", is hereby amended and modified by deleting the final period of such Section and by substituting the following in lieu thereof:

   "; provided, however, subject to the provisions of Sections 7.1 and 7.8, Parent may guarantee the payment obligations of Blackman Uhler pursuant to that certain Executive Employment Agreement between Blackman Uhler and Howard Printz dated as of July 23, 2003."

8. Amendment to Section 7.8 of the Loan Agreement. Section 7.8 of the Loan Agreement, "Prepayments and Amendments", is hereby amended and modified by deleting clause (c) of such definition in its entirety and by substituting the following in lieu thereof:

   "(c) (i) Directly or indirectly, amend, modify, alter, or change any of the terms or conditions of any Material Contract except for amendments or other modifications that are immaterial or do not adversely affect Borrowers or Lender or (ii) terminate any Material Contract without prior notice to Lender."

9. Amendments to Section 7.20 of the Loan Agreement. Section 7.20 of the Loan Agreement, "Financial Covenants", is hereby amended and modified as follows:
   a. By deleting subsection 7.20(a)(i), "Minimum EBITDA" in its entirety and by substituting the following in lieu thereof:

      "(i) **Minimum EBITDA**. EBITDA, measured on a fiscal month-end basis, of not less than the required amount set forth in the following table for the applicable period set forth opposite thereto;

Applicable Amount	Applicable Period
$(4,500)	For the 1 month period ending July 31, 2002
$38,000	For the 2 month period ending August 31, 2002
$110,000	For the 3 month period ending September 30, 2002
$331,000	For the 4 month period ending October 31, 2002
$465,000	For the 5 month period ending November 30, 2002

$632,000	For the 6 month period ending December 31, 2002
$832,000	For the 7 month period ending January 31, 2003
$1,098,000	For the 8 month period ending February 28, 2003
$1,404,000	For the 9 month period ending March 31, 2003
$1,734,000	For the 10 month period ending April 30, 2003
$2,085,000	For the 11 month period ending May 31, 2003
$2,426,000	For the 12 month period ending June 30, 2003
$2,713,000	For the 12 month period ending July 31, 2003
$3,000,000	For the 12 month period ending August 31, 2003
$3,000,000	For the 12 month period ending September 30, 2003

; provided, however, that based upon Borrower's Projections delivered to Agent pursuant to Section 6.3(c) no later than September 19, 2003, Lender shall establish monthly EBITDA covenants for each fiscal month after September 2003, using the same methodology as utilized for 2002 and 2003, and the covenants shall be presented to Borrower for its approval, which approval shall not be unreasonably withheld. In the event Borrower does not approve the proposed covenants, Lender shall establish such covenants, in its Permitted Discretion, based upon Borrower's Projections for the applicable fiscal year."

b. By deleting the table set forth in subsection 7.20(b)(i), "Capital Expenditures," and by substituting the following in lieu thereof:

Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006
$3,200,000	$4,200,000	$5,000,000	$5,000,000	$5,000,000

1. Amendment to Section 12 of the Loan Agreement. Section 12 of the Loan Agreement, "Notices", is hereby modified and amended by deleting each reference to "Foothill Capital Corporation" contained in such Section and by substituting "Wells Fargo Foothill, Inc." in lieu thereof.

2. Amendment to Section 16.8 of the Loan Agreement. Section 16.8 of the Loan Agreement, "Revival and Reinstatement of Obligations", is hereby amended and modified by such Section in its entirety and by substituting the following in lieu thereof:

   "**16.8 Revival and Reinstatement of Obligations**. If the incurrence or payment of the Obligations by any Borrower or any Guarantor, including the payment of the Release Price, or the transfer to Lender of any property should for any reason subsequently be declared to be void or voidable under any state or federal law relating to creditors' rights, including provisions of the Bankruptcy Code relating to fraudulent conveyances, preferences, or other voidable or recoverable payments of money or transfers of property (collectively, a "Voidable Transfer"), and if Lender is required to repay or restore, in whole or in part, any such Voidable Transfer, or elects to do so upon the reasonable advice of its counsel, then, as to any such Voidable Transfer, or the amount thereof that Lender is required or elects to repay or restore, and as to all reasonable costs, expenses, and attorneys' fees of Lender related thereto, the liability of Borrowers or Guarantors automatically, including any Liens previously terminated by Lender with respect to such Voidable Transfer, shall be revived, reinstated, and restored and shall exist as though such Voidable Transfer had never been made."

3. Amendment to Section 16.10 of the Loan Agreement. Section 16.10 of the Loan Agreement, "Parent as Lender for Borrowers", is hereby amended and modified by deleting the heading of such Section in its entirety and by substituting the heading "Parent as the Administrative Borrower for Borrowers" in lieu thereof.
4. Amendment to Exhibit B-1 to the Loan Agreement. Exhibit B-1 to the Loan Agreement, "Form of Borrowing Base Certificate," is hereby amended and modified by deleting such Exhibit in its entirety and by substituting Exhibit B-1 attached to this Amendment as Annex A in lieu thereof.
5. Amendments to Schedules to the Loan Agreement. Schedule B-1 (Designated Account and Designated Bank Account), Schedule M-1 (Material Contracts), Schedule P-1 (Permitted Liens), Schedule 5.5 (Location of Inventory and Equipment), Schedule 5.7 (Chief Executive Office; FEIN; Organization ID Number), Schedule 5.8(b) (Capitalization of Borrowers), Schedule 5.8(c) (Capitalization of Borrowers' Subsidiaries), and Schedule 5.20 (Permitted Indebtedness), are hereby amended and modified by deleting such Schedules in their entirety and by substituting the Schedules attached to this Amendment, collectively, as Annex B in lieu thereof.

II.

CONSENT

Lender hereby consents to Parent's purchase of certain assets from Rite, and the subsequent transfer such assets to Blackman Uhler, pursuant to the provisions of the Asset Purchase Agreement, which shall be in form and substance satisfactory to Lender, and, to the extent necessary, Lender hereby waives the provisions of Article 7 of the Loan Agreement solely to the extent necessary to permit such purchase and transfer. Lender hereby also consents to the execution of that certain Trademark License Agreement dated as of July 24, 2003 between Parent and Blackman Uhler, as such agreement is in effect as of the date hereof.

III.

NO OTHER AMENDMENTS AND WAIVERS.

Except as otherwise expressed herein, the execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of Lender under the Loan Agreement or any of the other Loan Documents, nor constitute a waiver of any provision of the Loan Agreement or any of the other Loan Documents. Except for the amendment and waiver set forth above, the text of the Loan Agreement and all other Loan Documents shall remain unchanged and in full force and effect and each Borrower hereby ratifies and confirms its obligations thereunder. This Amendment shall not constitute a modification of the Loan Agreement or a course of dealing with Lender at variance with the Loan Agreement such as to require further notice by Lender to require strict compliance with the terms of the Loan Agreement and the other Loan Documents in the future, except as expressly set forth herein. Each Borrower acknowledges and expressly agrees that Lender reserves the right to, and does in fact, require strict compliance with all terms and provisions of the Loan Agreement and the other Loan Documents. Borrowers have no knowledge of any challenge to Lender's claims arising under the Loan Documents or the effectiveness of the Loan Documents.

IV.

CONDITIONS PRECEDENT TO EFFECTIVENESS.

This Amendment shall become effective and be deemed effective upon Lender's receipt of each of the following in form and substance acceptable to Lender (such date being the "Second Amendment Effective Date"):

1. counterparts of this Amendment duly executed by Borrowers and Lender;
2. a Fee Letter duly executed by Borrowers and acknowledged by Lender and the payment by Borrowers of all fees payable thereunder;
3. an Assumption Agreement duly executed by Blackman Uhler, the existing Borrowers and the Lender;
4. a Pledge Agreement Supplement duly executed by Parent and Lender with respect to its equity interests in Blackman Uhler, together with any certificates representing the equity interests pledged thereunder, as well as stock powers with respect thereto endorsed in blank;
5. a Pledge Agreement duly executed by Northern Dye Equities, L.L.C., a Delaware limited liability company ("Northern Dye") and Lender with respect to the Northern Dye's equity interests in Blackman Uhler, together with any certificates representing the equity interests pledged thereunder, as well as stock powers with respect thereto endorsed in blank;
6. a certificate from the secretary of Blackman Uhler attesting to the resolutions of Blackman Uhler's managing board authorizing its execution, delivery, and performance of this Loan Agreement and the other Loan Documents to which Blackman Uhler is a party and authorizing specific officers of Blackman Uhler to execute the same;
7. copies of Blackman Uhler's Governing Documents, as amended, modified, or supplemented to the Closing Date, certified by the secretary of Blackman Uhler;
8. a certificate of status with respect to Blackman Uhler, dated on or after July 1, 2003, such certificate to be issued by the appropriate officer of the jurisdiction of organization of Blackman Uhler, which certificate shall indicate that Blackman Uhler is in good standing in such jurisdiction;
9. certificates of status with respect to Blackman Uhler, each dated within 30 days of the Second Amendment Effective Date, such certificates to be issued by the appropriate officer of the jurisdictions (other than the jurisdiction of organization of Blackman Uhler) in which its failure to be duly qualified or licensed would constitute a Material Adverse Change, which certificates shall indicate that Blackman Uhler is in good standing in such jurisdictions;
10. to the extent not already provided to Lender, copies of each of Borrowers' Material Contracts, together with a certificate of the secretary of the applicable Borrower certifying each such document as being a true, correct, and complete copy thereof
11. opinions of Borrowers' counsel, the form and substance of which are satisfactory to Lender;
12. all financing statements required by Lender, duly executed by Blackman Uhler, and searches reflecting the filing of all such financing statements;
13. a Compliance Certificate dated as of the Second Amendment Effective Date;
14. the original subordinated demand intercompany promissory note (the " Blackman Uhler Note") executed by Blackman Uhler in favor of Parent, together with a note power with respect thereto endorsed in blank;
15. an intercreditor agreement, the form and substance of which are satisfactory to Lender, duly executed by Congress Financial Corporation (Southern) and Lender with respect to the proceeds held in escrow pursuant to that certain Escrow agreement dated as of July 25, 2003 among Rite, Parent, Haynsworth Sinkler Boyd, P.A., as escrow agent, and Congress Financial Corporation (Southern);
16. a Collateral Access Agreement in favor of Lender executed by Rite with respect to Inventory (and the proceeds thereof) located at the manufacturing facilities of Rite, the form and substance of which is satisfactory to Lender; and
17. such other information, documents, instruments or approvals as Lender or Lender's counsel may reasonably require.

V.

CONDITIONS SUBSEQUENT TO EFFECTIVENESS

The obligation of Lender to continue to make Advances under the Loan Agreement (or otherwise extend credit thereunder) is subject to the fulfillment, on or before the date applicable thereto, of each of the conditions subsequent set forth below (the failure by Borrowers to so perform or cause to be performed constituting an Event of Default):

1. Immediately upon the transfer of not more than 5% Stock of Blackman Uhler to Chris Arnold, Chris Arnold shall duly execute and deliver a pledge agreement, in favor of, and in form and substance satisfactory to, Lender, pledging such Stock to Lender.
2. Within 30 days of the Second Amendment Effective Date, Blackman Uhler shall duly execute and deliver a promissory note, the form and substance of which are satisfactory to Lender, which note shall (a) amend and restate in its entirety the Blackman Uhler Note, and (b) be delivered to Lender, together with a note power with respect thereto endorsed in blank.
3. On or before August 8, 2003, Blackman Uhler shall have delivered to Lender a certificate of insurance with respect to Blackman Uhler and an amended endorsement naming Lender as an additional insured and as a loss payee, in form and substance satisfactory to Lender.
4. On or before August 8, 2003, Blackman Uhler shall have delivered to Lender certificates evidencing its qualification as a foreign corporation in good standing in the State of North Carolina, the State of South Carolina and the State of New Jersey.
5. On or before August 8, 2003 Blackman Uhler shall have delivered to Lender a supplement to the opinion of its counsel indicating Blackman Uhler's qualification as a foreign corporation in good standing in the State of North Carolina, the State of South Carolina and the State of New Jersey.
6. On or before August 24, 2003 Blackman Uhler shall have delivered a Collateral Access Agreement in favor of Lender with respect to the manufacturing facilities of Rite located in High Point and North Carolina, the form and substance of which is satisfactory to Lender.

VI.

REPRESENTATIONS AND WARRANTIES OF BORROWERS.

Each Borrower represents and warrants to Lender as follows:

1. Each Borrower is duly organized and existing and in good standing under the laws of the jurisdiction of its organization and qualified to do business in any state where the failure to be so qualified reasonably could be expected to have a Material Adverse Change.
2. The execution, delivery, and performance by each Borrower of this Amendment and the Loan Documents to which it is a party, as amended hereby, are within such Borrower's corporate or partnership authority, have been duly authorized by all necessary corporate or partnership action and do not and will not (i) violate any provision of federal, state, or local law or regulation applicable to such Borrower, the Governing Documents of any Borrower, or any order, judgment, or decree of any court or other Governmental Authority binding on any Borrower, (ii) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any material contractual obligation of any Borrower, (iii) result in or require the creation or imposition of any Lien of any nature whatsoever upon any properties or assets of any Borrower, other than Permitted Liens, or (iv) require any approval of any Borrower's shareholders, partners, or members or any approval or consent of any Person under any material contractual obligation of any Borrower.
3. The execution, delivery, and performance by each Borrower of this Amendment and the Loan Documents to which it is a party, as amended hereby, do not and will not require any registration with, consent, or approval of, or notice to, or other action with or by, any Governmental Authority or other Person.
4. This Amendment and each other Loan Document to which each Borrower is a party, and all other documents contemplated hereby and thereby, when executed and delivered by such Borrower will be the legally valid and binding obligations of such Borrower, enforceable against each Borrower in accordance with their respective terms, except as enforcement may be limited by equitable principles or by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or limiting creditors' rights generally.
5. No Default or Event of Default is existing.

VII.

MISCELLANEOUS.

1. Counterparts. This Amendment may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same agreement. Delivery of an executed counterpart of this Amendment by telefacsimile shall be equally as effective as delivery of an original executed counterpart of this Amendment. Any party delivering an executed counterpart of this Amendment by telefacsimile also shall deliver an original executed counterpart of this Amendment but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Amendment.
2. Reference to and Effect on the Loan Documents. Upon the effectiveness of this Amendment, on and after the date hereof each reference in the Loan Agreement to "this Agreement," "hereunder," "hereof" or words of like import referring to the Loan Agreement, and each reference in the other Loan Documents to "the Loan Agreement" "thereunder," "thereof" or words of like import referring to the Loan Agreement, shall mean and be a reference to the Loan Agreement as amended hereby.
3. Costs, Expenses and Taxes. Borrowers agree to pay on demand all reasonable costs and expenses in connection with the preparation, execution, and delivery of this Amendment and the other instruments and documents to be delivered hereunder,

including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for Lender with respect thereto and with respect to advising Lender as to its rights and responsibilities hereunder and thereunder.

4. Governing Law. The validity of this Amendment, the construction, interpretation, and enforcement hereof, and the rights of the parties hereto with respect to all matters arising hereunder or related hereto shall be determined under, governed by, and construed in accordance with the laws of the State of Georgia, without regard to the conflicts of law principles thereof.
5. Loan Document. This Amendment shall be deemed to be a Loan Document for all purposes.

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered as of the date first above written.

[SIGNATURES OMITTED]

THIRD AMENDMENT TO LOAN AND SECURITY AGREEMENT

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This THIRD AMENDMENT TO LOAN AND SECURITY AGREEMENT (this "Amendment") is entered into as of January 12, 2004 by and among **SYNALLOY CORPORATION**, a Delaware corporation ("Parent"), and each of Parent's Subsidiaries identified on the signature pages hereof (such Subsidiaries, together with Parent, are referred to hereinafter each individually as a "Borrower," and individually and collectively, jointly and severally, as "Borrowers"), and **WELLS FARGO FOOTHILL, INC.**, formerly known as Foothill Capital Corporation, a California corporation ("Lender").

WITNESSETH:

WHEREAS, Borrowers and Lender are parties to that certain Loan and Security Agreement dated as of July 26, 2002, as amended by that certain First Amendment to Loan and Security Agreement dated as of January 28, 2003, and as further amended by that certain Second Amendment to Loan and Security Agreement and Consent dated as of July 24, 2003 (as amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement") (capitalized terms used herein without definition shall have the respective meanings ascribed to such terms in the Loan Agreement); and

WHEREAS, Borrowers have requested that certain terms and conditions of the Loan Agreement be amended; and

WHEREAS, Lender has agreed to the requested amendments on the terms and conditions set forth herein;

NOW THEREFORE, in consideration of the foregoing premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

I.
AMENDMENTS TO THE LOAN AGREEMENT.

1. Amendment to Section 1.1 of the Loan Agreement. Section 1.1 of the Loan Agreement, "Definitions", is hereby amended and modified by deleting clause (f) of the definition of "Permitted Dispositions" and by substituting the following in lieu thereof:

   "(f) the transfer by Parent to Northern Dye of not more than 5% of the Stock of Blackman Uhler held by Parent so long as Northern Dye duly executes and delivers a supplement to the Northern Pledge Agreement, in form and substance satisfactory to, Lender, pledging such transferred Stock to Lender."

2. Amendment to Section 7.20 of the Loan Agreement. Section 7.20 of the Loan Agreement, "Financial Covenants", is hereby amended and modified by deleting such subsection 7.20(a)(i) ("Minimum EBITDA") in its entirety and by inserting the following in substitution thereof:

"(i) **Minimum EBITDA**. EBITDA, measured on a fiscal month-end basis, of not less than the required amount set forth in the following table for the applicable period set forth opposite thereto;

Applicable Amount	Applicable Period
$3,000,000	For the 12-month period ending November 30, 2003
$3,000,000	For the 12-month period ending December 31, 2003
$3,000,000	For the 12-month period ending January 31, 2004
$3,000,000	For the 12-month period ending February 29, 2004
$3,000,000	For the 12-month period ending March 31, 2004
$3,425,509	For the 12-month period ending April 30, 2004
$3,355,661	For the 12-month period ending May 31, 2004
$3,112,341	For the 12-month period ending June 30, 2004
$3,236,193	For the 12-month period ending July 31, 2004
$3,486,565	For the 12-month period ending August 31, 2004
$3,268,700	For the 12-month period ending September 30, 2004
$3,776,040	For the 12-month period ending October 31, 2004

$3,830,610	For the 12-month period ending November 30, 2004
$3,799,500	For the 12-month period ending December 31, 2004

; provided, however, that based upon Borrower's Projections delivered to Agent pursuant to Section 6.3(c) no later than December 1, 2004, Lender shall establish monthly EBITDA covenants for each fiscal month after December 2004, and the covenants shall be presented to Borrower for its approval, which approval shall not be unreasonably withheld. In the event Borrower does not approve the proposed covenants, Lender shall establish such covenants, in its Permitted Discretion, based upon Borrower's Projections for the applicable fiscal year."

II. NO OTHER AMENDMENTS AND WAIVERS.

Except as otherwise expressed herein, the execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of Lender under the Loan Agreement or any of the other Loan Documents, nor constitute a waiver of any provision of the Loan Agreement or any of the other Loan Documents. Except for the amendment and waiver set forth above, the text of the Loan Agreement and all other Loan Documents shall remain unchanged and in full force and effect and each Borrower hereby ratifies and confirms its obligations thereunder. This Amendment shall not constitute a modification of the Loan Agreement or a course of dealing with Lender at variance with the Loan Agreement such as to require further notice by Lender to require strict compliance with the terms of the Loan Agreement and the other Loan Documents in the future, except as expressly set forth herein. Each Borrower acknowledges and expressly agrees that Lender reserves the right to, and does in fact, require strict compliance with all terms and provisions of the Loan Agreement and the other Loan Documents. Borrowers have no knowledge of any challenge to Lender's claims arising under the Loan Documents or the effectiveness of the Loan Documents.

III. CONDITIONS PRECEDENT TO EFFECTIVENESS.

This Amendment shall become effective and be deemed effective upon Lender's receipt of each of the following in form and substance acceptable to Lender (such date being the "Third Amendment Effective Date"):

1. counterparts of this Amendment duly executed by Borrowers and Lender;
2. a Pledge Agreement Supplement duly executed by Northern Dye Equities, LLC ("Northern Dye") with respect to the 5% equity interests in Blackman Uhler, LLC being transferred from Parent to Northern Dye, together with any certificates representing the equity interests pledged thereunder, as well as stock powers with respect thereto endorsed in blank;
3. an amendment to the Pledge Agreement dated July 26, 2002 (as amended, restated, supplemented or otherwise modified from time to time) duly executed by Parent, Synalloy Metals, Inc., a Tennessee corporation, Delmet, Inc., a Delaware corporation, Delsoap, Inc., a Delaware corporation, Manufacturers Soap & Chemical Company, a Tennessee corporation, Organic-Pigments Corp., a North Carolina corporation, and Lender; and
4. such other information, documents, instruments or approvals as Lender or Lender's counsel may reasonably require.

IV. REPRESENTATIONS AND WARRANTIES OF BORROWERS.

Each Borrower represents and warrants to Lender as follows:

1. Each Borrower is duly organized and existing and in good standing under the laws of the jurisdiction of its organization and qualified to do business in any state where the failure to be so qualified reasonably could be expected to have a Material Adverse Change.
2. The execution, delivery, and performance by each Borrower of this Amendment and the Loan Documents to which it is a party, as amended hereby, are within such Borrower's corporate or partnership authority, have been duly authorized by all necessary corporate or partnership action and do not and will not (i) violate any provision of federal, state, or local law or regulation applicable to such Borrower, the Governing Documents of any Borrower, or any order, judgment, or decree of any court or other Governmental Authority binding on any Borrower, (ii) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any material contractual obligation of any Borrower, (iii) result in or require the creation or imposition of any Lien of any nature whatsoever upon any properties or assets of any Borrower, other than Permitted Liens, or (iv) require any approval of any Borrower's shareholders, partners, or members or any approval or consent of any Person under any material contractual obligation of any Borrower.
3. The execution, delivery, and performance by each Borrower of this Amendment and the Loan Documents to which it is a party, as amended hereby, do not and will not require any registration with, consent, or approval of, or notice to, or other action with or by, any Governmental Authority or other Person.
4. This Amendment and each other Loan Document to which each Borrower is a party, and all other documents contemplated hereby and thereby, when executed and delivered by such Borrower will be the legally valid and binding obligations of such Borrower, enforceable against each Borrower in accordance with their respective terms, except as enforcement may be limited by equitable principles or by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or limiting creditors' rights generally.
5. No Default or Event of Default is existing.

V. MISCELLANEOUS.

1. Counterparts. This Amendment may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same agreement. Delivery of an executed counterpart of this Amendment by telefacsimile shall be equally as effective as delivery of an original executed counterpart of this Amendment. Any party delivering an executed counterpart of this Amendment by telefacsimile also shall deliver an original executed counterpart of this Amendment but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Amendment.
2. Reference to and Effect on the Loan Documents. Upon the effectiveness of this Amendment, on and after the date hereof each reference in the Loan Agreement to "this Agreement," "hereunder," "hereof" or words of like import referring to the Loan Agreement, and each reference in the other Loan Documents to "the Loan Agreement" "thereunder," "thereof" or words of like import referring to the Loan Agreement, shall mean and be a reference to the Loan Agreement as amended hereby.
3. Costs, Expenses and Taxes. Borrowers agree to pay on demand all reasonable costs and expenses in connection with the preparation, execution, and delivery of this Amendment and the other instruments and documents to be delivered hereunder, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for Lender with respect thereto and with respect to advising Lender as to its rights and responsibilities hereunder and thereunder.
4. Governing Law. The validity of this Amendment, the construction, interpretation, and enforcement hereof, and the rights of the parties hereto with respect to all matters arising hereunder or related hereto shall be determined under, governed by, and construed in accordance with the laws of the State of Georgia, without regard to the conflicts of law principles thereof.
5. Loan Document. This Amendment shall be deemed to be a Loan Document for all purposes.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered as of the date first above written.

[SIGNATURES OMITTED]

The Agreement made between Manufacturers Soap and Chemical Company and Ronald H. Braam on May 21, 1980 and amended on June 16, 1985 and accepted by James G. Lane on behalf of Synalloy Corporation at the acquisition of Manufacturers Soap and Chemical Company on November 25, 1996 will be nullified on receipt of the full valuation of Policy # N40029291 issued by Indianapolis Life Insurance Company, effective after the policy anniversary date on January 1, 2003.

All claims by Ronald H. Braam to benefits of insurance or annual compensation related to Policy # N40029291 for a period of ten (10) years beginning at retirement, will cease upon receipt of these assets.

Policy # 00002077870 issued by Indianapolis Life Insurance Company will stay in force until Mr. Braam's effective Social Security retirement date will face value payable to his legal heirs and accumulated cash value in excess of face value payable to Manufacturers Chemicals Soap and Chemical Company in the event of his death before normal retirement.

In the event Manufacturers Chemicals, L.P. is sold by Synalloy Corporation during the term of this Agreement, the Agreement will survive that event and be continued in its present form by the new owners or settled upon mutual agreement of both parties.

In the event that Mr. Braam resigns from the Company, the insurance coverage will cease at once. In the event that Mr. Braam continues in employment until Social Security retirement age or until his termination by Synalloy Corporation, he will receive the accumulated liquidation cash value of the policy at said time.

[SIGNATURES OMITTED]

THIS AGREEMENT IS SUBJECT TO ARBITRATION PURSUANT TO S.C.CODE ANN. SECTION 15-48-10 ET SEQ., CODE OF LAWS OF SOUTH CAROLINA, 1976 (AS AMENDED).

IF THE SOUTH CAROLINA UNIFORM ARBITRATION ACT IS DEEMED NOT TO APPLY, THIS AGREEMENT IS SUBJECT TO ARBITRATION PURSUANT TO THE FEDERAL ARBITRATION ACT, TITLE 9, SECTION 1 ET. SEQ., UNITED STATES CODE (AS AMENDED).

AMENDED

EMPLOYMENT AGREEMENT

This Agreement is effective upon its execution by and between Synalloy Corporation, a corporation organized under the laws of the State of Delaware (the "'Corporation"'), and Ronald H. Braam, a resident of Cleveland, Tennessee (the "'Employee"').

W I T N E S S E T H:

That in consideration of the agreements hereinafter contained, the parties hereto agree as follows:

1. Employment. The Corporation agrees to extend until November 1, 2005, the term of the initial Agreement between Employer and the Employee. The Employee agrees to serve as President of Specialty Chemicals and in such other capacities as the Board of Directors of the Corporation (the "'Board"') may designate from time to time. During the term of his employment, the Employee shall devote his full time, attention, skill and efforts to the performance of his duties for the Corporation. On November 1, 2005 and each anniversary thereafter, this agreement shall be automatically extended for one year unless either party gives notice of intent to cancel this agreement ninety days prior to an automatic extension date.

2. Compensation. The Corporation shall pay the Employee during the term of his employment hereunder a base salary of One Hundred Sixty-five Thousand and 00/100ths Dollars ($165,000.00) per year together with compensation payable as provided in Paragraph 3 below, unless forfeited by the occurrence of any of the events of forfeiture specified in Paragraph 7 below. Salary shall be payable monthly or on a less frequent basis by mutual agreement.

3. Bonus. In addition to the base salary provided for in Paragraph 2 above, for each fiscal year during which Employee serves as President of the Specialty Chemicals Group and provided Employee is in the employ of the Corporation on the last day of such fiscal year (except as provided in paragraphs 5 and 6 hereof), the Employee shall be entitled to be a Designated Participant in any Synalloy Corporation Subsidiary and Divisional Management Incentive Plan covering the Specialty Chemicals Group. A copy of the Plan covering fiscal 2002 is attached to and is a part of this Agreement.

4. Other Benefits. Employee shall be eligible to participate in all employee benefits plans in accordance with the terms of such plans. Corporation and Employee are parties to an agreement dated May 21, 1980, and modified June 16, 1985 and February 6, 2003, which provides for certain benefits to the parties thereto. This employment agreement does not change or modify any provision of that agreement as modified.

5. Disability. If because of illness, physical or mental disability, or other incapacity, certified by a physician acceptable to the Corporation, Employee shall fail to render the services provided for by this Agreement, or if Employee contracts an illness or injury, certified by a physician acceptable to the Corporation, which will permanently prevent the performance by him of the services provided for by this Agreement, then the "'base salary"' provided for in Paragraph 2 hereof shall continue for three (3) months, with the bonus-compensation for that fiscal year to be prorated to the date Employee's disability commenced.

6. Death. If the Employee dies during the term of this Agreement, then the "'base salary"' provided for in Paragraph 2 hereof shall continue during for three (3) months, which "'base salary"' shall be paid to the estate of Employee, with the bonus-compensation for that fiscal year to be prorated to the date of Employee's death. In the event of Employee's death and the termination of this Agreement on the terms of this paragraph, all other obligations of the Corporation under this Agreement shall cease and terminate.

7. Termination for Cause. Nothing in this Agreement shall be construed to prevent the Corporation from terminating Employee's employment hereunder at any time for cause. Fraud, dishonesty, gross negligence, willful misconduct, misappropriation, embezzlement, material violation of any code of conduct adopted by the Board, excessive absences from work (except for reasons of health), entry of any order by the Securities and Exchange Commission pursuant to Section 21C of the Securities Exchange Act of 1934 or Section 8A of the Securities Act of 1933 prohibiting Employee from serving as an officer or director of an issuer that has a class of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934 or that is required to file reports pursuant to Section 15(d) of that Act, or the like, or any act or omission deemed by the Board to have been disloyal to the Corporation shall constitute cause for termination. Termination for cause pursuant to this paragraph shall not constitute a breach of this Agreement by the Corporation.

8. Covenant Not to Compete. Employee agrees during the term of employment and for a period of one (1) year after his employment terminates for any reason, the Employee will not, without the prior written approval of the Board, become an officer, employee, agent, partner, or director of any business enterprise which competes with the Corporation and its affiliates for customers, orders, supply sources, or contracts in those businesses in which the Corporation and its affiliates were engaged on the date his employment terminated, unless, Employee's activities for such business enterprise are limited in such a way that Employee is not engaged, directly or indirectly, in competition with the Corporation or its affiliates for customers, orders, supply sources or contracts, and limited to the States of North Carolina, South Carolina, Georgia, Tennessee and Alabama.

   Employee further agrees that at no time during his employment or thereafter will he divulge, communicate or use to the detriment of the Corporation any of the Corporation's confidential information, data, trade secrets, sale methods, customer lists, supply sources, or other proprietary information.

9. Severability. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision hereof.

10. Arbitration. Any controversy or claim arising out of, or relating to this Agreement, or the breach thereof, shall be settled by arbitration in the City of Spartanburg, State of South Carolina, in accordance with the rules then obtaining of the American Arbitration Association, and judgment upon the award rendered may be entered in any Court having jurisdiction thereof.

11. Notices. Any notice required or permitted to be given under this Agreement shall be sufficient if in writing, and if sent by registered or certified mail to his residence in the case of Employee, or to its Executive Offices in the case of the Corporation.

12. Benefit. This Agreement, in accordance with its terms and conditions, shall inure to the benefit of and be binding upon the Corporation, its successors and assigns, including but not limited to any corporation which may acquire all or substantially all of the Corporation's assets and business, or with or into which the Corporation may be consolidated or merged, and Employee, his heirs, executors, administrators, and legal representatives, provided that the obligations of the Employee hereunder may not be delegated. Employee agrees, however, that any such sale or merger shall not be deemed a termination hereunder provided that the Employee's operational duties are not substantially reduced as a result thereof.

13. Choice of Law. This Agreement shall be construed in accordance with and governed by the laws of the State of South Carolina.

14. Entire Agreement. This instrument amends and restates the Employment Agreement between the parties dated November 25, 1996, and contains the entire agreement of the parties hereto. It may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year below written.

[SIGNATURES OMITTED]