UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED JANUARY 3, 2015

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	57-0426694
(State of incorporation)	(I.R.S. Employer Identification No.)

775 Spartan Blvd, Suite 102, 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:
Common Stock, $1.00 Par Value	NASDAQ Global Market
(Title of Class)	

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

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

Large accelerated Filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐

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

Based on the closing price as of June 27, 2014, 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 $135.6 million. Based on the closing price as of March 4, 2015, the aggregate market value of common stock held by non-affiliates of the registrant was $122.9 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 4, 2015 was 8,710,302.

Documents Incorporated By Reference
Portions of the Proxy Statement for the 2015 annual shareholders' meeting are incorporated by reference into Part III of this Form 10-K.

Synalloy Corporation
Form 10-K
For Period Ended January 3, 2015
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Forward-Looking Statements

This Annual Report on Form 10-K includes and incorporates by reference "forward-looking statements" within the meaning of the federal securities laws. All statements that are not historical facts are forward-looking statements. The words "estimate," "project," "intend," "expect," "believe," "should," "anticipate," "hope," "optimistic," "plan," "outlook," "should," "could," "may" 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; raw materials availability; employee relations; ability to maintain workforce by hiring trained employees; labor efficiencies; customer delays or difficulties in the production of products; new fracking regulations; a prolonged decrease in oil prices; unforeseen delays in completing the integrations of acquisitions; risks associated with mergers, acquisitions, dispositions and other expansion activities; financial stability of our customers; environmental issues; 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; ability to weather an economic downturn; loss of consumer or investor confidence and other risks detailed from time-to-time in Synalloy Corporation's Securities and Exchange Commission filings. Synalloy Corporation assumes no obligation to update any forward-looking information included in this Annual Report on Form 10-K.

PART I

Item 1 Business

Synalloy Corporation, a Delaware corporation, 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 775 Spartan Boulevard, Suite 102, Spartanburg, South Carolina 29301 and 4301 Dominion Boulevard, Suite 130, Glen Allen, Virginia 23060. Unless indicated otherwise, the terms "Company," "we," "us," and "our" refer to Synalloy Corporation and its consolidated subsidiaries.

The Company's business is divided into two segments, the Metals Segment and the Specialty Chemicals Segment. The Metals Segment operates as Bristol Metals, LLC ("BRISMET"), a wholly-owned subsidiary of Synalloy Metals, Inc., Palmer of Texas Tanks, Inc. ("Palmer") and Specialty Pipe & Tube, Inc. ("Specialty"). BRISMET manufactures stainless steel and other alloy pipe. Palmer manufactures liquid storage solutions and separation equipment, and Specialty is a master distributor of seamless carbon pipe and tube. The Metals Segment's markets include the chemical, petrochemical, pulp and paper, mining, power generation (including nuclear), water and waste water treatment, liquid natural gas ("LNG"), brewery, food processing, petroleum, pharmaceutical and other industries. The Specialty Chemicals Segment operates as Manufacturers Chemicals, LLC ("MC"), a wholly-owned subsidiary of Manufacturers Soap and Chemical Company, located in Cleveland, Tennessee and CRI Tolling, LLC ("CRI Tolling"), located in Fountain Inn, South Carolina. The Specialty Chemicals Segment produces specialty chemicals for the chemical, paper, metals, mining, agricultural, fiber, paint, textile, automotive, petroleum, cosmetics, mattress, furniture, janitorial and other industries.

General

Metals Segment – This segment is comprised of three wholly-owned subsidiaries: Synalloy Metals, Inc., which owns 100 percent of Bristol Metals, LLC, located in Bristol, Tennessee; Palmer of Texas Tanks, Inc., located in Andrews, Texas; and Specialty Pipe & Tube, Inc., located in Mineral Ridge, Ohio and Houston, Texas.

BRISMET manufactures welded pipe, primarily from stainless steel, but also from other corrosion-resistant metals. Pipe is produced in sizes from one-half inch to 120 inches in diameter and wall thickness up to one and one-half inches. Eighteen-inch and smaller diameter pipe is made on equipment that forms and welds the pipe in a continuous process. Pipe larger than 18 inches in diameter is formed on presses or rolls and welded on batch welding equipment. Pipe is normally produced in standard 20-foot lengths. However, BRISMET 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 18 inches in diameter. In larger sizes BRISMET has a unique ability among domestic producers to make 48-foot lengths in diameters up to 36 inches. Over the past six years, BRISMET has made substantial capital improvements, expanding and improving capabilities to service markets requiring large diameter pipe and specialty alloy pipe such as water and waste water treatment, LNG, and scrubber applications for the power industry. These improvements include expanding its x-ray facilities which allows simultaneous use of real time and film examination; updating material handling equipment; expanding capabilities for forming large pipe on existing batch equipment, giving BRISMET the capability to produce 36-inch diameter pipe in 48-foot lengths with wall thicknesses of up to one inch; adding a shear that has the capacity of shearing stainless steel plate up to one-inch thick; completing plant expansions that allow the manufacture of pipe up to 42 inches in diameter utilizing more readily available raw materials at lower costs, provide additional manufacturing capacity, and provide improved product handling and additional space for planned equipment additions; installing automated hydro-testing equipment for pipe up to 72 inches in diameter; installing an energy efficient furnace to anneal pipe quicker while minimizing natural gas usage; and system improvements in pickling to maintain the proper chemical composition of the pickling acid.

Palmer is an International Organization for Standardization ("ISO") 9001 certified manufacturer of fiberglass and steel storage tanks for the oil and gas, waste water treatment and municipal water industries. Located in Andrews, Texas, Palmer is ideally located in the heart of oil and gas production territory. Palmer produces made-to-order fiberglass tanks, utilizing a variety of custom mandrels and application specific materials. Their fiberglass tanks range from two feet to 30 feet in diameter at various heights. The majority of these tanks is used for oil field waste water capture and is an integral part of the environmental regulatory compliance of the drilling process. Each fiberglass tank is manufactured to American Petroleum Institute Q1 standards to ensure product quality. In 2007, Palmer began investing in a dedicated steel tank production facility. Over the past four years, Palmer has built an integrated production facility housing enclosed steel preparation, computer assisted plasma cutting table, automated submerged arc welding, blasting, painting and drying buildings. The facility enables efficient, environmentally compliant steel production with designed-in expansion capability to support future growth. Finished steel tanks range in size from 50 to 10,000 barrels and are used to store extracted oil. During 2014, Palmer obtained all of the necessary certifications to produce certified pressure vessels. These certifications allow Palmer to sell all of the separator and storage equipment needed at a well site.

Specialty is a leading master distributor of hot finish, seamless, carbon steel pipe and tubing, with an emphasis on large outside diameters and exceptionally heavy wall thickness. Specialty's products are primarily used for mechanical and high pressure applications in the oil and gas, capital goods manufacturing, heavy industrial, construction equipment, paper and chemical industries. Operating from two facilities located in Mineral Ridge, Ohio and Houston, Texas, Specialty is well-positioned to serve the major industrial and energy regions and successfully reach other target markets across the United States. Specialty performs value-added services on approximately 80 percent of products shipped, which would include cutting to length, heat treatment, testing, boring and end finishing and typically processes and ships orders in 24 hours or less. Based upon its short lead times, Specialty plays a critical role in the supply chain, supplying long lead-time items to markets that demand fast deliveries, custom lengths and reliable execution of orders.

In order to establish stronger business relationships, the Metals Segment uses only a few raw material suppliers. Seven suppliers furnish about 82 percent of total dollar purchases of raw materials, with one supplier furnishing 42 percent of material purchases. However, the Company does not believe that the loss of this supplier would have a materially adverse effect on the Company as raw materials are readily available from a number of different sources, and the Company anticipates no difficulties in fulfilling its requirements.

This segment's stainless steel 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, pulp and paper, waste water treatment and LNG industries, with some other important industry users being mining, power generation (including nuclear), water treatment, brewery, food processing, petroleum, pharmaceutical and alternative fuels. The segment's chrome alloy products are used primarily in the power generation and chemical industries.

Specialty Chemicals Segment – This segment consists of the Company's wholly-owned subsidiary Manufacturers Soap and Chemical Company ("MS&C"). MS&C owns 100 percent of the membership interests of MC, which has a production facility in Cleveland, Tennessee and a warehouse in Dalton, Georgia. This segment also includes CRI Tolling which is located in Fountain Inn, South Carolina. Both facilities are fully licensed for chemical manufacture. The segment produces specialty chemicals for the oil and gas, carpet, chemical, paper, metals, mining, agricultural, fiber, paint, textile, automotive, petroleum, cosmetics, mattress, furniture, janitorial and other industries.

MC, which was purchased by the Company in 1996, produces over 1,100 specialty formulations and intermediates for use in a wide variety of applications and industries. MC's primary product lines focus on the areas of defoamers, surfactants and lubricating agents. Over 20 years ago, MC began diversifying its marketing efforts and expanding beyond traditional textile chemical markets. These three fundamental product lines find their way into a large number of manufacturing businesses. Over the years, the customer list has grown to include end users and chemical companies that supply paper, metal working, surface coatings, water treatment, paint, mining and janitorial applications. MC's capabilities also include the sulfation of fats and oils. These products are used in a wide variety of applications and represent a renewable resource, animal and vegetable derivatives, as alternatives to more expensive and non-renewable petroleum derivatives. In its Dalton, Georgia facility, MC stores and ships chemicals and specialty chemicals manufactured in MC's Cleveland, Tennessee plant to the carpet and rug market.

MC's strategy has been to focus on industries and markets that have good prospects for sustainability in the U.S. in light of global trends. MC's marketing strategy relies on sales to end users through its own sales force, but it also sells chemical intermediates to other chemical companies and distributors. It also has close working relationships with a significant number of major chemical companies that outsource their production for regional manufacture and distribution to companies like MC. MC has been ISO registered since 1995.

CRI Tolling, which acquired substantially all of the assets of Color Resources, LLC and the facility formerly used by Color Resources, LLC in August 2013, is located in Fountain Inn, South Carolina. CRI Tolling has underutilized manufacturing capacity which allows the Company to expand production from MC's Cleveland, Tennessee facility to further penetrate existing markets, as well as develop new ones, including those in the energy industry, and provides redundant production capabilities for key products. The Company invested approximately $3,500,000 in equipment at CRI Tolling during 2014. The new equipment provided CRI Tolling with production capabilities similar to those currently in place at MC's facility and increased the production capacity of the Specialty Chemicals Segment by 60 percent.

The Specialty Chemicals Segment maintains two laboratories for applied research and quality control which are staffed by nine employees.

Most raw materials used by the segment are generally available from numerous independent suppliers and almost 50 percent of total purchases are from its top eight suppliers. While some raw material needs are met by a sole supplier or only a few suppliers, the Company anticipates no difficulties in fulfilling its raw material requirements.

Please see Note 13 to the Consolidated Financial Statements, which are included in Item 8 of this Form 10-K, for financial information about the Company's segments.

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 at warehouse locations throughout the country. In addition, large quantity orders are shipped directly from BRISMET's plant to end-user customers. Producing sales and providing service to the distributors and end-user customers are BRISMET's President, two outside sales employees, ten independent manufacturers' representatives and nine inside sales employees.

Palmer does not employ a dedicated external sales and marketing resource. However, it employs two inside sales professionals that manage the relationships with past customers to identify and secure new sales. Additionally, the Metals Segment President assists in account relationship management with large customers. Customer feedback and in-field experience generate product enhancements and new product development.

Approximately 80 percent of Specialty's pipe sales are to North American pipe and tube distributors with the remainder comprised of direct to customer orders. In addition to Specialty's President, Specialty utilizes two manufacturing representatives and 7 inside sales employees, whom are located at both locations, to obtain sales orders and service its customers.

There were no customers representing more than ten percent of the Metals Segment's revenues for 2014 and 2012 but had one domestic customer that accounted for approximately ten percent of revenues in 2013. These revenues were for the Bechtel nuclear project which will not recur in the future.

Specialty Chemicals Segment – Specialty chemicals are sold directly to various industries nationwide by six full-time outside sales employees and thirteen manufacturers' representatives. The Specialty Chemicals Segment has one domestic customer that accounted for approximately 31 percent of the Segment's revenues in 2014 with a different domestic customer representing 40 percent in 2013 and 28 percent in 2012. The change in customers resulted from two of the three product lines which use our products were sold to another company in early 2014. The Specialty Chemicals Segment successfully retained the acquiring customer's business. This new customer is a large global company, and the purchases by this customer are derived from two different business units that operate autonomously from each other. Even so, loss of this customer's revenues would have a material adverse effect on both the Specialty Chemicals Segment and the Company.

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 nine known domestic producers and imports from many different countries.

Due to the size of the tanks produced and shipped to its customers, the majority of Palmer's products are sold within a 300 mile radius from its plant in Andrews, Texas. There are currently 15 tank producers, with similar capabilities, servicing that same area.

Specialty is a leader in the specialized products segment of the pipe and tube market by offering an industry-leading in-stock inventory of a broad range of high quality products, including specialized products with limited availability. Specialty's dual branches have both common and regional-specific products and capabilities. There are four known significant pipe and tube distributors with similar capabilities to Specialty.

Specialty Chemicals Segment – The Company is the sole producer of certain specialty chemicals manufactured for other companies under processing agreements and also produces proprietary specialty chemicals. 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.

Mergers, Acquisitions and Dispositions

The Company is committed to a long-term strategy of (a) reinvesting capital in our current business segments to foster their organic growth, (b) disposing of underperforming business segments with negative projected cash flows and (c) completing acquisitions that expand our current business segments or establish new manufacturing platforms. Targeted acquisitions are priced to be economically feasible and focus on achieving positive long-term benefits. These acquisitions may be paid for in the form of cash, stock, debt or a combination thereof. The amount and type of consideration and deal charges paid could have a short-term dilutive effect on the Company's earnings per share. However, such transactions are anticipated to provide long-term economic benefit to the Company.

On November 21, 2014, the Company entered into a Stock Purchase Agreement with The Davidson Corporation, a Delaware corporation ("Davidson"), to purchase all of the issued and outstanding stock of Specialty. Established in 1964 with distribution centers in Mineral Ridge, Ohio and Houston, Texas, Specialty is a master distributor of seamless carbon pipe and tube, with a focus on heavy wall, large diameter products. The purchase price for the all-cash acquisition was $31,500,000, subject to working capital adjustments post-closing. Davidson has the potential to receive earn-out payments up to a total of $5,000,000 if Specialty achieves targeted sales revenue over a two-year period following closing. The purchase price for the acquisition was funded through a combination of cash on hand, a new term loan with the Company's bank and an increase to the Company's current credit facility. The financial results for Specialty are reported as a part of the Company's Metals Segment.

On August 29, 2014, the Company completed the sale of all of the issued and outstanding membership interests of its wholly owned subsidiary, Ram-Fab, LLC, a South Carolina limited liability company ("Ram-Fab"), to a subsidiary of Primoris Services Corporation. The transaction was valued at less than $10 million, which consideration included cash at closing, Synalloy's ability to receive potential future earn-out payment(s) and the retention of specified Ram-Fab current assets. The Company realized a one-time charge in the third quarter of 2014 of $1,996,000 for costs associated with the closure plus a $947,000 charge to write off the Company's investment in Ram-Fab. These charges, along with all non-recurring revenues and expenses associated with Ram-Fab are included in the respective consolidated financial statements as discontinued operations. Ram-Fab was reported as a part of the Metals Segment.

On June 27, 2014, the Company completed the planned closure of the Bristol Fabrication unit of Synalloy Fabrication, LLC ("Bristol Fab"). Bristol Fab's collective bargaining agreement with the United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada Local Union No. 538 (the "Union") expired on February 15, 2014. After lengthy negotiations with the Union, Bristol Fab was unable to reach an agreement. Also, upon closure of the operation, the Company was legally obligated to pay a withdrawal liability to the Union's pension fund of over $1.9 million. The Company realized a one-time charge in the second quarter of 2014 of $6,988,000 for costs associated with the closure of Bristol Fab. These costs, along with all non-recurring revenues and expenses associated with Bristol Fab, are included in the respective consolidated financial statements as discontinued operations.

In August, 2013, the Company, through its wholly-owned subsidiary CRI Tolling, completed the purchase of the business assets of Color Resources, LLC ("CRI") and the building and land located in Fountain Inn, South Carolina where CRI was the sole tenant (the "CRI Facility"). CRI Tolling, a South Carolina limited liability company and wholly-owned subsidiary of the Company, continued CRI's business as that of a toll manufacturer that provides outside manufacturing resources to global and regional chemical companies. On August 9, 2013, Synalloy purchased the CRI Facility for a total purchase price of $3,450,000. On August 26, 2013, the Company purchased certain assets and assumed certain operating liabilities of CRI through CRI Tolling for a total purchase price of $1,100,000. The assets purchased from CRI included accounts receivable, inventory, certain other assets, and equipment, net of assumed payables. The Company used the acquisition of CRI and the CRI Facility to expand its production capacity from its Cleveland, Tennessee facility to further penetrate existing markets, as well as develop new ones, including those in the energy industry. CRI Tolling operates as a division of Synalloy's Specialty Chemicals Segment, which includes MC. The Company viewed both the building and operating assets of CRI together as one business, capable of providing a return to ownership by expanding the segment's production capacity. Accordingly, the acquisition met the definition of a business and the transaction is structured in a way that meets the definition of a business combination under accounting standards generally accepted in the United States of America ("GAAP").

On August 21, 2012, the Company completed the purchase of all of the outstanding shares of capital stock of Lee-Var, Inc. (now Palmer of Texas Tanks, Inc.), a Texas corporation doing business as Palmer of Texas, pursuant to a stock purchase agreement (the "SPA") among Palmer's former shareholders and the Company dated August 10, 2012. Palmer is a manufacturer of liquid storage solutions and separation equipment for the petroleum, municipal water, wastewater, chemical and food industries. The purchase price for the Palmer acquisition was $25,575,000 in cash, subject to working capital and fixed asset adjustments at closing. The adjustments at closing increased the purchase price to $26,951,209. Palmer shareholders also have the ability to receive contingent consideration ("earn-out") payments ranging from $2,500,000 to $10,500,000 if the business unit achieves targeted levels of earnings before interest, taxes, depreciation and amortization ("EBITDA") over a three year period following closing; and the Company will have the ability to claw-back portions of the purchase price over a two year period following closing if EBITDA falls below baseline levels. The former Palmer shareholders received the first year earn-out payment during 2013 of $2,500,000. This amount was partially offset by claims made against the sellers, as designated in the SPA, amounting to $885,000. The net amount paid to the sellers after the first year of Synalloy ownership was $1,615,000. The actual second year EBITDA for Palmer fell below the minimum target level and no payment was made in 2014. Looking out to the third and final year of the earn-out period, management does expect Palmer to achieve the threshold EBITDA target of $5.825 million. The Company remains pleased with Palmer's performance to date and its prospects for the future; however, management does not expect the business unit to reach the second tier level of $6,825,000 for the final earn-out period.

Environmental Matters

Environmental expenditures that relate to an existing condition caused by past operations and 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. Changes to laws and environmental issues, including climate change, are made or proposed with some frequency and some of the proposals, if adopted, might directly or indirectly result in a material reduction in the operating results of one or more of our operating units. We are presently unable to foresee the future well enough to quantify such risks. See Note 5 to the Consolidated Financial Statements, which are included in Item 8 of this Form 10-K, for further discussion.

Research and Development Activities

The Company spent approximately $531,000 in 2014, $558,000 in 2013 and $612,000 in 2012 on research and development activities that were expensed in its Specialty Chemicals Segment. Six individuals, five 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

With the exception of Palmer and Specialty's Houston location, which primarily serves the oil and gas industry, the Company's businesses and products are generally not subject to any seasonal impact that results in significant variations in revenues from one quarter to another. Fourth quarter revenue and profit for Palmer and Specialty Houston can be as much as 25 percent below the other three quarters due to vacation schedules for customer field crews working at the drill sites.

Backlogs

The Specialty Chemicals Segment operates primarily on the basis of delivering products soon after orders are received. Accordingly, backlogs are not a factor in this business. The same applies to commodity pipe sales in the Metals Segment. However, backlogs are important in the Metals Segment's steel and fiberglass tanks since tanks are produced only after orders are received. Its backlog of open orders were $12,229,000 and $11,477,000 at the end of 2014 and 2013, respectively. Management began tracking Palmer backlog during the fourth quarter of 2013. Therefore, backlog levels prior to 2013 are not available.

Employee Relations

At January 3, 2015, the Company had 464 employees. The Company considers relations with employees to be satisfactory. The number of employees of the Company represented by unions, located at the Bristol, Tennessee and Mineral Ridge, Ohio facilities, is 162, or 35 percent of the Company's employees. They are represented by two locals affiliated with the United Steelworkers and one local affiliated with the Teamsters. Collective bargaining contracts for the Steelworkers will expire in June 2017 and July 2019. The Company has given notice to the Teamsters that their contract will not be renewed. There are two employees represented by this union.

Financial Information about Geographic Areas

Information about revenues derived from domestic and foreign customers is set forth in Note 13 to the Consolidated Financial Statements.

Available information

The Company electronically files with the Securities and Exchange Commission ("SEC") its annual reports on Form 10-K, its quarterly reports on Form 10-Q, its periodic reports on Form 8-K, amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934 (the "1934 Act"), and proxy materials pursuant to Section 14 of the 1934 Act. The SEC maintains a site on the Internet, www.sec.gov, which contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The Company also makes its filings available, free of charge, through its Web site, www.synalloy.com, as soon as reasonably practical after the electronic filing of such material with the SEC. The information on the Company's Web site is not incorporated into this Annual Report on Form 10-K or any other filing the Company makes with the SEC.

Item 1A Risk Factors

There are inherent risks and uncertainties associated with our business that could adversely affect our operating performance and financial condition. Set forth below are descriptions of those risks and uncertainties that we believe to be material, but the risks and uncertainties described are not the only risks and uncertainties that could affect our business. Reference should be made to "Forward-Looking Statements" above, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 below.

The cyclical nature of the industries in which our customers operate causes demand for our products to be cyclical, creating uncertainty regarding future profitability. Various changes in general economic conditions affect the industries in which our customers operate. These changes include decreases in the rate of consumption or use of our customers' products due to economic downturns. Other factors causing fluctuation in our customers' positions are changes in market demand, capital spending, lower overall pricing due to domestic and international overcapacity, lower priced imports, currency fluctuations, and increases in use or decreases in prices of substitute materials. As a result of these factors, our profitability has been and may in the future be subject to significant fluctuation.

Domestic competition could force lower product pricing and may have an adverse effect on our revenues and profitability. From time-to-time, intense competition and excess manufacturing capacity in the commodity stainless steel industry have resulted in reduced selling prices, excluding raw material surcharges, for many of our stainless steel products sold by the Metals Segment. In order to maintain market share, we would have to lower our prices to match the competition. These factors have had and may continue to have an adverse impact on our revenues, operating results and financial condition and may continue to do so in the future.

Our business, financial condition and results of operations could be adversely affected by an increased level of imported products. Our business is susceptible to the import of products from other countries, particularly steel products. Import levels of various products are affected by, among other things, overall world-wide demand, lower cost of production in other countries, the trade practices of foreign governments, government subsidies to foreign producers and governmentally imposed trade restrictions in the United States. Although imports from certain countries have been curtailed by anti-dumping duties, imported products from other countries could significantly reduce prices. Increased imports of certain products, whether illegal dumping or legal imports, could reduce demand for our products in the future and adversely affect our business, financial position, results of operations or cash flows.

The Specialty Chemicals Segment uses significant quantities of a variety of specialty and commodity chemicals in its manufacturing processes, which are subject to price and availability fluctuations that may have an adverse impact on our financial performance. The raw materials we use are generally available from numerous independent suppliers. However, some of our raw material needs are met by a sole supplier or only a few suppliers. If any supplier that we rely on for raw materials ceases or limits production, we may incur significant additional costs, including capital costs, in order to find alternate, reliable raw material suppliers. We may also experience significant production delays while locating new supply sources, which could result in our failure to timely deliver products to our customers. Purchase prices and availability of these critical raw materials are subject to volatility. Some of the raw materials used by the Specialty Chemicals Segment are derived from petrochemical-based feedstock, such as crude oil and natural gas, which have been subject to historical periods of rapid and significant movements in price. These fluctuations in price could be aggravated by factors beyond our control such as political instability, and supply and demand factors, including Organization of the Petroleum Exporting Countries ("OPEC") production quotas and increased global demand for petroleum-based products. At any given time we may be unable to obtain an adequate supply of these critical raw materials on a timely basis, at prices and other terms acceptable, or at all. If suppliers increase the price of critical raw materials, we may not have alternative sources of supply. We attempt to pass changes in the prices of raw materials along to our customers. However, we cannot always do so, and any limitation on our ability to pass through any price increases could have an adverse effect on our financial performance. Any significant variations in the cost and availability of our specialty and commodity materials may negatively affect our business, financial condition or results of operations, specifically for the Specialty Chemicals Segment.

We rely on a small number of suppliers for our raw materials and any interruption in our supply chain could affect our operations. In order to foster stronger business relationships, the Metals Segment uses only a few raw material suppliers. During the year ended January 3, 2015, seven suppliers furnished approximately 82 percent of our total dollar purchases of raw materials, with one supplier providing 42 percent. However, these raw materials are available from a number of sources, and the Company anticipates no difficulties in fulfilling its raw materials requirements for the Metals Segment. Raw materials used by the Specialty Chemicals Segment are generally available from numerous independent suppliers and approximately 50 percent of total purchases were made from our top eight suppliers during the year ended January 3, 2015. Although some raw material needs are met by a single supplier or only a few suppliers, the Company anticipates no difficulties in fulfilling its raw material requirements for the Specialty Chemicals Segment. While the Company believes that raw materials for both segments are readily available from numerous sources, the loss of one or more key suppliers in either segment, or any other material change in our current supply channels, could have an adverse effect on the Company’s ability to meet the demand for its products, which could impact our operations, revenues and financial results.

A substantial portion of our overall sales is dependent upon a limited number of customers, and the loss of one or more of such customers would have a material adverse effect on our business, results of operation and profitability. The products of the Specialty Chemicals Segment are sold to various industries nationwide. However, that segment has one domestic customer that accounted for approximately 31 percent of revenues in 2014 with a different domestic customer representing 40 percent of revenues in 2013 and 28 percent of revenues in 2012. The change in customers resulted from two of the three product lines which use our products being sold to another company in early 2014. The Specialty Chemicals Segment successfully retained the acquiring company's business. This new customer is a large global company, and its purchases are derived from two different business units that operate independently of each other. Even so, the loss of this customer would have a material adverse effect on the revenues of the Specialty Chemicals Segment and the Company.

The Metals Segment did not have any customer that accounted for more than ten percent of the segment's revenues for 2014 and 2013. There was one domestic customer that accounted for approximately eleven percent of the segment’s revenues in 2013. These revenues were for the Bechtel nuclear project which will not recur in the future. Palmer and Specialty, which are a part of the Metals Segment, sell much of their products to the oil and gas industry. Any change in this industry, or any change in this industry’s demand for their products, would have a material adverse effect on the profits of the Metals Segment and the Company.

Our operating results are sensitive to the availability and cost of energy and freight, which are important in the manufacture and transport of our products. Our operating costs increase when energy or freight costs rise. During periods of increasing energy and freight costs, we might not be able to fully recover our operating cost increases through price increases without reducing demand for our products. In addition, we are dependent on third party freight carriers to transport many of our products, all of which are dependent on fuel to transport our products. The prices for and availability of electricity, natural gas, oil, diesel fuel and other energy resources are subject to volatile market conditions. These market conditions often are affected by political and economic factors beyond our control. Disruptions in the supply of energy resources could temporarily impair the ability to manufacture products for customers and may result in the decline of freight carrier capacity in our geographic markets, or make freight carriers unavailable. Further, increases in energy or freight costs that cannot be passed on to customers, or changes in costs relative to energy and freight costs paid by competitors, has adversely affected, and may continue to adversely affect, our profitability.

Oil prices are extremely volatile. A substantial or extended decline in the price of oil could adversely affect our financial condition and results of operations. Prices for oil can fluctuate widely. Our Palmer and Specialty (Texas) units' revenues are highly dependent on our customers adding oil well drilling and pumping locations. Should oil prices decline such that drilling becomes unprofitable for our customers, such customers will likely cap many of their current wells and cease or curtail expansion. This will decrease the demand for our tanks and pipe and tube and adversely affect the results of our operations.

Significant changes in nickel prices could have an impact on the sales by the Metals Segment. The Metals Segment uses nickel in a number of its products. Nickel prices are currently at a relatively low level, which reduces our manufacturing costs for certain products. When nickel prices increase, many of our customers increase their orders in an attempt to avoid future price increases, resulting in increased sales for the Metals Segment. Conversely, when nickel prices decrease, many of our customers wait to place orders in an attempt to take advantage of subsequent price decreases, resulting in reduced sales for the Metals Segment. On average, the Metals Segment turns its inventory of commodity pipe every four months, but the nickel surcharge on sales of commodity pipe is established on a weekly basis. The difference, if any, between the price of nickel on the date of purchase of the raw material and the price, as established by the surcharge, on the date of sale has the potential to create an inventory profit or loss. If the price of nickel steadily increases over time, as it did from 2005 to 2007, the Metals Segment is the beneficiary of the increase in nickel price in the form of inventory gains. Conversely, if the price of nickel steadily decreases over time, as it has from 2009 to 2013, the Metals Segment suffers inventory losses. During 2014, nickel prices were relatively unchanged. The Metals Segment incurred inventory losses of $118,000 for the year ended January 3, 2015. We will incur inventory losses in the future if nickel prices decrease. Any material changes in the cost of nickel could impact our sales and result in fluctuations in the profits for the Metals Segment.

We encounter significant competition in all areas of our businesses and may be unable to compete effectively, which could result in reduced profitability and loss of market share. We actively compete with companies producing the same or similar products and, in some instances, with companies producing different products designed for the same uses. We encounter competition from both domestic and foreign sources in price, delivery, service, performance, product innovation and product recognition and quality, depending on the product involved. For some of our products, our competitors are larger and have greater financial resources than we do. As a result, these competitors may be better able to withstand a change in conditions within the industries in which we operate, a change in the prices of raw materials or a change in the economy as a whole. Our competitors can be expected to continue to develop and introduce new and enhanced products and more efficient production capabilities, which could cause a decline in market acceptance of our products. Current and future consolidation among our competitors and customers also may cause a loss of market share as well as put downward pressure on pricing. Our competitors could cause a reduction in the prices for some of our products as a result of intensified price competition. Competitive pressures can also result in the loss of major customers. If we cannot compete successfully, our business, financial condition and profitability could be adversely affected.

*Our lengthy sales cycle for the Specialty Chemicals Segment makes it difficult to predict quarterly revenue levels and operating results.*Purchasing the products of the Specialty Chemicals Segment is a major commitment on the part of our customers. Before a potential customer determines to purchase products from the Specialty Chemicals Segment, the Company must produce test product material so that the potential customer is satisfied that we can manufacture a product to their specifications. The production of such test materials is a time-consuming process. Accordingly, the sales process for products in the Specialty Chemicals Segment is a lengthy process that requires a considerable investment of time and resources on our part. As a result, the timing of our revenues is difficult to predict, and the delay of an order could cause our quarterly revenues to fall below our expectations and those of the public market analysts and investors.

A significant portion of our sales results from competitive bidding, which is a long and unpredictable process. In both of our business segments, many of our sales efforts are based on competitive bidding situations with existing and potential customers in which we must fix a price early in the process. This is often a slow and lengthy process that requires us to spend considerable time and resources. Moreover, it is an unpredictable process and we are not always successful in our bidding. The unpredictability of the competitive bidding process makes it difficult to predict our quarterly revenues with any degree of certainty. In the event we do not accurately predict our costs on a project, we will not realize our profit expectations and may in fact incur a loss on that particular project. Many factors which are out of our control may adversely affect our profit on a project.

Our operations expose us to the risk of environmental, health and safety liabilities and obligations, which could have a material adverse effect on our financial condition, results of operations or cash flows. We are subject to numerous federal, state and local environmental protection and health and safety laws governing, among other things:

- the generation, use, storage, treatment, transportation, disposal and management of hazardous substances and wastes;
- emissions or discharges of pollutants or other substances into the environment;
- investigation and remediation of, and damages resulting from, releases of hazardous substances; and
- the health and safety of our employees.

Under certain environmental laws, we can be held strictly liable for hazardous substance contamination of any real property we have ever owned, operated or used as a disposal site. We are also required to maintain various environmental permits and licenses, many of which require periodic modification and renewal. Our operations entail the risk of violations of those laws and regulations, and we cannot assure you that we have been or will be at all times in compliance with all of these requirements. In addition, these requirements and their enforcement may become more stringent in the future.

We have incurred, and expect to continue to incur, additional capital expenditures in addition to ordinary costs to comply with applicable environmental laws, such as those governing air emissions and wastewater discharges. Our failure to comply with applicable environmental laws and permit requirements could result in civil and/or criminal fines or penalties, enforcement actions, and regulatory or judicial orders enjoining or curtailing operations or requiring corrective measures such as the installation of pollution control equipment, which could have a material adverse effect on our financial condition, results of operations or cash flows.

We are currently, and may in the future be, required to investigate, remediate or otherwise address contamination at our current or former facilities. Many of our current and former facilities have a history of industrial usage for which additional investigation, remediation or other obligations could arise in the future and that could materially adversely affect our business, financial condition, results of operations or cash flows. In addition, we are currently and, could in the future be, responsible for costs to address contamination identified at any real property we used as a disposal site.

Although we cannot predict the ultimate cost of compliance with any of the requirements described above, the costs could be material. Non-compliance could subject us to material liabilities, such as government fines, third-party lawsuits or the suspension of non-compliant operations. We also may be required to make significant site or operational modifications at substantial cost. Future developments also could restrict or eliminate the use of or require us to make modifications to our products, which could have a significant negative impact on our results of operations and cash flows. At any given time, we are involved in claims, litigation, administrative proceedings and investigations of various types involving potential environmental liabilities, including cleanup costs associated with hazardous waste disposal sites at our facilities. We cannot assure you that the resolution of these environmental matters will not have a material adverse effect on our results of operations or cash flows. The ultimate costs and timing of environmental liabilities are difficult to predict. Liability under environmental laws relating to contaminated sites can be imposed retroactively and on a joint and several basis. We could incur significant costs, including cleanup costs, civil or criminal fines and sanctions and third-party claims, as a result of past or future violations of, or liabilities under, environmental laws.

We could be subject to third party claims for property damage, personal injury, nuisance or otherwise as a result of violations of, or liabilities under, environmental, health or safety laws in connection with releases of hazardous or other materials at any current or former facility. We could also be subject to environmental indemnification claims in connection with assets and businesses that we have acquired or divested.

There can be no assurance that any future capital and operating expenditures to maintain compliance with environmental laws, as well as costs to address contamination or environmental claims, will not exceed any current estimates or adversely affect our financial condition and results of operations. In addition, any unanticipated liabilities or obligations arising, for example, out of discovery of previously unknown conditions or changes in laws or regulations, could have an adverse effect on our business, financial condition, results of operations or cash flows.

*We are dependent upon the continued operation of our production facilities, which are subject to a number of hazards.*In both of our business segments, but especially in the Specialty Chemicals Segment, our production facilities are subject to hazards associated with the manufacture, handling, storage and transportation of chemical materials and products, including leaks and ruptures, explosions, fires, inclement weather and natural disasters, unscheduled downtime and environmental hazards which could result in liability for workplace injuries and fatalities. In addition, some of our production capabilities are highly specialized, which limits our ability to shift production to another facility in the event of an incident at a particular facility. If a production facility, or a critical portion of a production facility, were temporarily shut down, we likely would incur higher costs for alternate sources of supply for our products. We cannot assure you that we will not experience these types of incidents in the future or that these incidents will not result in production delays, failure to timely fulfill customer orders or otherwise have a material adverse effect on our business, financial condition or results of operations.

Certain of our employees in the Metals Segment are covered by collective bargaining agreements, and the failure to renew these agreements could result in labor disruptions and increased labor costs. As of January 3, 2015, we had 162 employees represented by unions at our Bristol, Tennessee and Mineral Ridge, Ohio facilities, which is 35 percent of the aggregate number of Company employees. These employees are represented by two local unions affiliated with the United Steelworkers (the “Steelworkers Union") and one local union affiliated with the International Brotherhood of Teamsters (the “Teamsters Union”). The collective bargaining contracts for the Steelworkers Unions will expire in June 2017 and July 2019. The collective bargaining contract for the Teamsters Union will expire in March 2015. The Company does not plan to renew the Teamsters Union agreement in 2015, which affects two employees. Although we believe that our present labor relations are satisfactory, our failure to renew these agreements on reasonable terms as the current agreements expire could result in labor disruptions and increased labor costs, which could adversely affect our financial performance.

Our current capital structure includes indebtedness, which is secured by all or substantially all of our assets and which contains restrictive covenants that may prevent us from obtaining adequate working capital, making acquisitions or capital improvements.
Our existing credit facilities contain restrictive covenants that limit our ability to, among other things, borrow money or guarantee the debts of others, use assets as security in other transactions, make investments or other restricted payments or distributions, change our business or enter into new lines of business, and sell or acquire assets or merge with or into other companies. In addition,

our credit facilities require us to meet financial ratios which could limit our ability to plan for or react to market conditions or meet extraordinary capital needs and could otherwise restrict our financing activities. Our ability to comply with the covenants and other terms of our credit facilities will depend on our future operating performance. If we fail to comply with such covenants and terms, we will be in default and the maturity of any then outstanding related debt could be accelerated and become immediately due and payable. In addition, in the event of such a default, our lender may refuse to advance additional funds, demand immediate repayment of our outstanding indebtedness, and elect to foreclose on our assets that secure the credit facilities.

There were no events of default under the covenants of our credit facilities at January 3, 2015. Although we believe we will remain in compliance with these covenants in the foreseeable future and that our relationship with our lender is strong, there is no assurance our lender would consent to an amendment or waiver in the event of noncompliance; or that such consent would not be conditioned upon the receipt of a cash payment, revised principal payout terms, increased interest rates or restrictions in the expansion of the credit facilities for the foreseeable future, or that our lender would not exercise rights that would be available to them, including, among other things, demanding payment of outstanding borrowings. In addition, our ability to obtain additional capital or alternative borrowing arrangements at reasonable rates may be adversely affected. All or any of these adverse events would further limit our flexibility in planning for, or reacting to, downturns in our business.

We may need new or additional financing in the future to expand our business or refinance existing indebtedness, and our inability to obtain capital on satisfactory terms or at all may have an adverse impact on our operations and our financial results. If we are unable to access capital on satisfactory terms and conditions, we may not be able to expand our business or meet our payment requirements under our existing credit facilities. Our ability to obtain new or additional financing will depend on a variety of factors, many of which are beyond our control. We may not be able to obtain new or additional financing because we may have substantial debt or because we may not have sufficient cash flows to service or repay our existing or future debt. In addition, depending on market conditions and our financial performance, equity financing may not be available on satisfactory terms or at all. If we are unable to access capital on satisfactory terms and conditions, this could have an adverse impact on our operations and our financial results.

Our existing property and liability insurance coverages contain exclusions and limitations on coverage. We have maintained various forms of insurance, including insurance covering claims related to our properties and risks associated with our operations. From time-to-time, in connection with renewals of insurance, we have experienced additional exclusions and limitations on coverage, larger self-insured retentions and deductibles and higher premiums, primarily from the operations of the Specialty Chemicals Segment. As a result, our existing coverage may not be sufficient to cover any losses we may incur and in the future our insurance coverage may not cover claims to the extent that it has in the past and the costs that we incur to procure insurance may increase significantly, either of which could have an adverse effect on our results of operations or cash flows.

We may not be able to make the operational and product changes necessary to continue to be an effective competitor. We must continue to enhance our existing products and to develop and manufacture new products with improved capabilities in order to continue to be an effective competitor in our business markets. In addition, we must anticipate and respond to changes in industry standards that affect our products and the needs of our customers. We also must continue to make improvements in our productivity in order to maintain our competitive position. When we invest in new technologies, processes or production capabilities, we face risks related to construction delays, cost over-runs and unanticipated technical difficulties.

The success of any new or enhanced products will depend on a number of factors, such as technological innovations, increased manufacturing and material costs, customer acceptance, and the performance and quality of the new or enhanced products. As we introduce new products or refine existing products, we cannot predict the level of market acceptance or the amount of market share these new or enhanced products may achieve. Moreover, we may experience delays in the introduction of new or enhanced products. Any manufacturing delays or problems with new or enhanced product launches will adversely affect our operating results. In addition, the introduction of new products could result in a decrease in revenues from existing products. Also, we may need more capital for product development and enhancement than is available to us, which could adversely affect our business, financial condition or results of operations. We sell our products in industries that are affected by technological changes, new product introductions and changing industry standards. If we do not respond by developing new products or enhancing existing products on a timely basis, our products will become obsolete over time and our revenues, cash flows, profitability and competitive position will suffer.

In addition, if we fail to accurately predict future customer needs and preferences, we may invest heavily in the development of new or enhanced products that do not result in significant sales and revenue. Even if we successfully innovate in the development of new and enhanced products, we may incur substantial costs in doing so, and our profitability may suffer. Our products must be kept current to meet the needs of our customers. To remain competitive, we must develop new and innovative products on an on-going basis. If we fail to make innovations, or the market does not accept our new or enhanced products, our sales and results could suffer.

Our inability to anticipate and respond to changes in industry standards and the needs of our customers, or to utilize changing technologies in responding to those changes, could have a material adverse effect on our business and our results of operations.

Our strategy of using acquisitions and dispositions to position our businesses may not always be successful, which may have a material adverse impact on our financial results and profitability. We have historically utilized acquisitions and dispositions in an effort to strategically position our businesses and improve our ability to compete. We plan to continue to do this by seeking specialty niches, acquiring businesses complementary to existing strengths and continually evaluating the performance and strategic fit of our existing business units. We consider acquisition, joint ventures and other business combination opportunities as well as possible business unit dispositions. From time-to-time, management holds discussions with management of other companies to explore such opportunities. As a result, the relative makeup of the businesses comprising our Company is subject to change. Acquisitions, joint ventures and other business combinations involve various inherent risks, such as: assessing accurately the value, strengths, weaknesses, contingent and other liabilities and potential profitability of acquisition or other transaction candidates; the potential loss of key personnel of an acquired business; significant transaction costs that were not identified during due diligence; our ability to achieve identified financial and operating synergies anticipated to result from an acquisition or other transaction; and unanticipated changes in business and economic conditions affecting an acquisition or other transaction. If acquisition opportunities are not available or if one or more acquisitions are not successfully integrated into our operations, this could have a material adverse impact on our financial results and profitability.

The loss of key members of our management team, or difficulty attracting and retaining experienced technical personnel, could reduce our competitiveness and have an adverse effect on our business and results of operations. The successful implementation of our strategies and handling of other issues integral to our future success will depend, in part, on our experienced management team. The loss of key members of our management team could have an adverse effect on our business. Although we have entered into an employment agreement with Craig C. Bram, our President and Chief Executive Officer, Mr. Bram may resign from the Company at any time and seek employment elsewhere, subject to certain non-competition restrictions for a one-year period. Additionally, if we cannot retain our technical personnel or attract additional experienced technical personnel, our ability to compete could be harmed.

Federal, state and local legislative and regulatory initiatives relating to hydraulic fracturing, as well as governmental reviews of such activities could result in delays or eliminate new wells from being started, thus reducing the demand for our fiberglass and steel storage tanks and heavy walled pipe and tube. Hydraulic fracturing (“fracking”) is currently an essential and common practice to extract oil from dense subsurface rock formations and this lower cost extraction method is a significant driving force behind the surge of oil exploration and drilling in several locations in the United States. However, the Environmental Protection Agency, U.S. Congress and state legislatures have considered adopting legislation to provide additional regulations and disclosures surrounding this process. In the event that new legal restrictions surrounding the fracking process are adopted in the areas in which our customers operate, we may see a dramatic decrease in Palmer’s and Specialty - Texas' profitability which could have an adverse impact on our financial results.

Our results of operations could be adversely affected by goodwill impairments. As a result of our acquisitions, we had approximately $23.3 million of goodwill on our balance sheet as of January 3, 2015. Goodwill must be tested at least annually for impairment, and more frequently when circumstances indicate likely impairment. Goodwill is considered impaired to the extent that its carrying amount exceeds its implied fair value. An impairment of goodwill could have a substantial negative effect on our profitability.

Our results of operations could be adversely affected by intangible asset impairments. As a result of our acquisitions, we had approximately $17.0 million of intangible assets on our balance sheet as of January 3, 2015. Intangible assets are amortized over their estimated useful lives using an accelerated method or straight-line method. Intangibles are reviewed for impairment when events or changes in circumstances indicate the carrying value of the intangible asset or group of assets may no longer be recoverable. An impairment of intangible assets could have a substantial negative effect on our profitability.

Our allowance for doubtful accounts may not be adequate to cover actual losses. An allowance for doubtful accounts in maintained for estimated losses resulting from the inability of our customers to make required payments and for disputed claims and quality issues. This allowance may not be adequate to cover actual losses, and future provisions for losses could materially and adversely affect our operating results. The allowance for doubtful accounts is based on prior experience, as well as an evaluation of the outstanding receivables and existing economic conditions. The amount of future losses is susceptible to changes in economic, operating and other outside forces and conditions, all of which are beyond our control, and these losses may exceed current estimates. Although management believes that the allowance for doubtful accounts is adequate to cover current estimated losses, we cannot make assurances that we will not further increase the allowance for doubtful accounts. A significant increase in the allowance for doubtful accounts could adversely affect our earnings.

We depend on third parties to distribute certain of our products and because we have no control over such third parties we are subject to adverse changes in such parties' operations or interruptions of service, each of which may have an adverse effect on our operations. We use third parties over which we have only limited control to distribute certain of our products. Our dependency on these third party distributors has increased as our business has grown. Because we rely on these third parties to provide distribution services, any change in our ability to access these third party distribution services could have an adverse impact on our revenues and put us at a competitive disadvantage with our competitors.

*Freight costs for products produced in our Palmer operations restrict our sales area for this facility.*The freight and other distribution costs for products sold from our Palmer facility are extremely high. As a result, the market area for these products is restricted, which limits the geographic market for Palmer's tanks and the ability to significantly increase revenues derived from sales of products from the Palmer facility.

New regulations related to "conflict minerals" may force us to incur additional expenses, may make our supply chain more complex and may result in damage to our reputation with customers. On August 22, 2012, under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), the SEC adopted new requirements for companies that use certain minerals and metals, known as conflict minerals, in their products, whether or not these products are manufactured by third parties. These regulations require companies to conduct annual due diligence and disclose whether or not such minerals originate from the Democratic Republic of Congo and adjoining countries. Tungsten and tantalum are designated as conflict minerals under the Dodd-Frank Act. These metals are used to varying degrees in our welding materials and are also present in specialty alloy products. These new requirements could adversely affect the sourcing, availability and pricing of minerals used in our products. In addition, we could incur additional costs to comply with the disclosure requirements, including costs related to determining the source of any of the relevant minerals and metals used in our products. Since our supply chain is complex, we may not be able to sufficiently verify the origins for these minerals and metals used in our products through the due diligence procedures that we implement, which may harm our reputation. In such event, we may also face difficulties in satisfying customers who could require that all of the components of our products are conflict mineral-free.

Our inability to sufficiently or completely protect our intellectual property rights could adversely affect our business, prospects, financial condition and results of operations. Our ability to compete effectively in both of our business segments will depend on our ability to maintain the proprietary nature of the intellectual property used in our businesses. These intellectual property rights consist largely of trade-secrets and know-how. We rely on a combination of trade secrets and non-disclosure and other contractual agreements and technical measures to protect our rights in our intellectual property. We also depend upon confidentiality agreements with our officers, directors, employees, consultants and subcontractors, as well as collaborative partners, to maintain the proprietary nature of our intellectual property. These measures may not afford us sufficient or complete protection, and others may independently develop intellectual property similar to ours, otherwise avoid our confidentiality agreements or produce technology that would adversely affect our business, prospects, financial condition and results of operations.

*Our internal controls over financial reporting could fail to prevent or detect misstatements.*Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Any failure to maintain effective internal controls or to timely effect any necessary improvement in our internal control and disclosure controls could, among other things, result in losses from fraud or error, harm our reputation or cause investors to lose confidence in our reported financial information, all of which could have a material adverse effect on our financial condition, results of operations and cash flows.

During 2014, a material weakness in internal control over financial reporting was identified relating to internal controls around business combinations. Management is taking steps to remediate this material weakness and performed additional analysis and procedures to conclude that the consolidated financial statements included in this 2014 Form 10-K fairly present, in all material respects, our financial condition and results of operations as of and for the year ended January 3, 2015. See "Management's Annual Report On Internal Control Over Financial Reporting".

Cyber security risks and cyber incidents could adversely affect our business and disrupt operations. Cyber incidents can result from deliberate attacks or unintentional events. These incidents can include, but are not limited to, gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. The result of these incidents could include, but are not limited to, disrupted operations, misstated financial data, liability for stolen assets or information, increased cyber security protection costs, litigation and reputational damage adversely affecting customer or investor confidence.

Loss of key supplier authorizations, lack of product availability, or changes in supplier distribution programs could adversely affect our sales and earnings. Our business depends on maintaining an immediately available supply of various products to meet customer demand. Many of our relationships with key product suppliers are longstanding, but are terminable by either party. The loss of key supplier authorizations, or a substantial decrease in the availability of their products, could put us at a competitive disadvantage and have a material adverse effect on our business. Supply interruptions could arise from raw material shortages, inadequate manufacturing capacity or utilization to meet demand, financial problems, labor disputes or weather conditions affecting suppliers' production, transportation disruptions or other reasons beyond our control.

In addition, as a master distributor, we face the risk of key product suppliers changing their relationships with distributors generally, or Specialty in particular, in a manner that adversely impacts us. For example, key suppliers could change the following: the prices we must pay for their products relative to other distributors or relative to competing products; the geographic or product line breadth of distributor authorizations; supplier purchasing incentive or other support programs; or product purchase or stock expectations.

*The purchasing incentives we earn from product suppliers can be impacted if we reduce our purchases in response to declining customer demand*Certain of our product and raw material suppliers have historically offered to their customers and distributors, including us, incentives for purchasing their products. In addition to market or customer account-specific incentives, certain suppliers pay incentives to the customer or distributor for attaining specific purchase volumes during the program period. In some cases, in order to earn incentives, we must achieve year-over-year growth in purchases with the supplier. When the demand for our products declines, we may be less willing to add inventory to take advantage of certain incentive programs, thereby potentially adversely impacting our profitability.

Item 1B Unresolved Staff Comments

None.

Item 2 Properties

The Company operates the major plants and facilities listed below, all of which are in adequate condition for their current usage. All facilities throughout the Company are believed to be 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 the warehouse facilities located in Dalton, GA, a parcel of land in Mineral Ridge, OH and the corporate offices located in Spartanburg, SC and Glen Allen, VA.

Location	Principal Operations	Building Square Feet	Land Acres
Bristol, TN	Manufacturing stainless steel pipe	275,000	73.1
Fountain Inn, SC	Chemical manufacturing and warehousing facilities	136,834	16.9
Cleveland, TN	Chemical manufacturing and warehousing facilities	118,000	10.5
Andrews, TX	Manufacturing liquid storage solutions and separation equipment	109,432	19.6
Dalton, GA	Warehouse facilities (1)	32,000	2.0
Houston, TX	Cutting facility and storage yard for heavy walled pipe	29,821	10.0
Mineral Ridge, OH	Cutting facility and storage yard for heavy walled pipe	12,000	12.0
Mineral Ridge, OH	Storage yard for heavy walled pipe (1)	—	4.6
Spartanburg, SC	Corporate headquarters (1)	6,840	—
Glen Allen, VA	Office space for Corporate employees (1)	2,869	—
Augusta, GA	Chemical manufacturing (2)	—	46.0

(1) Leased facility / land.
(2) Plant was closed in 2001 and all structures and manufacturing equipment have been removed.

Item 3 Legal Proceedings

For a discussion of legal proceedings, see Notes 5 and 11 to the Consolidated Financial Statements included in Item 8 of this Form 10-K.

Item 4 Mine Safety Disclosures

Not applicable.

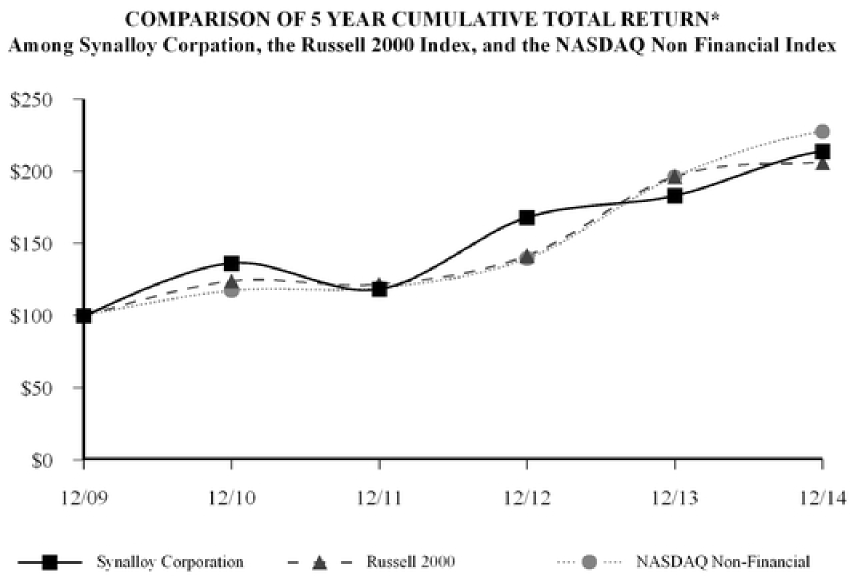
PART II

Item 5 Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company had 567 common shareholders of record at March 4, 2015. The Company's common stock trades on the NASDAQ Global Market under the trading symbol SYNL. The Company's credit agreement only restricts the payment of dividends through a minimum tangible net worth covenant. The Company paid a $0.30 cash dividend on December 9, 2014, a $0.26 cash dividend on December 3, 2013, and a $0.25 cash dividend on December 10, 2012. The prices shown below are the 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 Global Market.

	2014		2013	
Quarter	High	Low	High	Low
1st	$ 15.75	$ 13.14	$ 14.88	$ 12.53
2nd	16.99	13.82	16.00	12.94
3rd	18.78	15.89	17.38	14.99
4th	18.84	14.67	16.75	13.80

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



*$100 invested on 12/31/09 in stock on index, including reinvestment of dividends.
Fiscal year ending December 31.

Source: Russell Investment Group

Comparison of 5 Year Cumulative Total Return Graph

	12/09	12/10	12/11	12/12	12/13	12/14
Synalloy Corporation	$ 100.00	$ 136.23	$ 118.30	$ 167.88	$ 183.08	$ 213.84
Russell 2000	100.00	126.86	121.56	141.43	196.34	205.95
NASDAQ Non-Financial	100.00	117.19	119.01	139.36	196.05	227.38

This graph and related information shall not be deemed to be “filed” with the Securities and Exchange Commission or “soliciting material” or subject to Regulation 14A, or the liabilities of Section 18 of the 1934 Act, except to the extent the Company specifically requests that such information be treated as soliciting material or specifically incorporates it by reference into a filing under the Securities Act of 1933 or the 1934 Act.

Unregistered Sales of Equity Securities

Pursuant to the compensation arrangement with directors discussed under Item 12 "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" in this Form 10-K, on April 24, 2014, the Company issued an aggregate of 7,088 shares of restricted stock to non-employee directors in lieu of $111,000 of their annual cash retainer fees. Issuance of these shares was not registered under the Securities Act of 1933 based on the exemption provided by Section 4(2) thereof because no public offering was involved.

The Company also issued 7,434 shares of common stock in 2014 to management and key employees that vested pursuant to the 2005 Stock Awards Plan. Issuance of these shares was not registered under the Securities Act of 1933 based on the exemption provided by Section 4(2) thereof because no public offering was involved.

Neither the Company, nor any affiliated purchaser (as defined in Rule 10b-18(a)(3) of the 1934 Act) on behalf of the Company repurchased any of the Company's securities during the fourth quarter of 2014.

Item 6 Selected Financial Data

Selected Financial Data and Other Financial Information

(Dollar amounts in thousands except for per share data)

	2014 (a)	2013	2012	2011	2010
Operations (b)					
Net sales	$ 199,505	$ 196,751	$ 166,162	$ 139,083	$ 111,193
Gross profit	32,929	19,798	19,733	14,306	7,014
Selling, general & administrative expense	16,589	16,034	12,409	10,581	7,941
Operating income (loss)	16,341	3,764	7,324	3,725	(927)
Net income (loss) - continuing operations	12,619	2,898	3,983	2,488	(572)
Net (loss) income - discontinued operations	(7,157)	(1,137)	252	3,310	4,606
Net income	5,462	1,761	4,235	5,797	4,034
Financial Position					
Total assets	187,849	163,260	148,507	98,916	81,375
Working capital	64,580	74,988	65,919	56,344	43,232
Long-term debt, less current portion	27,255	20,905	37,593	8,650	219
Shareholders' equity	109,454	106,098	71,774	68,619	63,875
Financial Ratios					
Current ratio	2.6:1	4.0:1	3.6:1	4.1:1	4.0:1
Gross profit to net sales (b)	17%	10%	12%	10%	6%
Long-term debt to capital	20%	16%	34%	11%	0%
Return on average assets (b)	7%	2%	3%	3%	0%
Return on average equity (b)	12%	3%	6%	4%	0%
Per Share Data (income/(loss) – diluted)					
Net income (loss) - continuing operations (b)	$ 1.45	$ 0.42	$ 0.62	$ 0.39	$ (0.09)
Net (loss) income - discontinued operations (b)	(0.82)	(0.16)	0.04	0.52	0.73
Net income	0.63	0.25	0.66	0.91	0.64
Dividends declared and paid	0.30	0.26	0.25	0.25	0.50
Book value	12.57	12.21	11.29	10.85	10.16
Other Data					
Depreciation and amortization (b)	$ 5,191	$ 4,672	$ 2,962	$ 2,225	$ 2,282
Capital expenditures (b)	8,066	5,648	4,542	3,162	2,191
Employees at year end	464	670	597	441	441
Shareholders of record at year end	575	619	669	687	704
Average shares outstanding - diluted	8,715	6,947	6,394	6,362	6,309
Stock Price					
Price range of common stock					
High	$ 18.84	$ 17.38	$ 14.97	$ 15.50	$ 12.25
Low	13.14	12.53	10.21	9.15	7.47
Close	17.67	15.53	13.49	10.27	12.12

(a) 2014 represents a 53 week year.

(b) Information in the section or line has been re-stated to reflect continuing operations only.

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 accounting principles generally accepted in the United States of America. 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.

Allowance for Doubtful Accounts

The Company maintained allowances for doubtful accounts of approximately $1,115,000 as of January 3, 2015, for estimated losses resulting from the inability of its customers to make required payments and for disputed claims and quality issues. The allowance 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 60 days. Delinquent receivables are written off based on individual credit evaluations and specific circumstances of the customer.

Inventory Reserves

The Company establishes a reserve for estimated obsolete 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. Based on historical results, the Company also maintains an inventory reserve to provide for the amount of estimated inventory quantity loss since the last physical inventory. As of January 3, 2015, the Company has approximately $4,866,000 accrued for the various inventory reserves. If actual market conditions are less favorable than those estimated by management, additional inventory reserves may be required.

Environmental Reserves

As noted in Note 5 to the Consolidated Financial Statements included in Item 8 of this Form 10-K, the Company has accrued $576,000 as of January 3, 2015, in environmental remediation costs which, in management's best estimate, are sufficient to satisfy anticipated costs of known remediation requirements as explained in Note 5. Expenditures related to costs currently accrued are not discounted to their present values and are expected to be made over the next three to four years. However, as a result of the evolving nature of the environmental regulations, the difficulty in estimating the extent and necessary remediation 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. Changes in information known to management or in applicable regulations may require the Company to record additional remediation reserves.

Impairment of Long-Lived Assets

The Company continually reviews the recoverability of the carrying value of long-lived assets. Long-lived assets are reviewed for impairment when events or changes in circumstances, also referred to as "triggering events", indicate that the carrying value of a long-lived asset or group of assets (the "Assets") may no longer be recoverable. Triggering events include: a significant decline in the market price of the Assets; a significant adverse change in the operating use or physical condition of the Assets; a significant adverse change in legal factors or in the business climate impacting the Assets' value, including regulatory issues such as environmental actions; the generation by the Assets of historical cash flow losses combined with projected future cash flow losses; or the expectation that the Assets will be sold or disposed of significantly before the end of the useful life of the Assets. The Company concluded that there were no indications of impairment requiring further testing during the year ended January 3, 2015.

If the Company concluded that, based on its review of current facts and circumstances, there were indications of impairment, testing of the applicable Assets would be performed. The recoverability of the Assets to be held and used is tested by comparing the carrying amount of the Assets at the date of the test to the sum of the estimated future undiscounted cash flows expected to be generated by those Assets over the remaining useful life of the Assets. In estimating the future undiscounted cash flows, the Company uses projections of cash flows directly associated with, and which are expected to arise as a direct result of, the use and eventual disposition of the Assets. This approach requires significant judgments including the Company's projected net cash flows, which are derived using the most recent available estimate for the reporting unit containing the Assets tested. Several key assumptions would include periods of operation, projections of product pricing, production levels, product costs, market supply and demand, and inflation. If it is determined that the carrying amount of the Assets are not recoverable, an impairment loss would be calculated equal to the excess of the carrying amount of the Assets over their fair value. Assets classified as held for sale, if any, would be recorded at the lower of their carrying amount or fair value less cost to sell. Assets to be disposed of other than by sale, if any, would be classified as held and used until the Assets are disposed or use has ceased.

Business Combinations

Acquisitions are accounted for using the acquisition method of accounting for business combinations in accordance with generally accepted accounting principles in the United States of America. Under this method, the total consideration transferred to consummate the acquisition is allocated to the identifiable tangible and intangible assets acquired and liabilities assumed based on their respective fair values as of the closing date of the acquisition. The acquisition method of accounting requires extensive use of estimates and judgments to allocate the consideration transferred to the identifiable tangible and intangible assets, if any, acquired and liabilities assumed.

Goodwill

The Company has goodwill of approximately $1,355,000 recorded as part of its 1996 acquisition of MC, operating within the Specialty Chemicals Segment, approximately $15,898,000 recorded as part of its 2012 acquisition of Palmer and approximately $5,997,000 recorded as part of its 2014 acquisition of Specialty, both operating within the Metals Segment. Goodwill, which represents the excess of purchase price over fair value of net assets acquired, is tested for impairment at least on an annual basis. The initial step of the goodwill impairment test involves a comparison of the fair value of the reporting unit in which the goodwill is recorded, with its carrying amount. If the reporting unit's fair value exceeds its carrying value, no impairment loss is recognized and the second step, which is a calculation of the impairment, is not performed. However, if the reporting unit's carrying value exceeds its fair value, an impairment charge equal to the difference in the carrying value of the goodwill and the implied fair value of the goodwill is recorded. Implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. That is, the fair value of the reporting unit is allocated to the assets and liabilities of the reporting unit as if it had been acquired in a business combination. The excess of the fair value of the reporting unit over the amounts allocated to assets and liabilities is the implied fair value of goodwill.

In making our determination of fair value of the reporting unit, we rely on the discounted cash flow method. This method uses projections of cash flows from the reporting unit. This approach requires significant judgments including the Company's projected net cash flows, the weighted average cost of capital ("WACC") used to discount the cash flows and terminal value assumptions. We derive these assumptions used in the testing from several sources. Many of these assumptions are derived from our internal budgets, which would include existing sales data based on current product lines and assumed production levels, manufacturing costs and product pricing. We believe that our internal forecasts are consistent with those that would be used by a potential buyer in valuing our reporting units.

The WACC rate is based on an average of the capital structure, cost of capital and inherent business risk profiles of the Company. The assumptions used in the valuation are interrelated. The continuing degree of interrelationship of these assumptions is, in and of itself, a significant assumption. Because of the interrelationships among the assumptions, we do not believe it would be meaningful to provide a sensitivity analysis on any of the individual assumptions. However, one key assumption in our valuation model is the WACC. If the WACC, which is used to discount the projected cash flows, were higher, the measure of the fair value of the net assets of the reporting unit would decrease. Conversely, if the WACC were lower, the measure of the fair value of the net assets of the reporting unit would increase. Changes in any of the Company's other estimates could also have a material effect on the estimated future undiscounted cash flows expected to be generated by the reporting unit's assets.

Based on the Company's goodwill impairment test in the fourth quarter of 2014, each reporting unit's fair value exceeded its carrying value, therefore no further testing was required and no impairment loss was recognized.

Liquidity and Capital Resources

Cash flows provided by continuing operating activities during 2014 and 2013 totaled $28,104,000 and $37,000 respectively, an improvement in cash flows of $28,067,000. Cash flows in 2014 were generated from net income from continuing operations totaling $12,619,000 after depreciation and amortization expense of $5,191,000 and the one-time gain on the Palmer earn-out liability of $3,476,000. Since the Company acquired Specialty on November 21, 2014, cash flows resulting from changes in operating assets and liabilities cannot be determined simply by subtracting 2014 balance sheet amounts from 2013 values. The net value of all assets and liabilities acquired are shown in the "Acquisition of Specialty Pipe & Tube, Inc." line in the investing activities section of the Consolidated Statements of Cash Flows. Accordingly, these individual acquired balances represent beginning balances for Specialty for cash flow purposes. Accounts payable favorably affected cash flows from continuing operations by $7,821,000 in 2014 as there were significant inventory purchases in the fourth quarter of 2014 in the Metals Segment which increased the 2014 year-end accounts payable balance combined with the Company experiencing an expansion in the number of accounts payable days outstanding. Accrued expenses generated $3,996,000 cash from continuing operations resulting from increases in the management incentive bonus, uncertain tax positions and current portion of the pension liability related to the closing of Bristol Fab. These increases were partially offset by lower customer advances at the end of 2014 when compared to the end of 2013.

Cash flows provided by continuing operating activities during 2013 totaled $37,000 while cash flows used in continuing operating activities during 2012 totaled $776,000, an increase in cash flows of $813,000. Cash flows in 2013 were generated from net income from continuing operations totaling $2,898,000 after depreciation and amortization expense of $4,672,000 and the one-time bargain purchase gain on the purchase of CRI Tolling of $1,077,000, net of deferred income taxes. Since the Company completed its acquisition of CRI on August 26, 2013, cash flows resulting from changes in operating assets and liabilities cannot be determined simply by subtracting 2013 balance sheet amounts from 2012 values. All acquired CRI balances represent beginning balances for cash flow purposes. Cash flows were adversely affected by a $2,490,000 increase in net inventories in 2013. Substantially all of the increase occurred in the Metals Segment as special alloy inventory increased in support of the current special alloy backlog. Operating cash flows were unfavorably affected by lower accrued expenses at the end of 2013 compared to the end of 2012 of $2,316,000, as profit based incentives decreased $1,876,000 reflecting lower 2013 profits, the majority of the income and sales/use tax liability associated with the Palmer acquisition was used in 2013 and accrued interest decreased as the line of credit was paid off during the fourth quarter of 2013.

In 2014, the Company's current assets from continuing operations, which excludes assets and liabilities held for sale, increased $14,252,000 and current liabilities increased $17,429,000, from the year ended 2013 amounts, which caused working capital from continuing operations for 2014 to decrease by $3,177,000 to $64,580,000 from the 2013 total of $67,757,000. The current ratio for continuing operations for the year ended January 3, 2015, decreased to 2.6:1 from the 2013 year-end ratio of 3.9:1.

On November 21, 2014, the Company entered into a Stock Purchase Agreement with Davidson to purchase all of the issued and outstanding stock of Specialty. Established in 1964 with distribution centers in Mineral Ridge, Ohio and Houston, Texas, Specialty is a master distributor of seamless carbon pipe and tube, with a focus on heavy wall, large diameter products. The Company views the Specialty acquisition as an excellent complement to the product offerings of the Metals Segment with similar end markets and consistent profit margins. Specialty's results of operations since the acquisition date are reflected in the Company's consolidated statements of operations, and the Specialty acquisition added approximately 30 employees at January 3, 2015.

The purchase price for the all-cash acquisition was approximately$31,500,000, subject to working capital adjustments post-closing. Davidson has the potential to receive earn-out payments up to a total of $5,000,000 if Specialty achieves targeted sales revenue over a two-year period following closing. The financial results for Specialty are reported as a part of the Company's Metals Segment.

The Company also used cash during 2014 for investing activities to fund capital expenditures of $8,066,000. Included in this amount is approximately $3,953,000 for the planned CRI expansion. Financing activities during 2014 generated $5,310,000 as a result of the additional borrowings associated with the Specialty acquisition partially offset by a fourth quarter 2014 dividend payment of $2,633,000.

In connection with the Palmer acquisition discussed in Note 16 to the Consolidated Financial Statements included in Item 8 of this Form 10-K, on August 21, 2012, the Company modified its Credit Agreement with its regional bank to increase the limit of the credit facility by $5,000,000 to a maximum of $25,000,000, and extended the maturity date to August 21, 2015. On October 22, 2012, the Company modified this agreement to increase the limit by an additional $5,000,000 to a maximum of $30,000,000. This increase was in effect for one year and the maximum line of credit reverted back to $25,000,000 on October 22, 2013. None of the other provisions of the Credit Agreement were changed as a result of this modification. This Credit Agreement modification also provided for a ten-year term loan in the amount of $22,500,000 that requires equal monthly payments of $187,500 plus interest. In conjunction with this term loan, to mitigate the variability of the interest rate risk, the Company entered into an interest rate swap contract (the "Palmer swap") on August 21, 2012 with its current bank. The Palmer swap is for an initial notional amount of $22,500,000 with a fixed interest rate of 3.74 percent, and runs for ten years, expiring on August 21, 2022, which equates to the date of the term loan. The notional amount of the Palmer swap decreases as monthly principal payments are made.

In connection with the CRI acquisition discussed in Note 16 to the Consolidated Financial Statements included in Item 8 of this Form 10-K, on August 9, 2013, the Company modified the Credit Agreement to fund this transaction. The Credit Agreement modification provided for a new ten-year term loan in the amount of $4,033,000, with monthly principal payments customized to account for the 20 year amortization of the real estate assets combined with a 5-year amortization of the equipment assets purchased. In conjunction with the new term loan, to mitigate the variability of interest rate risk, the Company entered into an interest rate swap contract (the "CRI swap") on September 3, 2013. The CRI swap is for an initial notional amount of $4,033,250 with a fixed interest rate of 4.83% and runs for ten years to August 19, 2023, which equates to the due date of the term loan. The notional amount of the CRI swap decreases as monthly principal payments are made.

In connection with the Specialty acquisition on November 21, 2014 discussed in Note 16 to the Consolidated Financial Statements included in Item 8 of this Form 10-K, the Credit Agreement was again modified to increase the limit of the credit facility to $40,000,000 and extend the maturity date to November 21, 2017. The Credit Agreement modification provided for a new five-year term loan of $10,000,000 that required equal monthly payments of $166,667 plus interest. Interest on the Credit Agreement is calculated using the One Month LIBOR (as defined in the Credit Agreement), plus a pre-defined spread, based on the Company's Total Funded Debt to EBITDA ratio (as defined in the Credit Agreement). Borrowings under the line of credit are limited to an amount equal to a borrowing base calculation that includes eligible accounts receivable, inventories and other non-capital assets.

Although the swap agreements obtained for the Palmer and CRI acquisitions are expected to effectively offset variable interest in the borrowings, hedge accounting will not be utilized. Therefore, changes in its fair value are being recorded in current assets or liabilities, as appropriate, with corresponding offsetting entries to other income (expense).

Pursuant to the Credit Agreement, the Company was required to pledge all of its tangible and intangible properties. Covenants under the Credit Agreement include maintaining a certain Total Funded Debt to EBITDA ratio (as defined in the Credit Agreement), a minimum tangible net worth, and total liabilities to tangible net worth ratio. The Company will also be limited to a maximum amount of capital expenditures per year, which is in line with the Company's currently projected needs. At January 3, 2015, the Company was in compliance with all debt covenants.

Results of Operations

Comparison of 2014 to 2013 - Consolidated

For the fiscal year ending January 3, 2015, the Company generated net earnings from continuing operations of $12,619,000, or $1.45 per share, on sales from continuing operations of $199,505,000, compared to net earnings from continuing operations of $2,898,000, or $0.42 per share, on sales from continuing operations of $196,751,000 in the prior year. The Company generated net earnings from continuing operations of $1,409,000, or $0.16 per share, on sales of $48,569,000 in the fourth quarter of 2014, compared to net loss from continuing operations of $1,097,000, or $0.13 loss per share, on sales from continuing operations of $46,402,000 in the fourth quarter of 2013.

Consolidated gross profit from continuing operations increased 66 percent to $32,929,000 in 2014, compared to $19,798,000 in 2013, and, as a percent of sales, increased to 17 percent of sales in 2014 compared to ten percent of sales in 2013. For the fourth quarter of 2014, consolidated gross profit from continuing operations was $8,247,000, an increase of 198 percent from the fourth quarter of 2013 of $2,770,000. Consolidated gross profit from continuing operations was 17 percent of sales for the fourth quarter of 2014 and six percent of sales for same period of 2013. The increases in dollars and in percentage of sales were attributable to the Metals Segment as discussed in the Metals Segment Comparison of 2014 to 2013 below. Consolidated selling, general and administrative expense from continuing operations for 2014 increased by $554,000 to $16,588,000 compared to $16,034,000 for 2013, and was eight percent of sales for both 2014 and 2013. These costs increased $303,000 during the fourth quarter of 2014 compared to the same period of 2013 and was nine percent of sales for both of the fourth quarters of 2014 and 2013. The dollar increase for both the year and fourth quarter of 2014 when compared to the same periods of 2013 resulted primarily from higher incentive based bonuses and sales commissions partly offset by lower travel, professional fees and amortization expense. In addition, the Company incurred $302,000 for one-time acquisition costs associated with the Specialty acquisition in 2014 and $264,000 of one-time acquisition costs associated with the CRI acquisition in 2013. These costs were $305,000 and $61,000 for the fourth quarters of 2014 and 2013, respectively. All of these items will be discussed in greater detail in the respective sections below.

Comparison of 2013 to 2012 - Consolidated

For the fiscal year ending December 28, 2013, the Company generated net earnings from continuing operations of $2,898,000, or $0.42 per share, on sales from continuing operations of $196,751,000, compared to net earnings from continuing operations of $3,983,000, or $0.62 per share, on sales from continuing operations of $166,162,000 in the prior year. The Company generated a net loss from continuing operations of $1,097,000, or $0.13 loss per share, on sales from continuing operations of $46,402,000 in the fourth quarter of 2013, compared to net earnings from continuing operations of $868,000, or $0.14 per share, on sales from continuing operations of $45,791,000 in the fourth quarter of 2012.

Consolidated gross profit from continuing operations for 2013 was $19,798,000 compared to $19,733,000 in 2012, and, as a percent of sales, decreased to ten percent of sales in 2013 compared to twelve percent of sales in 2012. For the fourth quarter of 2013, consolidated gross profit from continuing operations was $2,770,000, or six percent of sales, compared to a profit from continuing operations of $5,224,000, or eleven percent of sales, for the fourth quarter of 2012. The decreases in dollars and in percentage of sales were attributable to the Metals Segment as discussed in the Metals Segment Comparison of 2013 to 2012 below. Consolidated selling, general and administrative expense for 2013 increased by $3,625,000 to $16,034,000, compared to $12,409,000 for 2012, and was eight percent of sales for 2013 and 2012. For the fourth quarter, these costs increased by $734,000 to $4,177,000, or nine percent of sales, for 2013 compared to 3,443,000, or eight percent of sales, for 2012. Since Palmer was acquired in late-August of 2012, only a portion of their selling, general and administrative expenses were included in the prior year. This accounted for approximately $2,081,000 of the increased costs in 2013. The remainder of the increased costs for 2013 when compared to 2012 resulted from the receipt of the final installment of a dumping penalty in 2012, increased sales commissions, higher legal costs associated with the illegal dumping case initiated in 2013 and higher corporate travel and professional fees associated with the Palmer acquisition. These costs were partially offset by lower incentive-based bonus expense.

Metals Segment – The following table summarizes operating results from continuing operations and backlogs for the three years indicated. Reference should be made to Note 13 to the Consolidated Financial Statements included in Item 8 of this Form 10-K.

	2014		2013		2012	
(in thousands)	Amount	%	Amount	%	Amount	%
Net sales	$ 134,304	100.0%	$ 140,233	100.0%	$ 114,788	100.0%
Cost of goods sold	112,486	83.8%	130,166	92.8%	103,295	90.0%
Gross profit	21,818	16.2%	10,067	7.2%	11,493	10.0%
Selling, general and administrative expense	8,307	6.2%	8,804	6.3%	5,833	5.1%
Operating income	$ 13,511	10.1%	$ 1,263	0.9%	$ 5,660	4.9%
Year-end backlog - Storage tanks	$ 12,229		$ 11,477		not available	

Comparison of 2014 to 2013 – Metals Segment

The Metals Segment sales from continuing operations decreased four percent for 2014 as compared to 2013 and sales for the fourth quarter of 2014 totaled $32,212,000, an increase of two percent over 2013 results. The following factors resulted in the decreased sales in 2014. The Bechtel nuclear pipe project was completed early in the fourth quarter of 2013 combined with a shortfall in storage tank sales in 2014, mainly in the fourth quarter due to severe winter weather in West Texas which prevented the delivery and installation of several tank batteries. Also, there were fewer salt water disposal projects for our storage tank facility in 2014. Gross profit from continuing operations for 2014 increased 117 percent to $21,818,000, or 16 percent of sales, compared to 2013's year-end total of $10,067,000, or seven percent of sales. For the fourth quarter of 2014, gross profit from continuing operations was $5,620,000, or 17 percent of sales, compared to gross profit from continuing operations for the fourth quarter of 2013 of $181,000, or one percent of sales. The Segment experienced operating income from continuing operations of $13,511,000 and $2,511,000 for the year and fourth quarter of 2014, respectively, compared to operating income of $1,263,000 and an operating loss of $1,885,000, respectively, for same periods of 2013.

Operating income from continuing operations for the entire year and fourth quarter of 2014 when compared to the same periods of 2013 was impacted by the following six factors:

a) The Company-wide cost cutting initiatives implemented in January 2014 had a favorable effect on profitability for 2014 with the average cost per pound produced decreasing seven percent.
b) Six weeks of Specialty's operating income was included in the fourth quarter of 2014.
c) As mentioned earlier, the severe winter weather in West Texas resulted in several lost shipping days, especially at year-end. The weather also slowed drill site development, causing several customers to delay their shipments.
d) As mentioned above, BRISMET's product mix changed significantly in 2014. New sales pricing tools have allowed the sales department to focus on profitable sales quotes while decreasing emphasis on the lower margin business.
e) Sales and operating income for 2013 were significantly affected by the low margin Bechtel nuclear project, which was completed in 2013. The facility successfully converted that effort to higher margin products in 2014.
f) As a result of fluctuations in nickel prices, the Company experienced inventory losses of approximately $118,000 and $228,000 for the year and fourth quarter of 2014, respectively, compared to inventory losses of approximately $3,350,000 and $719,000, respectively, for the same periods of 2013.

Selling, general and administrative expense from continuing operations decreased $497,000, or six percent in 2014 when compared to 2013. This expense category was six percent of sales for both periods. The decrease resulted from higher legal fees associated with the illegal dumping lawsuit in 2013, less travel and lower amortization expense partially offset by higher performance based bonus costs in 2014.

On November 21, 2014, the Company entered into a Stock Purchase Agreement with Davidson to purchase all of the issued and outstanding stock of Specialty. Established in 1964 with distribution centers in Mineral Ridge, Ohio and Houston, Texas, Specialty is a master distributor of seamless carbon pipe and tube, with a focus on heavy wall, large diameter products. The purchase price for the all-cash acquisition was $31,500,000, subject to working capital adjustments post-closing. Davidson has the potential to receive earn-out payments up to a total of $5,000,000 if Specialty achieves targeted sales revenue over a two-year period following closing. The purchase price for the acquisition was funded through a combination of cash on hand, a new term loan with the Company's bank and an increase to the Company's current credit facility. The financial results for Specialty are reported as a part of the Company's Metals Segment.

On August 29, 2014, the Company completed the sale of all of the issued and outstanding membership interests of its wholly owned subsidiary, Ram-Fab to a subsidiary of Primoris Services Corporation. The transaction was valued at less than $10 million, which consideration included cash at closing, Synalloy's ability to receive potential future earn-out payment(s) and the retention of specified Ram-Fab current assets. The Company realized a one-time charge in the third quarter of 2014 of $1,996,000 for costs associated with the closure plus a $947,000 charge to write off the Company's investment in Ram-Fab. These charges, along with all non-recurring expenses associated with Ram-Fab are included in the respective consolidated financial statements as discontinued operations. Ram-Fab was reported as a part of the Metals Segment.

On June 27, 2014, the Company completed the planned closure of Bristol Fab. Bristol Fab's collective bargaining agreement with the Union expired on February 15, 2014. After lengthy negotiations with the Union, Bristol Fab was unable to reach an agreement. Also, upon closure of the operation, the Company was legally obligated to pay a withdrawal liability to the Union's pension fund of over $1.9 million. The Company realized a one-time charge in the second quarter of 2014 of $6,988,000 for costs associated with the closure of Bristol Fab. These costs, along with all non-recurring expenses associated with Bristol Fab, are included in the respective consolidated financial statements as discontinued operations.

Comparison of 2013 to 2012 – Metals Segment

Sales from continuing operations for 2013 were $140,233,000, up 22 percent from last year's results of $114,788,000. The Metals Segment experienced operating income from continuing operations of $1,263,000 for 2013 compared to $5,660,000 for 2012. Excluding Palmer's sales results, sales from continuing operations for the Metals Segment for 2013 would have been five percent higher than the same period of 2012. Sales from continuing operations during the fourth quarter of 2013 totaled $31,514,000, a decrease of four percent from $32,704,000 for the same quarter last year. The Metals Segment had an operating loss from continuing operations of $1,885,000 for the fourth quarter of 2013 compared to operating income of $1,608,000 for the fourth quarter of 2012. The Company purchased 100 percent of the issued and outstanding stock of Palmer on August 21, 2012. Excluding Palmer's sales results, sales for the fourth quarter 2013 would have been three percent lower than the prior year. Shipments of carbon steel pipe associated with the Bechtel nuclear project dropped significantly in the fourth quarter of 2013 as the project was completed. Shipments of stainless steel pipe in the fourth quarter of 2013 continued to be constrained as distributors are maintaining lean inventory levels going into 2014. Special alloy inquiries, bookings and backlog remained strong in the fourth quarter of 2013 and we have seen increased shipments in January.

Operating income from continuing operations, which decreased $4,397,000 and $3,493,000 for the entire year and fourth quarter of 2013, respectively, when compared to the same periods of 2012, was impacted by the following factors:

a) Palmer was acquired August 21, 2012. Its fourth quarter and full year results were included in the 2013 Metals Segment results while only 19 weeks of Palmer's results were included in the prior year. Fourth quarter 2013 operating income was adversely affected by a more prevalent holiday shutdown in 2013. There were approximately $700,000 of finished tanks that could not be shipped to the customers' work sites in December 2013. The unit also incurred warranty repairs of approximately $200,000 in the fourth quarter of 2013. Additionally, fourth quarter 2013 sales and profitability were affected by a less favorable product mix as smaller fiberglass and steel tanks were produced. The facility was nearing emission limits for the fiberglass shop which resulted in the production of smaller, lower priced, and less profitable tanks.

b) Associated with the acquisition of Palmer, an intangible asset of $9,000,000 was recorded for the customer base acquired by the Company. This asset is amortized on an accelerated basis which resulted in an amortization charge of $1,530,000 for the entire year and $382,000 for the fourth quarter of 2013 compared to $540,000 of amortization for both the entire year and fourth quarter of 2012.

c) Pricing and margins at BRISMET during the first nine months of the year were negatively impacted by foreign imports. Stainless steel pipe imports from Malaysia, Vietnam and Thailand entered the country at significantly reduced prices. This factor forced BRISMET to reduce prices accordingly to retain market share. On May 16, 2013, BRISMET, along with several other domestic manufacturers of stainless steel pipe, filed an antidumping petition with the U.S. Department of Commerce ("Commerce") and the U.S. International Trade Commission ("USITC") alleging that welded stainless steel pipe imported from Malaysia, Vietnam and Thailand was being dumped in the United States market. On June 28, 2013, the USITC determined there was a reasonable indication that a U.S. industry was materially injured by reason of imports from these three countries. All six commissioners of the USITC hearing the petition voted in favor of the petitioners in the affirmative.

On December 31, 2013, Commerce announced its affirmative preliminary determinations. Commerce determined that welded stainless pressure pipe from Malaysia, Thailand and Vietnam has been sold in the United States at dumped margins and will instruct U.S. Customs and Border Protection to require cash deposits based on the preliminary rates calculated from the date of the preliminary ruling forward. In the case of Malaysia, they also imposed the effective date of the preliminary rates to be 90 days prior to the publication of the determination in the Federal Register. Price increases were implemented by several domestic producers in late August and early September of 2013.

d) Profits at BRISMET were negatively impacted for the fourth quarter of 2013 by significant third party contract services associated with the Bechtel project, and an unfavorable sales mix which was heavily weighted toward less than six-inch diameter pipe that has very low to negative gross margins. Labor costs were also above targeted levels for the quarter as we were slow to bring staffing back to pre-Bechtel levels.

e) Relatively stable nickel prices during the last half of 2013 resulted in lower inventory losses in 2013. For 2013 and 2012, inventory losses were approximately $3,103,000 and $4,645,000, respectively. For the fourth quarter of 2013, inventory losses were approximately $581,000 compared to an inventory loss of approximately $1,150,000 in the fourth quarter of 2012.

f) Throughout the Metals Segment, production manpower was higher than optimal operating levels. In late December and early January 2014, personnel reductions were implemented across all three business units.

Selling, general and administrative expense from continuing operations increased $2,958,000, or 51 percent in 2013 when compared to 2012. This expense category was six percent of sales for 2013 compared to five percent of sales for 2012. The increase mainly resulted from the inclusion of Palmer expenses for the entire year of 2013 compared to a portion of 2012, receiving the final installment of a dumping penalty in 2012 and higher legal costs associated with the illegal dumping case initiated in 2013 partially offset by lower incentive-based bonus expense.

Specialty Chemicals Segment – The following tables summarize operating results for the three years indicated. Reference should be made to Note 13 to the Consolidated Financial Statements included in Item 8 of this Form 10-K.

	2014		2013		2012	
(Amounts in thousands)	Amount	%	Amount	%	Amount	%
Net sales	$ 65,201	100.0%	$ 56,518	100.0%	$ 51,374	100.0%
Cost of goods sold	54,089	83.0%	46,786	82.8%	43,134	84.0%
Gross profit	11,112	17.0%	9,732	17.2%	8,240	16.0%
Selling, general and administrative expense	4,982	7.6%	3,989	7.1%	3,397	6.6%
Operating income	$ 6,130	9.4%	$ 5,743	10.1%	$ 4,843	9.4%

Comparison of 2014 to 2013 – Specialty Chemicals Segment

Sales for the Specialty Chemicals Segment increased 15 percent for 2014, ending the year at $65,201,000 compared to $56,518,000 in 2013. Pounds shipped for the year were 25 percent higher than the prior year. For the fourth quarter of 2014, sales were $16,357,000, up ten percent from 2013's fourth quarter sales of $14,888,000. Pounds shipped for the fourth quarter were ten percent higher than the same period of the prior year. The fourth quarter and annual sales increases resulted mainly from the addition of new customers at both facilities, but especially at CRI Tolling. Overall selling prices decreased eight percent and four percent for the year and fourth quarter of 2014 when compared to the same periods of the prior year due to lower cost raw material that is reflected in the selling prices at MC and generally lower average selling prices at CRI Tolling resulting from a higher concentration of customer supplied raw materials. Gross profit for the year was $11,112,000, up 14 percent from the prior year amount of $9,732,000. As a percent of sales, 2014 and 2013 gross profit were both 17 percent of sales. The fourth quarter showed gross profit of $2,627,000, or 16 percent of sales, and $2,588,000, or 17 percent of sales, for 2014 and 2013, respectively. Gross profit increased for the year and fourth quarter as a result of higher sales levels in 2014 plus the inclusion of CRI Tolling for the entire year of 2014. Operating income for the year increased seven percent from the prior year. Operating income for 2014 was $6,130,000, or nine percent of sales, while 2013 recorded $5,743,000, or ten percent of sales. The segment showed operating income of $1,358,000, or eight percent of sales, for the fourth quarter of 2014. The fourth quarter of 2013 reported operating income of $1,277,000, or nine percent of sales.

Selling, general and administrative expense increased $993,000 or 25 percent in 2014 when compared to 2013, and increased to eight percent of sales in 2014 compared to seven percent in 2013. For the fourth quarter, selling, general and administrative expense was $1,269,000 in 2014, a decrease of $42,000 when compared to the same period of 2013. The increase for the year was due to higher sales commissions combined with including CRI costs for the entire year of 2014 compared to four months of the prior year. These increased costs for the year were partially offset by lower incentive based bonuses. The decrease for the fourth quarter was entirely due to lower incentive based bonuses in 2014.

Comparison of 2013 to 2012 – Specialty Chemicals Segment

Specialty Chemicals Segment sales for the entire year of 2013 were $56,518,000, up $5,144,000 or ten percent from $51,374,000 for 2012. Gross profit for 2013 for the Specialty Chemicals Segment was $9,732,000, or 17 percent of sales, compared to $8,240,000, or 16 percent of sales, for 2012, an increase of 18 percent. The additional Ashland defoamer sales which began in the third quarter of 2012 contributed to the increase in gross profit for the Segment. For the fourth quarter of 2013, Specialty Chemicals Segment's sales were $14,888,000, which represented a 14 percent increase from $13,087,000 for the same quarter of 2012. Overall selling prices decreased 16 percent in the fourth quarter when compared to 2012 due in part to a significant increase in usage of a lower cost raw material that is reflected in the selling price at MC and generally lower average selling prices at CRI Tolling. Gross profit for the fourth quarter of 2013 and 2012 was $2,588,000, or 17 percent of sales, and $2,049,000, or 16 percent of sales, respectively, an increase of 26 percent. CRI Tolling had a positive impact on profitability during its first quarter under Company ownership. The Specialty Chemicals Segment continues to focus on changing the product mix to higher priced / higher margin products and controlling operating and support costs. At CRI Tolling, streamlining processes and improving production capabilities will be a major focus.

On August 26, 2013, CRI Tolling completed the purchase of substantially all of the assets and assumed certain operating liabilities of CRI. Located in Fountain Inn, South Carolina, CRI Tolling will continue CRI's business as that of a toll manufacturer that provides outside manufacturing resources to global and regional chemical companies. The assets purchased from CRI included equipment and certain other assets and approximately $387,000 worth of inventory and accounts receivables, net of assumed payables. The total purchase price was $1,100,000. The Company acquired the building and land where CRI operates in a separate but related transaction on August 9, 2013 for approximately $3,500,000. The Company viewed both the building and operating assets of CRI together as one business, capable of providing a return to ownership by expanding the segment's production capacity. Accordingly, the acquisition meets the definition of a business and the transaction is structured in a way that meets the definition of a business combination under GAAP.

Due to severe financial difficulties CRI was experiencing prior to our acquisition, the Company was able to purchase the land, building and equipment at below market value. As a result of the favorable purchase price, the Company recorded a bargain purchase gain on this transaction in the third quarter of 2013 of $1,077,000, net of deferred taxes. The Company funded the acquisition of CRI through a new term loan with the Company's bank, plus an increase in its line of credit.

Selling, general and administrative expense increased $592,000 or 17 percent in 2013 when compared to 2012. These costs were seven percent of sales for both 2013 and 2012. The increase was due to higher sales commissions and incentive-based bonuses in 2013.

Unallocated Income and Expense

Reference should be made to Note 13 to the Consolidated Financial Statements, included in Item 8 of this Form 10-K, for the schedule that includes these items.

Comparison of 2014 to 2013 – Corporate

Corporate expenses for 2014 were $3,292,000, or two percent of sales from continuing operations, compared to $3,243,000, or two percent of sales from continuing operations for 2013. This represents an increase of $49,000 or two percent. Higher incentive based bonuses for 2014 were partially offset by lower travel and shelf registrations costs.

Acquisition costs for 2014 and 2013 relate to the accumulation of one-time expenses associated with the acquisition of Specialty and CRI, respectively.

Interest expense decreased to $1,092,000 for 2014 compared to $1,357,000 for 2013. The lower expense levels for 2014 resulted from the Company paying off the outstanding balance of its line of credit in October 2013 with a portion of the proceeds from the September 30, 2013 public stock offering. Also, the continued low interest rate environment resulted in the fair value of both

SWAP agreements to decrease during 2014, resulting in additional expense of $426,000 in 2014. This category was $741,000 favorable for 2013.

The actual second year EBITDA for Palmer fell below the minimum target level defined in their SPA and no earn-out was paid in 2014. For the third year of the program, management does expect Palmer to achieve the minimum EBITDA levels and the first tier of earn-out is expected to be paid out in 2015. Accordingly, a one-time favorable adjustment to the Palmer earn-out accrual was made during 2014 for $3,476,000.

Comparison of 2013 to 2012 – Corporate

Corporate expenses were $3,243,000, or two percent of sales from continuing operations and $3,165,000, or two percent of sales from continuing operations, for 2013 and 2012, respectively. Additional costs were incurred in 2013 as the Company strengthened its IT support team (wages and travel), improved its reporting software functionality, incurred legal and travel costs associated with its follow-on stock offering, recorded additional stock option compensation expense and increased recurring professional fees associated with the Palmer and CRI acquisitions. These increases were substantially offset by lower incentive-based bonus expense in 2013.

Acquisition related costs during 2013 reflect the accumulation of one-time expenses associated with the acquisition of CRI. For 2012, this category reflects one-time costs associated with our Palmer acquisition.

Interest expense 2013 was $1,357,000 compared to $601,000 for 2012, an increase of $756,000. Higher interest expense for the year resulted from the additional borrowings associated with the purchase of CRI in August 2013 and Palmer in August 2012. Interest expense decreased during the fourth quarter of 2013 as the Company paid off the outstanding balance of the line of credit.

Also, as mentioned in the Specialty Chemicals Segment discussion for 2013, the acquisition of CRI resulted in a gain on bargain purchase of $1,077,000, net of deferred income taxes.

Contractual Obligations and Other Commitments

As of January 3, 2015, the Company's contractual obligations and other commitments were as follows:

(Amounts in thousands)		Payment Obligations for the Year Ended					
	Total	2015	2016	2017	2018	2019	Thereafter
Obligations:							
Revolving credit facility	$ 885	$ —	$ —	$ 885	$ —	$ —	$ —
Term loans	30,905	4,701	4,534	4,534	4,497	4,258	8,381
Interest payments	4,061	965	816	677	538	404	661
Contingent consideration	7,500	4,750	2,750	—	—	—	—
Operating leases	913	449	241	182	26	15	—
Deferred compensation [1]	353	51	51	51	21	21	158
Total	$ 44,617	$ 10,916	$ 8,392	$ 6,329	$ 5,082	$ 4,698	$ 9,200

[1] For a description of the deferred compensation obligation, see Note 6 to the Consolidated Financial Statements included in Item 8 of this Form 10-K.

Current Conditions and Outlook

During 2014, Synalloy acquired a stable, profitable company and sold / closed two underperforming subsidiaries. Management believes these changes leave the overall Company stronger for future growth and sustained profitability.

The Metals Segment's business continues to be highly dependent on its customers' capital expenditures. Special project and overall backlog is strong at BRISMET, with many large diameter and special alloy projects in the pipeline. International inquiries, which are comprised mainly of special alloy products, are on the rise. Nickel prices, which result in stainless steel surcharges, peaked during mid-May, with an increase of approximately 50% since the end of 2013. Since that time, nickel prices have fallen significantly from the high with nickel decreasing 14% during the fourth quarter. For the entire year of 2014 nickel increased 6% and has remained relatively flat through February 6, 2015. If an Indonesian ban on ore exports remains in place, nickel prices have room to increase from their current levels. Our inventory gains and losses are determined by a number of factors including sales mix and the holding period of particular products. As a consequence, there may not be a direct correlation between the direction of stainless steel surcharges and inventory profits or losses at a particular point in time. Our experience has been that over the course of a business cycle, this volatility has tended towards zero.

We believe we are the largest and most capable domestic producer of non-commodity stainless steel pipe and an effective producer of commodity stainless steel pipe. Our market position remains strong in the commodity pipe market and we continue to see strong order activity in special alloys. Gulf coast activity remains vigorous for chemical, petro-chem, fertilizer and plastic end-user applications. Should oil prices remain or fall below their current levels, management anticipates that sales for storage tanks and carbon pipe will be affected beginning in the second quarter of 2015. Palmer and Specialty introduced new product lines in 2014 which will help to mitigate any declining sales in existing product lines.

The storage tank backlog was $12,229,000 at January 3, 2015 and $11,477,000 at December 28, 2013.

Specialty Chemicals Segment's sales and profitability should continue to show improvement for the entire year of 2015 as CRI Tolling ramps up production to support the BioBased Technologies' agreement that was announced earlier this year. Production began in mid-January 2015 and should ramp up quickly during the remainder of the first quarter of 2015. This production utilizes the new reaction area that the Company added during 2014. In addition, both units aggressively pursue new business opportunities, evaluate product pricing, increase growth to direct customers and identify new sales opportunities for product offerings that have available production capacity. The Specialty Chemicals Segment's project pipeline is heavily weighted with oil and gas opportunities and since the Company is a relatively new supplier to the oil and gas chemical segment, management believes this area will still show strong improvement in 2015, even with lower oil prices. Management expects operating margins to hold steady at current levels.

Item 7A Quantitative and Qualitative Disclosures about Market Risks

The Company is exposed to market risks from adverse changes in interest rates. Changes in United States interest rates affect the interest earned on the Company's cash and cash equivalents as well as interest paid on its indebtedness. Except as described below, 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.

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

At January 3, 2015

- $885,000 under a $40,000,000 revolving line of credit expiring on November 21, 2017 with a variable interest rate of 1.77 percent.
- $17,250,000 under a term loan expiring August 21, 2022 with a variable interest rate of 2.42 percent.
- An interest rate swap contract with a notional amount of $17,250,000 which fixes the term loan interest rate at 3.74 percent. The fair value of the interest rate swap contract was an asset to the Company of $11,000.
- $3,654,000 under a term loan expiring August 19, 2023 with a variable interest rate of 2.16 percent.
- An interest rate swap contract with a notional amount of $3,654,000 which fixes the term loan interest rate at 4.83 percent. The fair value of this interest rate swap contract was a liability to the Company of $215,000.
- $10,000,000 under a term loan expiring November 21, 2019 with a variable interest rate of 2.07 percent.

At December 28, 2013

- $19,500,000 under a term loan expiring August 21, 2022 with a variable interest rate of 2.41 percent.
- An interest rate swap contract with a notional amount of $19,500,000 which fixes the term loan interest rate at 3.74 percent. The fair value of the interest rate swap contract was an asset to the Company of $301,000.
- $3,939,000 under a term loan expiring August 19, 2023 with a variable interest rate of 2.17 percent.
- An interest rate swap contract with a notional amount of $3,939,000 which fixes the term loan interest rate at 4.83 percent. The fair value of this interest rate swap contract was a liability to the Company of $80,000.

Item 8 Financial Statements and Supplementary Data

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

Consolidated Balance Sheets
As of January 3, 2015 and December 28, 2013

		2014		2013
Assets				
Current assets				
Cash and cash equivalents	$	26,623	$	1,773,743
Accounts receivable, less allowance for doubtful accounts of $1,114,814 and $1,079,288 respectively		29,229,927		29,923,485
Inventories, net				
Raw materials		38,405,587		16,557,350
Work-in-process		7,128,602		16,041,141
Finished goods		22,140,481		18,897,421
Total inventories		67,674,670		51,495,912
Deferred income taxes		2,921,654		3,776,647
Prepaid expenses and other current assets		5,460,344		4,091,489
Current assets held for sale		—		8,550,076
Total current assets		105,313,218		99,611,352
Cash value of life insurance		2,046,512		2,007,419
Property, plant and equipment, net		39,937,466		32,665,281
Goodwill		23,250,201		17,252,678
Intangible assets, net		17,001,525		6,930,000
Deferred charges, net and other non-current assets		300,308		575,546
Assets held for sale		—		4,218,095
Total assets	$	187,849,230	$	163,260,371
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable	$	21,388,298	$	11,440,573
Accrued expenses		14,684,686		9,182,369
Current portion of long-term debt		4,533,908		2,533,908
Current portion of environmental reserves		126,000		147,500
Current liabilities held for sale		—		1,318,876
Total current liabilities		40,732,892		24,623,226
Long-term debt, less current portion		27,255,442		20,904,708
Long-term environmental reserves		450,000		478,500
Long-term deferred compensation		209,500		219,794
Long-term contingent consideration		2,596,516		3,362,031
Deferred income taxes		6,438,146		7,573,999
Long-term pension liability from the closure of Bristol Fab		713,181		—
Shareholders' equity				
Common stock, par value $1 per share - authorized 12,000,000 shares; issued 10,300,000 shares		10,300,000		10,300,000
Capital in excess of par value		34,054,374		33,657,714
Retained earnings		79,167,323		76,337,597
		123,521,697		120,295,311
Less cost of common stock in treasury: 1,589,698 and 1,612,200 shares, respectively		14,068,144		14,197,198
Total shareholders' equity		109,453,553		106,098,113
Commitments and contingencies – See Note 11				
Total liabilities and shareholders' equity	$	187,849,230	$	163,260,371

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations
Years ended January 3, 2015, December 28, 2013 and December 29, 2012

	2014	2013	2012
Net sales	**$ 199,504,628**	$ 196,751,175	$ 166,162,142
Cost of sales	**166,575,146**	176,953,036	146,429,581
Gross profit	**32,929,482**	19,798,139	19,732,561
Selling, general and administrative expense	**16,588,684**	16,034,428	12,408,581
Operating income	**16,340,798**	3,763,711	7,323,980
Other (income) and expense			
Interest expense	**1,091,694**	1,357,328	600,893
Acquisition related costs	**301,715**	264,186	880,583
Change in fair value of interest rate swap	**425,543**	(740,832)	113,648
Palmer earn-out adjustment	**(3,476,197)**	—	—
Gain on bargain purchase, net of taxes	—	(1,077,332)	—
Other, net	**(6,744)**	(147,687)	(148,028)
Income before income taxes	**18,004,787**	4,108,048	5,876,884
Provision for income taxes	**5,386,000**	1,210,000	1,894,000
Net income from continuing operations	**12,618,787**	2,898,048	3,982,884
Net (loss) income from discontinued operations, net of tax	**(7,156,524)**	(1,137,484)	252,028
Net income	**$ 5,462,263**	$ 1,760,564	$ 4,234,912
Net income per common share from continuing operations:			
Basic	**$ 1.45**	$ 0.42	$ 0.63
Diluted	**$ 1.45**	$ 0.42	$ 0.62
Net (loss) income per diluted common share from discontinued operations:			
Basic	**$ (0.82)**	$ (0.16)	$ 0.04
Diluted	**$ (0.82)**	$ (0.16)	$ 0.04

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Cost of Common Stock in Treasury	Total
Balance at December 31, 2011	$ 8,000,000	$ 1,153,889	$ 74,198,151	$ (14,733,139)	$ 68,618,901
Net income	—	—	4,234,912	—	4,234,912
Payment of dividends, $0.25 per share	—	—	(1,596,302)	—	(1,596,302)
Issuance of 19,089 shares of common stock from the treasury	—	(113,071)	—	167,990	54,919
Stock options exercised for 11,800 shares, net	—	20,044	—	103,844	123,888
Employee stock option and grant compensation	—	337,750	—	—	337,750
Balance at December 29, 2012	8,000,000	1,398,612	76,836,761	(14,461,305)	71,774,068
Net income	—	—	1,760,564	—	1,760,564
Payment of dividends, $0.26 per share	—	—	(2,259,728)	—	(2,259,728)
Issuance of 17,572 shares of common stock from the treasury	—	(33,545)	—	154,741	121,196
Stock options exercised for 13,495 shares, net	—	28,660	—	109,366	138,026
Employee stock option and grant compensation	—	331,362	—	—	331,362
Issuance of 2,300,000 shares of common stock	2,300,000	31,932,625	—	—	34,232,625
Balance at December 28, 2013	10,300,000	33,657,714	76,337,597	(14,197,198)	106,098,113
Net income	**—**	**—**	**5,462,263**	**—**	**5,462,263**
Payment of dividends, $0.30 per share	**—**	**—**	**(2,632,537)**	**—**	**(2,632,537)**
Issuance of 14,522 shares of common stock from the treasury	**—**	**(8,341)**	**—**	**127,881**	**119,540**
Stock options exercised for 7,980 shares, net	**—**	**40,844**	**—**	**1,173**	**42,017**
Employee stock option and grant compensation	**—**	**364,157**	**—**	**—**	**364,157**
Balance at January 3, 2015	**$ 10,300,000**	**$ 34,054,374**	**$ 79,167,323**	**$ (14,068,144)**	**$ 109,453,553**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows
Years ended January 3, 2015, December 28, 2013 and December 29, 2012

	2014	2013	2012
Operating activities			
Net income	**$ 5,462,263**	$ 1,760,564	$ 4,234,912
Loss (income) from discontinued operations, net of tax	**7,156,524**	1,137,484	(252,028)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation expense	**3,724,757**	3,074,369	2,394,298
Amortization expense	**1,466,395**	1,597,578	567,693
Deferred income taxes	**796,916**	(1,325,781)	164,774
Bargain gain on acquisition of CRI, net of taxes	**—**	(1,077,332)	—
Palmer earn-out adjustment	**(3,476,197)**	—	—
Provision for (reduction of) losses on accounts receivable	**72,100**	(229,230)	105,918
Provision for losses on inventories	**2,548,196**	169,810	463,824
Loss (gain) on sale of property, plant and equipment	**26,800**	8,044	(107,970)
Cash value of life insurance	**(39,093)**	(161,530)	(190,996)
Change in fair value of interest rate swap	**425,543**	(740,832)	113,648
Environmental reserves	**(50,000)**	(14,000)	—
Issuance of treasury stock for director fees	**110,501**	127,989	99,995
Employee stock option and grant compensation	**364,157**	331,362	337,750
Changes in operating assets and liabilities:			
Accounts receivable	**3,448,709**	642,125	(894,385)
Inventories	**(3,298,982)**	(2,659,949)	(2,615,218)
Other assets and liabilities, net	**(1,164,297)**	(303,959)	(1,661,047)
Accounts payable	**7,820,957**	879,632	(3,971,870)
Accrued expenses	**3,995,534**	(2,316,263)	1,189,805
Accrued income taxes	**(1,287,007)**	(863,495)	(754,713)
Net cash provided by (used in) continuing operating activities	**28,103,776**	36,586	(775,610)
Net cash provided by (used in) discontinued operating activities	**785,249**	(5,578,384)	2,410,473
Net cash provided by (used in) operating activities	**28,889,025**	(5,541,798)	1,634,863
Investing activities			
Purchases of property, plant and equipment	**(8,065,992)**	(5,648,290)	(4,542,150)
Proceeds from sale of property, plant and equipment	**8,000**	136,297	148,500
Acquisition of Palmer	**—**	—	(27,895,209)
Cash received from Palmer acquisition	**—**	—	1,389,054
Acquisition of CRI	**—**	(4,527,762)	—
Acquisition of Specialty	**(31,490,433)**	—	—
Cash received from Specialty acquisition	**12,960**	—	—
Proceeds from life insurance settlement	**—**	703,331	734,206
Net cash used in continuing investing activities	**(39,535,465)**	(9,336,424)	(30,165,599)
Net cash provided by (used in) discontinued investing activities	**3,589,064**	(115,472)	(192,228)
Net cash used in investing activities	**(35,946,401)**	(9,451,896)	(30,357,827)
Financing activities			
Net borrowings from (payments on) line of credit	**884,637**	(18,060,894)	9,410,463
Borrowings from long-term debt	**10,000,000**	4,033,250	22,500,000
Payments on long-term debt	**(2,533,903)**	(2,401,103)	(759,962)
Payments on pension liability from the closure of Bristol Fab	**(449,958)**	—	—
Proceeds from notes receivable	**—**	—	20,000
Proceeds from sale of common stock	**—**	34,232,625	—
Proceeds from exercised stock options	**42,017**	138,026	123,888
Dividends paid	**(2,632,537)**	(2,259,728)	(1,596,302)
Net cash provided by financing activities	**5,310,256**	15,682,176	29,698,087
(Decrease) increase in cash and cash equivalents	**(1,747,120)**	688,482	975,123
Cash and cash equivalents at beginning of year	**1,773,743**	1,085,261	110,138
Cash and cash equivalents at end of year	**$ 26,623**	$ 1,773,743	$ 1,085,261

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies

Description of Business

Synalloy Corporation (the "Company"), a Delaware corporation, 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 775 Spartan Boulevard, Suite 102, Spartanburg, South Carolina 29301 and 4301 Dominion Boulevard, Suite 130, Glen Allen, Virginia 23060.

The Company's business is divided into two segments, the Metals Segment and the Specialty Chemicals Segment. The Metals Segment operates as BRISMET, Bristol Fab, Ram-Fab, Palmer and Specialty. BRISMET manufactures pipe, Bristol Fab fabricates piping systems from stainless and carbon steel and other alloys, Ram-Fab fabricates piping systems from chrome, stainless and carbon steel and other alloys, Palmer manufactures liquid storage solutions and separation equipment and Specialty is a master distributor of seamless carbon pipe and tube. The Specialty Chemicals Segment operates as Manufacturers Chemicals and CRI Tolling and produces specialty chemicals. Bristol Fab and Ram-Fab were sold or closed during 2014. See Note 17.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. The Metals Segment is comprised of three wholly-owned subsidiaries: Synalloy Metals, Inc. which owns 100 percent of Bristol Metals, LLC, located in Bristol, Tennessee; Palmer of Texas Tanks, Inc., located in Andrews, Texas and Specialty Pipe & Tube, Inc., located in Mineral Ridge, Ohio and Houston, Texas. The Specialty Chemicals Segment consists of two wholly-owned subsidiaries: Manufacturers Soap and Chemical Company which owns 100 percent of Manufacturers Chemicals, LLC, located in Cleveland, Tennessee and CRI Tolling, LLC, located in Fountain Inn, South Carolina. All significant intercompany transactions have been eliminated.

Accounting Period

The Company's fiscal year is the 52 or 53 week period ending the Saturday nearest to December 31. Fiscal year 2014 ended on January 3, 2015 with the year having 53 weeks. Fiscal year 2013 ended on December 28, 2013 and fiscal year 2012 ended on December 29, 2012, each year having 52 weeks.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Company maintains cash balances at financial institutions with strong credit ratings.

Accounts Receivable

Accounts receivable from the sale of products are recorded at net realizable value and the Company generally 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 and for disputed claims and quality issues. The allowance 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 60 days. Delinquent receivables are written off based on individual credit evaluations and specific circumstances of the customer.

Included in the stock purchase agreement (the "SPA") of Palmer, the sellers guaranteed the collectability of the acquired accounts receivable. Per the SPA, at 120 days after the acquisition date, an allowance for doubtful accounts was established for all open, pre-acquisition receivables of $821,000, with an offsetting increase in the amount due from the sellers during the year ended December 29, 2012. Subsequent collections on these accounts by the Company are reimbursed to the sellers.

Included in the SPA of Specialty, the sellers guaranteed the collectability of the acquired accounts receivable. Per the SPA, at 120 days after the acquisition date, any uncollected accounts receivable will be remitted to the Company.

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. Based upon historical results, the Company also maintains an inventory reserve to provide for the amount of estimated inventory quantity loss since the last physical inventory. As of January 3, 2015 and December 28, 2013, inventories have been reduced by $4,866,000 and $2,217,000, respectively, for obsolescence, market and physical inventory reserves.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is provided on the straight-line method over the estimated useful life of the assets. Land improvements and buildings are depreciated over a range of ten to 40 years, and machinery, fixtures and equipment are depreciated over a range of three to 20 years. The costs of software licenses are amortized over five years using the straight-line method. 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.

Business Combinations

Acquisitions are accounted for using the acquisition method of accounting for business combinations in accordance with GAAP. Under this method, the total consideration transferred to consummate the acquisition is allocated to the identifiable tangible and intangible assets acquired and liabilities assumed based on their respective fair values as of the closing date of the acquisition. The acquisition method of accounting requires extensive use of estimates and judgments to allocate the consideration transferred to the identifiable tangible and intangible assets, if any, acquired and liabilities assumed.

Goodwill, Intangible Assets and Deferred Charges

Goodwill, arising from the excess of purchase price over fair value of net assets of businesses acquired, is not amortized but is reviewed annually in the fourth quarter for impairment. Intangible assets represent the fair value of intellectual, non-physical assets resulting from a business acquisition. Deferred charges represent other intangible assets such as debt service costs. Intangible assets are amortized over their estimated useful lives using an accelerated method or a straight-line method. Deferred charges are amortized over their estimated useful lives using the straight-line method. Deferred charges are amortized over a period ranging from 3 to 10 years and intangible assets are amortized over a period ranging from 10 to 15 years. The weighted average amortization period for the customer relationships is approximatelytwelve years. Deferred charges and intangible assets totaled $20,961,000 and $9,407,000 at January 3, 2015 and December 28, 2013, respectively. Accumulated amortization of deferred charges and intangible assets as of January 3, 2015 and December 28, 2013 totaled $3,670,000 and $2,203,000, respectively. Estimated amortization expense for the next five fiscal years based on existing deferred charges and intangible assets is: 2015 - $2,335,000, 2016 - $2,171,000, 2017 - $2,032,000; 2018 - $1,868,000; 2019 - $1,740,000; and thereafter - $7,145,000. The Company recorded amortization expense of $1,466,000, $1,598,000 and $568,000 for 2014, 2013 and 2012, respectively.

Revenue Recognition

Revenue from product sales is recognized at the time ownership of goods transfers to the customer and the earnings process is complete, which is typically on the date the inventory is shipped to the customer.

Shipping Costs

Shipping costs of approximately $3,775,000, $4,871,000 and $3,445,000 in 2014, 2013 and 2012, respectively, are recorded in cost of goods sold.

Research and Development Expenses

The Company incurred research and development expense of approximately $531,000, $558,000 and $612,000 in 2014, 2013 and 2012, respectively.

Earnings Per Share of Common Stock

Earnings per share of common stock are computed based on the weighted average number of shares outstanding during each period. See Note 12.

Fair Value Disclosures

The Company makes estimates of fair value in accounting for certain transactions, in testing and measuring impairment, and in providing disclosures of fair value in its consolidated financial instruments. The Company determines the fair values of its financial instruments for disclosure purposes by maximizing the use of observable inputs and minimizing the use of unobservable inputs when measuring fair value. Fair value disclosures for assets and liabilities are grouped in three levels. The levels prioritize the inputs used to measure the fair value of the assets or liabilities. These levels are:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices that are observable for assets and liabilities, either directly or indirectly. These inputs include quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets or liabilities in markets that are less active.

Level 3 - Unobservable inputs that are supported by little or no market activity for assets or liabilities and includes certain pricing models, discounted cash flow methodologies and similar techniques.

Estimates of fair value using levels 2 and 3 may require judgments as to the timing and amount of cash flows, discount rates, and other factors requiring significant judgment, and the outcomes may vary widely depending on the selection of these assumptions. The Company's most significant fair value estimates relate to purchase accounting adjustments which included the measurement of contingent consideration, estimating the fair value of the reporting units in testing goodwill for impairment, estimating the fair value of the interest rate swaps, and providing disclosures of the fair values of financial instruments.

As of January 3, 2015 and December 28, 2013, the carrying amount for cash and cash equivalents, accounts receivable, accounts payable and borrowings under the Company's line of credit and term loan, which are based on variable interest rates, approximates their fair value.

The Company does not currently have any Level 1 financial assets or liabilities. The Company has three Level 2 financial assets and liabilities. Cash value of life insurance had a fair value of $2,047,000 and $2,007,000 at January 3, 2015 and December 28, 2013, respectively. The fair value of the life insurance policies was determined by the underwriting insurance company's valuation models and represents the guaranteed value the Company would receive upon surrender of these policies. Changes in the policies' fair value were recorded in non-current assets with corresponding offsetting entries to selling, general and administrative expense. Also, the fair value of the Palmer swap was an asset of $11,000 and $301,000 at January 3, 2015 and December 28, 2013, respectively. The fair value of the CRI swap was a liability of$215,000 and $80,000 at January 3, 2015 and December 28, 2013, respectively. The interest rate swaps were priced using discounted cash flow techniques which are corroborated by using non-binding market prices. Changes in the swaps' fair value were recorded in current assets or liabilities, as appropriate, with corresponding offsetting entries to other income (expense). Significant inputs to the discounted cash flow model include projected future cash flows based on projected one-month LIBOR and the average margin for companies with similar credit ratings and similar maturities. These are classified as Level 2 as they are not actively traded and are valued using pricing models that use observable market inputs.

The contingent consideration payments, discussed in Note 16, are classified as Level 3. The amount of the total earn-out liability to the prior owners of Palmer was determined using management's best estimate of Palmer's EBITDA for the three-year earn-out period which will determine the amount of the ultimate payment to be made. The amount of the total earn-out liability due to the prior owner of Specialty was determined using management's best estimate of Specialty's EBITDA for the two-year earn out period which will determine the amount of the ultimate payment to be made. Factors such as volume increases, selling price increases and inflation were used to develop a base projection. The Company believes additional costs will be required to improve employee turnover, safety, internal controls, etc. These estimated costs were deducted in order to determine projected EBITDA. The Company's current cost of borrowing was used to determine the present value of these expected payments. Each quarter-end, the Company re-evaluates their assumptions and adjustments to the estimated present value of the expected payments to be made, if required. During the three months ended June 28, 2014, the Company reviewed the Palmer earn-out reserve for the second and third year payments and determined the EBTIDA threshold target of $5,825,000 for the period from August 22, 2013 to August 21, 2014 ("Year 2") would not be attained, and therefore, the earn-out payment of $2,500,000 for Year 2 was not made to the former Palmer shareholders. As a result, the Company adjusted the earn-out liability to the present value of the Company's current estimates by recognizing a gain of approximately $3,476,000 during the second quarter. The Company does not expect Palmer to meet the EBITDA threshold target of $6,825,000 during the final twelve month earn-out period; however, it should reach the $5,825,000 threshold for year three.

The following table presents a summary of changes in fair value of the Company's Level 3 liabilities measured on a recurring basis for 2014 and 2013:

	Level 3 Inputs
Balance at December 29, 2012	$ 8,208,831
Interest expense charged during the year	153,200
Payment to Palmer sellers	(2,500,000)
Balance at December 28, 2013	5,862,031
Present value of contingent consideration liability associated with the Specialty acquisition	4,773,620
Interest expense charged during the year	96,933
Change in fair value of contingent consideration liability associated with the Palmer acquisition	(3,476,197)
Balance at January 3, 2015	$ 7,256,387

There were no transfers of assets or liabilities between Level 1, Level 2 and Level 3 in the years ended January 3, 2015 or December 28, 2013. There have also been no changes in the fair value methodologies used by the Company during the years ended January 3, 2015 or December 28, 2013.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions, primarily for testing goodwill for impairment, determining proper period-end balances for certain employee benefit accruals, estimating fair value of identifiable assets acquired and liabilities assumed as a result of business acquisitions and for establishing reserves on accounts receivable, inventories and environmental issues, that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Concentrations of Credit Risk

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

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation in the accompanying consolidated financial statements. These reclassifications had no material effect on previously reported results of operations or shareholders' equity.

Recent accounting pronouncements

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-08, *"Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity'*, which changes the criteria for when the disposal of a component entity may be presented as discontinued operations. The standard requires that the disposal be considered a strategic shift (such as the disposal of a major geographical area, a major line of business, a major equity method investment, or other major part of an entity) which will have a major effect on a reporting entity's operating and financial results in order to be presented as discontinued operations. Disposals that do qualify for discontinued operations presentation will require expanded disclosure. ASU 2014-08 is effective for disposals which occur during annual periods beginning on or after December 15, 2014. The Company did not elect to early adopt the provisions of this ASU.

In May 2014, the FASB issued ASU 2014-09, *"Revenue from Contracts with Customers (Topic 606)"*, which changes the criteria for recognizing revenue. The standard requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard requires a five-step process for recognizing revenue including identifying the contract with the customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract, and recognizing revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016. The Company is currently evaluating the impact that ASU 2014-09 will have on its consolidated financial statements.

Subsequent Events

Management has evaluated subsequent events through the date of filing this Form 10-K.

Note 2 Property, Plant and Equipment

Property, plant and equipment consist of the following:

	2014	2013
Land	$ 1,742,213	$ 652,213
Land improvements	714,398	662,521
Buildings	21,371,594	18,586,308
Machinery, fixtures and equipment	56,651,197	50,239,409
Construction-in-progress	5,494,166	5,014,348
	85,973,568	75,154,799
Less accumulated depreciation	46,036,102	42,489,518
Property, plant and equipment, net	$ 39,937,466	$ 32,665,281

The Company recorded depreciation expense from continuing operations of$3,725,000, $3,074,000, and $2,394,000 for 2014, 2013 and 2012, respectively.

Note 3 Long-term Debt

	2014	2013
$ 40,000,000 Revolving line of credit, due November 21, 2017	$ 884,637	$ —
$10,000,000 Term loan, due November 21, 2019	10,000,000	—
$22,500,000 Term loan, due August 21, 2022	17,250,000	19,500,000
$4,033,250 Mortgage, due August 19, 2023	3,654,713	3,938,616
	31,789,350	23,438,616
Less current portion	4,533,908	2,533,908
Long-term debt, less current portion	$ 27,255,442	$ 20,904,708

On June 30, 2010, the Company entered into a Credit Agreement with a regional bank to provide a$20,000,000 line of credit that was to expire onJune 30, 2013. This agreement was amended by the bank on August 19, 2011 to extend the maturity date of the Credit Agreement by one additional year to June 30, 2014. In connection with the Palmer acquisition discussed in Note 16, on August 21, 2012, the Company modified the Credit Agreement to increase the limit of the credit facility by $5,000,000 to a maximum of $25,000,000, and extended the maturity date to August 21, 2015. On October 22, 2012, the Company modified this agreement to increase the limit by an additional $5,000,000 to a maximum of $30,000,000. This increase was in effect forone year and the maximum line of credit reverted back to $25,000,000 on October 22, 2013. In connection with the Specialty acquisition discussed in Note 16, on November 21, 2014, the Company modified the Credit Agreement to increase the limit of the credit facility by $15,000,000 to a maximum of $40,000,000, and extended the maturity date to November 21, 2017. The Total Funded Debt to EBITDA ratio (as defined in the Credit Agreement), tangible net worth floor (as defined in the Credit Agreement), and Total Liabilities to Tangible Net Worth ratio (as defined in the Credit Agreement) were changed as a result of this modification. None of the other provisions of the Credit Agreement were changed as a result of this modification. Interest on the Credit Agreement is calculated using the One Month LIBOR (as defined in the Credit Agreement), plus a pre-defined spread, based on the Company's Total Funded Debt to EBITDA ratio (as defined in the Credit Agreement). Borrowings under the line of credit are limited to an amount equal to a borrowing base calculation that includes eligible accounts receivable, inventories and other non-capital assets.

In connection with the acquisition of Specialty, discussed in Note 16, the Credit Agreement modification on November 21, 2014 also provided for afive-year term loan, expiring November 21, 2019, in the amount of $10,000,000 that requires equal monthly payments of$166,667, plus interest, calculated using the One Month LIBOR (as defined in the Credit Agreement), plus a pre-defined spread, based on the Company's Total Funded Debt to EBITDA ratio (as defined in the Credit Agreement). The interest rate was 2.07 percent at January 3, 2015.

The Credit Agreement modification on August 21, 2012 also provided for a ten-year term loan in the amount of $22,500,000 that requires equal monthly payments of $187,500 plus interest. The interest rate was 2.42 percent at January 3, 2015. In conjunction with this term loan, to mitigate the variability of the interest rate risk, the Company entered into an interest rate swap contract (the "Palmer swap") on August 21, 2012 with its current bank. The Palmer swap was for an initial notional amount of $22,500,000 with a fixed interest rate of 3.74 percent, and a term of ten years, expiring on August 21, 2022, which is consistent with the maturity of the term loan. The notional amount of the interest rate swap decreases as monthly principal payments are made.

In connection with acquisition of CRI, discussed in Note 16, on August 9, 2013 the Company amended its Credit Agreement for a new ten-year term loan in the amount of $4,033,250, with monthly principal payments customized to account for the 20-year amortization of the real estate assets combined with a 5-year amortization of the equipment assets purchased. The interest rate was 2.16 percent at January 3, 2015. In conjunction with this term loan, to mitigate the variability of interest rate risk, the Company entered into the CRI swap on September 3, 2013. The CRI swap was for an initial notional amount of $4,033,250 with a fixed interest rate of 4.83 percent and runs for ten years to August 19, 2023, which equates to the due date of the term loan. The notional amount of the interest rate swap decreases as monthly principal payments are made.

Although both swap agreements are expected to effectively offset variable interest in the borrowings, hedge accounting will not be utilized. Therefore, changes in their fair value are recorded in current assets or liabilities, as appropriate, with corresponding offsetting entries to other income (expense). The Company recorded an $11,000 asset and a $301,000 asset for the fair value of the Palmer swap as of January 3, 2015 and December 28, 2013, respectively. As of January 3, 2015 and December 28, 2013, the Company recorded a liability of $215,000 and $80,000, respectively, for the fair value of the CRI swap. During 2012, a portion of the initial change in fair value on the CRI swap was deemed to be attributable to a cost of underwriting the term loan obtained for the CRI acquisition; therefore $70,000 of the total change in fair value was classified as an acquisition cost, and the remainder as other income (expense). In future periods, the change in fair value will be charged or credited to other income or expense.

Pursuant to the Credit Agreement, the Company was required to pledge all of its tangible and intangible properties, including the acquired assets of Specialty, Palmer and CRI. Covenants under the Credit Agreement include maintaining a certain Total Funded Debt to EBITDA ratio (as defined in the Credit Agreement), a minimum tangible net worth, and total liabilities to tangible net worth ratio. The Company will also be limited to a maximum amount of capital expenditures per year, which is in line with the Company's currently projected needs. At January 3, 2015, the Company was in compliance with all debt covenants.

The line of credit interest rates were 1.77 percent, 2.16 percent, and 2.21 percent at January 3, 2015, December 28, 2013, and December 29, 2012, respectively. Additionally, the Company is required to pay a fee equal to 0.125 percent on the average daily unused amount of the line of credit on a quarterly basis. As of January 3, 2015, the amount available for borrowing under the line of credit was $40,000,000 of which $884,637 was borrowed, leaving $39,115,363 of availability. Average line of credit borrowings outstanding during fiscal 2014, 2013 and 2012 were $2,735,000, $19,860,000 and $11,045,000 with weighted average interest rates of 1.35 percent, 1.74 percent and 1.82 percent, respectively. The average borrowings for 2014 and 2013 were determined based on the period the Company had an outstanding balance on the line of credit. During 2013, the line of credit was completely paid in October 2013 and the Company had no borrowings on the line of credit until December 2014.

The Company also had one vehicle loan with a bank that was acquired with the acquisition of Palmer (Note 16) and was paid in full during 2013. Monthly installments of $2,039 including principal and interest were due on the loan, expiring April 16, 2015. The interest rate on the vehicle loan was fixed at 0.90 percent. The vehicle loan was secured by the vehicle.

Scheduled maturities of total long-term debt obligations are as follows: 2015 -$4,534,000; 2016 - $4,534,000; 2017 - $4,534,000; 2018 - $4,497,000; 2019 - $4,258,000; and thereafter - $8,547,000.

The Company made interest payments on all credit facilities of $930,000 in 2014, $1,202,000 in 2013 and $492,000 in 2012.

Note 4 Accrued Expenses

Accrued expenses consist of the following:

	2014	2013
Salaries, wages and commissions	$ 2,814,279	$ 1,224,856
Current portion of contingent consideration	4,659,871	2,500,000
Facility closing reserves	1,570,399	—
Uncertain tax positions	1,504,146	—
Advances from customers	1,027,123	1,617,298
Insurance	859,151	1,229,440
Current portion of pension liability from the closure of Bristol Fab	780,595	—
Taxes, other than income taxes	470,456	795,015
Benefit plans	212,352	530,603
Interest	56,922	31,015
Professional fees	194,065	302,304
Interest rate swap liability	215,188	80,498
Current portion of deferred compensation	51,000	51,000
Other accrued items	269,139	820,340
Total accrued expenses	$ 14,684,686	$ 9,182,369

Note 5 Environmental Compliance Costs

At January 3, 2015 and December 28, 2013, the Company had accrued $576,000 and $626,000, respectively, for remediation costs which, in management's best estimate, is sufficient to 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 three to four 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.

Prior to 1987, the Company utilized certain products at its chemical facilities that are currently classified as hazardous materials. Testing of the groundwater in the areas of the former wastewater 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. In 1998, the Company completed a Resource Conservation and Recovery Act ("RCRA") Facility Investigation at its Spartanburg, SC 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 and the Company received regulatory approval. In prior years, remediation projects were completed to clean up all14 SWMUs on the Spartanburg plant site at a cost of approximately $968,000. On October 2, 2009, the Company entered into an Asset Purchase Agreement and sold the Spartanburg facilities. As part of the Agreement, the purchaser agreed to assume any and all future unidentified environmental liabilities at the site and pay all future annual monitoring and reporting costs required by the RCRA permit covering the site. The Company has completed all of the RCRA-Permit required cleanup projects.

At the former Augusta, GA plant site, the Company submitted a Baseline Risk Assessment and Corrective Measures Plan for regulatory approval. A Closure and Post-Closure Care Plan was submitted and approved in 2001 for the closure of the surface impoundment (former regulated unit). The Company completed and certified closure of the surface impoundment during 2002. During 2005, the Company completed a preliminary analysis of remedial alternatives to eliminate direct contact with surface soils based on the Baseline Risk Assessment. In 2011, the Company identified a concentration of soil contamination. With the approval of the Georgia Department of Natural Resources, Environmental Protection Division ("EPD"), the affected soil was removed and the section of the property was backfilled with clean fill material plus selected chemicals to clean any impurities left behind. Based upon the soil remediation performed, the Company filed a Site-Wide Corrective Action Plan with the EPD in December 2011 to terminate the RCRA Permit. During 2014, the EPD closed the surface impoundment regulated unit since the Company met post-closure clean-up goals and the Company renewed the Corrective Action Permit, which includes a site-wide corrective action plan, long-term monitoring and institutional controls. The Company has accrued $501,000 and $551,000 at January 3, 2015 and December 28, 2013, respectively, for estimated future remedial and cleanup costs. As part of the Asset Purchase Agreement for the Spartanburg facility, the purchaser also agreed to pay for all future annual monitoring and reporting costs at the Augusta facility required by the EPD.

The Company has identified and evaluated two SWMUs at its plant in Bristol, Tennessee that revealed residual groundwater contamination. An Interim Corrective Measures Plan to address the final area of contamination identified was submitted for regulatory approval and was approved in March 2005. The Company had $75,000 accrued at January 3, 2015 and December 28, 2013, 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. Notifications for these two sites were received by the Company in November 2007 and February 2008. The site represented by the November 2007 notification was settled during 2013. The Company was not named in the final settlement and was not required to make any payments. It is impossible to determine the ultimate costs related to the remaining site due to several factors such as the unknown possible 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 the other 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 was also named as one of many potentially responsible parties in a Superfund Site brought by the United States Environmental Protection Agency. Notification for this site was received on September 13, 2010. The Company qualified for a special *de minimis* party settlement at this site and upon payment of approximately $2,000 in 2013, was released from further consideration.

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 6 Deferred Compensation

The Company has deferred compensation agreements with certain former officers providing for payments for the longer of ten years or life from age 65. The present value of such vested future payments, $261,000 at January 3, 2015 and $271,000 at December 28, 2013, has been accrued.

Note 7 Stock Options, Stock Grants and New Stock Issues

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

	Weighted Average Exercise Price	Options Outstanding	Weighted Average Contractual Term (in years)	Intrinsic Value of Options	Options Available
At December 31, 2011	$ 11.28	120,800	8.0	$ 6,448	250,000
Granted February 9, 2012	$ 11.35	36,740			(36,740)
Granted August 21, 2012	$ 12.73	75,000			(75,000)
Exercised	$ 10.50	(11,800)			
Expired	$ —	—			—
At December 29, 2012	$ 11.82	220,740	8.4	$ 367,937	138,260
Granted February 7, 2013	$ 13.70	40,594			(40,594)
Exercised	$ 10.69	(15,247)			
Expired	$ 12.70	(83,351)			83,351
At December 28, 2013	$ 11.95	162,736	7.5	$ 582,894	181,017
Granted February 20, 2014	$ 14.76	13,790			(13,790)
Exercised	$ 11.23	(17,074)			
Expired	$ 13.70	(2,157)			2,157
At January 3, 2015	$ 12.25	157,295	6.9	852,810	169,384
Exercisable options	$ 11.73	56,787	6.4	$ 337,467	

Options expected to vest:				Grant Date Fair Value
At December 29, 2012	$ 11.97	191,740	8.9	$ 6.40
Granted February 7, 2013	$ 13.70	40,594		$ 6.30
Vested	$ 11.49	(27,347)		
Forfeited unvested options	12.71	(82,842)		
At December 28, 2013	$ 12.18	122,145	7.8	$ 7.19
Granted February 20, 2014	$ 14.76	13,790		$ 6.70
Vested	$ 11.98	(33,702)		
Forfeited unvested options	$ 13.70	(1,725)		
At January 3, 2015	$ 12.54	100,508	7.2	$ 6.76

The following table summarizes information about stock options outstanding atJanuary 3, 2015:

	Outstanding Stock Options			Exercisable Stock Options	
		Weighted Average			
Range of Exercise Prices	Shares	Exercise Price	Remaining Contractual Life in Years	Shares	Weighted Average Exercise Price
$ 11.55	82,342	$ 11.55	6.05	42,342	$ 11.55
$ 11.35	27,996	$ 11.35	7.09	8,912	$ 11.35
$ 13.70	33,167	$ 13.70	8.09	5,533	$ 13.70
$ 14.76	13,790	$ 14.76	9.13	—	
	157,295			56,787	

The 2011 Plan is an incentive stock option plan, therefore there are no income tax consequences to the Company when an option is granted or exercised. OnFebruary 9, 2012, the Company granted options to purchase 36,740 shares of its common stock at an exercise price of $11.35 to participants in the 2011 Plan and an additional 75,000 options were granted on August 21, 2012 to the President of Palmer in connection with his employment agreement with the Company at an exercise price of $12.73. The fair value of the option grants were $5.03 and $5.44, respectively. The fair value of the grants were estimated using the Black-Scholes option-pricing model based on a risk-free interest rate of 2.04 percent and 1.80 percent, respectively, an expected volatility of 0.53 and 0.51, respectively, with both grants using an expected life of seven years and a dividend yield of 2.10 percent.

On February 7, 2013, the Company granted options to purchase 40,594 shares of its common stock at an exercise price of $13.70 per share to participants in the 2011 Plan. The fair value of this stock option grant was $6.30. The Black-Scholes model for this grant was based on a risk-free interest rate of 2.00 percent, an expected life of seven years, an expected volatility of 0.53 and a dividend yield of 1.80 percent.

On February 20, 2014, the Company granted options to purchase 13,790 shares of its common stock at an exercise price of $14.76 per share to participants in the 2011 Plan. The stock options will vest in 20 percent increments annually on a cumulative basis, beginning one year after the date of the grant. In order for the options to vest, the employee must be in the continuous employment of the Company since the date of the grant. Any portion of the grant that has not vested will be forfeited upon termination of employment. The Company may terminate any portion of the grant that has not vested upon an employee's failure to comply with all conditions of the award or the 2011 Plan. Shares representing grants that have not yet vested will be held in escrow by the Company. An employee will not be entitled to any voting rights with respect to any shares not yet vested, and the shares are not transferable. The per share weighted-average fair value of this stock option grant was $6.70. The Black-Scholes model for this grant was based on a risk-free interest rate of 2.00 percent, an expected life of seven years, an expected volatility of 0.52 and a dividend yield of 1.80 percent.

In 2014, 2013 and 2012, options for 17,074, 15,247 and 11,800 shares were exercised by employees and directors for an aggregate exercise price of $192,000, $163,000 and $124,000, respectively. The proceeds were generated from cash received of $42,000 and repurchase of 9,094 shares from employees and directors totaling $150,000 in 2014, from cash received of $138,000 and repurchase of 1,752 shares from employees and directors totaling $25,000 in 2013 and from cash received of $124,000 in 2012. At the 2014, 2013 and 2012 respective year ends, options to purchase 56,787, 40,591 and 29,000 shares with weighted average exercise prices of $11.73, $11.26 and $10.84, respectively, were fully exercisable. Compensation cost charged against income before taxes for the options was approximately $261,000 for 2014, $249,000 for 2013 and $228,000 for 2012. As of January 3, 2015, there was $459,000 of unrecognized compensation cost related to unvested stock options granted under the Company's stock option plans. The weighted average period over which the stock option compensation cost is expected to be recognized is 2.32 years.

The Company has a 2005 Stock Awards Plan in effect at January 3, 2015. A summary of plan activity for 2012, 2013 and 2014 is as follows:

	Shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2011	43,572	$ 11.39
Vested	(11,099)	$ 12.60
Forfeited	—	
Outstanding at December 29, 2012	32,473	$ 10.98
Vested	(8,161)	$ 11.06
Forfeited	(5,060)	10.20
Outstanding at December 28, 2013	19,252	$ 11.15
Granted October 16, 2014	31,080	$ 15.69
Granted November 21, 2014	23,665	$ 15.85
Vested	(7,434)	$ 10.60
Forfeited	(160)	$ 13.34
Outstanding at January 3, 2015	66,403	$ 15.00

The Compensation & Long-Term Incentive Committee of the Board of Directors of the Company approves stock grants under the Company's 2005 Stock Awards Plan to certain management employees of the Company. On October 16, 2014, 31,080 shares, with a market price of $15.69 per share, were granted under the Plan to the chief executive officer of the Company. On November 21, 2014, as a result of the acquisition of Specialty, 23,665 shares, at a market price of $15.85 per share, were granted under the

Plan to certain management employees of Specialty. The stock awards vest in 20 percent increments annually on a cumulative basis, beginning one year after the date of grant from shares held in treasury with the Company. In order for the awards to vest, the employee must be in the continuous employment of the Company since the date of the award. Any portion of an award that has not vested is forfeited upon termination of employment. The Company may terminate any portion of the award that has not vested upon an employee's failure to comply with all conditions of the award or the 2005 Stock Awards Plan. An employee is not entitled to any voting rights with respect to any shares not yet vested, and the shares are not transferable.

Compensation expense on the grants issued is charged against earnings equally before forfeitures, if any, over a period of 60 months from the dates of the grants, with the offset recorded in Shareholders' Equity. Compensation cost charged against income for the awards was approximately $103,000, $66,000 net of income taxes, or $0.01 per share for 2014, $82,000, $52,000 net of income taxes, or $0.01 per share for 2013 and $110,000, $70,000 net of income taxes, or $0.01 per share, for 2012. As of January 3, 2015, there was $902,000 of total unrecognized compensation cost related to unvested stock grants under the 2005 Stock Awards Plan. The weighted average period over which the stock grant compensation cost is expected to be recognized is 4.55 years.

Each year, the Company allows each non-employee director to elect up to 100% of their annual retainer in restricted stock. The number of restricted shares issued is determined by the average of the high and low common stock price on the day prior to the Annual Meeting of Shareholders or the date prior to the appointment to the Board for those individuals that are appointed mid-term. On April 24, 2014 and April 25, 2013, non-employee directors received an aggregate of 7,088 and 9,411 shares, respectively, of restricted stock in lieu of total retainer fees of $111,000 and $128,000, respectively. The shares granted to the directors are not registered under the Securities Act of 1933 and are subject to forfeiture in whole or in part upon the occurrence of certain events.

On September 30, 2013, the Company closed on an underwritten public offering of 2,000,000 shares of its common stock at a price of $15.75 per share. The underwriters also exercised their option to purchase and close upon an additional 300,000 shares of common stock at a price of $15.75 per share. The Company received net proceeds, after underwriting discounts and estimated expenses, of approximately $34,233,000. The Company used the net proceeds from the offering to invest approximately $3,500,000 in new equipment for the CRI Tolling facility, and used $18,061,000 to pay off the outstanding balance on the line of credit.

Note 8 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:

(Amounts in thousands)	2014	2013
Deferred tax assets:		
Inventory valuation reserves	$ 303	$ 794
Allowance for doubtful accounts	85	100
Inventory capitalization	1,504	3,089
Environmental reserves	206	224
Interest rate swap	41	128
Back charge accrual	23	203
Deferred compensation	93	97
Accrued bonus	739	—
Facility closing reserves	568	—
State net operating loss carryforwards	206	142
Other	370	253
Total deferred tax assets	4,138	5,030
Deferred tax liabilities:		
Tax over book depreciation and amortization	6,804	8,021
Prepaid expenses	825	749
Other	26	57
Total deferred tax liabilities	7,655	8,827
Net deferred tax liabilities	$ (3,517)	$ (3,797)

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

(Amounts in thousands)	2014	2013	2012
Current:			
Federal	$ 3,933	$ 2,192	$ 1,493
State	656	344	236
Total current	4,589	2,536	1,729
Deferred:			
Federal	964	(1,113)	250
State	(167)	(213)	(85)
Total deferred	797	(1,326)	165
Total	$ 5,386	$ 1,210	$ 1,894

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

	2014		2013		2012	
(Amounts in thousands)	Amount	%	Amount	%	Amount	%
Tax at U.S. statutory rates	$ 6,302	35.0 %	$ 1,397	34.0 %	$ 1,998	34.0 %
State income taxes, net of federal tax benefit	324	1.8 %	74	1.8 %	106	1.8 %
Palmer earn-out adjustment	(1,217)	(6.8)%	—	— %	—	— %
Bargain gain on CRI acquisition	—	— %	(366)	(8.9)%	—	— %
Manufacturing exemption	(458)	(2.5)%	(138)	(3.4)%	(180)	(3.1)%
Stock issuance costs	—	— %	101	2.5 %	—	— %
Stock option compensation	91	0.5 %	85	2.1 %	38	0.6 %
Uncertain tax positions	139	0.8 %	—	— %	—	— %
Other, net	205	1.1 %	57	1.4 %	(68)	(1.1)%
Total	$ 5,386	29.9 %	$ 1,210	29.5 %	$ 1,894	32.2 %

Income tax payments of approximately $2,091,000, $2,445,000 and $1,991,000 were made in 2014, 2013 and 2012, respectively. The Company had state net operating loss carryforwards at the end of fiscal years 2014 and 2013 of approximately $50,774,000 and $45,503,000, respectively. These losses will expire between the years of 2017 and 2034. A valuation allowance has been set up against $45,965,000 of these state net operating loss carryforwards because it is not more likely than not that the losses will be realized in the foreseeable future. The valuation allowance for the net operating loss carryforwards was $1,570,000 at January 3, 2015, an increase of $178,000 from the prior year.

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax in multiple state jurisdictions. The federal statute of limitations is closed for tax years prior to 2012. The Company's 2012 and 2013 federal income tax returns are currently being examined by the Internal Revenue Service.

Provided below is a roll forward of the Company's uncertain tax positions.

(Amounts in thousands)	Unrecognized Tax Benefit	Interest and Penalties	Total
Balance at December 29, 2012	—	—	—
Increases related to prior year tax positions	—	—	—
Decreases related to prior year tax positions	—	—	—
Increases related to current year tax position	—	—	—
Settlements during period	—	—	—
Lapse of statute of limitations	—	—	—
Balance at December 28, 2013	—	—	—
Increases related to prior year tax positions	1,431	73	1,504
Decreases related to prior year tax positions	—	—	—
Increases related to current year tax position	—	—	—
Settlements during period	—	—	—
Lapse of statute of limitations	—	—	—
Balance at January 3, 2015	1,431	73	1,504

As of January 3, 2015, the Company's liability for unrecognized tax benefits was$1,504,000. The Company's continuing practice is to recognize interest and/or penalties related to income tax matters in the provision for income taxes. The Company had no accruals for uncertain tax positions including interest and penalties at the end of 2013. Interest and penalties increased income tax expense by $73,000 for the year ended January 3, 2015. The Company expects a decrease of$1,504,000 for unrecognized tax benefits over the next twelve months.

Note 9 Benefit Plans and Collective Bargaining Agreements

The Company has a 401(k) Employee Stock Ownership Plan (the "401(k)/ESOP Plan") covering all non-union employees. Employees may contribute to the 401(k)/ESOP Plan up to 100 percent of their salary with a maximum of $17,500 for 2014. Under the Economic Growth and Tax Relief Reconciliation Act, employees who are age 50 or older may contribute an additional $5,500 per year for a maximum of $23,000 for 2014. 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 in cash and then used by the 401(k)/ESOP Plan Trustee to purchase Company stock. The Company contributes on behalf of each eligible participant a matching contribution equal to a percentage which is determined each year by the Board of Directors. For 2014, 2013 and 2012 the maximum was four percent. The matching contribution is allocated after each payroll. Matching contributions of approximately $521,000, $550,000 and $390,000 were made for 2014, 2013 and 2012, respectively. The Company may also make a discretionary contribution, which if made, would be distributed to all eligible participants regardless of whether they contribute to the 401(k)/ESOP Plan. No discretionary contributions were made to the 401(k)/ESOP Plan in 2014, 2013 or 2012. The Company also contributes to union-sponsored defined contribution retirement plans. Contributions relating to these plans were approximately $2,329,000, $882,000 and $739,000 for 2014, 2013 and 2012, respectively. As discussed in Note 17, upon closure of Bristol Fab, the Company was legally obligated to pay a withdrawal liability to the Union's pension fund of over $1.9 million. This withdrawal liability is included in the employer contribution to the union-sponsored defined contribution retirement plan for 2014.

The Company has three collective bargaining agreements at its Bristol, Tennessee and Mineral Ridge, Ohio facility. The number of employees of the Company represented by these unions, located at the Bristol, Tennessee and Mineral Ridge, Ohio facilities, is 162, or 35 percent of the Company's total employees. They are represented by two locals affiliated with the United Steelworkers and one local affiliated with the Teamsters. The Company considers relationships with its union employees to be satisfactory. Collective bargaining contracts for the United Steelworkers will expire in June 2017 and July 2019. The Company has given notice to the Teamsters that their contract will not be renewed. There were two employees represented by this union.

Note 10 Leases

The Company leases a warehouse facility in Dalton, Georgia, property for a manufacturing facility in Orange, Texas, office space in Spartanburg, South Carolina and Glen Allen, Virginia, property for a storage yard in Mineral Ridge, Ohio and various manufacturing and office equipment at each of its locations, all under operating leases. The amount of future minimum lease payments under these operating leases are as follows: 2015 - $449,000; 2016 - $241,000; 2017 - $182,000; 2018 - $26,000; and 2019 - $15,000. Rent expense related to operating leases was $903,000, $1,043,000 and $470,000 in 2014, 2013 and 2012, respectively. The Company does not have any leases that are classified as capital leases for any of the periods presented in the consolidated financial statements.

Note 11 Commitments and 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. The Metals Segment recorded claim expense from continuing operations of $115,000 and $298,000 for 2014 and 2013, respectively, for specific customers' product claims. No significant claims expenses were incurred during 2012. These claim expenses exclude normal, recurring warranty charges. Any legal costs associated with commitments or contingencies are expensed as incurred.

In November 2012, after almost twelve months of collection efforts, the Specialty Chemicals Segment filed suit against a former customer for past due invoices totaling $134,000. That former customer, in turn, filed a variety of counterclaims against the Specialty Chemicals Segment and alleged $3,000,000 in damages. The Company settled this case during 2013 with no cash outlay.

In November 2013, a Metals Segment customer filed suit against Bristol Metals, LLC in Louisiana state court alleging damages from breach of warranty, among other claims. The plaintiff’s claim for damages does not state a dollar amount. The Company filed a counterclaim against the customer for $135,000 of past due invoices and successfully removed the case to the United States District Court for the Middle District of Louisiana, where the case is currently pending.

In January 2014, a Metals Segment customer filed suit against Palmer and another unrelated defendant in Texas state court alleging breach of warranty, among other claims. The plaintiff’s claim for damages does not state a dollar amount. This matter arises out of products manufactured and sold by Palmer prior to the Company’s acquisition of Palmer. As such, the sellers of Palmer are contractually bound in the SPA to indemnify the Company for any and all costs, including attorneys’ fees, which may arise out of this matter. The case is currently pending in Texas state court.

In September 2014, a Metals Segment customer filed suit against Synalloy Fabrication, LLC (discontinued operation) and its surety in the United States District Court for the District of Maryland (Baltimore Division) alleging breach of contract, among other claims. The plaintiff's claim for damages is approximately $4,000,000. This matter arises from a disagreement over the scope of a pipe fabrication project and whether an enforceable contract exists between both parties. This case is currently pending in federal court in Maryland. The estimated costs associated with this claim are included in the facility closing reserve explained in the next paragraph.

As discussed in Note 17, the Company closed or sold two manufacturing facilities during 2014. A closing reserve was established at that time for projected costs which may be incurred as a result of these closures. Approximately $1,570,000 remains in accrued expenses at January 3, 2015.

Other than the environmental contingencies discussed in Note 5 and the matters discussed in this Note 11, management is not currently aware of any other asserted or unasserted matters which could have a significant effect on the financial condition or results of operations of the Company.

Note 12 Earnings Per Share

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

	2014	2013	2012
Numerator:			
Net income from continuing operations	$ 12,618,787	$ 2,898,048	$ 3,982,884
Net (loss) income from discontinued operations, net of tax	$ (7,156,524)	$ (1,137,484)	$ 252,028
Denominator:			
Denominator for basic earnings per share - weighted average shares	8,702,094	6,941,794	6,341,856
Effect of dilutive securities:			
Employee stock options and stock grants	13,008	5,610	52,488
Denominator for diluted earnings per share - weighted average shares	8,715,102	6,947,404	6,394,344
Earnings per share from continuing operations			
Basic	$ 1.45	$ 0.42	$ 0.63
Diluted	$ 1.45	$ 0.42	$ 0.62
Loss (earnings) per share from discontinued operations			
Basic	$ (0.82)	$ (0.16)	$ 0.04
Diluted	$ (0.82)	$ (0.16)	$ 0.04

The diluted earnings per share calculations exclude the effect of potentially dilutive shares when the inclusion of those shares in the calculation would have an anti-dilutive effect. The Company had weighted average shares of common stock of 46,957 in 2014, 161,084 in 2013 and 231,200 in 2012, which were not included in the diluted earnings per share calculation as their effect was anti-dilutive.

Note 13 Industry Segments

The Company operates in two principal industry segments: metals and specialty chemicals. The Company identifies such segments based on products and services. The Metals Segment consists of Synalloy Metals, Inc., a wholly-owned subsidiary which owns 100 percent of BRISMET, Palmer and Specialty, both wholly-owned subsidiaries of the Company. BRISMET manufactures pipe from stainless steel and other alloys, Palmer produces fiberglass and steel storage tanks, and Specialty is a master distributor of seamless carbon pipe and tube. The Metal Segment's products, many of which are custom-produced to individual orders and required for corrosive and high-purity processes, are used principally by the chemical, petrochemical, pulp and paper, mining, power generation (including nuclear), water and wastewater treatment, liquid natural gas, brewery, food processing, petroleum, pharmaceutical and other industries. Products include pipe, storage tanks and a variety of other components. The Specialty Chemicals Segment consists of Manufacturers Soap and Chemical Company, a wholly owned subsidiary of the Company which owns 100 percent of MC, and CRI Tolling, LLC, a wholly owned subsidiary of the Company. The Specialty Chemicals Segment manufactures a wide variety of specialty chemicals for the carpet, chemical, paper, metals, mining, agricultural, fiber, paint, textile, automotive, petroleum, cosmetics, mattress, furniture, janitorial and other industries.

Segment operating income is the segment's total revenue less operating expenses, excluding interest expense and income taxes. Identifiable assets, all of which are located in the United States, are those assets used in operations by each segment. The Metals Segment's identifiable assets include goodwill of $21,895,000 and $15,898,000 in 2014 and 2013, respectively, and the Specialty Chemicals Segment's identifiable assets include goodwill of$1,355,000 in 2014 and 2013. Centralized data processing and accounting expenses are allocated to the two segments based upon estimates of their percentage of usage. Unallocated corporate expenses include environmental income of$13,000 for 2014 and environmental charges of $17,000 and $46,000 for 2013 and 2012, respectively. Corporate assets consist principally of cash, certain investments, and equipment.

One customer accounted for ten percent of the Metals Segment's revenues in 2013. There wereno customers representing more than ten percent of the Metals Segment's revenues in2014 and 2012. The Specialty Chemicals Segment hasone domestic customer that accounted for approximately 31 percent of revenues for 2014 with a different domestic customer representing 40 percent of revenues for 2013, and 28 percent of revenues in 2012. The change in customers resulted from two of the three product lines which use our products being sold to another company in early 2014. The Specialty Chemicals Segment successfully retained the acquiring company's business. This new customer is a large global company, and the purchases by this customer are derived from two different business units that operate autonomously from each other. Even so, loss of this customer's revenues would have a material adverse effect on the Specialty Chemicals Segment and the Company.

In order to establish stronger business relationships, the Metals Segment uses only a few raw material suppliersSeven suppliers furnish about 82 percent of total dollar purchases of raw materials, with one supplier furnishing 42 percent. However, the Company does not believe that the loss of this supplier would have a materially adverse effect on the Company as raw materials are readily available from a number of different sources, and the Company anticipates no difficulties in fulfilling its requirements. For the Specialty Chemicals Segment, most raw materials are generally available from numerous independent suppliers and about 49 percent of total purchases are from its topeight suppliers. While some raw material needs are met by a sole supplier or only a few suppliers, the Company anticipates no difficulties in fulfilling its raw material requirements.

Segment Information:

All values are for continuing operations only.

(Amounts in thousands)	2014	2013	2012
Net sales			
Metals Segment	$ 134,304	$ 140,233	$ 114,788
Specialty Chemicals Segment	65,201	56,518	51,374
	$ 199,505	$ 196,751	$ 166,162
Operating income			
Metals Segment	$ 13,511	$ 1,263	$ 5,660
Specialty Chemicals Segment	6,130	5,743	4,843
	19,641	7,006	10,503
Less unallocated corporate expenses	3,292	3,243	3,165
Operating income	16,349	3,763	7,338
Acquisition related costs	302	264	881
Interest expense	1,092	1,357	601
Change in fair value of interest rate swap	426	(741)	114
Palmer earn-out adjustment	(3,476)	—	—
Gain on bargain purchase, net of taxes	—	(1,077)	—
Other income, net	—	(148)	(135)
Income before income taxes	$ 18,005	$ 4,108	$ 5,877
Identifiable assets			
Metals Segment	$ 145,558	$ 111,952	
Specialty Chemicals Segment	32,504	28,041	
Corporate	9,787	10,499	
Assets held for sale	—	12,768	
	$ 187,849	$ 163,260	
Depreciation and amortization			
Metals Segment	$ 4,078	$ 3,809	$ 2,339
Specialty Chemicals Segment	974	659	435
Corporate	139	204	188
	$ 5,191	$ 4,672	$ 2,962
Capital expenditures			
Metals Segment	$ 3,123	$ 4,194	$ 3,353
Specialty Chemicals Segment	4,913	1,397	1,066
Corporate	30	57	123
	$ 8,066	$ 5,648	$ 4,542
Geographic sales			
United States	$ 191,032	$ 189,447	$ 156,795
Elsewhere	8,473	7,304	9,367
	$ 199,505	$ 196,751	$ 166,162

Note 14 Quarterly Results (Unaudited)

The following is a summary of quarterly continuing operations for 2014 and 2013:

(Amounts in thousands except for per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2014				
Net sales from continuing operations	$ 49,796	$ 52,688	$ 48,452	$ 48,569
Gross profit from continuing operations	7,603	8,952	8,127	8,247
Net income from continuing operations	2,250	5,783	3,177	1,409
(Loss) income from discontinued operations, net of tax	(473)	(5,383)	(1,899)	598
Net income	1,776	400	1,279	2,007
Per common share from continuing operations				
Basic	0.26	0.66	0.36	0.16
Diluted	0.26	0.66	0.36	0.16
Per common share from discontinued operations				
Basic	(0.05)	(0.62)	(0.22)	0.07
Diluted	(0.05)	(0.62)	(0.22)	0.07
2013				
Net sales from continuing operations	$ 50,652	$ 50,485	$ 49,212	$ 46,402
Gross profit from continuing operations	6,111	5,751	5,166	2,770
Net income (loss) from continuing operations	1,229	1,285	1,481	(1,097)
Income (loss) from discontinued operations, net of tax	236	628	(19)	(1,982)
Net income	1,465	1,913	1,461	(3,079)
Per common share from continuing operations				
Basic	0.19	0.20	0.23	(0.13)
Diluted	0.19	0.20	0.23	(0.13)
Per common share from discontinued operations				
Basic	0.04	0.10	0.00	(0.23)
Diluted	0.04	0.10	0.00	(0.23)

Note 15 Interest Rate Swaps

As discussed in Note 3, as a result of the CRI acquisition and in conjunction with the term loan obtained in August 2013, to mitigate the variability of the interest rate risk, the Company entered into the CRI swap on August 9, 2013 with its current bank. The CRI swap has an initial notional amount of $4,033,000 with a fixed interest rate of 4.83 percent and a term of ten years that expires on August 19, 2023. Also, as discussed in Note 3, as a result of the Palmer acquisition and in conjunction with the term loan obtained in August 2012 to mitigate the variability of the interest rate risk, the Company entered into the Palmer swap on August 21, 2012 with its current bank. The Palmer swap has an initial notional amount of $22,500,000 with a fixed interest rate of 3.74 percent, and a term of ten years that expires on August 21, 2022. The notional amounts of both interest rate swaps decrease as monthly principal payments are made.

Although the swaps are expected to effectively offset variable interest in the borrowing, hedge accounting will not be utilized. Therefore, changes in their fair value are recorded in current assets or liabilities, as appropriate, with corresponding offsetting entries to other expense. The Company recorded a liability of $215,000 and $80,000 for the fair value of the CRI swap as of

January 3, 2015 and December 28, 2013, respectively. The Company recorded an asset of$11,000 and $301,000 for the fair value of the Palmer swap at January 3, 2015 and December 28, 2013, respectively.

Note 16 Acquisitions

Acquisition of Specialty Pipe & Tube, Inc.

On November 21, 2014, the Company entered into a stock purchase agreement with Davidson to purchase all of the issued and outstanding stock of Specialty. Established in 1964 with distribution centers in Mineral Ridge, Ohio and Houston, Texas, Specialty is a master distributor of seamless carbon pipe and tube, with a focus on heavy wall, large diameter products. The Company views the Specialty acquisition as an excellent complement to the product offerings of the Metals segment with similar end markets and consistent profit margins. Specialty's results of operations since the acquisition date are reflected in the Company's consolidated statements of operations, and the Specialty acquisition added approximately 30 employees at January 3, 2015.

The purchase price for the all-cash acquisition was approximately$31,500,000, subject to working capital adjustments post-closing. Davidson has the potential to receive earn-out payments up to a total of $5,000,000 if Specialty achieves targeted sales revenue over atwo-year period following closing. At the end of each year (based on the acquisition date) for the next two years, if Specialty's revenues for the year is greater than $27,000,000 for the year, the seller of Specialty will be paid the product of the amount of revenue during the year in excess of $27,000,000, as a percentage of$2,000,000, multiplied by$2,500,000, not to exceed$2,500,000. No earn-out payment will be paid for any year where revenue is less than or equal to $27,000,000. If the cumulative revenue for the earn-out periods is greater than$58,000,000, the Company will make an additional earn-out payment so that the total cumulative earn-out payments equals the product of the amount of cumulative revenue for all earn-out periods in excess of $54,000,000, as a percentage of $4,000,000, multiplied by$5,000,000, not to exceed a total cumulative earn-out payment of$5,000,000. The Company is currently forecasting earn-out payments totaling $5,000,000, which was discounted to a present value of$4,774,000 using our incremental borrowing rate ofthree percent. The various assumptions and projections used in the earn-out projections were reviewed at January 3, 2015 with no additional adjustments required. Any future changes to the projected earn-out payments as a result of our quarterly review of the forecasted revenues would be reflected as an adjustment to earnings in that period. The financial results for Specialty are reported as a part of the Company's Metals Segment.

The purchase price for the acquisition was funded through a combination of cash on hand, a new term loan with the Company's bank and an increase to the Company's current credit facility which is discussed in Note 3.

A summary of sources and uses of proceeds for the acquisition of Specialty is as follows:

Sources of funds:		
Cash on hand	$	21,490,433
Proceeds of term loan		10,000,000
Total sources of funds	$	31,490,433
Uses of funds:		
Acquisition of Specialty's common stock	$	27,496,000
Cash paid to escrow agent for potential future claims, to be settled within 18 months		3,248,500
Cash paid for a portion of the seller's investment banker fee		745,933
Total uses of funds	$	31,490,433

The total purchase price was allocated to Specialty's net tangible and identifiable assets based on their fair values as of November 21, 2014. An intangible asset representing the fair value of Specialty's customer base acquired by the Company was valued at $11,457,000, which is being amortized by the straight-line method over a 10-year period. The excess of the consideration transferred over the fair value of the net tangible and identifiable assets and intangible assets is reflected as goodwill. All of the goodwill was allocated to the Metals Segment. Since the Company treated the acquisition of Specialty as an asset purchase, goodwill will be deductible for tax purposes. The current allocation of the total consideration paid to the fair value of the assets acquired and liabilities assumed is as follows:

	As recorded by Specialty	Purchase accounting and fair value adjustments	As recorded by Synalloy
Cash	$ 12,960	$ —	$ 12,960
Accounts receivable, net	2,827,251	—	2,827,251
Inventories, net	17,041,660	(1,516,888)	15,524,772
Fixed assets	3,018,416	(67,924)	2,950,492
Goodwill	—	5,993,705	5,993,705
Intangible asset - customer base	—	11,457,000	11,457,000
Contingent consideration	—	(4,773,620)	(4,773,620)
Other liabilities assumed	(2,502,127)	—	(2,502,127)
	$ 20,398,160	$ 11,092,273	$ 31,490,433

The purchase accounting and fair value adjustments for fixed assets reduced the book value of the property and buildings to their estimated fair value as of the acquisition date. Contingent consideration is the present value of the projected earn-out payments to Davidson.

The amount of Specialty's revenues and pre-tax earnings included in the consolidated statements of operations for the year ended January 3, 2015 was $2,524,000 for revenues and $493,000 for pre-tax earnings. The following unaudited pro-forma information is provided to present a summary of the combined results of the Company's operations with Specialty as if the acquisition had occurred on December 30, 2012. The unaudited pro-forma financial information is for information purposes only and is not necessarily indicative of what the results would have been had the acquisition been completed on the date indicated above.

Pro-Forma (Unaudited)

	2014	2013
Pro-forma revenues from continuing operations	$ 228,647,000	$ 224,570,000
Pro-forma net income from continuing operations	8,928,000	6,459,000
Earnings per share from continuing operations:		
Basic	$ 1.85	$ 0.93
Diluted	$ 1.85	$ 0.93

The pro-forma calculation excludes non-recurring acquisition costs of $302,000 which were incurred by the Company during 2014. These expenditures included $92,000 for professional audit fees associated with the audit of Specialty's historical financial statements, acquisition testing and intangible assets identification and valuation, $83,000 of legal fees, $65,000 of success based fees to a mergers and acquisition consultant and $62,000 of travel costs. Specialty's historical financial results were adjusted for both years to eliminate intangible asset amortization and management fees charged by the prior owner. Pro-forma net income was reduced for both years for the amount of amortization on Specialty's current customer list intangible and an estimated amount of interest expense associated with the five-year term loan and earn out liability.

Acquisition of Color Resources, LLC

In August 2013, the Company completed the purchase of substantially all of the assets of CRI and the CRI Facility. CRI Tolling, a South Carolina limited liability company and wholly-owned subsidiary of the Company, will continue CRI's business as that of a toll manufacturer that provides outside manufacturing resources to global and regional chemical companies. On August 9, 2013, Synalloy purchased the CRI Facility for a total purchase price of $3,450,000. On August 26, 2013, the Company purchased certain assets and assumed certain operating liabilities of CRI through CRI Tolling for a total purchase price of $1,100,000. The assets purchased from CRI included accounts receivable, inventory, certain other assets, and equipment, net of assumed payables. The Company used the acquisition of CRI and the CRI Facility to expand its production capacity from MC's Cleveland, Tennessee facility to further penetrate existing markets, as well as develop new ones, including those in the energy industry. CRI Tolling operates as a division of the Company's Specialty Chemicals Segment, which includes MC. The Company viewed both the building and operating assets of CRI together as one business, capable of providing a return to ownership by expanding the segment's production capacity. Accordingly, the acquisition meets the definition of a business and the transaction is structured in a way it that meets the definition of a business combination under in accordance with FASB Accounting Standards Codification 805, *Business Combinations.*

The purchase price for the acquisition of CRI and the CRI Facility was funded through a new term loan with the Company's bank which is discussed in Note 3 along with an increase in the Company's line of credit.

A summary of sources and uses of proceeds for the acquisition of CRI and the CRI Facility is as follows:

Sources of funds:		
Proceeds from term loan	$	4,033,250
Proceeds from line of credit		516,750
Total sources of funds	$	4,550,000
Uses of funds:		
Acquisition of CRI Facility	$	3,450,000
Acquisition of certain CRI assets, net of assumed liabilities		1,100,000
Amount received by Company for pro-rated property taxes at close	$	(22,000)
Total uses of funds	$	4,528,000

The total consideration transferred was allocated to CRI's net tangible and identifiable assets based on their fair value as of August 26, 2013. The allocation of the total consideration to the fair value of the assets acquired and liabilities assumed as of August 26, 2013 is as follows:

	As recorded by CRI	Purchased CRI Facility	Purchase accounting and fair value adjustments	As recorded by Synalloy
Accounts receivable, net	$ 623,539	$ —	$ —	$ 623,539
Inventories, net	232,771	—	—	232,771
Prepaid expenses	11,695	—	—	11,695
Building and land	—	3,450,000	650,000	4,100,000
Equipment, net	614,998	—	1,028,082	1,643,080
Accounts payable	(365,898)	—	—	(365,898)
Accrued liabilities	(17,105)	—	—	(17,105)
Deferred tax liability	—	—	(600,750)	(600,750)
	$ 1,100,000	$ 3,450,000	$ 1,077,332	$ 5,627,332

Due to severe financial difficulties CRI was experiencing prior to the acquisition, the Company was able to purchase the land, building and equipment at below market value. Therefore, the overall fair value of the assets acquired by the Company exceeded the amount paid. Upon the determination that the Company was going to recognize a gain related to the bargain purchase of CRI and the CRI Facility, the Company reassessed its assumptions and measurement of identifiable assets acquired and liabilities assumed and concluded that the preliminary valuation procedures and resulting measures were appropriate. Due to the bargain purchase accounting rules, a one-time gain, net of taxes, was recognized during year ended December 28, 2013 as follows:

Fair value of net assets acquired	$	5,627,332
Total consideration paid		(4,550,000)
Bargain purchase gain, net of taxes	$	1,077,332

The amount of CRI's revenues and pre-tax earnings included in the Consolidated Statements of Operations for the year ended December 28, 2013 was$1,824,000 for revenues and $144,000 for pre-tax earnings. The following unaudited pro forma information is provided to present a summary of the combined results of the Company's operations with CRI as if the acquisition had occurred on January 1, 2012. The unaudited pro forma financial information is for informational purposes only and is not necessarily indicative of what the results would have been had the acquisition been completed on the date indicated above.

Pro Forma (Unaudited)		2013		2012
Pro forma revenues	$	223,969,000	$	204,850,000
Pro forma net income		1,230,000		3,599,000
Earnings per share:				
Basic	$	0.18	$	0.57
Diluted	$	0.18	$	0.56

The pro-forma calculation excludes non-recurring acquisition costs of$255,000 during 2013. These expenditures included$113,000 for professional audit fees associated with the audit of CRI's historical financial statements and the valuation of assets acquired, $70,000 related to bank fees associated with the swap agreement,$53,000 of legal fees and other various charges of $19,000. These expenses were all recorded at the corporate level and are included as a separate line item in the consolidated statements of operations.

Acquisition of Palmer of Texas

On August 21, 2012, the Company completed the purchase of all of the outstanding shares of capital stock of Palmer. Palmer is a manufacturer of liquid storage solutions and separation equipment for the petroleum, municipal water, wastewater, chemical and food industries. The Company viewed the Palmer acquisition as an excellent complement to the Metals Segment as both companies service many of the same markets and the Company has the ability to drive Palmer efficiencies in purchasing and operations. Palmer's results of operations since the acquisition date are reflected in the Company's consolidated statements of operations, and the Palmer acquisition added approximately 130 employees at December 29, 2012. Effective January 22, 2013, Lee-Var, Inc. changed its name to Palmer of Texas Tanks, Inc.

The purchase price for the acquisition was$25,575,000. The adjustment for working capital increased the purchase price to $26,951,209. In addition, the amount of maintenance expenditures over the 18-month period following closing and the final cost of a production expansion capital project currently underway could also result in purchase price adjustments. Currently, the Company does not expect to realize any material purchase price adjustments from these two items. The sellers of Palmer will also have the ability to receive earn-out payments ranging from $2,500,000 to $10,500,000 if the business unit achieves targeted levels of Adjusted EBITDA, as defined in the SPA, over a three year period following closing; and the Company will have the ability to claw-back portions of the purchase price over a two-year period following closing if Adjusted EBITDA falls below baseline levels. Palmer had recorded liabilities of approximately $1.2 million related to certain contingencies for which the former Palmer shareholders have agreed to indemnify the Company. Accordingly, the Company has carried over these liabilities in its consolidated financial statements and has recorded an asset of approximately $1.2 million in prepaid expenses reflecting the indemnification against these potential payments. During 2013, several of the identified contingency items were resolved and the amount of prepaid expenses for these indemnified contingencies decreased to $336,000 at the end of 2013.

At the end of each year (based on the acquisition date) for the three years after the acquisition, if Palmer's Adjusted EBITDA for the year is below $5,825,000, there will not be an earn-out paid for that year. If Adjusted EBITDA for the year is greater than $5,825,000 but less than $6,825,000, the sellers of Palmer will be paid $2,500,000 for that year. If Adjusted EBITDA exceeds $6,825,000 for the year, the earn-out would be $3,500,000. At the conclusion of the three-year earn-out period, in the event that the cumulative Adjusted EBITDA for the earn-out period is more than $17,475,000, the sellers of Palmer will receive an additional earn-out payment, if any, as follows. In the event that the cumulative Adjusted EBITDA for the earn-out period is greater than $17,475,000 but less than $20,475,000, the Company will make an additional earn-out payment so that the total cumulative earn-out payments for the three-year earn-out period equals $7,500,000. If the cumulative Adjusted EBITDA exceeds $20,475,000, the Company will make an additional earn-out payment so that the total cumulative earn-out payments for the three-year period equals $10,500,000. At acquisition, the Company forecasted earn-out payments totaling $8,500,000, which was discounted to a present value of $8,152,000 using its incremental borrowing rate of two percent. The first year earn-out of $2,500,000 (before the downward adjustment for indemnification claims) was paid in 2013, leaving an earn-out liability balance of $6,000,000 at the end of 2013. As discussed in Note 1, during the three months ended June 28, 2014, the Company reviewed the Palmer earn-out reserve for the second and third year payments and determined the EBTIDA threshold target of $5,825,000 for Year 2 would not be attained, and therefore, the earn-out payment of $2,500,000 for Year 2 was not made to the former Palmer shareholders. As a result, the Company recognized a gain of approximately $3,476,000 for adjusting the earn-out liability to the present value of the Company's current estimates. The Company does not expect Palmer to meet the EBITDA threshold target of $6,825,000 during the final twelve month earn-out period; however, it should reach the $5,825,000 threshold for year three. Any future changes to the projected earn-out payments as a result of our quarterly review of forecasted Adjusted EBITDA would be reflected as an adjustment to earnings in that period.

The purchase price for the Palmer acquisition was funded through an increase in the Company's current credit facility and a new term loan with the Company's bank which is discussed in Note 3.

The total purchase price was allocated to Palmer's net tangible and identifiable assets based on their estimated fair values as of August 21, 2012. An intangible asset representing the fair value of Palmer's customer base acquired by the Company was valued at $9,000,000, which is being amortized over a 15-year period using an accelerated amortization method. The excess of the consideration transferred over the fair value of the net tangible and identifiable assets and intangible assets is reflected as goodwill. The Company believes the amount of goodwill resulting from the purchase price allocation is attributable to the workforce of the acquired business (which is not eligible for separate recognition as an identifiable asset) and the expected synergistic benefits of being able to leverage Palmer's expertise with the Company's existing manufacturing processes. All of the goodwill was allocated to the Metals Segment. Since the Company purchased the stock of Palmer, goodwill is not deductible for tax purposes. The allocation of the total consideration paid to the fair value of the assets acquired and liabilities assumed was as follows:

	As recorded by Palmer	Purchase accounting and fair value adjustments	As recorded by Synalloy
Cash and cash equivalents	$ 1,389,054	$ —	$ 1,389,054
Accounts receivable, net	4,969,030	—	4,969,030
Inventories, net	5,678,368	—	5,678,368
Prepaid expenses	75,804	1,536,000	1,611,804
Net fixed assets	4,799,692	2,691,370	7,491,062
Goodwill	—	15,897,948	15,897,948
Intangible asset - customer base	—	9,000,000	9,000,000
Contingent consideration	—	(8,152,031)	(8,152,031)
Other liabilities assumed	(6,833,315)	(3,156,711)	(9,990,026)
	$ 10,078,633	$ 17,816,576	$ 27,895,209

The purchase accounting and fair value adjustment for prepaid expenses represents the indemnification provided by the sellers of Palmer for certain liabilities assumed at acquisition, as mentioned earlier in this note, plus the Controller's retention bonus. The adjustment for net fixed assets increased the book value of the property, plant and equipment to their estimated fair value as of the acquisition date. Contingent consideration is the present value of projected earn-out payments to the prior owners of Palmer. The majority of the adjustments to other liabilities assumed represents current and deferred income taxes inherent with the acquisition.

The amount of Palmer's revenues and pre-tax earnings included in the consolidated statements of operations for the year ended December 29, 2012 was $12,619,000 for revenues and $977,000 for pre-tax earnings. The following unaudited pro forma information is provided to present a summary of the combined results of the Company's operations with Palmer as if the acquisition had occurred on January 2, 2011. The unaudited pro forma financial information is for information purposes only and is not necessarily indicative of what the results would have been had the acquisition been completed on the date indicated above.

Pro Forma (Unaudited)

	2012	2011
Pro forma revenues	$ 220,955,000	$ 202,689,000
Pro forma net income	5,537,000	6,478,000
Earnings per share:		
Basic	$ 0.87	$ 1.03
Diluted	0.87	1.02

The pro-forma calculation excludes non-recurring acquisition costs of $881,000 during 2012. These expenditures included $355,000 for professional audit fees associated with due diligence, preparation and audit of historical financial statements and intangible asset identification and valuation, $337,000 related to bank fees associated with the swap agreement, $93,000 of legal fees, $25,000 of travel costs and other various charges of $71,000. These expenses were all recorded at the corporate level and are included as a separate line item in the consolidated statements of operations.

Note 17 Dispositions and Closures

On August 29, 2014, the Company completed the sale of all of the issued and outstanding membership interests of its wholly owned subsidiary Ram-Fab to a subsidiary of Primoris Services Corporation ("Primoris"). The transaction was valued at less than $10 million, which consideration included cash at closing, Synalloy's ability to receive potential future earn-out payment(s) and the retention of specified Ram-Fab current assets. The Company realized a one-time charge in the third quarter of 2014 of $1,996,000 for costs associated with the closure plus a $947,000 charge to write-off the Company's investment in Ram-Fab. These charges, along with all non-recurring expenses associated with Ram-Fab are included in the respective consolidated financial statements as discontinued operations. The portion of Ram-Fab's assets and liabilities which were sold to Primoris have been presented separately as assets and liabilities held for sale on the Company's 2013 consolidated balance sheet. Ram-Fab was reported as a part of the Metals Segment.

On June 27, 2014, the Company completed the planned closure of Bristol Fab. Bristol Fab's collective bargaining agreement with the Union expired on February 15, 2014. Also, upon closure of the operation, the Company was legally obligated to pay a withdrawal liability to the Union's pension fund of over $1.9 million. The Company realized a one-time charge in the second quarter of 2014 of $6,988,000 for costs associated with the closure of Bristol Fab. These costs, along with all non-recurring expenses associated with Bristol Fab, are included in the respective consolidated financial statements as discontinued operations. Bristol Fab was reported as a part of the Metals Segment.

The Company's results from discontinued operations are summarized below:

	2014	**2013**	**2012**
Net sales	$ 21,963,078	$ 23,998,379	$ 31,496,732
(Loss) income before income taxes	$ (10,963,524)	$ (1,949,484)	$ 464,028
(Benefit from) provision for income taxes	(3,807,000)	(812,000)	212,000
Net (loss) income from discontinued operations	$ (7,156,524)	$ (1,137,484)	$ 252,028

Assets and liabilities of discontinued operations were comprised of the following at December 28, 2013:

		December 28, 2013
Assets		
Cash	$	3,020
Accounts receivable, net		4,165,879
Inventories, net		4,360,891
Prepaid expenses		20,286
Current assets held for sale		8,550,076
Property, plant and equipment, net		3,218,095
Goodwill		1,000,000
Assets held for sale		4,218,095
Total assets held for sale	$	12,768,171
Liabilities		
Accounts payable	$	989,717
Advances from customers		209,212
Accrued expenses		119,947
Current liabilities held for sale	$	1,318,876

Note 18 Payment of Dividends

On November 13, 2014, the Company's Board of Directors voted to pay an annual dividend of $0.30 per share which was paid on December 9, 2014 to holders of record on November 24, 2014 for a total of $2,633,000. In 2013, the Company paid a $0.26 cash dividend on December 3, 2013 for a total of $2,260,000 and in 2012, the Company paid a $0.25 cash dividend on December 10, 2012 for a total payment of $1,596,000. The Board presently plans to review at the end of each fiscal year the financial performance and capital needed to support future growth to determine the amount of cash dividend, if any, which is appropriate.

Note 19 Subsequent Events

On February 10, 2015, the Compensation & Long-Term Incentive Committee of the Company's Board of Directors approved stock option grants under the 2011 Plan. Options for a total of 32,531 shares, with an exercise price of $16.01 per share, were granted under the 2011 Plan to certain management employees of the Company. The stock options will vest in 20 percent increments annually on a cumulative basis, beginning one year after the date of grant. In order for the options to vest, the employee must be in the continuous employment of the Company since the date of the grant. Any portion of the grant that has not vested will be forfeited upon termination of employment. The Company may terminate any portion of the grant that has not vested upon an employee's failure to comply with all conditions of the award or the 2011 Plan. Shares representing grants that have not yet vested will be held in escrow by the Company. An employee will not be entitled to any voting rights with respect to any shares not yet vested, and the shares are not transferable. The per share weighted-average fair value of this stock option grant was $6.39. The Black-Scholes model for this grant was based on a risk-free interest rate of two percent, an expected life of seven years, an expected volatility of 0.46 and a dividend yield of 2.00 percent. Compensation expense totaling $208,000 will be recorded against earnings equally over the following 60 months from the date of grant with the offset recorded in Shareholders' Equity.

Management's Annual Report On Internal Control Over Financial Reporting

Management of the Company is responsible for preparing the Company's annual consolidated financial statements and for establishing and maintaining adequate internal control over financial reporting for the Company. Management has evaluated the effectiveness of the Company's internal control over financial reporting as of January 3, 2015 based on criteria established in *Internal Control — Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). As permitted by guidance provided by the staff of the SEC, the scope of management's assessment of internal control over financial reporting as of January 3, 2015 has excluded the operations of Specialty from its assessment of internal controls over financial reporting as of January 3, 2015, because Specialty was acquired by the Company in November 2014. Specialty constituted 1.1% of consolidated net sales for the year ended January 3, 2015, and 20.5% of consolidated total assets as of January 3, 2015.

Based on the deficiency identified during this evaluation and set forth below, management has concluded that we did not maintain effective internal control over financial reporting as of January 3, 2015.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

In its evaluation, management concluded that, as of January 3, 2015, there was a material weakness in our internal control over financial reporting related to the accounting for business combinations. We did not maintain effective internal controls pertaining to accounting for business combinations sufficient to provide reasonable assurance that an appropriate review was conducted of the business combination accounting. Our analysis indicated the issued consolidated financial statements are not materially misstated.

The material weakness was identified by management in January 2015 relating to the accounting for the acquisition of Specialty that was closed on November 21, 2014. The material weakness began in November 2014 and continued through the completion of the accounting for the business combination which was finalized in February 2015. Management is taking steps to remediate this material weakness as detailed in Item 9A. Notwithstanding this material weakness, we have performed additional analysis and other procedures to enable management to conclude that our consolidated financial statements included in this 2014 Form 10-K fairly present, in all material respects, our financial condition and results of operations as of and for the year ended January 3, 2015.

The effectiveness of the Company's internal control over financial reporting as of January 3, 2015, has been audited by its independent registered public accounting firm, as stated in its report included in this Form 10-K on page 59.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
Synalloy Corporation

We have audited the accompanying consolidated balance sheets of Synalloy Corporation and subsidiaries (the “Company”) as of January 3, 2015 and December 28, 2013, and the related consolidated statements of operations, shareholders’ equity and cash flows for each of the years in the three-year period ended January 3, 2015. The Company’s management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of January 3, 2015 and December 28, 2013, and the related consolidated statements of operations, shareholders’ equity and cash flows for each of the years in the three-year period ended January 3, 2015, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule listed in Item 15(a)2, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of January 3, 2015, based on criteria established in *Internal Control-Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 17, 2015, expressed an adverse opinion on the effectiveness of the Company's internal control over financial reporting. Our report on internal control over financial reporting refers to the fact that we excluded from the scope of our audit of internal control over financial reporting at Specialty Pipe & Tube, which was acquired by the Company in November 2014.

/s/ Dixon Hughes Goodman LLP

Charlotte, North Carolina
March 17, 2015

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
Synalloy Corporation

We have audited Synalloy Corporation and subsidiaries (the "Company") internal control over financial reporting as of January 3, 2015, based on criteria established in *Internal Control-Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

A material weakness is a control deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment: the internal controls around the financial reporting process related to business combinations were inadequate. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the consolidated financial statements as of and for the year ended January 3, 2015, and this report does not affect our report dated March 17, 2015, on those consolidated financial statements.

In our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of January 3, 2015, based on criteria established in *Internal Control-Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the balance sheets and the related statements of operations, shareholders' equity and cash flows of the Company, and our report dated March 17, 2015, expressed an unqualified opinion.

As described in Management's Annual Report on Internal Control over Financial Reporting, the Company's management has excluded Specialty Pipe & Tube ("SPT"), from its assessment of internal controls over financial reporting as of January 3, 2015, because SPT was acquired by the Company in November 2014. We have also excluded SPT from the scope of our audit of internal control over financial reporting. SPT constituted 1.1% of consolidated net sales for the year ended January 3, 2015, and 20.5% of consolidated total assets as of January 3, 2015.

/s/ Dixon Hughes Goodman LLP

Charlotte, North Carolina
March 17, 2015

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

None

Item 9A Controls and Procedures

Disclosure 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 such controls and procedures, as of the end of the period covered by this annual report, were not effective because of the deficiency in our internal control over financial reporting discussed in Management's Report on Internal Control over Financial Reporting, presented above.

Internal Control over Financial Reporting

Management's Annual Report on Internal Control over Financial Reporting is set forth at the conclusion of the Company's consolidated statements set forth in Item 8 of this Form 10-K. The scope of the Company's efforts to comply with the Section 404 Rules with respect to fiscal year 2014 included all of the Company's operations other than the operations associated with the November 21, 2014 acquisition of Specialty. In accordance with the SEC's published guidance, because the Company acquired these operations during the fiscal year, the Company excluded these operations from its efforts to comply with Section 404 Rules with respect to fiscal year 2014. The Company is currently evaluating and documenting the internal controls over financial reporting at Specialty and will include them in their internal control testing in 2015.

The Attestation Report of the Company's independent registered public accounting firm on the Company's internal control over financial reporting is included in the Report of Independent Registered Public Accounting Firm set forth in Item 8 of this Form 10-K.

Material Weakness in Internal Control Over Financial Reporting

The Company did not maintain adequate internal controls over the financial reporting process related to business combinations. As a result of the limited personnel in the Company's finance and accounting group, the Company:

a. had minimal review of assumptions used and conclusions reached by third party valuation experts used in the acquisition process; and
b. was not able to review acquisition accounting estimates and pro forma information of companies acquired or to be acquired, including the opening balance sheet of the acquired company.

The aggregate of these internal control deficiencies resulted in a material weakness.

Remediation of Material Weakness

The Company is committed to remediating the control deficiency that constituted the above material weakness by implementing changes to the Company's internal control over financial reporting. Management is responsible for implementing changes and improvements in the internal control over financial reporting and for remediating the control deficiency that gave rise to the material weakness.

The Company is in the process of formalizing the policies, procedures and key internal controls for compiling, analyzing, and reporting acquisition activity and accounting elections. The Company will use external accounting resources to review the purchase price allocation prepared by the finance and accounting group of the Company prior to recording any acquisition transaction. The Company will also implement procedures to adequately review preliminary acquisition accounting estimates and pro forma information of companies acquired or to be acquired, utilizing third parties, whenever needed, during the acquisition process. Review by appropriate internal finance and accounting personnel will be completed including reports from external third-party valuation experts and input from the third parties, as deemed appropriate, when obtained. The preceding actions are expected to be implemented no later than the time the financial statement close process begins for the first quarter of 2015. In addition, by the end of the second quarter of 2015, the Company expects to add additional accounting resources to ensure segregation of duties and will also use external accounting resources to obtain proper segregation until the additional accounting resources are hired. However, the Company has not completed all of the corrective processes, procedures and related evaluation or remediation that we believe are necessary. As the Company continues to evaluate and work to remediate the control deficiencies that gave rise to the material weakness, the Company may determine to take additional measures to address the control deficiency.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B Other Information

Not applicable

PART III

Item 10 Directors, Executive Officers and Corporate Governance

The information set forth under the captions "Proposal 1 - 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 May 13, 2015 (the "Proxy Statement") is incorporated herein by reference.

Code of Ethics. The Company's Board of Directors has adopted a Code of Ethics that applies to the Company's Chief Executive Officer, Chief Financial Officer 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 website.

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 Anthony A. Callander, Henry L. Guy and James W. Terry.

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 407(d)(5) of Regulation S-K promulgated by the Securities and Exchange Commission, serving on its Audit Committee. Mr. Anthony A. Callander meets the terms of the definition and is independent, as independence is defined for audit committee members in the rules of the NASDAQ Global Market. Pursuant to the terms of Item 407(d) 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 407(d), 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 407(d) does not affect the duties, obligations or liability of any other member of the Audit Committee or Board of Directors.

Item 11 Executive Compensation

The information set forth under the captions "Board of Directors and Committees - Compensation Committee Interlocks and Insider Participation," "Director Compensation," "Discussion of Executive Compensation" and "Compensation Committee Report" in the Proxy Statement is incorporated herein by reference.

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

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

Equity Compensation Plan Information. The following table sets forth aggregated information as of January 3, 2015 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)) (1) (c)
Equity compensation plans approved by security holders	157,295	$ 12.25	346,120
Equity compensation plans not approved by security holders	—	—	—
Total	157,295	$ 12.25	346,120

(1) Represents shares remaining available for issuance under the 2005 Stock Awards Plan and the 2011 Plan.

Non-employee directors are paid an annual retainer of $45,000, and each director has the opportunity to elect to receive 100% of the retainer in restricted stock. For 2014, non-employee directors received an aggregate of $111,000 of the annual retainer in restricted stock. The number of restricted shares is determined by the average of the high and low sale price of the Company's stock on the day prior to the Annual Meeting of Shareholders. For 2014, four non-employee directors each received an aggregate of 7,088 shares. Issuance of the shares granted to the directors is not registered under the Securities Act of 1933 and the shares 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

The information set forth under the captions "Board of Directors and Committees – Related Party Transactions" and "– Director Independence" in the Proxy Statement is incorporated therein by reference.

Item 14 Principal Accountant Fees and Services

The information set forth under the captions "Independent Registered Public Accounting Firm - Fees Paid to Independent Registered Public Accounting Firm" and "– Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm" in the Proxy Statement is incorporated herein by reference.

PART IV

Item 15 Exhibits and Financial Statement Schedules

(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 Part II, Item 8:

   Consolidated Balance Sheets at January 3, 2015 and December 28, 2013

   Consolidated Statements of Operations for the years ended January 3, 2015, December 28, 2013, and December 29, 2012

   Consolidated Statements of Shareholders' Equity for the years ended January 3, 2015, December 28, 2013, and December 29, 2012

   Consolidated Statements of Cash Flows for the years ended January 3, 2015, December 28, 2013, and December 29, 2012

   Notes to Consolidated Financial Statements

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

   Schedule II - Valuation and Qualifying Accounts for the years ended January 3, 2015, December 28, 2013, and December 29, 2012

   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"

Schedule II Valuation and Qualifying Accounts

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning of Period	Charged to (Reduction of) Cost and Expenses	Deductions	Balance at End of Period
Year ended January 3, 2015				
Deducted from asset account:				
Allowance for doubtful accounts	$ 1,079,000	$ 667,000	$ (632,000)	$ 1,114,000
Year ended December 28, 2013				
Deducted from asset account:				
Allowance for doubtful accounts	$ 1,313,000	$ (192,000)	$ (42,000)	$ 1,079,000
Year ended December 29, 2012				
Deducted from asset account:				
Allowance for doubtful accounts	$ 1,203,000	$ 928,000	$ 818,000	$ 1,313,000

Charged to cost and expenses for 2012 is comprised of:

(1) the amount due from Palmer's prior owners of$821,000 for the amount of pre-acquisition receivables outstanding at 120 days after acquisition which were indemnified by the sellers (see Note 1); and

(2) $107,000 charged against earnings.

Charged to cost and expenses for 2014 includes approximately$76,000 for the beginning balance in the allowance for doubtful accounts for Specialty Pipe & Tube, Inc. as a result of the acquisition on November 21, 2014.

Deductions represent 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.

SYNALLOY CORPORATION

By /s/ Craig C. Bram Craig C. Bram Chief Executive Officer	March 17, 2015 Date
By /s/ Richard D. Sieradzki Richard D. Sieradzki Chief Financial Officer and Principal Accounting Officer	March 17, 2015 Date

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/ Murray H. Wright Murray H. Wright Chairman of the Board	March 17, 2015 Date
By /s/ Anthony A. Callander Anthony A. Callander Director	March 17, 2015 Date
By /s/ Amy J. Michtich Amy J. Michtich Director	March 17, 2015 Date
By /s/ James W. Terry, Jr. James W. Terry, Jr. Director	March 17, 2015 Date
By /s/ Henry L. Guy Henry L. Guy Director	March 17, 2015 Date
By /s/ Craig C. Bram Craig C. Bram Chief Executive Officer and Director	March 17, 2015 Date

Index to Exhibits

Exhibit No. from Item 601 of Regulation S-K	Description
1.1	Underwriting Agreement dated September 24, 2013, incorporated by reference to Registrant's Form 8-K filed September 24, 2013
3.1	Restated Certificate of Incorporation of Registrant, as amended, incorporated by reference to Registrant's Form 8-K filed August 13, 2007
3.2	Bylaws 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")
4.1	Form of Common Stock Certificate, incorporated by reference to the first quarter 2001 Form 10-Q
10.1	Synalloy Corporation 1998 Long-Term Incentive Stock Plan, incorporated by reference to the first quarter 2001 Form 10-Q
10.2	Synalloy Corporation 2005 Stock Awards Plan, incorporated by reference to the Proxy Statement for the 2005 Annual Meeting of Shareholders
10.3	Amendment 1 to the Synalloy Corporation 2005 Stock Awards Plan incorporated by reference to Registrant's Form 10-K for the year ended December 29, 2007
10.4	Amendment 2 to the Synalloy Corporation 2005 Stock Awards Plan
10.5	2011 Long-Term Incentive Stock Option Plan, incorporated by reference to Registrant's Proxy Statement for the 2011 Annual Meeting of Shareholders
10.6	2012 Short-Term Cash Incentive and Options Plan, incorporated by reference to Registrant's Form 10-K for the year ended December 29, 2012
10.7	2013 Short-Term Cash Incentive and Options Plan, incorporated by reference to Registrant's Form 10-K for the year ended December 28, 2013
10.8	2014 Short-Term Cash Incentive and Options Plan
10.9	Agreement between Registrant's Bristol Metals, LLC subsidiary and the United Steelworkers of America Local 4586, dated January 31, 2010, incorporated by reference to Registrant's Form 10-K for the year ended January 1, 2011
10.10	Agreement between Registrant's Specialty Pipe & Tube, Inc. subsidiary and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union Local 4564-07, dated July 1, 2014
10.11	Agreement between Registrant's Bristol Metals, LLC subsidiary and the United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada Local Union No. 538, dated February 16, 2009, incorporated by reference to Registrant's Form 10-K for the year ended January 1, 2011
10.12	Agreement between Registrant's Bristol Metals, LLC subsidiary and the Teamsters Local Union No. 549, dated March 5, 2010, incorporated by reference to Registrant's Form 10-K for the year ended January 1, 2011
10.13	Loan Agreement, dated as of June 30, 2010, between Registrant and Branch Banking and Trust (“BB&T”), incorporated by reference to Registrant's Form 10-K for the year ended January 1, 2011
10.14	First Amendment to First Amended and Restated Loan Agreement, dated August 21, 2012, between Registrant and Branch Banking and Trust (“BB&T”), incorporated by reference to Registrant's Form 10-K for the year ended December 29, 2012
10.15	First Amendment to First Amended and Restated Loan Agreement, dated October 22, 2012, between Registrant and Branch Banking and Trust (“BB&T”), incorporated by reference to Registrant's Form 10-K for the year ended December 29, 2012
10.16	Second Amendment to First Amended and Restated Loan Agreement, dated August 9, 2013, between Registrant and Branch Banking and Trust ("BB&T"), incorporated by reference to Registrant's Form 10-K for the year ended December 28, 2013.
10.17	Third Amendment to First Amended and Restated Loan Agreement, dated January 2, 2014, between Registrant and Branch Banking and Trust ("BB&T"), incorporated by reference to Registrant's Form 10-K for the year ended December 28, 2013
10.18	Fourth Amendment to First Amended and Restated Loan Agreement, dated as of November 21, 2014, between Registrant and Branch Banking and Trust ("BB&T), incorporated by reference to Registrant's Form 8-K filed on November 25, 2014

10.19	Employment Agreement dated January 24, 2011, between Registrant and Craig C. Bram, incorporated by reference to Registrant's Form 10-K for the year ended January 1, 2011
10.20	Amended Employment Agreement dated January 24, 2012, between Registrant and Craig C. Bram, incorporated by reference to Registrant's Form 10-K for the year ended December 31, 2011
10.21	Amended Employment Agreement dated January 24, 2013, between Registrant and Craig C. Bram, incorporated by reference to Registrant's Form 10-K for the year ended December 29, 2012
10.22	Amended Employment Agreement dated June 1, 2013, between Registrant and Craig C. Bram, incorporated by reference to Registrant's Form 8-K for the filed June 28, 2013
10.23	Amended Employment Agreement dated May 1, 2014, between Registrant and Craig C. Bram
10.24	Stock Purchase Agreement, dated as of August 10, 2012, among Jimmie Dean Lee, James Varner, Steven C. O'Brate and Synalloy Corporation, incorporated by reference to Registrant's Form 8-K filed on August 24, 2012
10.25	Stock Purchase Agreement, dated as of November 21, 2014, between The Davidson Corporation and Synalloy Corporation, incorporated by reference to Registrant's Form 8-K filed on November 25, 2014
21	Subsidiaries of the Registrant
23	Consent of Dixon Hughes Goodman LLP, independent registered public accounting firm for Registrant
31.1	Rule 13a-14(a)/15d-14(a) Certifications of Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer
32	Certifications Pursuant to 18 U.S.C. Section 1350
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.LAB*	XBRL Taxonomy Extension Label Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase
*	In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this Annual Report on Form 10-K shall be deemed "furnished" and not "filed."

Exhibit 10.4

Second Amendment to the 2005 Stock Awards Plan

Effective November 13, 2014

The undersigned, being all of the directors of Synalloy Corporation, a Delaware corporation (the "Corporation") do hereby consent to and adopt the following Second Amendment to the 2005 Stock Awards Plan (the "Plan") as set forth in the resolutions adopted at the November 13, 2014 Board of Directors' meeting.

RESOLVED, That the Board of Directors hereby amends the Plan in the following respects:

A. Section 6.B of the Plan is deleted in its entirety and replaced as follows:

Cancellation of Unvested Stock Awards on Termination of Employment. Any portion of a stock award that has not vested prior to the termination of an employee's employment with the Company as the result of retirement (minimum age of 62), death or disability, shall become 100% vested; otherwise, any portion of a stock award that has not vested prior to the termination of an employee's employment with the Company for any other reason, shall be automatically cancelled. In the event of death, the employee's estate would receive the balance of the shares.

B. Section 6.B of the Plan shall be amended to state that 100% of the total number of unvested shares would vest in the event of (i) and (ii) to read as follows:

Sale or Merger. Notwithstanding the vesting schedule set forth in Section 6.A above, 100% of the total number of unvested shares will vest in the event that there is either (i) the acquisition of more than fifty percent (50%) of the outstanding voting securities of the Company or a subsidiary or division of the Company in which the employee is employed (calculated on a fully diluted basis) by any person during any consecutive 12-month period of time; or (ii) the sale of more than fifty percent (50%) in value of the assets of the Company over any consecutive 12-month period of time.

C. Reaffirmation. The Plan shall remain otherwise in full force and effect and unchanged.

Exhibit 10.8

SYNALLOY CORPORATION
2014 Short-Term Cash Incentive and Options Plan

1. Purpose. This Short-Term Cash Incentive and Options Plan (the "Incentive Plan") is intended to provide key executive employees of Synalloy Corporation (the "Company", which term shall include Synalloy Corporation and any of its affiliates or subsidiaries) the opportunity to participate in the Company's profitability, future prosperity and growth. The purpose of the Incentive Plan is to provide short and long-term incentive for gain through outstanding service to the Company and its shareholders, and to assist in attracting and retaining executives of ability and initiative.

2. Administration. The Incentive Plan shall be administered by the Company's Compensation & Long Term Incentive Committee (the "Committee"). The same restrictions set forth in the Company's 2011 Long-Term Incentive Stock Option Plan (the "Stock Option Plan"), previously approved by the Company's Board of Directors and shareholders, applicable to Committee members shall also apply under this Incentive Plan. To the extent this Incentive Plan differs from or is inconsistent with the Stock Option Plan, the terms and provisions of the Stock Option Plan shall govern. The Committee shall have complete authority and discretion to interpret all provisions of this Incentive Plan consistent with law and the Stock Option Plan, to prescribe the form of instruments evidencing the stock options that may be granted under this Incentive Plan and pursuant to the Stock Option Plan, to adopt, amend, and rescind general and special rules and regulations for its administration, and to make all other determinations necessary or advisable for the administration of the Incentive Plan. No member of the Committee shall be liable for any action or determination in respect thereto, if made in good faith, and shall be entitled to indemnification by the Company with respect to all matters arising from his service on the Committee to the fullest extent allowable under the Company's charter documents and applicable law.

3. Eligibility. Any salaried employee of the Company who in the judgment of the Committee occupies a management position in which his or her efforts contribute to the profit and growth of the Company may be eligible to participate in the Incentive Plan. The named participants to this Incentive Plan shall be recommended by the division Presidents and the CEO, and approved by the Committee. The key metric used to measure management performance in a particular division or the Company as a whole, as the case may be, is "Adjusted EBITDA" defined as operating income before interest, change in fair value of interest rate swap, income taxes, depreciation and amortization, excluding inventory profits and losses, acquisition costs and costs associated with raising capital." The Adjusted EBITDA target ranges described herein are derived from the Company's annual budget approved by the Company's Board of Directors and are exclusive of and calculated prior to allocation of the cash and stock option incentives payable to all executives participating in the Incentive Plan. Exhibit A to this Incentive Plan, as may be amended from time to time by the Committee, sets forth the annual Adjusted EBITDA target range and named participants' assigned percentage of the cash and stock option incentives. The Committee, upon recommendation from the Company's CEO, shall have the discretion to determine to what extent, if any, persons employed on a part-time or consulting basis will be eligible to participate in the Incentive Plan.

4. Cash Incentive Pool. At the beginning of the year, for each division, including Corporate, the division Presidents will identify the executives whom they recommend to participate in each division's cash incentive pool with input from the CEO, and the CEO will recommend the executives who will participate in the Corporate division's cash incentive pool. Additionally, each recommended participant will be allocated a percentage of the division's cash incentive pool. The recommended allocations will be completed at the beginning of each year by the division Presidents, with input and review from the CEO. The CEO will prepare the recommended allocation for the Corporate division. These recommendations will be submitted to the Committee no later than two weeks prior to the February Board of Director's meeting. The Committee will review and approve, amend or reject the recommendations of the division Presidents and the CEO. The CEO's incentive calculation will be handled separately from the Corporate division and will be approved by the Committee.

   A. Adjusted EBITDA Allocations. At the beginning of each year, the Company's Board of Directors will approve the upcoming year's budget that shall include the Adjusted EBITDA target range for each division and for the Company as a whole (each, a "Target Range"). The applicable Target Range for each division, as approved by the Board of Directors, is set forth on Exhibit A attached hereto. Each division cash incentive pool shall equal a designated percentage of Adjusted EBITDA achieved by that division, or in the case of the Corporate division, achieved by the Company as a whole. Upon the division Presidents and CEO's recommendation, the Committee will establish the percentage of Adjusted EBITDA that will comprise the cash incentive pool for each division and the Company as a whole (each, an "Incentive Pool Percentage"). The applicable Incentive Pool Percentages for each division are set forth below. Each Target Range will include four levels with corresponding Incentive Pool Percentages: (i) Below Target-no cash incentive; (ii) Below Target with cash incentive; (iii) On Target; and, (iv) Above Target. Wherever Adjusted EBITDA falls (Below Target with cash incentive, On Target, or Above Target), the Incentive Pool Percentage for that applicable Target Range will apply to all dollars of profit beginning with the first dollar, computed using the applicable Incentive Pool Percentage. No cash incentive will be paid if Adjusted EBITDA falls below the lowest threshold ((i) Below Target-no cash incentive).

B. Cash Incentive Pool Percentages (excluding inventory adjustments): See Exhibit A attached hereto for complete details.:

Division	Below Target/ No Cash Incentive	Below Target w/ Cash Incentive	On Target	Above Target
K. Pennington - Metals Segment	—%	0.50%	1.00%	1.40%
BRISMET & Synalloy Fab	—%	1.25%	2.50%	3.50%
Palmer of Texas	—%	1.75%	3.50%	5.00%
MCC	—%	2.25%	4.50%	6.50%
CRI Tolling	—%	2.25%	4.50%	6.50%
Corporate	—%	0.75%	1.50%	2.00%
CEO	—%	0.625%	1.25%	1.75%

C. Downward Adjustments to the Cash Incentive Pool. Each division President, upon approval by the CEO, has the authority to reduce an individual executive's cash incentive bonus for material underperformance against personal goals.

i. For every lost time accident during the year, the cash incentive pool for that division will be reduced by 5%; however, the Committee will be the final arbiter of whether lost time claims rise to the level of penalty imposition. Ten (10) percent of the CEO's cash incentive is tied to achieving two or fewer lost-time accidents across the entire Company.

ii. An inventory turn target will be established for each division, where applicable, and will be set forth onExhibit A. These inventory turn targets will be established by the CEO and division Presidents and approved by the Committee. If the inventory turns come in less than the target, the applicable division's cash incentive pool shall be reduced by 10%.

iii. Fifteen percent of the CEO's cash incentive, as determined by the Committee, and 25% of the CFO's cash incentive, as determined by the CEO, is tied to achieving certain targets based on the cash flow budget. The targets with respect to the cash flow budget are as follows (assuming the Company pays a dividend to shareholders in December 2014 totaling $2.39 million, or $0.27 per share): (i) total capital expenditures in 2014 will equal $7.81 million or less ($4.3 million for CRI and the Code Vessel shop, and $3.51 million in non-growth related cap ex), (ii) cash flow from operations in 2014 will equal $12.28 million or more, (iii) cash on the balance sheet at the end of 2014 will equal $1.32 million or more, and (iv) total debt (total debt is term debt plus the line of credit) at the end of 2014 will equal $20.91 million or less. The Committee and the CEO, acting in their discretion, shall use these targets as a guide to judge the CEO's and the CFO's level of success in achieving the Company's cash flow goals and shall award all, some portion or none of the cash incentive tied to cash flow management based on the Company's success in achieving these targets.

D. Inventory Profits or Losses. The Adjusted EBITDA calculations shall exclude any inventory profits or losses applicable to the BRISMET division as set forth in this section. Adjusted EBITDA calculations for the BRISMET division will be reduced on a dollar-for-dollar basis by the amount of inventory profits in that division, and the appropriate Target Range will be selected based on such reduced Adjusted EBITDA calculation. Likewise, Adjusted EBITDA calculations for the BRISMET division will be increased on a dollar-for-dollar basis by the amount of inventory losses in that division. The Committee will determine the correct Target Range before inventory losses are added back to the Adjusted EBITDA calculation and the correct Target Range after inventory losses are added back to the Adjusted EBITDA calculation. Under no circumstances shall any applicable executive move more than one Target Range as a result of this inventory loss add back. For example, if the CEO is in the Below Target Range before inventory losses are added back, and in the Above Target Range after inventory losses are added back, the CEO shall be permitted to move up one Target Range only into the On Target Range. The CEO shall not be permitted in this example to move up two Target Ranges into the Above Target Range.

5. Stock Options (Long-Term Incentives). To the extent stock options are available under the Stock Option Plan previously approved by the shareholders, stock options of Company stock will be issued as provided herein. All terms, conditions and

restrictions set forth in the Stock Option Plan shall apply to any and all stock options issued pursuant to this Incentive Plan. Those executives eligible to receive bonus payments from the cash incentive pool under this Incentive Plan Stock options are eligible to receive stock options. Stock options will be issued in only those years where On Target or Above Target Adjusted EBITDA is achieved in a particular division, or Company as a whole, depending upon the position of a particular executive. No stock options will be issued when Adjusted EBITDA is Below Target.

6. Stock Options Schedule. Stock options shall be granted based on the schedule below. The percentages set forth below represent a percentage of each particular executive's base salary (i.e., base salary exclusive of bonuses) for the year under consideration.

Position	Below Target	On Target	Above Target
CEO	—%	25.00%	37.50%
CFO	—%	20.00%	30.00%
DIV PRES	—%	20.00%	30.00%
SEC/HR	—%	15.00%	22.50%
Others	—%	10.00%	15.00%

7. Mid-Year Acquisition Adjustments. The Company, from time to time, may acquire another business or operating division mid-year, which acquisition will not be budgeted or accounted for in the Target Ranges that are established at the beginning of the fiscal year. Upon consultation with the CEO and division Presidents, the Committee shall amend the applicable Target Ranges to account for any and all mid-year acquisitions. Specifically, the Committee will update the applicable Target Ranges to account for the pro-forma Adjusted EBITDA expected from each acquisition for the remainder of the current calendar year. The Company's practice is to allocate unbudgeted one-time expenses associated with a mid-year acquisition to the Corporate division only. In determining the actual year-end Adjusted EBITDA calculation for the Corporate division and the CEO, the Committee will add back the one-time costs associated with each acquisition incurred during the year in question but not previously budgeted. The amount of one-time expenses to be added back will be approved by the Committee and will include only those expenses that were incurred as a direct result of completing the acquisition. In the event these one-time expenses extend from one calendar year to the next, the accrued one-time expenses associated with the acquisition from each year will be added back to the applicable year's Adjusted EBITDA calculations for the Corporate division and the CEO.

8. General Provisions. Neither the adoption of this Incentive Plan nor its operation, nor any document describing or referring to this Incentive Plan, or any part thereof, shall confer upon any employee any right to continue in the employ of the Company or any subsidiary, or shall in any way affect the right and power of the Company to terminate the employment of any employee at any time with or without assigning a reason therefor to the same extent as the Company might have done if this Incentive Plan had not been adopted. In light of the importance of promoting long-term relationships and a long-term commitment to the ongoing success of the Company, in order to receive any payments or stock options under this Plan, an employee must be employed by the Company on the last day of the applicable fiscal year; provided, however, that if termination of employment occurs as a result of death, disability (unable to work for 12 consecutive months), or retirement (with a minimum of 5 years of employment with the Company), payment of the cash bonus and/or the grant of options will be determined as otherwise provided in this Incentive Plan but shall be prorated to reflect that portion of the prior year in which the employee was an employee of the Company. Eligible employees must have entered into a confidentiality and non-competition agreement in a form acceptable to the CEO of the Company in order to receive any benefits under this Incentive Plan. Payments under this Incentive Plan will be made on or about March 15th of the year following the Company's fiscal year end. This Incentive Plan shall be governed by the laws of the state of South Carolina.

Duration and Amendment of the Incentive Plan. Unless previously terminated by the Committee, the Incentive Plan shall be effective for the fiscal year specified in the Incentive Plan. The Committee may alter, amend, or terminate this Incentive Plan, including any exhibits attached hereto, at any time. Any stock options granted prior to the termination of this Incentive Plan shall remain valid thereafter in accordance with their terms and the Stock Option Plan.

Exhibit 10.10

SPECIALTY PIPE & TUBE, INC.

7/22/2014

Ferguson-Specialty Union Employment/Benefits Contract

Proposal 6-20-14

Terms of Agreement: 3 years, beginning July 1, 2014 and expiring June 30, 2017

Wages:

- July 1, 2014: increase by 2%
- July 1, 2015: increase by 2%
- July 1, 2016: increase by 2%

Medical: Employee percentage contribution toward premium of comprehensive health insurance:

- July 1, 2014 : increase by 1.0%
- July 1, 2015: increase by .5%
- July 1, 2016: increase by .5%

The Company agrees that if, during the life of this agreement, it sells,leases, transfers or assigns the operations covered by this agreement the Company shall obligate the purchaser, lessee, transferee or assignee to provide substantially equivalent wages and benefits while assuming all the remainder of the obligations of the Agreement until its expiration date.

All other terms and conditions remain unchanged.

________________________________ ________________________________

Steve Baroff David Jett

Contract Proposal # 5 from Specialty Pipe & Tube

1) Term - From July 1, 2010 to June 30, 2013
2) Wages
   - Effective 7/01/2010 Wage increase by 2.0%
   - Effective 7/01/2011 Wage increase by 2.0%
   - Effective 7/01/2012 Wage increase by 1.5%
3) Pension 401(k) - Company's 7% contribution remains fixed for the term of the agreement
4) Medical Benefits - Each employee will contribute a percentage of their total benefits premium according to the following schedule
   - Effective 7/01/2010 16.5%
   - Effective 7/01/2011 17.5%
   - Effective 7/01/2012 18.0%

Amounts to be deducted from bi-weekly pay and adjusted whenever the premiums change. (The grandfather clause from the previous contract remains in effect).

Any new full time employee hired after July 1, 2010 will contribute 25% of the benefits plan.

5) Sick days - 2 days per year f or each employee to use specifically for sick days, doctor visits, and associated health related issues. Not to be considered vacation days. If not used in the current year, maximum of 2 days can be carried over to the following year.
6) Work Rules - Operators can be asked to operate multiple saws in temporary emergency situations as determined by the Foreman.

Steven J. Baroff
Specialty Pipe & Tube
800-366-7473 *I* 330-505-8262
Fax 330-505-8260

AGREEMENT BETWEEN

SPECIALTY PIPE AND TIJBE, INC.

AND

UNITED STEEL, PAPER AND FORESTRY, RUBBER, MANUFACTIJRING, ENERGY, ALLIED INDUSTRIAL AND SERVICE WORKERS INTERNATIONAL UNION

ON BEHALF OF LOCAL UNION 4564-07

EFFECTIVE JULY 1, 2007 THROUGH

JUNE 30, 2010

INDEX

AGREEMENT

This Agreement dated July 1, 2007, by and between Specialty Pipe and Tube, Inc., 300 Union Street, P. O. Box 515, Mineral Ohio, or any successor (hereinafter Referred to as the "Company"), and the United Steelworkers (USW) (hereinafter referred to as the Union), Square One Center, 950 Youngstown Warren Road, Suite A, Niles, Ohio 44446.

ARTICLE 1

PURPOSE

The purpose of the Company and the Union in entering into this Labor Agreement is to set forth their agreement on rates of pay, hours of work and other conditions of employment so as to promote orderly and peaceful relations with the employees, to achieve uninterrupted operations in the plant and to a chi e v e the highest level of employment performance consistent with safety, good health and sustained effort.

ARTICLE II

RECOGNITION

A. The Company recognizes the Union as certified by the National Labor Relations Board as the exclusive bargaining agent for all production and maintenance employees, including truck drivers, operators and laborers employed by the Company for the purposes of collective bargaining with respect to hourly rates of pay, wages, hours of work and other conditions of employment .

B. The Company shall not negotiate nor make collective bargaining agreements for any of its employees in the Bargaining Unit covered hereby unless it be through a duly-authorized representative of the Union.

C. The Company agrees that it will not sponsor or promote, financially or otherwise, any group or labor organization for the purpose of undermining the Union; nor will it interfere, restrain, coerce, or discriminate against any of its employees in connection with their membership in the Union.

ARTICLE III

UNION SHOP

UNION MEMBERSHIP

A. It shall be a condition of employment that all present employees of the Company covered by this Agreement, who are members of the Union on the effective date of this Agreement, shall remain members of the Union in good standing as a condition of employment. All present employees who are not members of the Union and all employees who are hired hereafter shall become and remain members in good standing of the Union by signing the authorized card for dues deduction as a condition of employment.

B. When the Company needs additional employees, the Company shall give the Union equal opportunity with all other sources to provide suitable applicants, but the Company shall not be required to hire those referred by the Union.

ARTICLE IV

CHECK-OFF

A. The Company shall check off monthly dues, assessments and initiation fees, each as designated by the International Treasurer of the Union, as membership dues in the Union on the basis of individually-signed voluntary check-off authorization cards.

B. Deductions shall commence with respect to dues for the month in which the Company receives such authorization card or in which such card becomes effective, whichever is later. Dues for a given month shall be deducted from the first pay closed and calculated in the succeeding month.

C. In the cases of earnings insufficient to cover deduction of dues, the dues shall be deducted from the next pay in which there are sufficient earnings, or a double deduction shall be made from the first pay of the following month, provided however, the accumulation of dues shall be limited to two (2) months.

D. Monthly dues for each month shall be based on 1.3% and no more than 2-1/2 times the average hourly earnings during an appropriate referenced period payable in the month in which said dues apply.

E. All deductions shall be promptly remitted to the Inter national Treasurer of the Union, United Steelworkers of America, Five Gateway Center, Pittsburgh, Pennsylvania, 15222.

F. The Union shall indemnify and save the Company harmless against any and all claims, demands, suits or other forms of liability that shall arise out of or by reason of action taken or not taken by the Company for the purpose of complying with any of the provisions of this Article.

ARTICLE V

NON-DISCRIMINATION

A. It shall be the continuing policy of the Company and the Union that the provisions of this Agreement shall be applied to all employees without regard to race, color, religious creed, national origin, sex or age. The representatives of the Union and the Company in all steps of the Grievance Procedure and in all dealings between the parties shall comply with this provision.

B. A joint committee on civil rights shall be established at the Company, and this committee shall meet at mutually agreeable times. The Union members shall be certified to the Company by the Union, and the Company members shall be certified to the Union.

ARTICLE VI

MANAGEMENT

A. The Company retains the exclusive right and responsibility to manage the business and plants and to direct the working forces. The Company, in the exercise of its rights, shall observe the provisions of this agreement.

B. The rights and responsibility to manage the business and plants and to direct the working forces include the right to hire, suspend or discharge for proper cause, or transfer, and the right to relieve employees from duty because of lack of work or for other legitimate reasons.

ARTICLE VII

RESPONSIBILITIES of the PARTIES

A. In addition to the responsibilities that may be provided elsewhere in this agreement, the following shall be observed:

1. There shall be no strikes, work stoppages, interruption or impeding of work. No officer or representatives of the Union shall authorize, instigate, aid or condone any such activities.

No employee shall participate in any such activities.

2. There shall be no discrimination, restraint or coercion against any employee because of membership in the Union.

3. There shall be no interference with the right of employees to become members or continue membership in the Union.

B. The applicable procedures of the agreement shall be followed for the settlement of all complaints and grievances.

C. The right of the Company to discipline an employee for violation of this agreement shall be limited to the failure of such employee to discharge his responsibilities as an employee and may not in any way be based upon the failure of such employee to discharge his responsibilities as a representative or officer of the Union. The Union has the exclusive right to discipline its officers and representatives. The Company has the exclusive fight to discipline its officers and representatives.

D. There shall be no lock-outs.

ARTICLE VIII

ADJUSTMENT of GRIEVANCES and ARBITRATION

A. Should any differences arise between the Company and the employee as to the meaning and application of the provisions of this Agreement, or should any dispute arise with regard to any established rate or new rates, or failure to establish a job description or rate, such difference or dispute shall be resolved as herein provided, unless otherwise agreed to in writing.

B. The Company has the right to bring in witnesses who are excluded from the Bargaining Unit by the NLRB at any step in the grievance procedure. The Union has the right to bring in witnesses who are included in the Bargaining Unit by the NLRB at any step in the grievance procedure. However, no Company employee included in the Bargaining Unit by the NLRB shall be forced to testify verbally or in writing against his principles.

C. The following is the grievance procedure:

Step 1 - The employee shall take up his grievance immediately with his supervisor, with the grievance Chairperson and/or grievance committeeperson (s) in an attempt to settle same promptly.

If a grievance is denied in Step 1 and if the grievance Chairperson, grievance committeeperson (s) determines tha.t it constitutes a grievance, it shall be appealed to Step 2. To be considered in Step 2 of the grievance procedure, a grievance must be filed in writing with the supervisor within five (5) days after its denial in Step 1. It shall be dated and signed by employee(s), Chairperson or grievance committeepersons). The written grievance shall include such information and facts as may be an aid to the Company and Union in arriving at a fair, prompt and informed decision.

Step 2 - Within ten (10) days of the receipt of such appeal, a meeting shall be held between the Company's designated representatives and the representatives of the International Union, certified to the Company in writing as the Step 2 representative, the grievance Chairperson and a member of the grievance committee.

Minutes of the Step 2 meeting shall be prepared by the Company's designated representative, who shall deliver two (2) copies thereof to the International Union representative within ten (10) days after such meeting. Such minutes shall conform to the following general outline:

(a) Dates and place of meeting

(b) Name and position of those present and those absent

(c) Identifying number and description of each grievance discussed

(d) Brief statement of Union's position

(e) Brief statement of Company's position

(f) Summary of the discussion

(g) Decision reached by the Company

(h) Statement by the Union as to whether the decision was accepted or rejected

The International Union representative shall sign such minutes, provided that if he or she should disagree with the accuracy of such minutes, he or she shall set forth and sign his or her reasons for such disagreement, and the minutes, except for such disagreement, shall be regarded as agreed to.

D. Arbitration.

In the event a. grievance is not settled in accordance with Article VIII - Adjustment of Grievances and Arbitration, the matter shall be appealed within ten (10) days to an impartial arbitrator to be appointed by mutual agreement of the parties hereto. If the parties cannot agree on an arbitrator within ten (10) calendar days after the appeal, either party may request the American Arbitration Association, 17900 Jefferson Park Road, Middleburg Heights, Ohio 44130; Attention: Tribunal Administrator, to designate an arbitrator. The arbitrator designated shall set the date for the hearing at a neutral, mutually-agreed time. The decision of the arbitrator shall be final.

The expense and fees incidental to the services of the arbitrator shall be paid equally by the Company and the Union.

The arbitrator shall only have jurisdiction and authority to interpret or determine compliance with the provisions of this agreement insofar as shall be necessary to the determination of such grievance appealed to the arbitrator, but the arbitrator shall not have the authority to alter, in any way, the provisions of this Agreement.

Arbitration awards may be retroactive to, but not beyond, the date of occurrence.

The arbitrator shall render his or her decision within thirty (30) calendar days of the hearing.

E. If this Agreement is violated by the occurrence of a lock-out, strike, work stoppage or interruption or impeding of work, no grievance shall be discussed or processed by the Company while such violation continues, and under no circumstances shall any grievance concerning employees engaged in the violation be discussed or processed while such violation continues.

F. The grievance Chairperson, committee members shall be allowed time off without loss of pay to attend meetings other than grievance meetings with the Company representatives when such meetings are held during the regular working hours. Time spent at such meetings shall be noted on the employee's time card. Upon request duly made and subject to its established rules, the Company shall grant at reasonable times to the International representative in charge of any grievance process in Step 2 of the grievance procedure, access to the Company for the purpose of investigating such grievance.

G. Failure of the Company to reply to a grievance at any Step within the time limits shall be treated by the Union as an unsatisfactory settlement of the grievance from which it shall accordingly proceed to the next step or arbitration.

ARTICLE IX

EXPEDITED ARBITRATION

Notwithstanding any other provisions of this Agreement, the following expedited arbitration is hereby adopted. The expedited arbitration procedure is designed to provide prompt and efficient handling of routine grievances.

1. Where grievances concerning written reprimands or suspensions of five (5) days or less are to be arbitrated, they shall be arbitrated in the Expedited Arbitration Procedure unless appropriate representatives of the parties agree that such a grievance should be arbitrated in the regular arbitration procedure; provided, however, that where grievances concerning any discipline involving concerted activity or multiple grievances arising from the same event are to be arbitrated, they shall be arbitrated in the regular grievance procedure.

2. Where grievances concerning suspension of more than five (5) days are to be arbitrated they shall be arbitrated in the regular arbitration procedure.

3. Notwithstanding the foregoing, appropriate representatives of the parties may agree that grievances concerning suspensions of more than five (5) days discharge may be arbitrated in the Expedited Arbitration Procedure.

4. The Expedited Arbitration Procedure shall be implemented at the Company with due regards to the following:

   a. The Union shall appeal the grievance under this Expedited Arbitration after receiving the Step II answer; provided, however, that either party within three (3) normal working days after the Step II answer, may request a meeting with the Company and/or his or her Staff Representative and the Chairperson of the grievance committee along with the grievance person involved in an effort to resolve the grievance before arbitration. Within two (2) normal working days after such meeting, if the grievance is unresolved, the Union shall appeal the grievance to an arbitrator under this Expedited Arbitration Procedure.

   b. As soon as it is determined that a grievance is to be processed under this procedure, the parties shall, within ten (10) days (excluding Saturdays, Sundays, and Holidays) from the written appeal to arbitration, notify the designated arbitrator from a mutually-agreed panel of arbitrators. The designated arbitrator is that member of the panel who', pursuant to a rotation system, is scheduled for the next arbitration hearing. Immediately upon such notification, the designated arbitrator shall arrange a place and date for the hearing to take place not more than ten (10) days thereafter. If the designated arbitrator is not available to conduct hearing within the ten (10) days, the next panel members in rotation shall be notified until an available arbitrator is obtained. Those called but not available shall not be called again until their names come back pursuant to the rotation system. The appeal shall include the date, time and place for the hearing. There after, the Rules Procedure for Expedited Arbitration shall apply.

5. The hearing shall be conducted in accordance with the following:

   a. The hearing shall be informal.

   b. No briefs shall be filed or transcripts made.

   c. There shall be no formal evidence rules.

   d. Each party's case shall be presented by a previously-designated representative. The designated representative shall be the Plant Manager or Superintendent for the Company and the Staff Representative, Chairperson of the grievance committee, for the Union.

e. The arbitrator shall have the obligation of assuring that all necessary facts and considerations are brought before him or her by the representatives of the parties. In all respects, he or she shall assure that the hearing is a fair one.

6. The arbitrator shall issue a decision no later than 48 hours after conclusion of the hearing (excluding Saturdays, Sundays and Holidays). His or her decision shall be based on the records developed by the parties before and at the hearing and shall include a brief written explanation of the basis for his or her conclusion. These decisions shall not be cited as a precedent in any discussions at any step of the grievance or arbitration procedure. The authority of the arbitrator shall be the same as that provided in the grievance and arbitration section of the applicable agreement.

7. Each party shall pay its own expense, with the Company and the Union sharing equally the expense and compensation of the arbitrator.

Examples of matters which both parties would regard as routine:

a. Qualification for holiday pay
b. Removal from job - inability to advance
c. Improper lay-off on cutback or recall
d. Improper lay-off assignment of overtime
e. Safety on an individual basis
f. Reporting pay
g. Prior related experience
h. Ability on job performance
i. Non-Bargaining Unit employee performing Bargaining Unit work.
j. Individual cases of temporary transfers
k. Local Memorandums interpretation ·and application
l. Matters pertaining to jury duty and funeral allowance

Tribunal Administrator

American Arbitration Association 17900 Jefferson Park Road

Middleburg Heights, Ohio 44130

ARTICLE X

SUSPENSION and DISCHARGE CASES

A. The Company agrees that no employee, other than a probationary employee, shall be discharged peremptorily and that in all instances in which the Company believes that discharge is justified, the Company shall notify the employee in writing of its intention to suspend or discharge with a statement as to the reason for such intended action. A copy of such notice, shall be given to the grievance Chairperson and member of the grievance committee; within three (3) days from date of notice, the employee shall be granted a hearing. If the employee affected believes his proposed suspension or discharge is unfair or unjust, he may request and shall be granted during this period a hearing and discussion of the offense before representatives designated by the Company with his grievance committee person and/or the Chairperson of the grievance committee.

At such hearing, the facts and circumstances concerning the matter shall be fully disclosed to and by both parties. Within two (2) days after such hearing, the Company shall make known whether the suspension shall be extended, revoked, modified, or converted into a discharge. In the event such disposition is unsatisfactory .to the employee(s), within three (3) normal working days after notice of such action, he shall file a grievance in Step 2 of the grievance procedure and process it in accordance with Article VIII - Adjustment of Grievances and Arbitration.

The provisions of this Section apply to all suspensions which are made in contemplation of discharge. Other disciplinary suspensions shall be subject to processing through the regular grievance procedure

ARTICLE XI

SENIORITY

A. Seniority rights shall prevail at all times on a plant wide basis. Promotional opportunities and job security should increase in proportion to length of continuous service and in administration of this Article, the intent shall be to give full consideration for continuous service.

B. Company continuous service shall be used for all purposes in which a measure of service is utilized.

C. Promotion, training for a promotion, decrease in forces, lay-offs and recalls after lay-off, the following factors listed below shall be considered the determining factor:

a. Continuous service

b. Physical fitness

D. In the event the maintenance position becomes available through retirement, or any other reason, the Company shall post the job for bidding. If a bidder or bidders do not meet the reasonable qualifications, the Company has the right to hire a maintenance person or person consistent with the requirements of Article II - Recognition, pages 1, 2, paragraphs A, B, c to fill the maintenance position. Any new person or persons hired for the maintenance position shall be required to join the Union at the time spelled out in Article IV - Check-off, pages 3, 4 and Article XI - Seniority, page 18, paragraph A. Probationary Period.

E. Continuous service shall be calculated from the date of first employment or re-employment following a break in continuous service in accordance with the following provisions of this Section E. There shall be no deduction for any time lost which does not constitute a break in continuous service. Continuous service shall be broken by:

a. The employee(s) quits.

b. The employee(s) is discharged for proper and just cause.

c. Absence due to lay-off or disability or both, which continues for more than two (2) years, provided, however, employees injured while on duty shall accumulate credit for continuous service until the termination of the period for which statutory compensation is payable.

d. When recalled from a lay-off, the employee fails to report for work within ten (10) work days after receipt of recall notice sent certified mail or mailgram to his last known address, unless the employee has a valid reason for failing to report for work.

A foreman shall perform no work of the type customarily performed by employees within the Bargaining Unit, except when necessary due to emergencies, or the purpose of instructing or training employees, or when an operator requests that the foreman help him handle a particular job.

A. PROBATIONARY PERIOD

A new employee shall not accrue seniority rights for the first ninety (90) days; and termination of employment shall be at the sole discretion of the Company. After the employee has served his ninety (90) work day probationary period, his seniority shall date as of his original hiring date. The Union shall indemnify and save the Company harmless by an action or non-action by the Company regarding this Section

B. Decrease of force prior to the commencement of any monthly paid period Management shall, as to any employee or group of employees, instead of decreasing the force, seek concurrence of the grievance committee to divide work on a proportional pay basis; and in the event of disagreement, Management shall not schedule the employees on a basis of less than forty (40) hours per week, but shall reduce the force.

ARTICLE XII

MILITARY SERVICE

A. Employees who are required to enter annual military training duty or temporary special service as a member of a reserve component of the United States Armed Forces, shall be entitled to make-up pay, not to exceed two (2) weeks, after presenting due proof of the difference between his hourly rate of pay and the total amount received for such service from the

United States Armed Forces, during the period covered by this Agreement.

B. **EMPLOYMENT RIGHTS**

The Company shall accord to each employee who applies for re-employment after conclusion of his one (1) term of military service with the United States, such re-employment rights as he shall be entitled to under the existing statutes.

C. **TRAINING**

Reasonable programs of training shall be employed in the event employees do not qualify to perform the work on the job which they might have attained except for absence in such service.

ARTICLE XIII

HOURS of WORK and OVERTIME

A. The normal work week shall consist of five (8) hour days, exclusive of lunch, Monday through Friday inclusive. The purpose of this Article is to define the normal work week for the purpose of computing overtime and shall not be construed as a guarantee of hours of work.

B. The normal work days shall be eight (8) hours, to include a twenty (20) minute paid lunch break.

C. Employees shall be granted shift preference on the basis of their seniority, provided the efficient operation of the plant is not impaired thereby, at the discretion of the Company.

D. The normal shift hours shall be:

First shift: - 8:00 a.m. to 4:00 p.m.

E. **OVERTIME**

Any time worked over eight (8) hours per day shall be classified as overtime and be paid for at the rate of one and one-half (l-l/2x) times the regular rate.

1. Any time worked over forty (40) hours in a payroll

Week shall be classified as overtime and paid for at a rate of one and one-half (l-l/2x times the regular rate.

2. Overtime at the rate of two (2x) times the regular rate of pay shall be paid for:

   a. Sunday

   b. Holiday

F. There shall not be more than one (1) premium paid for the same hours worked (no pyramiding of overtime).

ARTICLE XIV

REPORTING PAY

A. Unless having been notified not to report, any employee who reports for work in accordance with his schedule and upon his arrival at the Company finds no work available for which he was scheduled, he shall be paid four (4) hours at his hourly rate. If the Company offers other employment for that day, it shall be no less than eight (8) hours at the rate of the job of the employee's regular rate, whichever is the highest. This provision shall not apply where lack of work is due to an Act of God, power failure, or other causes beyond the control of the Company.

ARTICLE XV

VACATIONS

A. All employees covered under this Agreement who have been employed for the first full year, shall be entitled to vacation time off and vacation pay as indicated below:

The Company agrees to buy lunch for entire Company to celebrate Employee's Birthday. On birthdays Employees can leave work at 2:00PM at discretion of the Foreman.

Years of Service	Duration of Vacation	Vacation Pay
1 but less than 2	1 week	40 hrs. at base rate
2 but less than 8	2 weeks	80 hrs. at base rate
8 but less than 15	3 weeks	120 hrs. at base rate
15 years or more	4 weeks	160 hrs. at base rate
30 years or more	5 weeks	200 hrs. at base rate

The weekly vacation pay shall be based on the employee' straight-time rate of pay. Vacation shall be taken from January 1 to December 31. Vacation times shall be arranged by the Company with consideration given to seniority and business requirements, but the Company shall have the exclusive final right to designate vacation periods. The Company may elect to close its plant for vacation after notifying the Union thirty (30) days in advance of the shutdown or should business be such that vacations would not be practical, the employee may be asked to take pay in lieu of vacation. Subject to the foregoing limitation, it is the intent of this Article that all employees wishing to take vacations shall be permitted to do so.

ARTICLE XVI

HOLIDAYS

New Year's Day	Friday after Thanksgiving
Good Friday	Christmas Day
Memorial Day	Personal Holiday/Sick Day (One after six (6) mo).
Fourth of July	Personal Holiday/Sick Day (Two after one (1) Yr.)
Labor Day	Thanksgiving Day
Floating Holiday (date to be determined by Company)	

B. New employees shall not receive the first personal holiday until after completion of six (6) months employment and shall receive the second personal holiday after completion of one (1) year.

C. Employee must give one (1) week advance notice when taking personal holidays.

D. In order to be eligible for such holiday pay, the employee must work the full regularly scheduled workday before and the full regularly scheduled workday after such holiday. If excused by the Company from the before and after provision, the employee must work sometime during the seven (7) calendar days preceding the holiday and must have been an employee of the Company for forty-five (45) calendar days previous to the holiday. If a holiday falls within an employee's vacation period, such holiday shall not be considered as part of the vacation period, and the employee shall receive his full vacation in addition to holiday pay as hereinbefore provided. Any holiday which falls on a Sunday shall be celebrated on the following Monday. Any holiday which falls on a Saturday shall either be observed on the preceding Friday or be granted in the form of an additional day's pay, or be observed on the following Monday, at the employer's discretion. Holidays not worked shall be paid for at the employee's base hourly rate for eight (8) hours, holidays worked shall be paid for at the rate of two (2x) times the regular rate of pay for all hours worked, in addition to the regular holiday pay.

ATTTENDANCE BONUS

PERFECT ATTENDANCE

On July 1 of each calendar year of the existing Agreement now in effect, a bonus will be given if there has been no lost time, tardiness, sickness, etc. Employee will receive one (1) week's pay. Employee will receive an additional one-half (1/2) week's pay for perfect attendance for the life of this Agreement.

ARTICLE XVII

RATES of PAY and JOB CLASSIFICATION

A. The Union and the Company agree that the job classification and schedule of hourly rates in this Agreement shall be used as a basis of determining rates of pay for the duration of this Agreement.

B. When the Company establishes a new job classification or substantially changes an existing job classification, the Company shall set the rate for such new or changed classification, subject to the right of the Union to challenge the established rate through the grievance procedure. Any new or changed rate established by the Company shall become final if the Union fails to file a grievance with respect to such new or changed rate within sixty (60) days after its establishment.

ARTICLE XVIII PENSION

HEALTH and WELFARE

A. **PENSION**

Effective July 1, 1994, an employee who has been on the payroll ninety (90) days or more will have a percentage of the employee's pension plan. The percentage has been agreed upon by both parties

Effective 7/1/07	10%
Effective 7/1/08	12.5%
Effective 7/1/09	15%

Each employee shall have an individual account and account number.

Each employee shall have the right to designate its own beneficiary, whoever that person may be.

The Union shall, as the designated Bargaining Agent, ensure that whatever Plan is agreed upon is done properly.

Reports will be made quarterly, with each employee receiving his own individual report.

As an added measure, each employee shall be given an original Plan that was mutually agreed upon by the parties

The Company, the Local Union grievance chairperson and grievance committee shall be the trustees of the account.

JOB TITLE	**EFFECTIVE 7/1/14**	**EFFECTIVE 7/1/05**	**EFFECTIVE 7/1/06**
OPERATOR	$51.24	$52.78	$54.34
MAINTENANCE REPAIR	$51.24	$52.78	$54.34
TRUCK DRIVER	$51.24	$52.78	$54.34
LABORER	$48.63	$50.09	$51.57

Based on a forty (40) hour week.

B. **HEALTH and WELFARE**

The Company will pay the full monthly amount for hospitalization and benefits that Employees now have under this Agreement; however employees will make monthly contributions to healthcare in accordance with the following schedule:

2004		**2005**		**2006**	
Family	$75.00	Family	$75.00	Family	$75.00
Couple	$65.00	Couple	$65.00	Couple	$65.00
Single	$40.00	Single	$40.00	Single	$40.00

It is understood and agreed that employee contributions in years two and three shall increase only should premium increase for health care increase by five (5%) percent.

If an employee is absent because of illness or off -the-job injury and notifies the employer of such absence, the employer shall continue to make the required contributions above specified for as long as such injury or illness continues and causes the employee to be absent from work, but not to exceed a period of four (4) weeks in any one (1) year. If an employee returns to work, whichever occurs sooner; if an employee is absent because of lay-off, the employer shall continue to make the required contributions for health care for three (3) months. An employee granted a leave of absence who desires continuing coverage during such leave shall make his own arrangements to pay the required contribution in order to maintain coverage. The employer shall inform the

Union and the administrator of the Health and Welfare Fund of the name of any employee granted a leave of absence, and the purported reason therefore, at the time such leave is granted. Casual or spot labor shall not be covered by this Article.

INSURANCE COMMITTEE

The Company mutually agreed to have at least two (2) employees check and review, along with the Company, insurance plan benefits.

ARTICLE XIX

LEAVE of ABSENCE

A. Any employee desiring leave of absence from his employment shall secure written permission from the employer. The maximum leave of absence shall be for thirty (30) days and may be extended for like periods. Permission for extension must be secured from both the Union and the employer. During the period of absence, the employee shall not engage in gainful employment; failure to comply with this provision shall result in the complete loss of job for the employee involved.

ARTICLE XX

JURY DUTY

A. Any member who is required to serve on a jury shall be paid the difference between jury duty pay and his normal day's full pay for each day spent while on jury duty. However, the employee will be required to report promptly for work during any day in which his service as a juror does not require his attendance in court.

ARTICLE XXI

FUNERAL TIME

A. Any employee who is absent from work in order to attend the funeral of his wife, mother, father, sister, brother, mother in-law, father-in-law, child or grandparents shall receive pay for time thus lost, not to exceed two (2) days of eight (8) hours of pay per day in state; three (3) days out of state; provided however, the days missed are working days. One (1) of the designated days shall be the day of the funeral. The pay shall be regular work pay.

ARTICLE XXII

WORK RULES

A. Warning after one (1) year will be voided.

B. The Company has the right to change or amend existing work rules as the need arises and notify the Union of such.

ARTICLE XXIII

WAGES

July 1, 2007: 2% ($19.80) Increase with a $1000 net signing bonus

July 1, 2008: 3.5% ($20.49) increase

July 1, 2009: 3.5% ($21.21) increase

NEW HIRES

Any employee hired after 7/1/04 shall be hired in at $8.00 per hour and increased at the rate of $.25 cents per hour each quarter until reaching the standard hourly wage base rate of Laborer.

ARTICLE XXIV

TERMINATION

This Agreement effective July 1, 2007, shall be in effect until midnight June 30, 2010.

Any notice shall be given by either party ninety (90) days before the termination day, written signed of desire or intention to negotiate with respect to the terms and conditions of a new Agreement, including wages, vacations, holidays, insurance, health benefits, pensions and conditions of employment, etc.

Any notice shall be given by certified mail and if by the Company, be addressed to the United Steelworkers (USW), Square One Centre, 950 Youngstown-Warren Road, Niles, Ohio 44446 and if by the Union, and be addressed to Specialty Pipe and Tube, Inc., 3600 Union Street, P.O. Box 516, Mineral Ridge, Ohio 44440.

ARTICLE XXV

P.A.C. CHECKOFF

The Company agrees that it .will check-off and transmit to the Secretary-Treasurer of the United Steelworkers (USW) Political Action Committee (USWPAC) voluntary contributions to the USW Political Fund from the earnings of those employees who voluntarily authorize such contributions, shall be specified in such forms and in conformance with an applicable state or Federal statue.

The signing of such USW PAC check-off form, which is made part of this Agreement and marked as Appendix "A", and the making of such voluntary annual contributions 'are not a condition of membership in the Union or of employment with the Company.

The United Steelworkers of America Political Action Committee supports various candidates for Federal and other elective office, is connected with the United Steelworkers of America, a labor organization, and solicits and accepts only voluntary contributions which are deposited in an account separate and segregated from the dues fund of the Union, in its own fund-raising efforts and in joint fund-raising efforts with the AFL-CIO and its Committee on Political Education.

The Union shall indemnify and save the Company harmless against all claims, demands, suits or other forms of liability that shall arise out of, or by reason of action taken or not taken, by the Company by reason of the above check-off provision.

IN WITNESS WHEREOF, each of the parties hereto have caused this Agreement to be executed and signed by their duly-authorized representatives this __________day of _______________2007.

MEMORANDUMS 40l(K) PENSION

1. For every three (3) month period without any workers compensation claims, each employee will receive an additional $50.00 contribution by the Company to the employees' 401K Plan.

HOSPITALIZATION

1. New Employees hired on or after the effective date of this Agreement, who participates in the Program of Insurance Benefits, will contribute 20% of the premium.

United Steelworkers-USW | Specialty Pipe

Leo W. Gerard

International President

James English

International Secretary Treasurer

Tom Conway

Vice President (Administration)

Fred Redmond

Vice President (Human Affairs)

David R. McCall

Director District 1

Kirk L. Davies

Staff Representative - USW

David Jett

Unit Chairman

Exhibit 10.23

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

<u>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).</u>

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is made and entered into as of May 1, 2014 by and between Synalloy Corporation, a Delaware corporation (the "Corporation"), and Craig C. Bram, a resident of Richmond, Virginia (the "Employee").

RECITALS

WHEREAS, the Corporation and the Employee executed and delivered an Employment Agreement dated June 1, 2013 (the "Prior Agreement"); and

WHEREAS, the Corporation and the Employee desire to terminate the Prior Agreement and to effectuate this Agreement as of May 1, 2014 according to the terms herein.

AGREEMENTS

NOW, THEREFORE, in consideration of the above premises and the terms and provisions hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, and intending to be legally bound hereby, the Corporation and the Employee hereby agree as follows:

1. <u>Employment</u>. The Corporation and the Employee hereby terminate the Prior Agreement effective May 1, 2014. The parties agree this Agreement then and thereafter shall be the sole employment agreement between the Corporation and the Employee pursuant to the terms and provisions set forth herein. The Corporation agrees to employ the Employee and the Employee agrees to serve as Chief Executive Officer and President of the Corporation, and in such other capacities as the Board of Directors of the Corporation (the "Board") may designate from time to time, for a period of two years beginning May 1, 2014, the effective date of this Agreement (this original term together with any extensions thereof shall be referred to collectively as the "Term"); *provided, however,* that, commencing on May 1, 2016 and on each two year anniversary of this Agreement thereafter, the Term shall automatically be extended for two additional years unless, not later than ninety (90) days prior to the conclusion of the then current Term, the Corporation or Employee shall have given written notice that it does not wish to extend this Agreement; *provided*, *further*, that in no event shall any termination of this Agreement result in any forfeiture of rights that accrued prior to the date of such termination. During the Term, the Employee shall devote his full time, attention, skill and efforts to the performance of his duties for the Corporation. Notwithstanding the foregoing, nothing herein

shall be construed to prevent Employee from serving on the Board of Directors of any other company without violating Paragraph 10 below or continuing employment with Horizon Capital Management, Inc.

2. Compensation. Subject to the Board's annual review and adjustment as set forth herein, the Corporation shall pay the Employee during the Term hereunder a base salary of Three Hundred Twenty-Five Thousand and No Dollars ($325,000.00) per year (the "Base Salary") together with the Cash Incentive payable as provided in Paragraph 3 below, and except as otherwise provided in this Agreement. The Base Salary shall be payable monthly or on a less frequent basis by mutual agreement. The Compensation & Long-Term Incentive Committee of the Board (the "Committee"), as soon as practicable after the end of each calendar year during the Term, beginning with the calendar year that ends on December 31, 2014, shall review the Employee's Base Salary. Based on such reviews, the Committee may increase, but shall not decrease, the Base Salary on an annual basis.

3. Cash Incentive. 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 the Corporation and provided Employee is in the employ of the Corporation on the last day of such fiscal year (except as provided in Paragraphs 8 and 9 hereof), the Employee shall be entitled to a cash incentive (the "Cash Incentive") as provided for in the incentive plan (the "Incentive Plan") established before the beginning of each of the Corporation's fiscal years by the Committee. In the Committee's discretion as detailed in the applicable Incentive Plan, the Cash Incentive shall be equal to a percentage of adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA") or a percentage of the Employee's Base Salary, each calculated using pre-determined EBITDA target ranges and other qualitative measures established in the applicable Incentive Plan. EBITDA is a non-GAAP measure and excludes discontinued operations, cash incentives payable to all managers participating in the Incentive Plan, interest expense, change in fair value of interest rate swap, income taxes, depreciation, amortization, inventory gain/(loss) due to changes in nickel prices, lower of cost or market inventory adjustment, acquisition costs, shelf registration costs, earn-out adjustments, bargain purchase gains, gain on excess death benefit and retention costs from net income. The Committee shall have sole discretion to determine which other items of income and expense are included in and/or excluded from EBITDA and what qualitative measures, if any, factor into computation of the Cash Incentive, and its determination 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 EBITDA as hereinabove defined, the Employee shall have no claim or recourse by reason of any such action. Cash Incentive payments will be made within two and one-half months of the fiscal year-end.

The provisions of this Paragraph 3 shall apply only to the Incentive Plan in effect for the applicable year during the Term. Each year's Incentive Plan is developed by the Committee and approved by the Board, in its sole discretion, on an annual basis. Nothing set forth herein shall be construed to guarantee that an Incentive Plan will be effective for any year during the Term. The right of the Employee to Cash Incentive payments shall be governed solely by the Incentive Plan, if any, approved by the Board in its absolute discretion for the relevant year.

4. Stock Options / Restricted Stock Awards. 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 the Corporation and provided Employee is in the employ of the Corporation on the last day of such fiscal year (except as provided in Paragraphs 8 and 9 hereof), the Employee shall be eligible for grants of stock options ("Stock Options") under the 2011 Long-Term Incentive Stock Option Plan or any future stock option plan(s) adopted by the Corporation (collectively, the "Stock Option Plan") and/or eligible for awards of restricted stock ("Restricted Stock Awards") under the 2005 Stock Awards Plan or any future restricted stock awards plan(s) adopted by the Corporation (collectively, the "Restricted Stock Plan"), as provided for in the then current Incentive Plan. The number of Stock Options and/or Restricted Stock Awards granted, if any, shall be based upon a percentage of Base Salary and EBITDA ranges established in the applicable Incentive Plan. The Employee's rights with respect to Stock Options and Restricted Stock Awards shall be as set forth in the Stock Option Plan and the Restricted Stock Plan, as applicable.

The provisions of this Paragraph 4 shall apply only to the Incentive Plan in effect for the applicable year during the Term. Each year's Incentive Plan is developed by the Committee and approved by the Board, in its sole discretion, on an annual basis. Nothing set forth herein shall be construed to guarantee that an Incentive Plan will be effective for any year during the Term. The right of the Employee to grants of Stock Options and/or Restricted Stock Awards shall be governed solely by the Incentive Plan, if any, approved by the Board in its absolute discretion for the relevant year.

5. Other Benefits. Employee shall be eligible to participate in all employee benefits plans in accordance with the terms of such plans.

6. Death or Disability. If because of death or 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 until the next anniversary date of this Agreement but in no event less than three (3) months, with the Cash Incentive for that fiscal year to be prorated to the date Employee's death or the date Employee's disability commenced, as applicable.

7. Termination for Cause; Resignation. 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, entry of any order by the Securities and Exchange Commission pursuant to Section 21C of the Securities Exchange Act of 1934 (the "Exchange Act") 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 reasonably deemed by the Board to have been disloyal to the Corporation shall constitute cause for termination. Termination for cause by the Corporation pursuant to this Paragraph 7 shall not constitute a breach of this Agreement by the Corporation, and shall release the Corporation from all of its obligations pursuant to this Agreement (including without limitation any obligation to pay any Cash Incentive as described in Paragraph 3) other than the obligation to pay any accrued but unpaid portion of Employee's Base Salary. Additionally, Employee may resign his employment with the Corporation at any time prior to the conclusion of the then current Term, provided that such resignation would constitute a release of the Corporation of all of its obligations pursuant to this Agreement (including without limitation any obligation to pay any Cash Incentive as described in Paragraph 3) other than the obligation to pay any accrued but unpaid portion of Employee's Base Salary.

8. Termination Without Cause; Failure to Renew Agreement. The Corporation shall have the right to terminate the Employee at any time without cause or, in its sole discretion, not to renew this Agreement for any reason at the end of a then current Term. Upon the occurrence of either circumstance, Employee shall receive, in addition to the Corporation's accrued obligations with respect to Employee's Base Salary and pro-rata portion of the current year's Cash Incentive, the following as severance, provided that Employee agrees to, signs, and does not revoke a separation agreement presented by the Corporation that includes standard terms such as a release of all claims against the Corporation and reaffirms the agreements set forth in the Confidentiality, Non-Competition and Non-Solicitation Agreement between the Corporation and Employee dated June 1, 2013: (i) 1.5 times Employee's current Base Salary, which at the Corporation's option may be paid in the form of a lump-sum payment within ninety (90) days of termination or over the course of eighteen (18) months in accordance with the Corporation's normal payroll schedule (ii) either the average of the two most recent Cash Incentive payments received by the Employee or, if Employee has received only one Cash Incentive payment, the amount of that previous Cash Incentive payment, which payment shall be paid to Employee in the form of a lump-sum payment within ninety (90) days of termination, (iii) reimbursement to Employee for the costs of the premiums (COBRA health insurance premiums for the first eighteen (18) months following the date of termination and the amount equal to such COBRA premiums for the following six (6) month period) paid by the Employee to participate, on terms and coverage no less favorable to the Employee than the terms and coverage offered to current senior executives of the Corporation, in health, life, hospitalization and disability insurance plans, and (iv) immediate vesting in one hundred percent (100%) of any previously granted Restricted Stock Awards and Stock

Options (and such Restricted Stock Awards and Stock Options shall be exercisable for a period of the earlier of (a) one (1) year after termination or (b) the expiration date of such Restricted Stock or Stock Options pursuant to their terms).

9. Change in Control. For purposes of this Agreement, a "Change in Control" shall be deemed to have occurred if: (i) any person (as defined in Section 13(d) and 14(d) of the Exchange Act) is or becomes the beneficial owner (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Corporation representing more than fifty percent (50%) of the combined voting power of the Corporation's then outstanding securities, or (ii) there is a consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Corporation (a "Business Combination"), in each case, unless, following such Business Combination, all or substantially all of the individuals and entities who were the beneficial owners of outstanding voting securities of the Corporation immediately prior to such Business Combination beneficially own, directly or indirectly, more than fifty percent (50%) of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity which, as a result of such transaction, owns the Corporation or all or substantially all of the Corporation's assets either directly or through one or more subsidiaries).

If in connection with, or within one (1) year after, a Change in Control, (i) the Corporation shall terminate the Employee's employment other than for cause (and other than due to his death or disability) or (ii) the Employee is not retained in substantially the same or better role and at substantially the same or better compensation level as prior to the Change in Control, the Employee shall receive, in addition to the Corporation's accrued obligations with respect to Employee's Base Salary and pro-rata portion of the current year's Cash Incentive, the following as severance, provided that Employee agrees to, signs, and does not revoke a separation agreement presented by the Corporation that includes standard terms such as a release of all claims against the Corporation and reaffirms the agreements set forth in the Confidentiality, Non-Competition and Non-Solicitation Agreement between the Corporation and Employee dated June 1, 2013: (a) for a period of two (2) years following the date of termination, continuation of Employee's then-current Base Salary, which at the Corporation's option may be paid in the form of a lump-sum payment within ninety (90) days of termination or over the course of two (2) years in accordance with the Corporation's normal payroll schedule, and (b) either two times the average of the two most recent Cash Incentive payments received by the Employee or, if Employee has received only one Cash Incentive payment, two times the amount of that previous Cash Incentive payment, which payment shall be paid to Employee in the form of a lump-sum payment within ninety (90) days of termination, (c) reimbursement to Employee for the costs of the premiums (COBRA health insurance premiums for the first eighteen (18) months following the date of termination and the amount equal to such COBRA premiums for the following six (6) month period) paid by the Employee to participate, on terms and coverage no less favorable to the Employee than the terms and coverage offered to current senior executives of the Corporation, in health, life, hospitalization and disability insurance plans, and (d) immediate vesting in one hundred percent (100%) of any previously granted Restricted

Stock and Stock Options (and such Restricted Stock Awards and Stock Options shall be exercisable for a period of the earlier of (i) one (1) year after termination due to Change in Control or (ii) the expiration date of such Restricted Stock or Stock Options pursuant to their terms).

10. 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, directly or indirectly (such as through a separate entity) without the prior written approval of the Board, become an officer, employee, consultant, agent, partner, director, shareholder or owner of beneficial interests in or of any following business enterprises:

(i) a business enterprise which competes with the Corporation and its subsidiaries/affiliates for customers, orders, supply sources, or contracts (a) in the continental United States, and (b) 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, or

(ii) a Target Company.

As used herein, "Target Company" means any business enterprise wherever located and of whatever type (including without limitation a business not currently competitive with the Corporation or its subsidiaries) which during the six months immediately preceding the termination or other cessation of the Employee's employment with the Corporation either was (i) in discussions with the Corporation or its subsidiaries regarding a merger with the Corporation or any of its subsidiaries, *or* (ii) in discussions with the Corporation or its subsidiaries regarding their purchase of some or all of the Target Company's equity interests (including stock or limited liability company interests) or a material part of its assets or, alternatively, regarding their sale to the Target Company of some or all of the Corporation's or its subsidiaries' equity interests (including stock or limited liability company interests) or a material part of their respective assets; *or* (iii) identified by management employees of the Corporation or its subsidiaries as a potential business with which the Corporation or its subsidiaries will investigate for the purpose of potentially engaging in one or more of the activities described in subsections (i) and (ii) of this definition.

The provisions of this Paragraph 10 shall survive any termination of this Agreement and shall be binding on the Employee notwithstanding any termination of cessation of his employment with the Corporation (including any termination pursuant to Paragraphs 7, 8 and 9 above). For the avoidance of doubt, if there are any perceived inconsistencies between this Paragraph 10 and the Confidentiality, Non-Competition and Non-Solicitation Agreement between the Corporation and Employee dated June 1, 2013, the agreements set forth in the latter shall prevail.

Further, passive ownership (not to exceed 5% of the total outstanding stock) of any publicly traded company will not in itself violate the provisions of this Paragraph 10. Employee acknowledges that the Corporation and its subsidiaries/affiliates are leaders in the chemical and metals businesses in which it manufactures, they have substantial customer relationships throughout the continental United States, and therefore the geographic scope of Employee's non-competition obligation is fair and reasonable.

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

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

12. Arbitration. Any controversy or claim arising out of, or relating to this Agreement, or the breach thereof, shall be resolved exclusively 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.

13. 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 or overnight mail by a recognized national carrier, to his residence in the case of Employee, or to its Executive Offices in the case of the Corporation.

14. 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.

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

16. Entire Agreement. This instrument contains the entire agreement of the parties hereto. It may not be changed orally, but only by an agreement in writing.

[Signatures Appear on the Next Page]

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

WITNESSES	SYNALLOY CORPORATION
	By ______________________
______________________	Murray H. Wright
As to Synalloy Corporation	Its: Chairman of the Board of Directors
	EMPLOYEE
______________________	______________________
As to Employee	Craig C. Bram

Synalloy Corporation

Exhibit 21 Subsidiaries of the Registrant

All of the Company's subsidiaries are wholly owned. All subsidiaries are included in the Company's consolidated financial statements. The subsidiaries are as follows:

Synalloy Metals, Inc., a Tennessee corporation
    Bristol Metals, LLC, a Tennessee limited liability corporation

Manufacturers Soap and Chemicals Company, a Tennessee corporation
    Manufacturers Chemicals, LLC, a Tennessee limited liability corporation

Ram-Fab, LLC, a South Carolina limited liability corporation

Metchem, Inc., a Delaware corporation

Synalloy Fabrication, LLC, a South Carolina limited liability corporation

Palmer of Texas Tanks, Inc., a Texas corporation (formerly Lee-Var, Inc.)

SynTrans, LLC, a Texas limited liability corporation

CRI Tolling, LLC, a South Carolina limited liability corporation

Specialty Pipe & Tube, Inc., a Delaware corporation

Exhibit 23

Consent of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Synalloy Corporation

We consent to the incorporation by reference in the registration statement on Form S-3 (File No. 333-185064), of our report dated March 17, 2015, with respect to the consolidated balance sheets of Synalloy Corporation and subsidiaries as of January 3, 2015 and December 28, 2013, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the three-year period ended January 3, 2015, the related financial statement schedule, and the effectiveness of internal control over financial reporting as of January 3, 2015, which appears in Synalloy Corporation's 2014 Annual Report on Form 10-K.

/s/ Dixon Hughes Goodman LLP

Charlotte, North Carolina
March 17, 2015

Exhibit 31.1

CERTIFICATIONS

I, Craig C. Bram, 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 officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	March 17, 2015	/s/ Craig C. Bram
		Craig C. Bram
		Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Richard D. Sieradzki, 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 officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	March 17, 2015	/s/ Richard D. Sieradzki
		Richard D. Sieradzki
		Chief Financial Officer and Principal Accounting 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 17, 2015

/s/ Craig C. Bram
Craig C. Bram
Chief Executive Officer

/s/ Richard D. Sieradzki
Richard D. Sieradzki
Chief Financial Officer and Principal Accounting Officer