

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

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the Quarterly Period Ended September 30, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_

COMMISSION FILE NUMBER 0-19687

**Synalloy**

**Synalloy Corporation**

(Exact name of registrant as specified in its charter)

**Delaware**

\_\_\_\_\_  
(State or other jurisdiction of incorporation or organization)

**57-0426694**

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

**4510 Cox Road, Suite 201, Richmond, Virginia**

\_\_\_\_\_  
(Address of principal executive offices)

**23060**

\_\_\_\_\_  
(Zip Code)

**(864) 585-3605**

\_\_\_\_\_  
(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See 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

(Do not check if a 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

The number of shares outstanding of the registrant's common stock as of November 7, 2016 was 8,664,577.

# Synalloy Corporation

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**PART I**

**Item 1. FINANCIAL STATEMENTS**

**Synalloy Corporation**  
**Condensed Consolidated Balance Sheets**  
(Unaudited)

	<b>Sep 30, 2016</b>	<b>Dec 31, 2015</b>
<b>Assets</b>		
<i>Current assets</i>		
Cash and cash equivalents	\$ 257,817	\$ 391,424
Accounts receivable, less allowance for doubtful accounts of \$179,000 and \$247,000, respectively	20,128,605	17,946,119
Inventories	59,156,909	63,815,635
Prepaid expenses and other current assets	5,298,723	2,943,236
<b>Total current assets</b>	<b>84,842,054</b>	<b>85,096,414</b>
Cash value of life insurance	—	1,500,781
Property, plant and equipment, net of accumulated depreciation of \$44,306,220 and \$50,203,945 respectively	27,296,861	46,294,271
Goodwill	1,354,730	1,354,730
Intangible asset, net of accumulated amortization of \$7,538,915 and \$5,711,175, respectively	12,918,085	14,745,825
Deferred charges, net and other non-current assets	165,927	51,469
<b>Total assets</b>	<b>\$ 126,577,657</b>	<b>\$ 149,043,490</b>
<b>Liabilities and Shareholders' Equity</b>		
<i>Current liabilities</i>		
Accounts payable	\$ 13,036,358	\$ 12,265,930
Accrued expenses	6,267,754	9,891,868
Current portion of long-term debt	—	4,533,908
Other current liabilities	132,530	101,000
<b>Total current liabilities</b>	<b>19,436,642</b>	<b>26,792,706</b>
Long-term debt, less unamortized debt issuance costs of \$0 and \$135,915, respectively	8,441,723	23,409,886
Long-term environmental reserves	450,000	450,000
Deferred income taxes	1,892,568	3,016,954
Deferred compensation	146,257	146,257
Long-term portion of deferred gain on sale-leaseback	6,351,192	—
Other long-term liabilities	—	73,393
<i>Shareholders' equity</i>		
Common stock, par value \$1 per share - authorized 24,000,000 shares; issued 10,300,000 shares	10,300,000	10,300,000
Capital in excess of par value	34,642,130	34,476,240
Retained earnings	59,371,737	65,029,474
	104,313,867	109,805,714
Less cost of common stock in treasury: 1,641,639 and 1,663,314 shares, respectively	14,454,592	14,651,420
<b>Total shareholders' equity</b>	<b>89,859,275</b>	<b>95,154,294</b>
<i>Commitments and contingencies – See Note 10</i>		
<b>Total liabilities and shareholders' equity</b>	<b>\$ 126,577,657</b>	<b>\$ 149,043,490</b>

Note: The condensed consolidated balance sheet at December 31, 2015 has been derived from the audited consolidated financial statements at that date.

See accompanying notes to condensed consolidated financial statements.

**Synalloy Corporation**  
**Condensed Consolidated Statements of Operations**  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	Sep 30, 2016	Oct 3, 2015	Sep 30, 2016	Oct 3, 2015
Net sales	\$ 34,297,231	\$ 38,083,284	\$ 105,515,911	\$ 139,894,977
Cost of sales	29,792,812	33,546,114	92,295,722	118,000,119
Gross profit	4,504,419	4,537,170	13,220,189	21,894,858
Selling, general and administrative expense	5,814,655	5,220,747	17,041,216	16,312,428
Acquisition related costs	1,034	9,154	76,091	454,200
Loss on sale-leaseback	2,455,347	—	2,455,347	—
Business interruption insurance proceeds	—	(576,658)	—	(1,056,775)
Operating (loss) income	(3,766,617)	(116,073)	(6,352,465)	6,185,005
Other expense (income)				
Interest expense	272,987	341,723	822,426	1,040,218
Change in fair value of interest rate swaps	(115,328)	247,152	276,512	233,235
Specialty and Palmer earn-out adjustments	—	(2,414,115)	—	(4,897,448)
Other, net	—	(23)	—	(137,214)
(Loss) income before income taxes	(3,924,276)	1,709,190	(7,451,403)	9,946,214
(Benefit from) provision for income taxes	(1,316,000)	354,000	(1,893,000)	2,498,000
Net (loss) income from continuing operations	(2,608,276)	1,355,190	(5,558,403)	7,448,214
Net loss from discontinued operations, net of tax	—	—	(99,334)	—
Net (loss) income	\$ (2,608,276)	\$ 1,355,190	\$ (5,657,737)	\$ 7,448,214
Net (loss) income per common share from continuing operations:				
Basic	\$ (0.30)	\$ 0.16	\$ (0.64)	\$ 0.85
Diluted	\$ (0.30)	\$ 0.16	\$ (0.64)	\$ 0.85
Net loss per common share from discontinued operations:				
Basic	\$ —	\$ —	\$ (0.01)	\$ —
Diluted	\$ —	\$ —	\$ (0.01)	\$ —
Weighted average shares outstanding:				
Basic	8,658,361	8,721,833	8,644,437	8,719,612
Dilutive effect from stock options and grants	—	—	—	6,559
Diluted	8,658,361	8,721,833	8,644,437	8,726,171

See accompanying notes to condensed consolidated financial statements.

**Synalloy Corporation**  
**Condensed Consolidated Statements of Cash Flows**  
(Unaudited)

	Nine Months Ended	
	Sep 30, 2016	Oct 3, 2015
<b>Operating activities</b>		
Net (loss) income	\$ (5,657,737)	\$ 7,448,214
Loss from discontinued operations, net of tax	99,334	—
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation expense	3,322,115	3,514,073
Amortization expense	1,844,840	1,708,110
Non-cash interest expense on debt issuance costs	58,681	63,155
Deferred income taxes	(1,124,386)	1,117,339
Earn-out adjustment	—	(4,897,448)
Adjustments to allowance for doubtful accounts	(51,531)	(99,333)
Adjustments to inventory reserves	460,726	746,000
Loss (gain) on sale of property, plant and equipment	2,294,917	(10,000)
Change in cash value of life insurance	1,502	64,000
Change in fair value of interest rate swap	276,512	233,235
Change in environmental reserves	31,530	33,058
Issuance of treasury stock in lieu of cash for director fees	330,000	118,762
Employee stock option and grant compensation	291,262	403,418
Changes in operating assets and liabilities:		
Accounts receivable	(2,130,955)	7,341,366
Inventories	4,198,000	1,283,635
Other assets and liabilities, net	(932,324)	(881,765)
Accounts payable	770,428	(10,316,034)
Accrued expenses	(174,063)	(1,987,528)
Accrued income taxes	(1,605,714)	739,590
<b>Net cash (used in) provided by continuing operating activities</b>	<b>2,303,137</b>	<b>6,621,847</b>
<b>Net cash used in discontinued operating activities</b>	<b>(3,943,137)</b>	<b>(633,880)</b>
<b>Net cash (used in) provided by operating activities</b>	<b>(1,640,000)</b>	<b>5,987,967</b>
<b>Investing activities</b>		
Purchases of property, plant and equipment	(2,115,577)	(7,430,903)
Proceeds from sale of property, plant and equipment	22,215,362	12,000
Proceeds from casualty insurance	—	512,287
Proceeds from life insurance policies	1,502,283	720,518
<b>Net cash provided by (used in) investing activities</b>	<b>21,602,068</b>	<b>(6,186,098)</b>
<b>Financing activities</b>		
Net borrowings from line of credit	6,566,157	4,070,548
Payments on long-term debt	(26,068,228)	(3,567,094)
Payments of capital lease obligation	(49,288)	(8,315)
Settlement of CRI interest rate swap	(290,427)	—
Proceeds from exercised stock options	—	8,302
Purchases of treasury stock	(253,889)	(122,503)
<b>Net cash (used in) provided by financing activities</b>	<b>(20,095,675)</b>	<b>380,938</b>
(Decrease) increase in cash and cash equivalents	(133,607)	182,807
<b>Cash and cash equivalents at beginning of period</b>	<b>391,424</b>	<b>26,623</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 257,817</b>	<b>\$ 209,430</b>
<b>Supplemental disclosure</b>		
<b>Cash paid during the year for:</b>		
Interest	\$ 711,916	\$ 938,855
Income taxes	\$ 916,015	\$ 2,197,809

See accompanying notes to condensed consolidated financial statements.

**Notes to Condensed Consolidated Financial Statements  
(Unaudited)**

**September 30, 2016**

Unless indicated otherwise, the terms "Company," "we," "us," and "our" refer to Synalloy Corporation and its consolidated subsidiaries.

**NOTE 1--BASIS OF PRESENTATION**

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included as required by Regulation S-X, Rule 10-01. Operating results for the three and nine-month periods ended September 30, 2016, are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. For further information, refer to the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2015.

**Accounting period**

On December 31, 2015, the Company elected to change its fiscal year from a 52-53 week year ending the Saturday nearest to December 31 to a calendar year ending December 31 effective with fiscal year 2015. The Company made this change prospectively and did not adjust operating results for prior periods. The third quarter of 2015 ended on October 3, 2015 and the third quarter of 2016 ended on September 30, 2016. The change of the month-end date had an insignificant effect on the financial results reported in this Form 10-Q.

**Reclassifications**

Customer rebates payable of \$158,000 were reclassified from accounts receivable to accrued expenses on the accompanying condensed consolidated balance sheet for the period ended December 31, 2015. This reclassification had no material effect on previously reported financial position, results of operations or shareholders' equity.

**NOTE 2--RECENTLY ISSUED ACCOUNTING STANDARDS**

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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. Two transition methods are available for implementing the requirements of ASU 2014-09: retrospectively for each prior reporting period presented or retrospectively with the cumulative effect of initial application recognized at the date of initial application. In March 2016, the FASB issued ASU 2016-08, *"Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations,"* to improve the operability and understandability of the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU 2016-10, *"Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing,"* to clarify guidance for identifying performance obligations and licensing implementation. In May 2016, the FASB issued ASU 2016-12, *"Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients,"* to clarify and improve the guidance for certain aspects of Topic 606. ASU 2015-14, *"Deferral of the Effective Date,"* defers the required implementation date of ASU 2014-09 for public business entities from annual reporting periods beginning after December 15, 2016 to annual reporting periods beginning after December 15, 2017. The company is currently assessing when and which method it will choose for adoption, and is evaluating the impact of the adoption on its consolidated results of operations and financial position.

In February 2015, the FASB issued ASU 2015-02, *"Consolidation (Topic 810): Amendments to the Consolidation Analysis,"* which modifies the consolidation model for reporting organizations under both the variable interest model and the voting interest model. The ASU is generally expected to reduce the number of situations where consolidation is required; however, in certain circumstances, the ASU may result in companies consolidating entities previously unconsolidated. The ASU requires all legal entities to re-

Notes to Condensed Consolidated Financial Statements  
(Unaudited)

September 30, 2016

evaluate previous consolidation conclusions under the revised model and is effective for periods beginning after December 15, 2015. Effective January 1, 2016, the Company adopted the provisions of this ASU. There was no effect on the Company's consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, *"Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs,"* which changes the presentation of debt issuance costs. This ASU requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Previously, capitalized debt issuance costs were presented as an asset on the consolidated balance sheets. ASU 2015-03 is effective for fiscal years beginning after December 15, 2015. Effective January 1, 2016, the Company adopted the provisions of this ASU and there was no material effect on the Company's consolidated financial statements. As a result of implementation, the Company reclassified unamortized debt issuance costs from "Deferred charges, net and other non-current assets" to "Long-term debt, less unamortized debt issuance costs" on the consolidated balance sheet as of December 31, 2015. At September 30, 2016, as the Company had no fixed-rate debt outstanding, the debt issuance costs for the current revolving line of credit are presented as "Deferred charges, net and other non-current assets" on the condensed consolidated balance sheet. Also, amortization expense originally recorded as "Selling, general and administrative expenses" related to debt acquisition costs for the three and nine-month periods ending September 30, 2016 and October 3, 2015 was reclassified as "Interest expense" on the consolidated statements of operations.

In July 2015, the FASB issued 2015-11, *"Inventory (Topic 330): Simplifying the Measurement of Inventory,"* which reduces the cost and complexity of accounting for inventory. This ASU requires an entity measure inventory at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. ASU 2015-11 is effective for periods beginning after December 15, 2016. The Company elected to early adopt the provisions of this ASU effective for the nine month period ending September 30, 2016. The implementation of this ASU did not have a material effect on the Company's consolidated financial statements.

In September 2015, the FASB issued ASU 2015-16, *"Business Combinations (Topic 805): Simplifying the Measurement-Period Adjustments,"* which requires an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. This ASU requires the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts calculated as if the accounting had been completed at the acquisition date. The amendments in this ASU also require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. Effective January 1, 2016, the Company adopted the provisions of this ASU. There was no effect on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *"Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,"* which significantly modifies the recognition of impairment of many financial assets by requiring immediate recognition of estimated credit losses expected to occur over their remaining life. The amendment should be applied using a modified-retrospective approach, through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within that reporting period. The Company did not elect to early adopt the provisions of this ASU and is currently evaluating the impact ASU 2016-09 will have on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *"Improvements to Employee Share-Based Payment Accounting."* The amendments in this updated guidance include changes to simplify the Codification for several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows and is effective for fiscal years beginning after December 15, 2016, including interim periods within that reporting period. The Company did not elect to early adopt the provisions of this ASU and is currently evaluating the impact ASU 2016-09 will have on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *"Leases (Topic 842),"* to increase the transparency and comparability of lease recognition and disclosure. The update requires lessees to recognize lease contracts with a term greater than one year on the balance sheet, while recognizing expenses on the income statement in a manner similar to current guidance. For lessors, the update makes targeted changes to the classification criteria and the lessor accounting model to align the guidance with the new lessee model and revenue guidance. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018 and must be applied

Notes to Condensed Consolidated Financial Statements  
(Unaudited)

September 30, 2016

using the modified retrospective approach. Early adoption is permitted. While the Company expects ASU 2016-02 to add significant right-of-use assets and lease liabilities to the consolidated balance sheets, it is evaluating other effects that the new standard will have on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, a consensus of the FASB's Emerging Issues Task Force." The new guidance addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. ASU 2016-15 is effective for fiscal years beginning after December 15, 2018, including interim periods within that reporting period. The Company is currently evaluating the effects the new guidance will have on its consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, "Income Taxes (Topic 740), Intra-Equity Transfers of Assets Other Than Inventory," which requires the recognition of the income tax consequences of an intra-equity transfer of an asset other than inventory, when the transfer occurs. ASU 2016-16 is effective for fiscal years beginning after December 15, 2018, including interim periods within that reporting period. The Company is currently evaluating the effects the new guidance will have on its consolidated financial statements.

**NOTE 3--INVENTORIES**

Inventories are stated at the lower of cost or market. Cost is determined by either standard or specific identification methods. The components of inventories are as follows:

	Sep 30, 2016	Dec 31, 2015
Raw materials	\$ 33,222,985	\$ 34,821,694
Work-in-process	6,412,464	5,096,515
Finished goods	19,521,460	23,897,426
	<u>\$ 59,156,909</u>	<u>\$ 63,815,635</u>

**NOTE 4--INTANGIBLE ASSETS AND DEFERRED CHARGES**

Deferred charges and intangible assets totaled \$20,708,000 at September 30, 2016 and \$21,001,000 at December 31, 2015. Accumulated amortization of deferred charges and intangible assets totaled \$7,624,000 at September 30, 2016 and \$6,204,000 at December 31, 2015. Estimated amortization expense for the next five years is: remainder of 2016 - \$629,000; 2017 - \$2,385,000; 2018 - \$2,227,000; 2019 - \$2,065,000; 2020 - \$1,897,000; and thereafter - \$3,881,000.

**NOTE 5--STOCK OPTIONS AND RESTRICTED STOCK**

During the first nine months of 2016, no stock options were exercised by officers and employees of the Company. Stock compensation expense for the three and nine-month periods ended September 30, 2016 was approximately \$102,000 and \$291,000, respectively, while stock compensation expense for the three and nine-month periods ended October 3, 2015 was approximately \$130,000 and \$403,000, respectively.

**Notes to Condensed Consolidated Financial Statements  
(Unaudited)**

**September 30, 2016**

On May 5, 2016, the Compensation & Long-Term Incentive Committee of the Company's Board of Directors approved stock grants under the Company's 2015 Stock Awards Plan to certain management employees of the Company where 42,348 shares with a market price of \$8.05 per share were granted under the Plan. On February 19, 2016, the Compensation & Long-Term Incentive Committee of the Company's Board of Directors approved stock grants under the Company's 2015 Stock Awards Plan to certain management employees of the Company where 50,062 shares with a market price of \$7.51 per share were granted under the Plan. 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 2015 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.

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. For the nine months ended September 30, 2016 and October 3, 2015 the Company had weighted average shares of common stock, in the form of stock grants and options, of 311,537 and 236,453, respectively, which were not included in the diluted earnings per share calculation as their effect was anti-dilutive.

**NOTE 6--INCOME TAXES**

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax of multiple state jurisdictions. The Company is no longer subject to U.S. federal examinations for years before 2013 or state income tax examinations for years before 2011.

The effective tax rate was 34 percent and 25 percent for the three and nine-month periods ended September 30, 2016, respectively. The nine-month effective tax rate was lower than the statutory rate of 34 percent primarily due to state tax expense, taxable life insurance cash surrender value gains and other permanent differences reducing the amount of tax benefit on the pre-tax loss for the year. The effective tax rate of 21 percent and 25 percent for the three and nine-month periods ended October 3, 2015, respectively, was lower than the 34 percent statutory rate primarily due to a non-taxable earn-out adjustment made in 2015. The year over year change in the effective rate is primarily related to the Company's non-taxable earn-out adjustments in 2015 not recurring in 2016 and taxable life insurance cash surrender value gains.

The Company accounts for income taxes for interim periods in accordance with "ASC Topic 740, *Income Taxes*" ("ASC 740"). ASC 740 requires the tax (or benefit) related to ordinary income (or loss) to be computed at an estimated annual effective tax rate and the tax (or benefit) related to all other items be individually computed and recognized when the items occur unless a reliable estimated annual effective tax rate cannot be calculated. Accordingly, based on forecasted pre-tax earnings (losses) compared to current year pretax activity and year to date actual permanent items, the income tax benefit for the nine months ended September 30, 2016 was determined based on the actual year-to-date effective tax rate because a reliable estimate of the annual effective tax rate cannot be made.

Notes to Condensed Consolidated Financial Statements  
(Unaudited)

September 30, 2016

## NOTE 7--SEGMENT INFORMATION

The following table summarizes certain information regarding segments of the Company's continuing operations:

	Three Months Ended		Nine Months Ended	
	Sep 30, 2016	Oct 3, 2015	Sep 30, 2016	Oct 3, 2015
<b>Net sales</b>				
Metals Segment	\$ 22,291,000	\$ 23,084,000	\$ 68,331,000	\$ 92,488,000
Specialty Chemicals Segment	12,006,000	14,999,000	37,185,000	47,407,000
	<u>\$ 34,297,000</u>	<u>\$ 38,083,000</u>	<u>\$ 105,516,000</u>	<u>\$ 139,895,000</u>
<b>Operating (loss) income</b>				
Metals Segment	\$ (3,240,000)	\$ (548,000)	\$ (5,661,000)	\$ 5,400,000
Specialty Chemicals Segment	1,188,000	1,598,000	3,720,000	4,624,000
	(2,052,000)	1,050,000	(1,941,000)	10,024,000
Less unallocated corporate expenses	1,713,000	1,157,000	4,335,000	3,385,000
Acquisition related costs	1,000	9,000	76,000	454,000
Operating (loss) income	(3,766,000)	(116,000)	(6,352,000)	6,185,000
Interest expense	273,000	342,000	822,000	1,040,000
Change in fair value of interest rate swap	(115,000)	247,000	277,000	233,000
Specialty and Palmer earn-out adjustments	—	(2,414,000)	—	(4,897,000)
Other income	—	—	—	(137,000)
	<u>(3,924,000)</u>	<u>1,709,000</u>	<u>(7,451,000)</u>	<u>9,946,000</u>
<b>(Loss) income from operations before income taxes</b>				
<b>As of</b>				
	<u>Sep 30, 2016</u>	<u>Dec 31, 2015</u>		
<b>Identifiable assets</b>				
Metals Segment	\$ 98,873,000	\$ 112,749,000		
Specialty Chemicals Segment	24,352,000	33,391,000		
Corporate	3,353,000	2,903,000		
	<u>\$ 126,578,000</u>	<u>\$ 149,043,000</u>		

## NOTE 8--FAIR VALUE OF FINANCIAL INSTRUMENTS

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 condensed 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.

**Notes to Condensed Consolidated Financial Statements  
(Unaudited)**

**September 30, 2016**

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 as of September 30, 2016 and December 31, 2015 related to the contingent consideration for Specialty Pipe & Tube, Inc. ("Specialty"), testing goodwill for impairment, the interest rate swaps and disclosures of the fair values of financial instruments.

As of September 30, 2016 and December 31, 2015, the carrying amounts for cash and cash equivalents, accounts receivable, accounts payable and borrowings under the Company's bank debt, which are based on variable interest rates, approximate their fair value. The carrying amount for cash value of life insurance at December 31, 2015 approximated its fair value.

The Company has two Level 2 financial assets and liabilities. These are classified as Level 2 as they are not actively traded and are valued using pricing models that use observable market inputs.

The fair value of the interest rate swap contract entered into on August 21, 2012 was a liability of \$232,000 and \$40,000 at September 30, 2016 and December 31, 2015, respectively. During the third quarter of 2016, the swap contract entered into September 3, 2013 was settled and as result had no value at September 30, 2016. The fair value of this interest rate swap contract was a liability of \$206,000 at December 31, 2015. The interest rate swaps were priced using discounted cash flow techniques which are corroborated by using non-binding market prices. Changes in its fair value were recorded to other income (expense) with corresponding offsetting entries to long-term assets or liabilities, as appropriate. 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. The fair value of this interest rate swap contract approximates its carrying value.

The fair value of contingent consideration liabilities ("earn-out") resulting from the Palmer of Texas Tanks, Inc. ("Palmer") and Specialty acquisitions are classified as Level 3. Each quarter-end the Company re-evaluates its assumptions and adjustments to the estimated present value of the expected payments to be made, if required.

The fair value of the earn-out liability to the former shareholders of Palmer was reduced to zero at April 4, 2015. Accordingly, the Company adjusted the earn-out liability and recognized a gain of approximately \$2,483,000 during the first quarter of 2015. The Palmer earn-out period expired August 21, 2015.

During the second quarter 2015, the Company adjusted the earn-out liability to the former owner of Specialty by approximately \$2,419,000. All information obtained as of the acquisition date indicated the projected first year sales of \$28,800,000, which was used for the earn-out liability calculation, was obtainable and reasonable. However, the purchase price accounting was preliminary due to a significant estimate that was under continual evaluation related to the variability in the forecasted results because of the heavy dependence on the energy sector by Specialty's Houston location. As a result of continued evaluation by the Company, the estimate was revised and goodwill was adjusted according to the final estimate.

During the third quarter 2015, the Company completed its revenue projections for Specialty during its 2016 planning processes. As a result, the Company determined the fair value of contingent consideration liability was zero and reduced the remaining earn-out liability by recognizing a gain of approximately \$2,414,000 during the third quarter 2015. As of September 30, 2016 and December 31, 2015, based upon projected revenue levels, the estimated fair value of the earn-out liability to the former owners of Specialty was zero.

There were no transfers of assets or liabilities between Level 1, Level 2 and Level 3 in the nine-month period ended September 30, 2016 or year ended December 31, 2015. During the first nine months of 2016, there have been no changes in the fair value methodologies used by the Company.

**NOTE 9--LONG-TERM DEBT**

On August 31, 2016, the Company amended its Credit Agreement with its bank to create a new credit facility in the form of an asset-based revolving line of credit (the "Line") in the amount of \$45,000,000. The Line was used to refinance and consolidate the existing line of credit and two existing term loans in the aggregate amount of approximately \$24,200,000. The maturity date of the Line is February 28, 2019. Interest on the Line is calculated using the One Month LIBOR Rate (as defined in the Credit Agreement), plus 1.85 percent. Borrowings under the Line are limited to an amount equal to a Borrowing Base calculation (as defined in the Credit Agreement) that includes eligible accounts receivable and inventory.

**Notes to Condensed Consolidated Financial Statements  
(Unaudited)**

**September 30, 2016**

Pursuant to the Credit Agreement, the Company was required to pledge all of its tangible and intangible properties, including the stock and membership interests of its subsidiaries. In the Credit Agreement, the Company's bank agreed to release its liens on the real estate properties covered by the Purchase and Sale Agreement ("PSA"), as described in Note 11. Covenants under the Credit Agreement include maintaining a minimum fixed charge coverage ratio and a limitation on the Company's maximum amount of capital expenditures per year, which is in line with currently projected needs. The minimum fixed charge coverage requirement begins for the fourth quarter ending December 31, 2016.

The Company evaluated this transaction in accordance with Accounting Standards Codification ("ASC") 470-50-40-10 and ASC 470-50-40-21 and determined the restructuring should be accounted for as a debt modification. The Company incurred lender and third party costs associated with the debt restructuring that were capitalized on the balance sheet while certain other third party costs were expensed.

On September 30, 2016, the Company paid off its remaining term note with its bank in conjunction with the sale leaseback transaction; see Note 11.

**NOTE 10--CONTINGENCIES**

The Company is from time-to-time subject to various claims, possible legal actions for product liability and other damages, and other matters arising out of the normal conduct of the Company's business.

On March 11, 2016, in a suit filed by a Metals Segment customer against Synalloy Fabrication, LLC (discontinued operation), the United States District Court of Maryland (Baltimore Division) granted summary judgment regarding liability in favor of the plaintiff by ruling that an enforceable contract existed between the parties and the Company breached the agreement. As a result of this ruling, the remaining issue in the case was the amount of the plaintiff's damages. Consequently, the Company increased the facility closing liability to a level of \$3,000,000 for the estimated costs associated with this claim for the year ended December 31, 2015. In June 2016, the matter was settled for damages totaling \$3,100,000. As a result, the Company increased the facility closing liability and made a payment of \$2,500,000 in June 2016. In September 2016 the remaining balance of \$600,000 was paid in full. The amount required to adjust the facility closing reserve as a result of the settlement is included in discontinued operations on the accompanying consolidated statements of operations.

Other than the matters discussed in this note, management is not currently aware of any other asserted or unasserted matters which could have a material effect on the financial condition or results of operations of the Company.

**NOTE 11-- SALE LEASEBACK TRANSACTION**

On August 31, 2016, Synalloy and its operating subsidiaries ("the Synalloy Companies") entered into the PSA with Store Capital Acquisitions, LLC, a Delaware limited liability company and an affiliate of Store Capital Corporation ("Store Capital Acquisitions"). Store Capital Acquisitions assigned its rights under the PSA to Store Master Funding XII, LLC, a Delaware limited liability company ("Store Funding"), prior to closing.

On September 30, 2016, pursuant to the terms and conditions of the PSA, the Synalloy Companies completed the sale of their real estate properties in Tennessee, South Carolina, Texas and Ohio to Store Funding for a purchase price of \$22,000,000. Concurrent with the sale of its real properties, the Company leased back all real properties sold to Store Funding. The closing of the sale-leaseback transaction provided Synalloy with net proceeds (after transaction-related costs) of approximately \$21,925,000. The net proceeds were used to pay down debt under the Company's credit agreement, as described in Note 9. This will allow sufficient availability on the Company's line of credit to pursue future acquisitions, finance high return on investment capital projects or for other corporate purposes.

The initial non-cancelable term of the lease is 20 years, with two renewal options of ten years each. First year rent expense will be \$1,892,000. The lease includes a rent escalator equal to the lesser of 1.25 times the percentage increase in the Consumer Price Index since the previous increase or two percent. The lease met the operating lease requirements and has been accounted for as such. For each location, Synalloy simultaneously entered into a sublease with each operating subsidiary. The amount of future minimum lease payments under the operating leases are as follows: remainder of 2016 - \$473,000; 2017 - \$1,901,000; 2018 - \$1,940,000; 2019 - \$1,978,000; 2020 - \$2,018,000; and thereafter - \$37,661,000.

**Notes to Condensed Consolidated Financial Statements  
(Unaudited)**

**September 30, 2016**

The sale-leaseback transaction is treated as a sale of assets. In accordance with *ASC 840 - Leases*, applicable gains and losses as a result of the sale-leaseback transaction were recorded at the subsidiary levels. Losses on the sale of \$2,455,000 were recognized in the third quarter and are reflected in the accompanying condensed statement of operations for the three and nine months ended September 30, 2016. In addition, transaction closing costs of \$102,000 were included in "Selling, general, and administrative expense" on the condensed statement of operations for the third quarter and nine months ended September 30, 2016. For properties where the present value of future lease payments exceeds the gain on sale of assets, a deferred gain was recognized. The deferred gain will be amortized on the straight-line method over the remaining life of the lease of approximately 20 years. Beginning in the fourth quarter, deferred gain amortization will be included as a reduction to "Selling, general, and administrative expense" in the accompanying condensed consolidated statements of income. The current portion of the deferred gain of \$334,000 is included in "Accrued expenses" and the long-term portion of the deferred gain of \$6,351,000 is included in "Long-term portion of deferred gain on sale-leaseback" in the accompanying condensed consolidated balance sheets.

**NOTE 12--BUSINESS INTERRUPTION INSURANCE**

On April 30, 2015, the Company's fiberglass tank fabrication facility at the Palmer complex in Andrews, Texas suffered fire damage including minor structural damage as well as damage to the electrical system and overhead cranes. The Company has completed repairs to the facility and the losses are fully insured including business interruption coverage. Total business interruption insurance recoveries recognized during the three and nine-month periods ended October 3, 2015 were approximately \$577,000 and \$1,057,000, respectively, and are shown separately in operating income on the accompanying condensed consolidated statements of operations.

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

The following is management's discussion of certain significant factors that affected the Company during the three and nine-month periods ended September 30, 2016.

Consolidated net sales for the third quarter of 2016 were \$34,297,000, a decrease of \$3,786,000 or ten percent when compared to net sales for the third quarter of 2015 of \$38,083,000. For the first nine months of 2016, net sales were \$105,516,000, a decrease of \$34,379,000 or 25 percent from the same period of 2015. For the third quarter of 2016, the Company recorded a net loss from continuing operations of \$2,608,000, or \$0.30 loss per share, compared to net earnings from continuing operations of \$1,355,000 or \$0.16 per share for the same quarter in the prior year. For the first nine months of 2016, the Company recorded a net loss from continuing operations of \$5,558,000 or \$0.64 loss per share, compared to net earnings from continuing operations of \$7,448,000 or \$0.85 per share for the first nine months of 2015.

Metals Segment

Metals Segment sales for the third quarter of 2016 totaled \$22,291,000, a decrease of \$793,000 or three percent from the third quarter of 2015. Sales for the first nine months of 2016 were \$68,331,000, a decrease of \$24,157,000 or 26 percent from 2015. Sales in prior year periods reflected stronger order shipments across all markets in early 2015, before the precipitous decline in oil prices occurred.

Storage tank sales increased 15 percent for the third quarter of 2016 and decreased seven percent for the first nine months of 2016 when compared to the same periods for the prior year. The increase in storage tank sales for the third quarter resulted from a 40 percent increase in the number of tanks shipped combined with an 25 percent decrease in average tank selling price. Sales decreased for the first nine months of 2016 when compared to the prior year due to a seven percent increase in tanks shipped combined with a 13 percent decrease in average tank selling price.

Seamless, heavy-wall carbon steel pipe and tube sales decreased twelve percent and 27 percent for the third quarter and first nine months of 2016 when compared to the same periods of the prior year. The sales decrease for the third quarter was comprised of a six percent increase in pounds sold combined with a 17 percent decrease in average selling price per pound shipped. For the first nine months of 2016, the decrease in sales when compared to the prior year was comprised of a eight percent decrease in the number of pounds shipped combined with a 20 percent decrease in the average selling price per pound shipped.

Stainless steel pipe sales declined six percent and 31 percent for the third quarter and first nine months of 2016 when compared to the same periods of the prior year. The pipe sales for the third quarter resulted from a five percent increase in the number of pounds shipped combined with a ten percent decrease in the average selling price per pound. The stainless steel pipe sales decrease

for the first nine months of 2016 resulted from a 13 percent decrease in the number of pounds shipped combined with a 20 percent decrease in average selling prices.

Sales were affected during the third quarter and first nine months of 2016 by:

- a) Low nickel prices continued to weigh heavily on stainless steel pipe sales in 2016. In addition, average nickel prices were down three percent and 27 percent for the third quarter and first nine months of 2016, respectively, when compared to the same periods of the prior year. Those two impacts drove most of the comparable declines.
- b) Comparisons of storage tank sale increases to the prior year are favorably affected in 2016 due to the late April, 2015 fire in the fiberglass tank production line that reduced second and third quarter 2015 volumes.

The Metals Segment's operating results from continuing operations decreased \$2,692,000 to a loss of \$3,240,000 for the third quarter of 2016 compared to a loss of \$548,000 for the third quarter of 2015. For the first nine months of 2016, operating income from continuing operations for the Metals Segment decreased \$11,061,000 to a loss of \$5,661,000 for 2016 compared to operating income of \$5,400,000 for 2015. Current year operating income was affected by the following factors:

- a) A \$2,455,000 charge in the third quarter associated with the book loss on three Metal Segment properties sold as part of the sale-leaseback transaction mentioned above.
- b) Lost contribution margin due to lower volumes across all segments as continued low oil and gas prices, as well as sustained lower levels of customer spending across all industrial classes, had an unfavorable effect on sales and profits for our storage tank and carbon pipe distribution facilities, as well as our stainless steel welded pipe markets.
- c) As a result of continued low nickel prices during 2016, the Company experienced inventory nickel margin compression of approximately \$1,193,000 and \$5,380,000 for the third quarter and first nine months of 2016, respectively. This compares to inventory nickel margin compression of approximately \$1,713,000 and \$4,830,000, respectively, for the same periods of 2015.

#### Specialty Chemicals Segment

Sales for the Specialty Chemicals Segment in the third quarter of 2016 were \$12,006,000, representing a \$2,993,000 or 20 percent decrease from the same quarter of 2015. Sales for the full-year 2016 were \$37,185,000, a decrease of \$10,222,000 or 22 percent from 2015. Pounds shipped during the third quarter of 2016 decreased 18 percent from the same period of 2015 and average selling prices decreased two percent. For the first nine months of 2016, pounds shipped decreased 17 percent while average selling prices decreased five percent. Sales were affected during the third quarter and first nine months of 2016 by:

- a) Lower sales due to in-sourcing of several products by customers who were able to absorb production due to weak demand for their other products, as well as delayed ramp-up of several new products due primarily to customer scheduling; and
- b) Lower selling prices per pound for oil based products. With the reduction in oil prices, the Segment's raw material costs decreased, which resulted in lower passed through material value as part of the billed selling prices.

Operating income for the third quarters of 2016 and 2015 was \$1,188,000 and \$1,598,000, respectively, a decrease of \$410,000 or 25.7 percent. For the first nine months, operating income was \$3,720,000 and \$4,624,000 for 2016 and 2015, respectively, a decrease of \$904,000 or 19.6 percent. The decrease in operating income for the quarter and first nine months was directly related to the lower sales levels.

#### Other Items

Consolidated selling, general and administrative expenses increased eleven percent to \$5,815,000, or 17 percent of sales, from \$5,221,000, 14 percent of sales, for the third quarter of 2016 compared to the third quarter of 2015. This cost category was \$17,041,000, 16 percent of sales, for the first nine months of 2016, an increase of \$729,000 or four percent from \$16,312,000, twelve percent of sales, for the same period of the prior year. Items comprising the change in consolidated selling, general and administrative expenses are as follows:

	Current year less prior year	
	Third quarter	Nine months
Salaries and wages	226,000	659,000
Professional fees	52,000	627,000
Sale - leaseback closing costs	102,000	102,000
Performance based incentive bonus	319,975	(273,961)
Sales commissions	(216,340)	(478,345)

Acquisition costs for 2015 mainly represent professional fees associated with the Specialty acquisition.

Interest expense was approximately \$300,000 for the third quarters of 2016 and 2015. For the nine months, interest expense decreased to \$822,000 for 2016 compared to \$1,040,000 for 2015.

The change in fair value of the interest rate swap contracts decreased unallocated expenses for the third quarter of 2016 by \$115,000 and increased unallocated expenses by \$247,000 for the third quarter of 2015. For the first nine months of 2016, unallocated expenses increased by \$277,000 for the change in fair value of the interest rate swap contracts, compared to a increase of \$233,000 million for the same period of 2015. During the third quarter of 2016, the swap contract entered into on September 3, 2013 was settled leaving only the swap contract entered into on August 12, 2012 outstanding as of September 30, 2016.

During the third quarter 2015, the Company completed its revenue projections for Specialty Pipe & Tube ("Specialty") in conjunction with its 2016 planning processes. As a result, the Company determined the projected revenues for 2016 would result in Specialty not meeting minimum earn-out levels for the second year calculation. Therefore, the contingent consideration liability was eliminated by recognizing a gain of approximately \$2,414,000 during the third quarter 2015. During March 2015, lower oil prices affected the demand for Palmer's storage tank and separator products. It was evident from reviewing March and April financial results that the third year operating results for Palmer would not meet the minimum earn-out levels. As a result, a \$2,483,000 favorable adjustment was recorded in the first nine months of 2015 to eliminate the remaining balance of Palmer's earn-out liability.

Other income of \$137,000 for the first nine months of 2015 represents life insurance proceeds received in excess of cash surrender value for a former officer of the Company.

The Company's effective tax rate was 34 percent and 25 percent for the three and nine-month periods ended September 30, 2016, respectively. The nine-month effective tax rate was lower than the statutory rate of 34 percent primarily due to state tax expense, taxable life insurance cash surrender value gains and other permanent differences reducing the amount of tax benefit on the pre-tax loss for the year. The effective tax rate of 21 percent and 25 percent for the three and nine-month periods ended October 3, 2015, respectively, was lower than the 34 percent statutory rate primarily due to a non-taxable earn-out adjustment made in 2015. The year over year change in the effective rate is primarily related to the Company's non-taxable earn-out adjustments in 2015 not recurring in 2016 and taxable life insurance cash surrender value gains.

On August 31, 2016, the Company amended its Credit Agreement with its bank to create a new credit facility in the form of an asset-based revolving line of credit (the "Line") in the amount of \$45,000,000. The Line was used to refinance and consolidate the existing line of credit and two existing term loans in the aggregate amount of approximately \$24,200,000. The maturity date of the Line is February 28, 2019. Interest on the Line is calculated using the One Month LIBOR Rate (as defined in the Credit Agreement), plus 1.85 percent. Borrowings under the Line are limited to an amount equal to a Borrowing Base calculation (as defined in the Credit Agreement) that includes eligible accounts receivable and inventory.

The Company's cash balance decreased \$133,000 from \$391,000 at the end of 2015 to \$258,000 as of September 30, 2016 and is comprised of the following:

- a) On September 30, 2016, the Company completed the sale of its real estate properties in Tennessee, South Carolina, Texas and Ohio to Store Capital Acquisitions for a purchase price of \$22,000,000. Concurrent with the sale of its real properties, the Company leased back all real properties sold to Store Capital Acquisitions. The closing of the sale-leaseback transaction provided Synalloy with net proceeds (after transaction-related costs) of approximately \$21,925,000. The proceeds were used pay off the remaining term loan and lower the Line's outstanding balance;
- b) Net accounts receivable increased \$2,183,000 at September 30, 2016 when compared to the prior year end, which resulted from a four percent increase in sales for the last two months of the third quarter 2016 compared to the last two months of the fourth quarter 2015. Also, days sales outstanding, calculated using a three-month average basis, decreased 4 days to 50 days outstanding at the end of the third quarter 2016 from 54 days outstanding at the end of 2015;

- c) Net inventories decreased \$4,659,000 at September 30, 2016 as compared to year-end 2015 with the Metals Segment accounting for \$4,311,000 of the decrease. During the first nine months of 2016, the Company continued its initiative to lower inventory levels. Inventory turns increased three percent from 1.89 turns at December 31, 2015, calculated on a three-month average basis, to 1.94 turns at September 30, 2016, primarily due to lower inventory levels;
- d) Accounts payable increased \$770,000 million as of September 30, 2016 from the prior year-end. The increase was primarily due to the increase in inventory purchases during 2016 combined with the continual increase in accounts payable days outstanding at quarter end;
- e) During June 2016, the Company cancelled three whole-life insurance policies on prior officers of the Company which resulted in the receipt of \$1,502,000 for their cash surrender value. This resulted in other assets decreasing \$1.4 million as of September 30, 2016 when compared to the prior year-end;
- f) Accrued expenses decreased \$3,624,000 as of September 30, 2016 from the prior year-end due mainly to the \$3,100,000 payment made during 2016 for the settlement of the Synalloy Fabrication, LLC (discontinued operation) lawsuit; and
- g) Capital expenditures for the nine months of 2016 were \$2,116,000.

The Company had \$8,442,000 of bank debt outstanding as of September 30, 2016. Covenants under the debt agreement include maintaining a minimum fixed charge coverage ratio and a limitation on the Company's maximum amount of capital expenditures per year, which is in line with currently projected needs. The minimum fixed charge coverage requirement begins for the fourth quarter ending December 31, 2016.

On December 31, 2015, the company elected to change its fiscal year from a 52-53 week year ending the Saturday nearest to December 31 to a calendar year ending December 31 effective with Fiscal year 2015. The Company made this change prospectively and did not adjust operating results for prior periods. The third quarter and first nine months of 2015 ended on October 3, 2015 and the third quarter and first nine months of 2016 ended on September 30, 2016. The change of month-end date had an insignificant effect on year over year financial statement comparability.

#### Outlook

This has been a challenging year for all of our end markets, but we do believe that 2016 marks the bottom for both of our operating segments. Recent activity offers some encouraging signs that should support improved results for 2017.

#### Looking at the Metals Segment:

- Bookings for storage tanks in Q3 were up 34 percent over the average bookings of the prior four quarters. Investment in the Permian Basin continues to gain momentum as WTI prices approach \$50 per barrel.
- We have seen some recent project activity in the stainless steel pipe market. In October, with the expanded capabilities of our new heavy wall/quick turn press, we were able to secure an order for an LNG project. The total value of that order is approximately \$4,700,000 and will be delivered in the latter part of Q1 2017.
- Nickel prices have been stable over the past six months and there appears to be a bias toward higher levels into 2017.
- We have opened a sales office in Shanghai with an experienced representative and will be focusing on special alloy sales into Asia.

#### For the Chemicals Segment:

- Capital improvements in recent years continue to help us drive higher margins, even with lower volumes. EBITDA margins year to date were 14 percent up from 12 percent last year and less than nine percent four years ago.
- The pipeline of new products are estimated to drive volume increases in 2017 of just under ten percent across the two facilities.

### **Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995**

This quarterly report 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 and nickel 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 the Company's Securities and Exchange Commission filings. The Company assumes no obligation to update the information included in this report.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risks**

Information about the Company's exposure to market risk was disclosed in its Annual Report on Form 10-K for the year ended December 31, 2015, which was filed with the Securities and Exchange Commission on March 30, 2016. There have been no material quantitative or qualitative changes in market risk exposure since the date of that filing.

### **Item 4. 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, Chief Financial Officer and Chief Accounting Officer concluded that that such controls and procedures, as of the end of the period covered by this quarterly report, were effective.

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

During the second quarter of 2016, the Company's subsidiary, Bristol Metals, LLC ("BRISMET"), implemented a new enterprise resource planning ("ERP") system. During the third quarter of 2016 Specialty Pipe & Tube, Inc. ("Specialty"), implemented the same ERP system. The implementation of the new ERP system resulted in material changes to the nature and type of BRISMET and Specialty's internal controls over financial reporting. The Company reviewed the implementation efforts as well as the impact on its internal controls over financial reporting and where appropriate, is making changes to these controls over financial reporting to address these system changes. The Company expects the transition period to be completed in 2016 as controls evolve under the new system. The Company believes the internal control changes resulting from the new ERP implementation at BRISMET and Specialty will improve the overall control environment. There were no other changes in the Company's internal controls over financial reporting during the quarter ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

## PART II

### Item 1. Legal Proceedings

It is not unusual for us and our subsidiaries to be involved in various unresolved legal actions, administrative proceedings and claims in the ordinary course of business involving, among other things, product liability, commercial, employment, workers' compensation, and environmental matters. We establish reserves in a manner that is consistent with accounting principles generally accepted in the United States for costs associated with such matters when a liability is probable and those costs are capable of being reasonably estimated. We cannot predict with any certainty the outcome of these unresolved legal actions or the range of possible loss or recovery. Based on current information, however, we believe that the eventual outcome of these unresolved legal actions, either individually or in the aggregate, will not have a material adverse effect on our financial position, results of operations or cash flows. There were no material changes in our Legal Proceedings, as discussed in Part I, Item 3 in the Company's Form 10-K for the period ending December 31, 2015, other than those discussed in Note 10 in Part I, Item 1 of this quarterly report

### Item 1A. Risk Factors

There were no material changes in our assessment of risk factors as discussed in Part I, Item 1A in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

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

#### Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Period	(a) Total number of shares (or units) purchased	(b) Average price paid per share (or unit)	(c) Total number of shares (or units) purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs
Jan 1, 2016 - Jan 31, 2016	—	\$ —	—	899,600
Feb 1, 2016 - Feb 29, 2016	—	\$ —	—	899,600
Mar 1, 2016 - Mar 31, 2016	29,500	\$ 8.61	29,500	870,100
Apr 1, 2016 - Apr 30, 2016	—	\$ —	—	870,100
May 1, 2016 - May 31, 2016	—	\$ —	—	870,100
Jun 1, 2016 - Jun 30, 2016	—	\$ —	—	870,100
Jul 1, 2016 - Jul 31, 2016	—	\$ —	—	870,100
Aug 1, 2016 - Aug 31, 2016	—	\$ —	—	870,100
Sep 1, 2016 - Sep 30, 2016	—	\$ —	—	870,100
Total	<u>29,500</u>		<u>29,500</u>	

The Stock Repurchase Plan was approved by the Company's Board of Directors on August 31, 2015 authorizing the Company's Chief Executive Officer or the Chief Financial Officer to repurchase shares of the Company's stock on the open market, provided however, that the number of shares of common stock repurchased pursuant to the resolutions adopted by the Board do not exceed 1,000,000 shares and no shares shall be repurchased at a price in excess of \$10.99 per share or during an insider trading "closed window" period. There is no guarantee on the exact number of shares that will be purchased by the Company and the Company may discontinue purchases at any time that management determines additional purchases are not warranted. The Stock Repurchase Plan will expire on August 31, 2017.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

None.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

Exhibit No.	Description
10.1	Second Amended and Restated Loan Agreement, dated as of August 31, 2016, between Registrant and Branch Banking and Trust ("BB&T").
10.2	Purchase and Sale Agreement, dated as of September 1, 2016, by and between Store Capital Acquisitions, LLC and Bristol Metals, LLC, Specialty Pipe & Tube, Inc., Palmer of Texas Tanks, Inc., Manufacturers Soap & Chemical Company, Manufacturers Chemicals, LLC and Synalloy Corporation
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
31.3	Rule 13a-14(a)/15d-14(a) Certification of the Chief Accounting 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 Quarterly Report on Form 10-Q shall be deemed "furnished" and not "filed."

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**SYNALLOY CORPORATION**

(Registrant)

Date: November 8, 2016

By: /s/ Craig C. Bram  
Craig C. Bram  
President and Chief Executive Officer  
(principal executive officer)

Date: November 8, 2016

By: /s/ Dennis M. Loughran  
Dennis M. Loughran  
Senior Vice President and Chief Financial Officer  
(principal financial officer)

Date: November 8, 2016

By: /s/ Richard D. Sieradzki  
Richard D. Sieradzki  
Chief Accounting Officer  
(principal accounting officer)

**BB&T**  
**SECOND AMENDED AND RESTATED LOAN AGREEMENT**

9520406872

BB&T Account Number

This Loan Agreement (the "*Agreement*") is made this \_\_\_\_\_ day of August, 2016 by and between **BRANCH BANKING AND TRUST COMPANY**, a North Carolina banking corporation ("*Bank*"), and **Synalloy Corporation**, a Delaware corporation, **Metchem, Inc.**, a Delaware corporation, **Synalloy Fabrication, LLC**, a South Carolina limited liability company, **Synalloy Metals, Inc.**, a Tennessee corporation, **Bristol Metals, LLC**, a Tennessee limited liability company, **Manufacturers Soap & Chemical Company**, a Tennessee corporation, **Manufacturers Chemicals, LLC**, a Tennessee limited liability company, **Palmer of Texas Tanks, Inc.**, a Texas corporation, **Syntrans, LLC**, a Texas limited liability company, **CRI Tolling, LLC**, a South Carolina limited liability company, and **Specialty Pipe & Tube, Inc.**, a Delaware corporation (sometimes individually a "*Borrower*" and collectively, the "*Borrowers*").

The Borrowers have applied to Bank for and Bank has agreed to make, subject to the terms of and upon the reliance of Borrowers's representations, warranties and agreements made in this Agreement, the following loan and/or line of credit (hereinafter sometimes referred to, singularly or collectively, if more than one, as "*Loan(s)*"):

This Agreement is entered into for purposes of amending and restating, in full, the provisions of the First Amended and Restated Loan Agreement dated August 21, 2012 (the "*Amended and Restated Loan Agreement*"), as amended, by and among the parties hereto. Capitalized terms used in this Agreement without definition retain the meanings respectfully assigned to such terms in the Amended and Restated Loan Agreement.

**Line of Credit ("Line of Credit")** in the maximum principal amount not to exceed **\$45,000,000.00** at any one time outstanding for the purpose of working capital and refinance of an existing line of credit and two term loans which shall be evidenced by the Borrowers' Promissory Note dated on or after the date hereof which shall bear interest at the rate set forth in such note, the terms of which are incorporated herein by reference (the "*Line Note*"). The Line of Credit shall mature on **February 28, 2019**, when the entire unpaid principal balance then outstanding plus accrued interest thereon shall be paid in full. Prior to maturity or the occurrence of any Event of Default hereunder and subject to Availability, as applicable, the Borrowers may borrow, repay, and reborrow under the Line of Credit through the Maturity Date. The principal balance from time to time outstanding under the Line of Credit shall bear interest at the rate set forth in the Line Note. Bank shall make advances under the Line of Credit into the Borrowers' designated operating account or other designated deposit account maintained with Bank upon receipt of the written or oral request (thereafter confirmed in writing) of Borrowers provided that Bank shall not be required to make any advance which would cause Borrowers to exceed Availability (as defined in section 10 hereof), if applicable. If at any time the aggregate principal balance outstanding under the Line of Credit shall exceed Availability, Borrowers shall immediately upon demand pay the amount necessary to bring the outstanding balance thereunder within Availability. **Unused Line Fee:** Borrowers shall pay Bank, **quarterly** in arrears on the last day of each calendar quarter, an unused fee equal to **0.125% per annum** on the average daily unused amount of the Line of Credit for such calendar quarter calculated on the basis of a year of 360 days for the actual number of days elapsed.

**CRI Acquisition Term Loan ("Term Loan")**. Bank has also previously made to Borrowers the Term Loan in the original principal amount of \$4,033,250.00, as evidenced by that certain Promissory Note dated August 9, 2013 between Bank and Borrowers ("*Term Note*"), the terms and conditions of which pertaining to the Term Loan are incorporated herein. The Term Loan shall bear interest at the rate set forth in the Term Note, the terms of which are incorporated herein. The Term Loan shall mature on August 19, 2023.

The Line of Credit and Term Loan shall be secured by a first and prior lien and security interest in the Borrowers' real property and improvements situated in Tennessee, Texas, Ohio and South Carolina, and Borrowers' existing and hereafter acquired personal property and business assets including Equipment, Inventory, Accounts, Goods, and General Intangibles pursuant to the terms of applicable security instruments listed below.

**Yield Protection.** If at any time a change in any law or regulation (including without limitation the Dodd-Frank Wall Street Reform and Consumer Protection Act and all rules, guidelines, or directives promulgated by Bank for International Settlements, the Basel Committee on Banking Supervision or other U.S. or foreign regulatory authorities pursuant to

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Basel III) or in the interpretation thereof by any governmental authority having the authority to interpret or enforce the same shall make it unlawful for Bank to make or maintain the Loan(s) under the terms of this Agreement, Bank shall have the right to convert the applicable interest rate on the Loan(s) to a rate based on the Prime Rate. Similarly, should Bank incur increased costs or a reduction in the amounts received or receivable on the Loan(s) because of any change in any applicable law, regulation, rule, guideline or order, including without limitation the imposition, modification or applicability of any reserves, deposits or capital adequacy then Borrowers shall pay to Bank within ten (10) business days of demand, which demand shall contain the basis and calculations supporting such demand, as may be required to compensate Bank for such increased costs or reductions in amounts to be received hereunder. Each determination and calculation made by Bank shall, absent manifest error, be binding and conclusive on the parties hereto. All payments made by Borrowers hereunder or the other Loan Documents shall be made free and clear and without deduction of any present or future taxes, levies, imposts, charges or withholdings other than taxes based on net income and franchise taxes imposed on Bank by the law of the jurisdiction in which Bank is organized or transacting business.

Additional terms, conditions and covenants of this Agreement are described in Schedule DD or other schedule attached hereto, the terms of which are incorporated herein by reference. The Line of Credit and Term Loan are sometimes collectively referred to herein as the "Loan." The Line Note and Term Note are sometimes collectively referred to herein as the "Note(s)" and shall include all extensions, renewals, modifications and substitutions thereof. Bank may, at its sole discretion, effect payment of any sums past due under the Note(s) and any fees or reimbursable expenses due by debiting Borrowers's operating or other deposit account maintained with Bank.

**Section 1 Conditions Precedent**

Bank shall not be obligated to make any disbursement of loan proceeds until all of the following conditions have been satisfied by proper evidence, execution, and/or delivery to Bank of the following documents and items in addition to this Agreement, all in form and substance satisfactory to Bank and Bank's counsel in their sole discretion:

**USA Patriot Act Verification Information:** Information or documentation, including but not limited to the legal name, address, tax identification number, driver's license, and date of birth (if any of the Borrowers are individuals) of the Borrowers sufficient for Bank to verify the identity of the Borrowers in accordance with the USA Patriot Act.

Borrowers shall notify Bank promptly of any change in such information.

**Note(s):** The Amended and Restated Promissory Note duly executed by the Borrowers.

**Deeds of Trust:** Deeds of Trust in which (i) Manufacturers Soap & Chemical Company, Manufacturers Chemicals, LLC and Bristol Metals, LLC grant and hypothecate to Bank a first priority lien on the specified real property, fixtures and improvements thereon located in Tennessee, (ii) Specialty Pipe & Tube, Inc. grants and hypothecates to Bank a first priority lien on the specified real property, fixtures and improvements thereon located in Ohio and Texas; and (iii) Palmer of Texas Tanks, Inc. (formerly known as Lee Var, Inc.) grants and hypothecates to Bank a first priority lien on the specified real property, fixtures and improvements thereon located in Texas.

**Mortgage:** A Real Estate Mortgage in which Synalloy Corporation and CRI Tolling, LLC shall grant and hypothecate to Bank a first priority lien on the specified real property, fixtures and improvements thereon located in South Carolina (the "SC Property;" collectively with the real property encumbered by the Deeds of Trust, the "*Mortgaged Property*").

**Title Insurance:** A Standard ALTA mortgage policy from a company or companies approved by Bank, providing coverage for the aggregate principal amount of the Note(s) and insuring the appropriate lien priority of the Mortgage encumbering the SC Property and which shall not contain any title exceptions or policy exclusions not approved by Bank and Bank's counsel.

**Survey:** A copy of the June 20, 2013 survey of the SC Property prepared by James Mauney & Associated, P.A., Professional Land Surveyors.

**Flood Hazard Certification:** Evidence satisfactory to Bank and Bank's counsel as to whether the SC Property is located within an area identified as having "special flood hazards" as such term is used in the Federal Flood Disaster Protection Act of 1973.

**Environmental Audit Report:** A copy of the "Phase I" Site Assessment Report and limited "Phase II" Report of Limited Groundwater Assessment prepared by ECS Carolinas, LLP dated July 19, 2013 and July 31, 2013, respectively which reflect that no hazardous waste, toxic substances, or other hazardous materials have contaminated the SC Property or, if the SC Property has been so contaminated, that it has been satisfactorily

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remediated or contained in accordance with all Environmental Laws. Bank shall be fully authorized to discuss all aspects of the audit with the engineering firm.

**Security Agreement(s):** An Amended and Restated Security Agreement in which Borrowers (each a “**Debtor**”) of personal property collateral shall grant to Bank a first priority security interest in the personal property specified therein. (If Bank has or will have a security interest in any collateral which is inferior to the security interest of another creditor, Borrowers must fully disclose to Bank any and all prior security interests, and Bank must specifically approve any such security interest which will continue during the term of the Loan(s)).

**UCC Financing Statements:** Copies of UCC Financing Statements duly filed in Borrowers’ state of incorporation, organization or residence, and in all jurisdictions necessary, or in the opinion of Bank desirable, to perfect the security interests granted in the Security Agreement, and certified copies of Information Requests identifying all previous financing statements on record for Borrowers, as appropriate from all jurisdictions indicating that no security interest has previously been granted in any of the collateral described in the Security Agreement, unless prior approval has been given by Bank.

**Commitment Fee:** A commitment fee of \$45,000.00 payable to Bank on the date of execution of the Loan Documents.

**Corporate Resolution:** A Certificate of Corporate Resolutions signed by the corporate secretary or certified officer containing resolutions duly adopted by the Board of Directors of all Borrowers incorporated as corporations authorizing the execution, delivery, and performance of the Loan Documents on or in a form provided by or acceptable to Bank.

**Articles of Incorporation:** A copy of the Articles of Incorporation and all other charter documents of all Borrowers incorporated as corporations, all filed with the Secretary of State of the state/commonwealth of Borrowers’s incorporation.

**By-Laws:** A copy of the By-Laws of all Borrowers incorporated as corporations, certified by the Secretary of Borrowers as to their completeness and accuracy.

**Certificate of Incumbency:** A certificate of the Secretary or Member or other certified officer of Borrowers certifying the names and true signatures of the officers each of the Borrowers authorized to sign the Loan Documents.

**Certificate of Existence:** A certification of the Secretary of State (or other government authority) of the state/commonwealth of each Borrowers’ incorporation or organization as to the existence or good standing of each of the Borrowers and its charter documents on file.

**Opinion of Counsel:** An opinion of counsel for Borrowers satisfactory to Bank and Bank’s counsel.

**Limited Liability Company Operating Agreement:** A copy of all Borrowers’ organized as a limited liability company Operating Agreement, certified by such Borrowers’ manager(s) and/or members, as applicable as to its completeness and accuracy.

**Declaration of Limited Liability Company:** A declaration or resolution from all Borrowers’ organized as a limited liability company authorizing the execution, delivery, and performance of the Loan Documents on a form provided by or acceptable to Bank.

**Limited Liability Company Articles of Organization:** A copy of the Articles of Organization and all other organizational documents of all Borrowers organized as a limited liability company, all filed with the Secretary of State of the state/commonwealth of Borrowers’ organization.

**Real Property Appraisal:** An appraisal ordered by the Bank of the estimated market value of the SC Property. The appraisal(s) must be addressed to Bank and must conform to the Uniform Standards of Professional Appraisal Practice (“USPAP”) adopted by the Appraisal Standards Board of the Appraisal Foundation. Any deviation from the USPAP must be explained in the appraisal(s). The appraiser(s) must be licensed and/or certified if required by applicable Federal Deposit Insurance Corporation regulations or state laws.

**Inventory Appraisal:** An appraisal of the Inventory (as defined in Schedule DD to this Agreement) addressed to Bank and in form and substance acceptable to Bank.

**Additional Documents:** Receipt by Bank of other approvals, opinions, or documents as Bank may reasonably request.

**Section 2 Representations and Warranties**

Borrowers represent and warrant to Bank that:

2.01. **Financial Statements.** The balance sheet of Borrowers and any subsidiaries, if any, and the related Statements of Income and Retained Earnings of Borrowers and any subsidiaries, the accompanying footnotes

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together with the accountant's opinion thereon, and all other financial information previously furnished to Bank, accurately, completely and fairly reflect the financial condition of Borrowers and any subsidiaries as of the dates thereof, including all contingent liabilities of every type, and the financial condition of Borrowers and any subsidiaries as stated therein has not changed materially and adversely since the date thereof.

2.02. **Name, Capacity and Standing.** Borrowers' exact legal names are correctly stated in the initial paragraph of the Agreement and each is duly organized and validly existing under the laws of its respective state of incorporation or organization; that it and/or its subsidiaries, if any, are duly qualified and in good standing in every other state in which the nature of their business shall require such qualification, and are each duly authorized by their board of directors, general partners or member/manager(s), respectively, to enter into and perform the obligations under the Loan Documents.

2.03. **No Violation of Other Agreements.** The execution and delivery of the Loan Documents, and the performance by Borrowers, by any and all pledgors (whether Borrowers or other owners of collateral property securing payment of the Loan(s) (hereinafter sometimes referred to as the "**Pledgor**")) thereunder will not violate any provision, as applicable, of its articles of incorporation, by-laws, articles of organization, operating agreement, agreement of partnership, limited partnership or limited liability partnership, or, of any law, other agreement, indenture, note, or other instrument binding upon any Borrowers or any Pledgor, or give cause for the acceleration of any of the respective obligations of any of the Borrowers.

2.04. **Authority.** The execution, delivery and performance of this Agreement, the Note(s) and the other Loan Documents have been duly authorized by all necessary and proper corporate or equivalent action. All authority from and approval by any federal, state, or local governmental body, commission or agency necessary to the making, validity, or enforceability of this Agreement and the other Loan Documents has been obtained.

2.05. **Asset Ownership.** Borrowers and each Pledgor has good and marketable title to all of the properties and assets reflected on the balance sheets and financial statements furnished to Bank, and all such properties and assets are free and clear of mortgages, deeds of trust, pledges, liens, security interests, and all other encumbrances except as otherwise disclosed by such financial statements or otherwise in writing.

2.06. **Discharge of Liens and Taxes.** Borrowers and any subsidiaries, if any, have filed, paid, and/or discharged all taxes or other claims which may become a lien on any of their respective properties or assets, excepting to the extent that such items are being appropriately contested in good faith and for which an adequate reserve (in an amount acceptable to Bank) for the payment thereof is being maintained.

2.07. **Regulations U and X.** None of the Loan(s) proceeds shall be used directly or indirectly for the purpose of purchasing or carrying any margin stock in violation of the provisions of Regulation U and Regulation X of the Board of Governors of the Federal Reserve System.

2.08. **ERISA.** Each employee benefit plan, as defined by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), maintained by Borrowers or by any subsidiary of Borrowers meets, as of the date hereof, the minimum funding standards of Section 302 of ERISA, all applicable requirements of ERISA and of the Internal Revenue Code of 1986, as amended, and no "Reportable Event" nor "Prohibited Transaction" (as defined by ERISA) has occurred with respect to any such plan.

2.09. **Litigation.** There is no claim, action, suit or proceeding pending, or to the knowledge of Borrowers, threatened or reasonably anticipated before any court, commission, administrative agency, whether State or Federal, or arbitration which will materially adversely affect the financial condition, operations, properties, or business of Borrowers, its subsidiaries, if any, any Guarantor, or any Pledgor, or affect, in any material respects, the ability of Borrowers or any Guarantor or any Pledgor to perform its obligations under the Loan Documents.

2.10. **Other Agreements.** The representations and warranties made by Borrowers to Bank in the other Loan Documents are true and correct in all respects on the date hereof

2.11. **Binding and Enforceable.** The Loan Documents, when executed, shall constitute valid and binding obligations of Borrowers and Guarantors respectively, and are enforceable in accordance with their terms, except as may be limited by bankruptcy, insolvency, moratorium, or similar laws affecting creditors' rights generally.

2.12. **Commercial Purpose.** The Loan(s) are not "consumer transactions", as defined in the South Carolina Uniform Commercial Code, and none of the collateral was or will be purchased or held primarily for personal, family or household purposes.

2.13. **Foreign Assets Control Regulations.** It is not in violation of (i) the Trading with the Enemy Act (50 U.S.C. App. Sec. 1 et seq), as amended, (ii) any of the foreign assets control regulations issued by the Office of Foreign Assets Control of the United States Treasury Department ("OFAC") and any executive order related thereto, or (iii) the U.S. Patriot Act, and further that it (a) is not subject to sanctions administered by OFAC or the U.S.

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Department of State or (b) has not engaged in any dealing or transactions with, or is otherwise associated with, any person subject to such sanctions.

2.14. **Survival of Representations and Warranties.** Borrowers agree that in extending loan advances, Bank is relying on all representations, warranties, and covenants made by Borrowers in this Agreement or in any certificate or other instrument delivered by Borrowers to Bank under this Agreement or the other Loan Documents. Borrowers further agree that regardless of any investigation made by Bank, all such representations, warranties and covenants will survive the making of each advance under the Loan(s) and delivery to Bank of the Loan Documents, shall be continuing in nature, shall be deemed made and reaffirmed by Borrowers at the time each advance is made, and shall remain in full force and effect until such time as Borrowers's indebtedness shall be paid in full, or until this Agreement shall be terminated in the manner provided herein, whichever is the last to occur.

### Section 3 Affirmative Covenants

Borrowers covenant and agree that from the date hereof and until payment in full of all indebtedness and performance of all obligations owed under the Loan Documents, Borrowers shall:

- 3.01. **Maintain Existence and Current Legal Form of Business.** (a) Maintain their existence and good standing in the state of their incorporation or organization, (b) maintain their current legal form of business indicated above, and, (c), as applicable, qualify and remain qualified as a foreign corporation, general partnership, limited partnership, limited liability partnership or limited liability company in each jurisdiction in which such qualification is required. Notwithstanding the foregoing, Bank acknowledges that Borrower intends to terminate the existence of SynTrans, LLC, as a Texas limited liability company, after Closing.
- 3.02. **Maintain Records.** Keep adequate records and books of account, in which complete entries will be made in accordance with GAAP consistently applied, reflecting all financial transactions of Borrowers. If Borrowers now or hereafter maintains any business records in the possession of a third party, at the request of Bank, Borrowers shall notify such third party to permit Bank free access to such records at all reasonable times and to provide Bank with copies of any records it may request, all at Borrowers's expense.
- 3.03. **Maintain Properties.** Except as contemplated by Section 3.14 of this Agreement and other sales in the ordinary course of business, maintain, keep, and preserve all of its properties (tangible and intangible) including the collateral necessary or useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted.
- 3.04. **Conduct of Business.** Continue to engage in an efficient, prudent, and economical manner in a business of the same general type as now conducted.
- 3.05. **Maintain Insurance.** Maintain fire and other risk insurance, public liability insurance, and such other insurance as Bank may require with respect to Borrowers' properties and operations, in form, amounts, and coverages and with insurance companies reasonably acceptable to Bank. Borrowers, upon request of Bank, will deliver to Bank from time to time the policies or certificates of insurance in form satisfactory to Bank, including stipulations that coverages will not be cancelled or diminished without at least thirty (30) days prior written notice to Bank. Each insurance policy also shall include an endorsement (NY long form) providing that coverage in favor of Bank will not be impaired in any way by any act, omission or default of Borrowers or any other person. In connection with all policies covering the Collateral, Borrowers shall provide Bank with such Bank's loss payable or other endorsements as Bank may reasonably require, and shall furnish to Bank upon request, reports on each existing insurance policy showing such information as Bank may reasonably request, including without limitation the following: (1) the name of the insurer; (2) the risks insured; (3) the amount of the policy; (4) the properties and assets insured; (5) the current property values on the basis of which insurance has been obtained, and the manner of determining those values; and (6) the expiration date of the policy. In addition, upon request of Bank (however not more often than annually), Bank may require that an independent appraiser satisfactory to Bank determine, as applicable, the actual cash value or replacement cost of any Collateral. The cost of such appraisal shall be paid by Borrowers. Should any or all of the Collateral become uninsured for any reason, Borrowers shall have ten (10) days after receipt of notice from Bank to obtain replacement insurance on the Collateral satisfactory to Bank and, should Borrowers fail to obtain such insurance, Bank may purchase insurance covering the Collateral, the cost of which shall be paid by Borrowers on demand. Notwithstanding the foregoing, Bank and Borrowers acknowledge that Borrowers do not insure finished goods inventory of pipe situated in open yard inventory locations at Bristol Metals, LLC (Tennessee) and Specialty Pipe & Tube, Inc. (Ohio and Texas) because the risk of loss for this finished goods inventory is deemed to be zero.

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- 3.06. **Comply With Laws.** Comply in all material respects with all applicable laws, rules, regulations, ordinances and orders applicable to each Borrowers's business, operations and properties including without limitation, the Americans with Disabilities Act, paying before the delinquency thereof all taxes, assessments, and governmental charges imposed upon it or upon its income, profits or property, and all Environmental Laws.
- 3.07. **Right of Inspection.** Permit the officers and authorized agents of Bank, at any reasonable time or times in Bank's sole discretion, to examine and make copies of the records and books of account of, to visit the properties of any of the Borrowers, and to discuss such matters with any officers, directors, managers, members or partners, limited or general, of such Borrowers, and with Borrowers's independent accountant as Bank deems necessary and proper.
- 3.08. **Reporting Requirements.** Furnish to Bank:
- Monthly Financial Statements:** As soon as available and not more than forty-five (45) days after the end of each month on a consolidated basis for all Borrowers, balance sheets, statements of income, cash flow, and retained earnings for the period ended, all in reasonable detail and all prepared in accordance with GAAP consistently applied and certified as true and correct by an officer of Synalloy Corporation; provided, however, that for each year during the term of the Loan(s), Borrower shall not be required to furnish a Monthly Financial Statement hereunder for the calendar month ending on December 31.
- Annual Financial Statements:** As soon as available and not more than ninety (90) days after the end of each fiscal year, balance sheets, statements of income, and retained earnings for the period ended and a statement of changes in the financial position, all in reasonable detail, and all prepared in accordance with GAAP consistently applied. The financial statements must be of the following quality or better: Audited with an unqualified opinion.
- Monthly Loan Base Report:** On or before the Fifteenth (15<sup>th</sup>) day of each Month, or as provided and/or required in accordance with Schedule DD a Loan Base Report in a form acceptable to Bank signed by the President, chief financial officer, or chief accounting officer of Borrowers, as appropriate.
- Quarterly Officer Compliance Certificate:** An Officer's Compliance Certificate ("OCC") with respect to Borrowers' compliance with the Affirmative, Financial and Negative Covenants set forth in Sections 3, 5, and 6 of this Agreement. The OCC will be in the form of Schedule EE or other form acceptable to Bank, properly executed by an authorized officer of Borrowers, including calculations to support all Financial Covenants, and set forth any corrective action taken or proposed to be taken with respect to any Default or Event of Default under such covenants. The OCC is due within the same number of days required for the delivery of Financial Statements for each fiscal quarter's end and for the fiscal year end. The OCC furnished by Borrowers for the fiscal year end shall include a reconciliation of all adjustments, if any, by Borrowers to the fourth quarter's certification.
- Notice of Litigation:** Promptly after the receipt by Borrowers, or by any Guarantor of which Borrowers has knowledge, notice of any complaint, action, suit or proceeding before any court or administrative agency or body of any type which, if determined adversely, could have a material adverse effect on the financial condition, properties, or operations of any Borrowers or any Guarantor, as applicable.
- Notice of Default:** Promptly upon discovery or knowledge thereof, notice of the existence of any event of default under this Agreement or any other Loan Documents.
- USA Patriot Act Verification Information:** Information or documentation, including but not limited to the legal name, address, tax identification number, driver's license, and date of birth (if Borrowers is an individual) of Borrowers sufficient for Bank to verify the identity of Borrowers in accordance with the USA Patriot Act. Borrowers shall notify Bank promptly of any change in such information.
- Other Information:** Such other information as Bank may from time to time reasonably request.
- 3.09. **Deposit Accounts.** Maintain substantially all of its primary operating accounts and treasury management accounts with Bank.
- 3.10. **Inventory Appraisals.** Upon request by Bank not to exceed two (2) requests per calendar year during the term of the Loan(s), furnish at Borrowers's expense an independent appraisal or update by an appraiser satisfactory to Bank of the Inventory.
- 3.11. **Affirmative Covenants from other Loan Documents.** All affirmative covenants contained in any other Loan Documents are hereby incorporated by reference herein.
- 3.12. **Management.** Maintain executive and management personnel with substantially the same qualifications and experience as the current executive and management personnel and promptly provide written notice to Bank of any change in such executive or management personnel.

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3.13 **Intellectual Properties.** Provide the Bank with at least fifteen (15) business days' prior written notice of the filing for registration of any Intellectual Properties (or the obtaining of any registered Intellectual Properties by acquisition, assignment of otherwise) which notice shall contain a copy of each such item of registration and related information as may be requested by Bank. In connection with any such registration, the Borrowers shall take such actions and make and cooperate in such filings and actions as the Bank may reasonably request in order to assure the perfection and security to the Bank as to its lien and security interest on all Intellectual Properties.

3.14 **Real Property Transfer.** Borrowers currently own the Mortgaged Property which Borrowers intend to sell and convey (the "**Real Property Transfer**") to a third-party transferee (the "**Transferee**") on or before October 31, 2016 (the "**Transfer Date**"), and upon consummation and closing of the Real Property Transfer, Bank shall release its liens and mortgages on those certain parcels of real property that are the subject of the Real Property Transfer, subject to Bank's review and approval of the Real Property Transfer, and provided that the proceeds from such sale are applied to pay the Term Note in full, with the remainder to pay down the outstanding principal balance due under the Line Note. In connection with and prior to the Real Property Transfer, Borrowers intend to enter into certain lease agreements with Transferee (the "**Leases**") whereby Borrowers will lease back from Transferee the Mortgaged Property. In the event Borrowers determine or become aware that the Real Property Transfer will not be consummated on or before the Transfer Date, for any reason whatsoever, Borrowers shall deliver written notice to Bank of the same, and the date of such notice shall constitute the Transfer Date hereunder.

(a) **Landlord Waiver.** In the event Borrowers shall consummate the Real Property Transfer on or before the Transfer Date, Borrowers shall comply with the obligations in this Section 3.14(a). The Leases shall be in form and substance reasonably acceptable to Bank and approved by Bank prior to the Real Property Transfer. Borrowers shall furnish to Bank simultaneous with the Real Property Transfer, in form and substance reasonably satisfactory to Bank and approved by Bank prior to the closing of the Real Property Transfer, a Landlord Waiver or Agreement duly executed by Transferee for each parcel of Mortgaged Property which shall: (i) consent to the Loan(s) and this Agreement, (ii) release and waive any lien of Transferee on Borrowers' personal property, (iii) upon occurrence of an Event of Default under this Agreement, allow Bank one hundred and twenty (120) days to access the Mortgaged Property and remove Borrowers' personal property, notwithstanding any provision(s) in the Leases to the contrary, and (iv) such other and further matters as may be required by Bank, in Bank's sole discretion. Without limiting the foregoing, Borrowers shall cooperate fully with Bank and execute such further instruments, documents and agreements, and shall do any and all such further acts, as may be reasonably requested by Bank to better evidence and reflect the transactions described herein and contemplated hereby and to carry into effect the intent purposes of this Section 3.14(a), as Bank shall require in its sole discretion.

(b) **Due Diligence; Additional Mortgages.** In the event Borrowers do not consummate the Real Property Transfer on or before the Transfer Date, Borrowers shall comply with the obligations in this Section 3.14(b). Borrowers shall: (i) permit Bank or its agent to access the Mortgaged Property in order to perform inspections and examinations of the Mortgaged Property desired by Bank in its sole discretion; (ii) deliver such title insurance endorsements for the Title Insurance requested by Bank, if any, in its sole discretion; (iii) execute and deliver to Bank any and all amendment(s) to or restatement(s) of the Mortgage and Deeds of Trust, and/or any and all new mortgage(s) or deed(s) of trust encumbering all or part of the Mortgaged Property, as are requested by Bank in its sole discretion, all in recordable form for the applicable jurisdiction for each parcel of Mortgaged Property and otherwise acceptable to Bank, and (iv) an opinion of legal counsel authorized to practice in the jurisdiction of each parcel of Mortgaged Property, regarding the enforceability of this Agreement, the Mortgages and/or the Deeds of Trust and other matters required by Bank, in its sole discretion; and (v) in the event Bank shall determine in its sole discretion that there are matters relating to title, or matters disclosed on the surveys, or matters otherwise known to Bank relating to the condition of the Mortgaged Property, which are reasonably unacceptable to Bank, Borrowers shall perform any and all acts necessary to cure such matters. Without limiting the foregoing, Borrowers shall cooperate fully with Bank and execute such further instruments, documents and agreements, and shall do any and all such further acts, as may be reasonably requested by Bank to better evidence and reflect the transactions described herein and contemplated hereby and to carry into effect the intent purposes of this Section 3.14(b), as Bank shall require in its sole discretion.

**Section 4 Guarantor(s) Covenants: Intentionally Deleted**

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### Section 5 Financial Covenants

Borrowers covenant and agree that from the date hereof until payment in full of the Loan(s) and the performance of all obligations under the Loan Documents, Borrowers shall at all times maintain the following financial covenants and ratios all in accordance with GAAP unless otherwise specified:

**Fixed Charge Coverage Ratio.** Minimum fixed charge coverage ratio of not less than 1.10, with the first test beginning December 31, 2016 and continuing each quarter thereafter, and increasing to not less than 1.25 on December 31, 2017, all to be tested on a rolling four quarter basis. The fixed charge coverage numerator is defined as the sum of pre-tax net income or pre-tax net loss plus depreciation and amortization plus interest expense plus rent/lease expense plus goodwill impairment expense plus stock option expense, minus dividends. The denominator would be the sum of interest expense, plus current maturities of long term debt plus rent/lease expense.

### Section 6 Negative Covenants

Each Borrower covenants and agrees that from the date hereof and until payment in full of all indebtedness and performance of all obligations under the Loan Documents, Borrowers shall not, without the prior written consent of Bank:

- 6.01. **Liens.** Create, incur, assume, or suffer to exist any lien or security interest upon or in Collateral, any of Borrowers' other properties, or the properties of any Pledgor securing payment of the Loan(s), whether now owned or hereafter acquired, except Permitted Liens.
- 6.02. **Debt.** Incur, assume, or suffer to exist any debt, except:
  - (a) Debt to Bank;
  - (b) Debt outstanding on the date hereof and shown on the most recent financial statements submitted to Bank;
  - (c) Amounts payable pursuant to any Leases approved by Bank pursuant to Section 3.14;
  - (d) Accounts payable to trade creditors incurred in the ordinary course of business;
  - (e) Debt secured by purchase money security interests only in the property or assets acquired; and
  - (f) Additional debt not to exceed \$500,000 in the aggregate at any time.
- 6.03. **Capital Expenditures.** Expenditures for fixed assets in any fiscal year shall not exceed in the aggregate as to all Borrowers the sum of \$8,000,000.00.
- 6.04. **Change of Legal Form of Business; Purchase of Assets.** Except for the planned termination of the existence of SynTrans, LLC, as a Texas limited liability company, change any Borrowers' names or the legal form of Borrowers' businesses as shown above, whether by merger, consolidation, conversion or otherwise, and Borrowers shall not purchase all or substantially all of the assets or business of any Person, or enter into any partnership with a third party.
- 6.05. Intentionally deleted.
- 6.06. Intentionally deleted.
- 6.07. Intentionally deleted.
- 6.08. **Guaranties.** Assume, guarantee, endorse, or otherwise be or become directly or contingently liable for obligations of any Person, except guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business.
- 6.09. **Loans to Insiders and Affiliates.** Make any loans to directors, officers, partners, members, shareholders, subsidiaries or affiliates.
- 6.10. **Disposition of Assets.** Sell, lease, or otherwise dispose of any of its assets or properties except in the ordinary and usual course of its business, or as permitted under Section 3.14 of this Agreement, subject to the terms and conditions set forth therein.
- 6.11. **Change in Control.** Cause, permit or undergo a Change in Control. A "**Change in Control**" shall mean (a) where Synalloy Corporation shall at any time cease to be a publicly held company and/or shall cease to have its capital stock traded on an exchange, or (b) a transaction or series of related transactions pursuant to which (i) at least fifty-one percent (51%) of the outstanding shares of stock of Synalloy Corporation, on a fully diluted basis, shall be owned by any Person which is not an Affiliate, or (ii) Synalloy Corporation merges into or with, consolidates with or effects any plan of share exchange or other combination with any Person which is not an Affiliate.
- 6.12. **Negative Covenants from Loan Documents.** All negative covenants contained in any Loan Document are hereby incorporated by reference herein.

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6.13. **Transactions with Affiliates.** Directly or indirectly, sell, lease, transfer, or otherwise dispose of any of its property to, or purchase any property from, or enter into any contract, agreement, understanding, loan, advance, guarantee or transaction (including the rendering of services) with or for the benefit of, any Affiliate (each of the foregoing, an “*Affiliate Transaction*”), unless (a) such Affiliate Transaction or series of Affiliate Transactions is (i) in the best interest of Borrowers and (ii) on terms that are no less favorable to Borrowers than those what would have been obtained in a comparable arm’s-length transaction by Borrowers with a person that is not an Affiliate. For purposes of this section, “Affiliate” shall mean any Borrowers, any relative of any Borrowers, of any Guarantor, or of an entity which is a parent, subsidiary or any person or entity controlled by, or under the common control of, any Borrowers, any Guarantor, Borrowers’s parent or subsidiary, or Guarantor’s parent or subsidiary.

**Section 7 Hazardous Substances and Compliance with Environmental Laws**

7.01. **Investigation.** Borrowers hereby certify that each has exercised due diligence to ascertain whether its real property, including without limitation the Mortgaged Property, is or has been affected by the presence of asbestos, oil, petroleum or other hydrocarbons, urea formaldehyde, PCBs, hazardous or nuclear waste, toxic chemicals and substances, or other hazardous materials, as defined in applicable Environmental Laws (collectively, “*Hazardous Substances*”). Borrowers represent and warrant that there are no Hazardous Substances contaminating their real property, nor have any such materials been released on or stored on or improperly disposed of on its real property during its ownership, occupancy or operation thereof except in strict compliance with Environmental Laws and any applicable permits. Borrowers hereby agree that, except in strict compliance with applicable Environmental Laws, none shall knowingly permit any release, storage or contamination of their properties as long as any indebtedness or obligations to Bank under the Loan Documents remains unpaid or unfulfilled. In addition, Borrowers do not have or use any underground storage tanks on any of their real property, including the Mortgaged Property, which are not registered with the appropriate Federal and/or State agencies and which are not properly equipped and maintained in accordance with all Environmental Laws. If requested by Bank, Borrowers shall provide Bank with all necessary and reasonable assistance required for purposes of determining the existence of Hazardous Substances on the Mortgaged Property, including allowing Bank access to the Mortgaged Property, to Borrowers’ employees having knowledge of, and to its files and records within Borrowers’ control relating to the existence, storage, or release of Hazardous Substances on the Mortgaged Property.

7.02. **Compliance.** Borrowers agree to comply with all applicable Environmental Laws, including, without limitation, all those relating to Hazardous Substances. Borrowers further agree to provide Bank, and all appropriate Federal and State authorities, with immediate notice in writing of any release of Hazardous Substances on the Mortgaged Property and to pursue diligently to completion all appropriate and/or required remedial action in the event of such release. In addition, Borrowers shall within fifteen (15) days after receipt thereof, a complete copy of any notice, summons, lien, citation, letter or other communication from any governmental agency concerning any action or omission of Borrowers in connection with any environmental activity or issue.

7.03. **Remedial Action; Indemnity:** Bank shall have the right, but not the obligation, to undertake all or any part of such remedial action in the event of a release of Hazardous Substances on the Mortgaged Property and to add any expenditures so made to the principal indebtedness secured by the Deed(s) of Trust or other security instruments. Borrowers agree to indemnify and hold Bank harmless from any and all loss or liability arising out of any violation of the representations, covenants, and obligations contained in this Section 7, or resulting from the recording of the Deeds of Trust, Mortgages, or other security instruments. In addition, Bank shall have all rights and remedies provided in other Loan Documents with respect to Hazardous Substances and violations of Environmental Laws.

**Section 8 Events of Default**

The following shall be “Events of Default” by Borrowers:

- 8.01. Should Borrowers fail to make payment of any installment of principal or interest on any of the Note(s) when due.
- 8.02. Should any representation or warranty made in the Loan Documents prove to be false or misleading in any material respect when made.

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- 8.03. Should any report, certificate, financial statement, or other document furnished prior to the execution of or pursuant to the terms of this Agreement prove to be false, incomplete or misleading in any material respect when delivered or made.
- 8.04. Should Borrowers default in the payment or performance of any other loan, line of credit, indenture, mortgage instrument, security agreement or other agreement with Bank or with another creditor or Person that may materially affect any Borrowers' property or ability to perform their respective obligations under this Agreement or the other Loan Documents.
- 8.05. Should any Borrower or any Pledgor breach any covenant, condition, or agreement made under any of the Loan Documents to which it is a party, unless such breach is of a nature that it cannot be immediately cured, in which case no Event of Default shall occur so long as the applicable Borrower(s) shall commence within twenty (20) days and thereafter diligently proceed to cure or remedy the default and shall complete such cure no more than ninety (90) days after the first occurrence of such breach.
- 8.06. Should a custodian be appointed for or take possession of any or all of the assets of any Borrowers; should any Borrower either voluntarily or involuntarily become subject to any insolvency proceeding, including becoming a debtor under the United States Bankruptcy Code, any proceeding to dissolve any Borrower, any proceeding to have a receiver appointed, or should any Borrower make an assignment for the benefit of creditors; or should there be an attachment, execution, or other judicial seizure of all or any portion of any Borrower's assets, including an action or proceeding to seize any Collateral or any funds on deposit with Bank, and such seizure is not discharged within 30 days.
- 8.07. Should final, non-appealable judgment issued by a court of competent jurisdiction for the payment of money be rendered against any Borrower which is not covered by insurance and shall remain undischarged for a period of 30 days unless such judgment or execution thereon is effectively stayed.
- 8.08. Upon the death of, or termination of existence of, or dissolution of, any Borrower or Pledgor.
- 8.09. Should Bank determine that any Borrower has suffered a material adverse change in its financial condition or its business operations.
- 8.10. Should any lien or security interest in the Collateral terminate, fail for any reason to have the priority agreed to by Bank on the date granted, or become unenforceable, unperfected or invalid for any reason, should the Collateral fail to be insured as required herein, or should the market value of the Mortgaged Property or other Collateral decline below the value anticipated or required in connection with the Loan(s).
- 8.11. Should Borrowers commit a default under any Hedge Agreement, as defined in Section 10.01.
- 8.12. Should any Borrower assert for any reason that this Agreement or any provision hereof or any other Loan Document is invalid or unenforceable.
- 8.13. Should any Borrower or any officer, director or owner of 20% or more of the outstanding ownership interests of any Borrower, be indicted for a felony offense under state or federal law, including without limitation any violation of any anti-money laundering, bribery, OFAC or bank fraud, or should any Borrower employ an executive officer or manager, or elect a director, who has been convicted of any such felony offense, or should any Person become an owner of 20% or more of the outstanding ownership interests of any Borrower who has been indicted or convicted of any such felony offense.

**Section 9 Remedies Upon Default**

Upon the occurrence of any of the above Events of Default, and subject to any applicable notice and cure periods, if any, Bank may at any time thereafter, at its option, take any or all of the following actions, at the same or at different times:

- 9.01. Declare the outstanding balance(s) of the Note(s) to be immediately due and payable, both as to principal and interest, late fees, and all other amounts/expenditures without presentment, demand, protest, or further notice of any kind, all of which are hereby expressly waived by Borrowers, and such balance(s) shall accrue interest at the Default Rate as provided herein until paid in full;
- 9.02. Require any Borrower to pledge additional collateral to Bank from such Borrower's assets and properties to secure the Loan(s), the acceptability and sufficiency of such collateral to be determined in Bank's sole discretion;
- 9.03. Take immediate possession of and/or foreclose upon any or all Collateral which may be granted to Bank as security for the indebtedness and obligations of any Borrowers or any Guarantor under the Loan Documents;
- 9.04. Exercise any and all other rights and remedies available to Bank under the terms of the Loan Documents and applicable law, including the South Carolina Uniform Commercial Code;

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9.05. Any obligation of Bank to advance funds to Borrowers or any other Person under the terms of under the Loan Documents and all other obligations, if any, of Bank under the Loan Documents shall immediately cease and terminate unless and until Bank shall reinstate such obligation in writing.

9.06. Obtain at the expense of Borrower independent appraisals or updates to an existing appraisal by an appraiser satisfactory to Bank of all or any portion of the Collateral.

**Section 10 Miscellaneous Provisions**

10.01. **Definitions.**

“**Availability**” shall mean the lesser of (i) \$45,000,000.00 or (ii) the Collateral Loan Value shown on the Loan Base Report furnished by Borrowers to Bank on or before the 15<sup>th</sup> day of each month as long as this Agreement shall remain in force, or as provided and/or determined in accordance with Schedule DD.

“**Collateral**” shall mean all property and assets granted as collateral security for the Loan(s), whether real or personal property, whether granted directly or indirectly, whether granted now or in the future, and whether granted in the form of a security interest, mortgage, security deed, deed of trust, assignment, pledge, crop pledge, chattel mortgage, chattel trust, factor’s lien, equipment trust, conditional sale, trust receipt, lien, charge, lien or title retention contract, lease or consignment intended as a security device, or any other security or lien interest whatsoever, whether created by law, contract, or otherwise.

“**Default Rate**” shall mean a rate of interest equal to the greater of: (i) fifteen percent (15.0%) per annum; or (ii) a variable rate equal to five percent (5.0%) per annum above the rate set forth in the Note(s) (not to exceed the legal maximum rate) from and after the date of an Event of Default hereunder which shall apply, in Bank’s sole discretion, to all amounts owing, on such date, calculated on the basis of the actual number of days elapsed over a year consisting of 360 days.

“**Environmental Laws**” shall mean all federal and state laws and regulations which affect or may affect the Mortgaged Property, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. Sections 9601 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. Sections 6901 et seq.), the Federal Water Pollution Control Act (33 U.S.C. Sections 1251 et seq.), the Clean Air Act (42 U.S.C. Section 7401 et seq.), the Toxic Substances Control Act (15 U.S.C. Section 2601 et seq.), and all applicable environmental laws and regulations of the State of South Carolina, as such laws or regulations have been amended or may be amended.

“**Hedge Agreement**” shall mean an agreement between Borrowers and Bank, now existing or hereafter entered into, which provides for an interest rate, credit, commodity, equity swap or other Swap Obligation, cap floor, collar, spot or forward foreign exchange transaction, currency swap, cross-currency rate swap, currency option or any similar transaction or any combination of, or option with respect to, these or similar transactions, for the purpose of hedging Borrowers’s exposure to fluctuations in interest or exchange rates, loan, credit, exchange, security or currency valuations or currency prices.

“**Loan Documents**” shall mean this Agreement including any Schedule attached hereto, the Note, the Deeds of Trust, the Mortgages, the Security Agreement, the Assignments of Leases and Rents, all UCC Financing Statements, and all other documents, certificates, and instruments executed in connection therewith, and all renewals, extensions, modifications, substitutions, and restatements thereof and therefore.

“**Permitted Liens**” shall mean (1) liens and security interest securing any indebtedness owed by any Borrowers to Bank; (2) liens for taxes, assessments, or similar charges either not yet due or being contested in good faith and for which appropriate reserves are maintained; (3) liens of materialmen, mechanics, warehousemen, or carriers, or other like liens arising in the ordinary course of business and securing obligations which are not yet delinquent; (4) purchase money liens or purchase money security interests upon or in any property acquired or held by Borrowers in the ordinary course of business to secure indebtedness outstanding on the date of this Agreement or permitted to be incurred under Section 6.02; (5) liens and security interests which, as of the date of this Agreement, have been disclosed to and approved by Bank in writing; and (6) those liens and security interests which in the aggregate constitute an immaterial and insignificant monetary amount with respect to the net value of Borrowers’s assets.

“**Person**” shall mean an individual, partnership, corporation, trust, unincorporated organization, limited liability company, limited liability partnership, association, joint venture, or a government agency or political subdivision thereof.

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“GAAP” shall mean generally accepted accounting principles as established by the Financial Accounting Standards Board or the American Institute of Certified Public Accountants, as amended and supplemented from time to time.

“Prime Rate” shall mean the rate of interest per annum announced by Bank from time to time and adopted as its Prime Rate, which is one of several rate indexes employed by Bank when extending credit, and may not necessarily be Bank’s lowest lending rate.

10.02. **Non-impairment.** If any one or more provisions contained in the Loan Documents shall be held invalid, illegal, or unenforceable in any respect, the validity, legality, and enforceability of the remaining provisions contained therein shall not in any way be affected or impaired thereby and shall otherwise remain in full force and effect.

10.03. **Applicable Law.** The Loan Documents shall be construed in accordance with and governed by the laws of the State of South Carolina, except that the provisions for the creation, perfection and enforcement of the lien(s) and security interest(s) created under the Loan Documents shall be governed by the jurisdiction in which the Collateral is located, and the Loan Documents shall bind each Borrowers’ heirs, personal representatives, successors and assigns and inure to the benefit of Bank’s successors and assigns.

10.04. **Waiver.** Neither the failure nor any delay on the part of Bank in exercising any right, power or privilege granted in the Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise of any other right, power, or privilege which may be provided by law. A waiver by Bank of a provision of this Agreement shall not prejudice or constitute a waiver of Bank’s right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Bank, nor any course of dealing between Bank and Borrowers, shall constitute a waiver of any of Bank’s rights or of any of Borrowers’ obligations as to any future transaction. Whenever the consent of Bank is required under this Agreement, the granting of such consent by Bank in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Bank.

10.05. **Modification.** No modification, amendment, or waiver of any provision of any of the Loan Documents shall be effective unless in writing and signed by Borrowers and Bank.

10.06. **Payment Amount Adjustment.** In the event that any Loan(s) referenced herein has a fixed payment with a variable (floating) interest rate and, as a result of an increase in such interest rate, accruals of interest are not fully paid, Bank, in its sole discretion, may at any time adjust Borrowers’s fixed payment amount(s) to prevent the amount of interest accrued in a given period exceeding the periodic payment amount or to cause the affected Loan(s) to be repaid within the same period of time as originally agreed upon.

10.07. **Stamps and Other Fees.** Borrowers shall pay all federal or state stamp and recording taxes, or other fees or charges, if any are payable or are determined to be payable by reason of the execution, delivery, or issuance of the Loan Documents or any security granted to Bank; and Borrowers agree to indemnify and hold harmless Bank against any and all liability in respect thereof. Borrowers shall pay all fees incurred by Bank for the appraisal of the Mortgaged Property obtained at any time after the date of this Agreement which Bank requires pursuant to federal or state regulations, in connection with any event of default under the Loan Documents or restructure of the Loan(s), any material damage to or condemnation of the Mortgaged Property, or in connection with any foreclosure or forbearance. Such appraisal fees shall be payable on demand, shall accrue interest at the default rate set forth in the Note(s) following demand and shall be secured by the security documents executed by Borrowers or Pledgor.

10.08. **Attorneys’ Fees.** In the event Borrowers or any Pledgor shall default in any of its obligations hereunder and Bank finds it necessary to employ an attorney to assist in the enforcement or collection of the indebtedness of Borrowers to Bank, to enforce the terms and provisions of the Loan Documents, to modify the Loan Documents, or in the event Bank voluntarily or otherwise should become a party to any suit or legal proceeding (including a proceeding conducted under the Bankruptcy Code), Borrowers, jointly and severally, agree to pay all reasonable attorneys’ fees incurred by Bank and all related costs of collection or enforcement that may be incurred by Bank.

10.09. **Bank Making Required Payments.** In the event Borrowers shall fail to maintain insurance, pay taxes or assessments, costs and expenses which Borrowers is, under any of the terms hereof or of any Loan Documents, required to pay, or fail to keep any of the properties and assets constituting collateral free from new security interests, liens, or encumbrances, except as permitted herein, Bank may at its election make expenditures for any or all such purposes and the amounts expended together with interest thereon at the Default Rate, shall become immediately

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due and payable to Bank, and shall have benefit of and be secured by the collateral; provided, however, Bank shall be under no duty or obligation to make any such payments or expenditures.

10.10. **Right of Offset.** Any indebtedness owing from Bank to Borrowers may be set off and applied by Bank on any indebtedness or liability of Borrowers to Bank at any time and from time to time after maturity, whether by acceleration or otherwise, and without demand or notice to Borrowers.

10.11. **UCC Authorization.** Borrowers authorize Bank to file such UCC Financing Statements describing the collateral in any location deemed necessary and appropriate by Bank.

10.12. **Modification and Renewal Fees.** Bank may, at its option, charge any fees for modification, renewal, extension, or restatement of any terms of the Note(s) and the other Loan Documents not prohibited by applicable law. Without limiting the foregoing, upon any renewal of the Note(s) or a portion of the debt evidenced thereby, Borrowers shall pay a renewal fee equal to 0.10% of the maximum principal amount of the Line of Credit as of the date of the renewal.

10.13. **Conflicting Provisions.** If provisions of this Agreement shall conflict with any terms or provisions of any of the Note(s), security document(s) or any schedule attached hereto, the provisions of such Note(s), security document(s) or any Schedule attached hereto, as appropriate, shall take priority over any provisions in this Agreement.

10.14. **Notices.** Any notice permitted or required by the provisions of this Agreement shall be deemed to have been given when delivered in writing to BB&T Commercial Finance at PO Box 1245, Winston-Salem NC, 27012, Attention: ABL Operations, and to the Chief Financial Officer of Synalloy Corporation at its offices in Richmond, Virginia when sent by certified mail and return receipt requested or by recognized courier. Unless otherwise required by law, if there is more than one Borrowers, any notice given by Bank to any Borrowers shall be deemed to be notice given to all Borrowers.

10.15. **Consent to Jurisdiction.** Borrowers hereby irrevocably agree that any legal action or proceeding arising out of or relating to this Agreement may be instituted in any state or Federal court situated in the Commonwealth of Virginia, or in any other jurisdiction in which any of Borrowers is domiciled, or in any jurisdiction in which the Collateral is located, as Bank may choose in its sole discretion. Borrowers consent to the jurisdiction of such courts and waives any objection relating to the basis for personal or in rem jurisdiction or to venue which Borrowers may now or hereafter have in any such legal action or proceedings.

10.16. **Counterparts.** This Agreement may be executed by one or more parties on any number of separate counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

10.17. **Entire Agreement.** The Loan Documents embody the entire agreement between Borrowers and Bank with respect to the Loan(s), and there are no oral or parole agreements existing between Bank and Borrowers with respect to the Loan(s) which are not expressly set forth in the Loan Documents.

10.18. **Indemnity.** Borrowers hereby jointly and severally agree to indemnify and hold Bank, its affiliates, their successors and assigns and their respective directors, officers, employees and shareholders harmless from and against, any loss, damage, lawsuit, proceeding, judgment, cost, penalty, expense (including all reasonable in-house and outside attorneys' fees, whether or not suit is brought, accountants' fees and/or consultants' fees) or liability whatsoever arising from or otherwise relating to the closing, disbursement, administration or repayment of the Loan(s), including without limitation: (i) Borrowers' failure to comply with the terms of this Agreement and the other Loan Documents (ii) the breach of any representation or warranty made to Bank in this Agreement or in any other Loan Documents now or hereafter executed in connection with the Loan(s); (iii) the violation of any covenant or agreement contained in this Agreement or any of the other Loan Documents; provided, however, that the foregoing indemnification shall not be deemed to cover any such loss, damage, lawsuit, proceeding, cost, expense or liability which is finally determined by a court of competent jurisdiction to result solely from Bank's gross negligence or willful misconduct. This indemnity obligation shall survive the payment of the Loan(s) and the termination of this Agreement.

10.19. **WAIVER OF JURY TRIAL. UNLESS EXPRESSLY PROHIBITED BY APPLICABLE LAW, THE UNDERSIGNED HEREBY WAIVE THE RIGHT TO TRIAL BY JURY OF ANY MATTERS OR CLAIMS ARISING OUT OF THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR OUT OF THE CONDUCT OF THE RELATIONSHIP BETWEEN THE UNDERSIGNED AND BANK, IN EACH CASE WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE. BORROWERS AGREE AND CONSENT THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT BANK MAY FILE AN ORIGINAL**

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**SECOND AMENDED AND RESTATED LOAN AGREEMENT**

COUNTERPART OR A COPY OF THIS PARAGRAPH WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF BORROWERS TO THE WAIVER OF ITS RIGHT TO TRIAL BY JURY. THIS PROVISION IS A MATERIAL INDUCEMENT FOR BANK TO MAKE THE LOAN(S) AND ENTER INTO THIS AGREEMENT. FURTHER, THE UNDERSIGNED HEREBY CERTIFY THAT NO REPRESENTATIVE OR AGENT OF BANK, NOR BANK'S COUNSEL, HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT BANK WOULD NOT SEEK TO ENFORCE THIS WAIVER OF RIGHT TO JURY TRIAL PROVISION. NO REPRESENTATIVE OR AGENT OF BANK, NOR BANK'S COUNSEL, HAS THE AUTHORITY TO WAIVE, CONDITION OR MODIFY THIS PROVISION. BORROWERS ACKNOWLEDGE THAT EACH HAS HAD THE OPPORTUNITY TO CONSULT WITH COUNSEL REGARDING THIS PARAGRAPH, THAT IT FULLY UNDERSTANDS ITS TERMS, CONTENT AND EFFECT, AND THAT IT VOLUNTARILY AND KNOWINGLY AGREES TO THE TERMS OF THIS PARAGRAPH.

10.20. **Required Information for New Loan.** To help the government fight the funding of terrorism and money laundering activities, federal law requires Bank to obtain, verify and record information that identifies each person or entity obtaining a loan including Borrowers' legal name, address, tax identification number, date of birth, driver's license, organizational documents or other identifying documents. Failure to provide the required information will result in a violation of the U.S. Patriot Act and will constitute a default under this instrument or agreement. In addition, no Borrowers, any of its affiliates, or any of their respective directors, officers, managers, partners, or any other authorized representatives is named as a "Specially Designated National and Blocked Person", on the list published by the U.S. Department of the Treasury Office of Foreign Assets Control (OFAC) at its official website.

10.21. **Correction of Errors; Further Assurances.** Borrowers will and will cause any Pledgor to cooperate with Bank to correct any errors in this Agreement, the Note or other Loan Documents and shall execute such documentation as is necessary to do so. In addition, Borrowers and Pledgor shall cooperate fully with Bank and execute such further instruments, documents and agreements, and shall do any and all such further acts, as may be reasonably requested by Bank to better evidence and reflect the transactions described herein and contemplated hereby and to carry into effect the intent purposes of this Agreement, the Note and the other Loan Documents, including without limitation the granting and/or perfecting of a security interest in the Collateral.

10.22. **Consent to Loan Participation.** Borrowers agrees and consents to Bank's sale or transfer, whether now or later, of one or more participation interests in the Loan(s) to one or more purchasers, whether related or unrelated to Bank. Bank may provide, without any limitation whatsoever, to any one or more purchasers, or potential purchasers, any information or knowledge Bank may have about Borrowers or about any other matter relating to the Loan(s), and Borrowers hereby waive any rights to privacy Borrowers may have with respect to such matters. Borrowers hereby waive any and all notices of sale of participation interests, as well as all notices of any repurchase of such participation interests. Borrowers agree that the purchasers of any such participation interests will be considered as the absolute owners of such interests in the Loan(s) and will have all the rights granted under the participation agreement(s) governing the sale of such participation interests. Borrowers waive all rights of offset or counterclaim, whether now existing or hereafter arising, against Bank or against any purchaser of such a participation interest and unconditionally agrees that either Bank or such purchaser may enforce Borrowers's obligation under the Loan(s) irrespective of the failure or insolvency of any holder of any interest in the Loan(s). Borrowers agrees that the purchaser of any such participation interest may enforce its interest irrespective of any personal claims or defenses that Borrowers may have against Bank. Any purchaser of a participation interest in the Loan(s) may exercise a right of setoff against Borrowers to the same extent as Bank has such right.

10.23. **Severability.** If a court of competent jurisdiction finds any provision of this Agreement to be illegal, invalid, or unenforceable as to any circumstance, such finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Agreement. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Agreement shall not affect the legality, validity or enforceability of any other provision of this Agreement.

10.24. **Construction.** Each party hereto hereby acknowledges that all parties hereto participated equally in the drafting and/or negotiation of this Agreement and that, accordingly, no court when interpreting this Agreement shall construe it more stringently against one party than the other.

**BB&T**  
**SECOND AMENDED AND RESTATED LOAN AGREEMENT**

10.25. **Time of the Essence.** Time is of the essence in the performance of this Agreement and the other Loan Documents.

10.26. **Matters as to Amendment And Restatement.** This Agreement constitutes an amendment and consolidated restatement in full of the Amended and Restated Loan Agreement (including all amendments thereto entered prior to the date hereof). Except for the effect of any matters expressly set forth in this Agreement, this Agreement and each of the Loan Documents is, and shall continue to be following the effectiveness of this Agreement, in full force and effect in accordance with the terms thereof, and nothing in this Agreement shall otherwise be deemed to amend or modify any provision of the Loan Documents, each of which shall remain in full force and effect except as otherwise expressly provided herein or therein. This Agreement is not intended to be, nor shall it be construed to create, a novation or accord and satisfaction. This Agreement does not effect the release of any collateral, does not disturb the perfection or priority of any existing liens, and does not effect the release of any obligor or other party from its obligations.

**BB&T**  
**SECOND AMENDED AND RESTATED LOAN AGREEMENT**

**SIGNATURE PAGE**

IN WITNESS WHEREOF, the Bank and Borrowers have caused this Agreement to be duly executed all as of the date first above written.

**Witness (as to the Borrowers):**

\_\_\_\_\_

**SYNALLOY CORPORATION**  
**METCHEM, INC.**  
**SYNALLOY FABRICATION, LLC**  
**SYNALLOY METALS, INC.**  
**BRISTOL METALS, LLC**  
**MANUFACTURERS SOAP & CHEMICAL**  
**COMPANY**  
**MANUFACTURERS CHEMICALS, LLC**  
**PALMER OF TEXAS TANKS, INC.**  
**SYNTRANS, LLC**  
**CRI TOLLING, LLC**  
**SPECIALTY PIPE & TUBE, INC.**

By: \_\_\_\_\_(SEAL)  
Dennis M. Loughran  
Senior Vice President and CFO  
*of and on behalf of the above-named entity*

**Witness (as to BB&T):**

\_\_\_\_\_

**BRANCH BANKING AND TRUST COMPANY**

By: \_\_\_\_\_  
Stan W. Parker  
Senior Vice President

## PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (this "Agreement") is made and entered into as of September 1, 2016 ("Effective Date"), by and between STORE CAPITAL ACQUISITIONS, LLC, a Delaware limited liability company ("Purchaser"), and BRISTOL METALS, LLC, a Tennessee limited liability company, SPECIALTY PIPE & TUBE, INC., a Delaware corporation, PALMER OF TEXAS TANKS, INC., a Texas corporation, MANUFACTURERS SOAP & CHEMICAL COMPANY, a Tennessee corporation, MANUFACTURERS CHEMICALS, LLC, a Tennessee limited liability company, and SYNALLOY CORPORATION, a Delaware corporation (individually or collectively, as the context may require, "Seller"). Except as otherwise expressly defined herein, capitalized terms will have the meanings set forth on Exhibit A attached hereto and incorporated herein by this reference. For and in consideration of the mutual covenants and promises hereinafter set forth, the parties hereby mutually covenant and agree as follows:

## ARTICLE I

## PURCHASE OF PROPERTIES

**Section 1.01. Agreement to Purchase.** Purchaser agrees to purchase, and Seller agrees to sell, in accordance with the terms, conditions and stipulations set forth in this Agreement (the "Transaction"), all of Seller's right, title and interest in and to (a) the parcel or parcels of real property, as more particularly described on Exhibit B attached hereto, and any and all improvements thereon and appurtenances thereto (collectively, the "Real Property"); (b) all fixtures affixed thereto; (c) all plans, specifications and studies pertaining to the Real Property in Seller's possession or under its control; (d) all mineral, oil and gas rights, water rights, sewer rights and other utility rights allocated to the Real Property; and (e) all easements, licenses, privileges and other property interests belonging or appurtenant to the Real Property (all of the foregoing items in clauses (a) through (e) above, now or hereafter existing, individually, a "Property", and collectively, the "Properties").

**Section 1.02. Purchase Price.** The aggregate purchase price to be paid by Purchaser to Seller for the Properties is \$22,000,000 (the "Purchase Price"). The Purchase Price shall be paid by Purchaser in immediately available federal funds at Closing.

**Section 1.03. Lease of Properties.** On or before the Closing Date, Lessee and Purchaser shall agree upon the Master Lease Agreement, pursuant to which Purchaser shall lease the Properties to Lessee, at the rent and pursuant to the terms and conditions contained therein (the "Lease").

**Section 1.04. Prorations.** In view of the subsequent lease of the Properties to Lessee pursuant to the Lease and Lessee's obligations thereunder, there shall be no proration of insurance, real estate taxes, special assessments, utilities or any other costs directly related to the Properties between Seller and Purchaser at Closing. All real and personal property, taxes and assessments and utilities relating to the Properties which are due and payable on or prior to the Closing Date shall be paid by Seller at or prior to Closing, and all other taxes and assessments shall be paid by Lessee in accordance with the terms of the Lease.

**Section 1.05. Transaction Costs.** Subject to Section 6.02(a) below, (a) Seller shall be responsible for the payment of all Transaction Costs incurred by Seller and Purchaser in connection with the Transaction up to \$75,000.00 in the aggregate; (b) Purchaser shall be responsible for all Transaction Costs incurred by Seller and Purchaser in connection with the Transaction in excess of \$75,000.00; and (c) Seller and Purchaser shall each be responsible for the payment of the fees and expenses of their respective legal counsel, accountants and other professional advisers ("Professional Fees").

The provisions of this Section shall survive Closing or termination of this Agreement for any reason.

**ARTICLE II**  
**DUE DILIGENCE**

**Section 2.01. Title Insurance.**

(a) **Title Commitments and Title Policies.** Purchaser shall promptly order owner's title insurance commitments (collectively, the "Title Commitments") with respect to the Properties issued by the Title Company, for ALTA Owner's Extended Coverage Title Insurance Policies or, in the case of Texas Property, the Texas equivalent, together with any endorsements, that Purchaser may reasonably require (collectively, the "Title Policies"). Purchaser shall provide the Title Company with the title policies for the Properties insuring Seller's title and request reissue credit, if available. Purchaser shall cause copies of the Title Commitments, all exception documents, and all related Surveys to be delivered to Seller no later than the date upon which Purchaser delivers its Title Objection for the Properties, which shall be no later than 3:00 p.m. MST/5:00 p.m. EST 21 days after the Effective Date unless otherwise agreed by the parties. All costs related to the Title Policies, escrow fees and other closing costs shall be included in Transaction Costs, payable as set forth in Section 1.05.

(b) **Title Company.** The Title Company is hereby employed by the parties to act as escrow agent in connection with this Transaction. This Agreement shall be used as instructions to the Title Company, as escrow agent, which may provide its standard conditions of acceptance of escrow; *provided, however*, that in the event of any inconsistency between such standard conditions of acceptance and the terms of this Agreement, the terms of this Agreement shall prevail. The Title Company's receipt of this Agreement and the opening of an escrow pursuant to this Agreement shall be deemed to constitute conclusive evidence of the Title Company's agreement to be bound by the terms and conditions of this Agreement pertaining to the Title Company.

(c) **Title Company Actions.** The Title Company is authorized to pay, from any funds held by it for each party's respective credit, all amounts necessary to procure the delivery of any documents required by this Agreement to be delivered and to pay, on behalf of Purchaser and Seller, all charges and obligations payable by them hereunder, respectively. Seller and Purchaser will pay all charges payable by them pursuant to this Agreement to the Title Company. The Title Company shall not cause the Transaction to close unless and until it has received written instructions from Purchaser and Seller to do so. The Title Company is authorized, in the event any conflicting demand is made upon it concerning these instructions or the escrow, at its election, to hold any documents and/or funds deposited hereunder until an action shall be brought in a court of competent jurisdiction to determine the rights of Seller and Purchaser or to interplead such documents and/or funds in an action brought in any such court. Deposit by the Title Company of such documents and funds, after deducting therefrom its reasonable charges, expenses and attorneys' fees incurred in connection with any such court action, shall relieve the Title Company of all further liability and responsibility for such documents and funds.

(d) **Title Objections.**

(i) Within seven (7) days after the Purchaser's receipt of both a Title Commitment *and* the related Survey for each Property, Purchaser shall notify Seller in writing of Purchaser's objection to any exceptions or other title matters shown on any Title Commitment or the related Survey (each, a "Title Objection"). At least five (5) days prior to the Closing Date, Seller shall notify Purchaser whether it will attempt to cure the Title Objections and which, if not all, Title Objections it will attempt to cure. Based on Seller's response, Purchaser may elect to (A) give Seller additional time to cure, and the parties will delay Closing for the period of time necessary for Seller to attempt to cure, not to exceed 30 days beyond the original Closing Date, (B) terminate the Agreement, in which event neither party will have any further obligations or liability hereunder, except for those obligations expressly stated to survive such termination; or (C) remove the applicable Property or Properties from the Properties to be conveyed hereunder, with an adjustment to the Purchase Price, as agreed upon by Purchaser and Seller, and proceed to close with respect to the remaining Properties. If Purchaser elects to have Seller attempt to cure the Title Objections that Seller agreed to address, Seller shall have the option to extend the Closing Date -- and the parties shall execute an amendment to this Agreement to that effect -- up to 30 days in order to cure such of those Title Objections Seller has agreed to

cure. If Seller is unable to cure those Title Objections it has agreed to cure within the agreed-upon time period, then Purchaser shall have the option, as its sole remedy, upon written notice to Seller on or before the amended Closing Date, to (A) terminate this Agreement, in which event neither party will have any further obligations or liability hereunder, except for those obligations expressly stated to survive such termination; or (B) remove the applicable Property or Properties from the Properties to be conveyed hereunder, with an adjustment to the Purchase Price, as agreed upon by Purchaser and Seller, and proceed to close with respect to the remaining Properties.

(ii) If any supplement to a Title Commitment or the related Survey discloses any additional title defects which were not created by or with the consent of Purchaser, and which are not acceptable to Purchaser, Purchaser shall notify Seller in writing of its objection thereto (each, an "Additional Title Objection") within five (5) days following receipt of such supplement or revision. If any Additional Title Objection is not removed or resolved by Seller to Purchaser's satisfaction at least five (5) days prior to the Closing Date, then Purchaser shall have the option, as its sole remedy, to (A) terminate this Agreement upon written notice to Seller on or before the Closing Date, in which event neither party will have any further obligations or liability hereunder, except for those obligations expressly stated to survive such termination; or (B) remove the applicable Property or Properties from the Properties to be conveyed hereunder, with an appropriate adjustment to the Purchase Price, and proceed to close with respect to the remaining Properties.

(iii) Purchaser's failure to timely deliver a Title Objection or an Additional Title Objection shall be deemed Purchaser's acceptance of the matters disclosed by the Title Commitments and the related Surveys. If Purchaser does not terminate this Agreement by reason of any Title Objection or Additional Title Objection, as provided in this Section 2.01, then such Title Objection or Additional Title Objection shall be deemed waived and approved by Purchaser and shall thereafter be deemed a Permitted Encumbrance.

**Section 2.02. Seller Documents.** With reasonable promptness, but in no event later than three (3) Business Days following the Effective Date, Seller shall deliver to Purchaser the following items to the extent the same exist and are in Seller's possession or under its control (collectively, the "Seller Documents"): (a) all surveys related to the Properties; (b) all environmental reports related to the Properties (including without limitation, Phase I and Phase II environmental investigation reports); (c) all appraisals or valuations related to the Properties; (d) all guaranties and warranties in effect with respect to all or any portion of the Properties; (e) financial statements of the Seller Entities and unit-level financial statements for the previous three years; (f) all property condition reports related to the Properties; and (g) all other documents related to the ownership, lease and operation of the Properties, and reasonably requested by Purchaser. Notwithstanding the previous sentence, as of the Effective Date, Seller has provided to Purchaser all Seller Documents in its possession.

**Section 2.03. Survey.** Purchaser shall order a current ALTA/ACSM "as built" survey as required for each Property from one or more surveyors selected by Purchaser (collectively, the "Surveys"), together with (a) evidence reasonably satisfactory to Purchaser that each Property fully complies with all zoning ordinances of the Governmental Authority having jurisdiction over each Property ("Zoning Evidence") (except in the case of Texas Property not subject to zoning), and (b) evidence reasonably satisfactory to Purchaser that none of the Properties is within a 100-year flood plain or a "Special Flood Hazard Area" as designated by the Federal Emergency Management Agency. Purchaser shall provide to the surveyors the Seller's surveys of the Properties. The Surveys shall show all improvements and shall plot all exceptions shown on the applicable Title Commitment (to the extent plottable), certified in favor of Purchaser, any requested Affiliate of Purchaser and Title Company in a manner reasonably acceptable to Purchaser and prepared in accordance with the appropriate "ALTA/ACSM" minimum standards. The cost of the Surveys shall be included in Transaction Costs, payable as set forth in Section 1.05.

**Section 2.04. Environmental.** Purchaser shall order a current complete Phase I environmental investigation report for each of the Properties for which Seller has not provided a current Phase I and update to any current Phase I provided by Seller (provided that the engineer can deliver an updated Phase I in a timely manner and at a cost savings), and if any environmental investigation report recommends additional subsurface investigation of any Property, Seller shall permit Purchaser to perform such additional subsurface investigation (each Phase I environmental investigation report and each additional subsurface investigation report, an "Environmental Report"),

from an environmental inspection company selected by Purchaser, detailing and analyzing certain aspects of any such Property; *provided, however*, that, notwithstanding the foregoing, if Seller fails or refuses to permit any such additional subsurface investigation or is unwilling to obtain environmental insurance providing coverage acceptable to Purchaser in its sole discretion, Seller shall be deemed to have elected to terminate this Agreement, in which event neither party will have any further obligations or liability hereunder, except for those obligations expressly stated to survive such termination. The cost of the Environmental Reports shall be included in Transaction Costs, payable as set forth in Section 1.05.

**Section 2.05. Valuation.** Purchaser shall order current site inspections and valuations of the Properties, separately stating values for the Real Property and improvements for each of the Properties, from one or more parties selected by Purchaser (each a "Valuation", and collectively, the "Valuations"). Purchaser shall provide to the appraisers any existing appraisals provided as part of the Seller's Documents. Each Valuation shall be in form and substance acceptable to Purchaser, and shall be certified to Purchaser and any requested Affiliate of Purchaser. The cost of the Valuations shall be included in Transaction Costs, payable as set forth in Section 1.05.

**Section 2.06. Property Condition Reports.** Purchaser shall order current property condition assessments and limited compliance audits as required for the Properties from one or more inspection companies selected by Purchaser (collectively, the "Property Condition Reports"). Purchaser shall provide to the inspection companies any existing property condition reports provided as part of the Seller's Documents. Each Property Condition Report shall be in form and substance acceptable to Purchaser, and shall be certified to Purchaser and any requested Affiliate of Purchaser. The cost of the Property Condition Reports shall be included in Transaction Costs, payable as set forth in Section 1.05.

**Section 2.07. Inspections.**

(a) **Inspection Period.** From the Effective Date and for a period of thirty (30) days thereafter, during normal business hours and after reasonable advance notice (the "Inspection Period"), (a) Purchaser may perform whatever investigations, tests and inspections (collectively, the "Inspections") with respect to any one or more of the Properties that Purchaser deems reasonably appropriate; and (b) Seller shall, at all reasonable times, (i) provide Purchaser and Purchaser's officers, employees, agents, advisors, attorneys, accountants, architects, and engineers with access to the Properties, all drawings, plans, specifications and all engineering reports for and relating to the Properties in the possession or under the control of Seller, the files and correspondence relating to the Properties, and the financial books and records relating to the ownership, lease (if applicable), operation, and maintenance of the Properties, and (ii) allow such Persons to make such inspections, tests, copies, and verifications as Purchaser considers necessary. Purchaser shall provide Seller at least one Business Days' notice in writing or by telephone in advance of its entry upon the Property for purposes other than visual inspections. No advance notice shall be required for visual inspections of the Property. Purchaser shall not make or perform any borings or other physically invasive or destructive tests without Seller's prior written consent, which shall not be unreasonably withheld, delayed or conditioned. Telephone notices, when permitted, shall be given to the applicable Seller's representative for the affected Property, as follows (the "Property Representatives"):

Bristol and Palmer: Kyle Pennington, kpennington@brismet.com, (423) 989-4705

Specialty (Houston and Ohio): Kyle Pennington, kpennington@brismet.com,  
(423) 989- 4705; Steve Baroff, sbaroff@specialtypipe.com, (303) 505-8262 ext. 102

MC and CRI: Greg Gibson, gibbon@synalloy.com, (423) 476-6518 ext. 2265

(b) **Insurance.** Prior to any entry onto the Properties, Purchaser shall ensure that each of Purchaser's representatives and vendors maintains comprehensive general liability insurance with commercially reasonable coverage considering the activities of such party.

(c) **Purchaser's Indemnity.** Purchaser shall not make any physical changes to the Property (other than soil borings as reasonably approved by Seller) and shall indemnify and hold harmless Seller from and against (i) all physical damage to the Property caused by Purchaser's tests and investigations, (ii) all loss, liability or damage suffered or incurred by Seller arising out of or resulting from injury or death to individuals or damage to personal property caused by the tests and investigations conducted by, or at the direction of, Purchaser, and (iii) all reasonable costs and expenses (including reasonable attorneys' fees and disbursements) incurred by Seller in connection with any action, suit, proceeding, demand, assessment or judgment incident to the foregoing, except to the extent (in each case) such loss, liability or damage arises out of Seller's negligence or intentional acts or omissions. Purchaser's obligations to indemnify Seller pursuant to this Section 2.07(c) and Purchaser's obligations to return the Information to Seller pursuant to Section 2.08 shall survive the termination of this Agreement.

(d) **Confidentiality.** Prior to the Closing, Purchaser shall hold all information concerning the Property obtained by Purchaser (the "Information") in confidence and shall not at any time disclose or permit the disclosure of the Information to any Person without Seller's prior written consent provided, however, Purchaser shall at all times be allowed to disclose or permit the disclosure of the Information in furtherance of any reasonable business purpose designed to aid Purchaser in its decision to purchase the Property. Notwithstanding the foregoing, (i) Purchaser may disclose the Information to its legal counsel, accountants, lenders, existing and prospective investors, consultants, advisors and other Persons who need to review the Information in connection with Purchaser's evaluation and purchase of the Property in accordance with the terms of this Agreement, (ii) the provisions of this Section 2.07(d) shall not apply to any portions of the Information that (a) were rightfully and without restriction known to Purchaser prior to disclosure hereunder, (b) are independently developed by Purchaser without reliance on any Information, or (c) are available from public sources other than through the actions of Purchaser or its agents, and (iii) Purchaser may disclose the Information to the extent that such disclosure is required by law, regulation or court order, but Purchaser first shall provide written notice thereof to Seller. Neither Seller nor Purchaser shall make any public announcements concerning the sale of the Properties pursuant to this Agreement without first obtaining the prior written consent of the other except that Purchaser may make any disclosures required by applicable law, court order or Governmental Authority.

**Section 2.08. Purchaser's Right to Terminate.** Notwithstanding any provision contained herein, in addition to its right to terminate this Agreement as set forth in Section 2.01(d), if (a) Purchaser determines, in its sole discretion, that any Property is not satisfactory, and Purchaser provides written notice thereof to Seller on or before expiration of the Inspection Period, or (b) Purchaser and Lessee are unable to agree upon the terms and conditions of the Lease as provided in Section 1.03, or (c) Purchaser fails to obtain the approval of any material change to the terms of the Transaction from Purchaser's Investment Committee prior to Closing, then Purchaser shall have the option to (i) terminate this Agreement, in which event neither party will have any further obligations or liability hereunder, except for those obligations expressly stated to survive such termination, or (ii) remove the applicable Property or Properties from the Properties to be conveyed hereunder, with an appropriate adjustment to the Purchase Price, if an adjustment can be agreed upon by Seller and Purchaser, and proceed to close with respect to the remaining Properties. If this Agreement is terminated for any reason by either party, Purchaser agrees, within 15 days after the date of termination to deliver to Seller copies of all title reports, title commitments, surveys, written geotechnical engineering reports and written environmental reports prepared by third parties for Purchaser during the period of time in which this Agreement is in effect provided that Seller pays all costs due in accordance with Section 1.05, and to return to the Seller all written materials concerning the Property previously delivered by Seller to Purchaser pursuant to this Agreement or otherwise. All third party reports and studies shall be delivered to Seller for information only without any right to rely thereon and without any representation or warranty of any type.

### ARTICLE III

#### CLOSING

**Section 3.01. Closing Date.** Subject to the provisions of Article V of this Agreement, the closing date of the Transaction contemplated by this Agreement (the "Closing") shall be set by mutual agreement of Seller and Purchaser

(the "Closing Date"); *provided, however*, that the Closing Date shall not extend beyond the Closing Deadline. The parties shall deposit with the Title Company all documents (including without limitation, the executed Transaction Documents) as necessary to comply with the parties' respective obligations hereunder on or before the Closing Date or as otherwise mutually agreed upon by the parties. The parties shall deposit all funds required hereunder with the Title Company on or before the Closing Date.

**Section 3.02. Funding.** Notwithstanding any provision contained in this Agreement, funding of the Transaction by Purchaser shall be contingent upon the delivery of the executed Transaction Documents, satisfaction of the conditions precedent set forth herein and in the other Transaction Documents, and confirmation by Purchaser's counsel that it or the Title Company has possession of all Transaction Documents required by Purchaser.

**Section 3.03. Possession.** Possession of the Properties, free and clear of all tenants or other parties in possession, except in accordance with the Lease, shall be delivered to Purchaser on the Closing Date.

#### ARTICLE IV

#### REPRESENTATIONS WARRANTIES AND COVENANTS

**Section 4.01. Seller.** Each Seller represents and warrants to, and covenants with, Purchaser as follows:

(a) **Organization and Authority.** Seller is duly organized or formed, validly existing and in good standing under the laws of its state of formation or incorporation, and is qualified as a foreign entity to do business in any jurisdiction where such qualification is required. Seller has all requisite power and authority to own and operate the Properties, to execute, deliver and perform its obligations under this Agreement and all of the other Transaction Documents, and to carry out the Transaction. The Person who has executed this Agreement on behalf of Seller has been duly authorized to do so.

(b) **Enforceability of Documents.** Upon execution by Seller, this Agreement and the other Transaction Documents to which it is a party, shall constitute the legal, valid and binding obligations of Seller, enforceable against Seller in accordance with their respective terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, arrangement, moratorium, or other similar laws relating to or affecting the rights of creditors generally, or by general equitable principles.

(c) **No Other Agreements and Options.** None of the Seller Entities or any Property is subject to any commitment, obligation, or agreement, including, without limitation, any right of first refusal, option to purchase or lease granted to a third party, which could or would (i) prevent Seller from completing, or impair Seller's ability to complete, the sale of the Properties under this Agreement or the subsequent lease of the Properties pursuant to the Lease, or (ii) bind Purchaser subsequent to consummation of the Transaction. Except as otherwise disclosed by Seller in writing to Purchaser, there is no lease in place, nor has there been any lease in place within the last twelve (12) months of the Effective Date, related to all or any part of any Property, even if any such lease will be terminated upon Closing.

(d) **No Violations.** The authorization, execution, delivery and performance of this Agreement and the other Transaction Documents will not (i) violate any provisions of the any applicable organizational or other charter documents of Seller, (ii) result in a violation of or a conflict with, or constitute a default (or an event which, with or without due notice or lapse of time, or both, would constitute a default) under any other document, instrument or agreement to which Seller is a party or by which Seller, the Properties or any of the property of Seller are subject or bound, (iii) result in the creation or imposition of any Lien, restriction, charge or limitation of any kind, upon Seller or the Properties, or (iv) violate any law, statute, regulation, rule, ordinance, code, rule or order of any court or Governmental Authority applicable to Seller or the Properties.

(e) **Compliance.** To Seller's actual knowledge, Seller's and Lessee's use and occupation of the Properties, and the condition thereof, is not in legal violation of any (i) applicable statutes, regulations, rules,

ordinances, codes, licenses, permits, orders and approvals of each Governmental Authority having jurisdiction over the Properties, including, without limitation, all health, building, fire, safety and other codes, ordinances and requirements, the Americans With Disabilities Act of 1990, and all policies or rules of common law, in each case, as amended, and any judicial or administrative interpretation thereof, including any judicial order, consent, decree or judgment applicable to the Properties or the Seller Entities (collectively, the “Legal Requirements”), (ii) all restrictions, covenants and encumbrances of record with respect to the Properties, and (iii) all agreements, contracts, insurance policies (including, without limitation, to the extent necessary to prevent cancellation thereof and to insure full payment of any claims made under such policies), agreements and conditions applicable to the Properties or the ownership, operation, use or possession thereof. No Seller Entity has received any notification that it or any Property is in violation of any of the foregoing, including without limitation, the Legal Requirements.

(f) **Compliance with Anti-Terrorism, Embargo, Sanctions and Anti-Money Laundering Laws.** Without in any way limiting the provisions of Section 4.01(e), Seller, and to the best of Seller’s knowledge, each of the Seller Entities is not currently identified on the OFAC List, and is not a Person with whom a citizen of the United States is prohibited from engaging in transactions by any trade embargo, economic sanction, or other prohibition of United States law, regulation, or executive order of the President of the United States.

(g) **Litigation.** There is no legal, administrative, arbitration or other proceeding, claim or action of any nature or investigation pending or involving or, to the best of Seller’s knowledge, threatened against, Seller, the Seller Entities or any of the Properties before any Governmental Authority, except as has been disclosed in writing by Seller, which in any way adversely affects or may adversely affect any of the Properties, the business performed and to be performed on the Properties, the condition, worth or operations of any of the Seller Entities, or the ability of any of the Seller Entities to perform under this Agreement or any other Transaction Documents, or which questions or challenges any of the Seller’s Entities’ participation in the Transaction contemplated by this Agreement or any other Transaction Document.

(h) **No Mechanics’ Liens.** There are no outstanding accounts payable, mechanics’ liens, or rights to claim a mechanics’ lien in favor of any materialman, laborer, or any other Person in connection with labor or materials furnished to or performed on any portion of the Properties, which will not have been fully paid for on or before the Closing Date or, to Seller’s knowledge, which might provide the basis for the filing of such liens against the Properties or any portion thereof. No work has been performed or is in progress nor have materials been supplied to the Properties or agreements entered into for work to be performed or materials to be supplied to any of the Properties prior to the date hereof, which will not have been fully paid for on or before the Closing Date or which might provide the basis for the filing of such liens against the Properties or any portion thereof. Seller shall be responsible for any and all claims for mechanics’ liens and accounts payable that have arisen or may subsequently arise due to agreements entered into for and/or any work performed on, or materials supplied to any of the Properties prior and subsequent to the Closing Date, and Seller shall and does hereby agree to defend, indemnify and forever hold Purchaser and Purchaser’s designees harmless from and against any and all such mechanics’ lien claims, accounts payable or other commitments relating to the Properties.

(i) **Condemnation.** No condemnation or eminent domain proceedings affecting any Property have been commenced or, to the best of Seller’s knowledge, are contemplated.

(j) **Licenses and Permits.** Seller possesses, and upon Closing, Lessee will possess, all required licenses, permits and other authorizations, both governmental and private, presently required by applicable provisions of law, including statutes, regulations and existing judicial decisions, and by the property and contract rights of third persons, necessary to permit the operation of the business in the manner in which it presently is conducted at the Properties.

(k) **Intellectual Property.** Seller possesses, and upon Closing, Lessee will possess and have the right to use all intellectual property, licenses and other rights as are material and necessary for the conduct of business at the Properties.

(l) **Environmental.**

(i) To Seller's actual knowledge, the Properties are not in violation of any Hazardous Materials Laws and there is no past or present non-compliance with Hazardous Materials Laws, or with permits issued pursuant thereto, in connection with the Properties.

(ii) No Seller Entity has received any written or oral notice or other communication from any Person (including but not limited to a Governmental Authority) relating to Hazardous Materials or USTs, or remediation thereof, of possible liability of any Person (including without limitation, Lessee) pursuant to any Hazardous Materials Law, other environmental conditions in connection with the Properties, or any actual or potential administrative or judicial proceedings in connection with any of the foregoing.

(m) **Financial Statements.** The financial statements concerning the Seller Entities delivered by or on behalf of Seller to Purchaser are true, correct and complete in all respects, and no adverse change has occurred with respect to such financial statements, since the date such financial statements were prepared or delivered to Purchaser. Seller understands that Purchaser is relying upon such financial statements and Seller represents that such reliance is reasonable. All such financial statements were prepared in accordance with generally accepted accounting principles consistently applied and accurately reflect, as of the date of this Agreement and the Closing Date, the financial condition of each individual or entity to which they pertain.

(n) **Solvency.** There is no contemplated, pending or threatened Insolvency Event or similar proceedings, whether voluntary or involuntary, affecting the Seller Entities, or to Seller's knowledge, any of their respective members, partners, shareholders, or Affiliates.

(o) **Satisfaction of Conditions Precedent.** From the Effective Date through the Closing Date, Seller shall use its best efforts to satisfy all conditions set forth in Section 5.01 of this Agreement on or prior to the Closing Date.

(p) **No Bankruptcy Petition.** Seller hereby agrees that it shall not institute against, or join any other Person in instituting against, Purchaser, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding, or any other proceeding under any federal or state bankruptcy or similar law. The provisions of this Section shall survive the Closing or termination of this Agreement. Notwithstanding the foregoing, the provisions of this Section shall in no way limit any other rights Seller may have with respect to this Agreement, either at law or in equity.

(q) **State Bulk Sales Statutes.** Seller represents and warrants to Purchaser that no bulk sales statutes promulgated by any Governmental Authority ("Bulk Sales Statutes") apply as a result of the sale of any of the Properties. Seller agrees to indemnify, defend and hold Purchaser harmless from and against any and all losses, costs, damages, expenses (including without limitation, court costs and reasonable attorney's fees) and liabilities which may be sustained or incurred by Purchaser, and/or any and all claims, demands, suits, proceedings and causes of action which may be brought or raised against Seller or Purchaser, as a result of or arising from (i) any claim that Purchaser has any liability or obligations under the Bulk Sales Statutes (including without limitation, any tax obligations or liabilities (or interest or penalties connected therewith) of Seller) by reason of the transactions provided for herein; or (ii) the failure of Purchaser to withhold any of Seller's unpaid tax obligations, liabilities, interest or penalties thereon from the Purchase Price or otherwise as required under any Bulk Sales Statutes; provided, however, that Seller shall not be liable for and have no indemnification obligations to Purchaser hereunder for any taxes that are the obligation of Lessee pursuant to the Lease.

(r) **Limitations on Seller's Liability for Representations and Warranties.** Seller's liability for a misrepresentation or breach of warranty under this Agreement shall be subject to the following limitations:

- (i) Seller's representations and warranties are for the personal benefit of the Purchaser and no such representation or warranty may be assigned to or enforced by any other Person, except any permitted assignee or any assignee consented to by Seller.
- (ii) Whenever a representation or warranty is made in this Agreement on the basis of the best knowledge or the actual knowledge of Seller or words of similar import, or whether Seller has received written notice, such representation or warranty is made with the exclusion of any facts disclosed to or otherwise actually know by Purchaser before the expiration of the Inspection Period, and is made solely on the basis of the actual, as distinguished from implied, imputed or constructive, knowledge on the date that such representation or warranty is made, of the applicable Property Representative for the relevant Property, whom Seller represents to be the representative of Seller having responsibility for the management and sale of the Property and accordingly the individual responsible for being informed of matters relevant to this Agreement, without independent investigation or inquiry, and without attribution to said applicable Property Representative of facts and matters otherwise within the personal knowledge of any other agent or employees of Seller or any other Person, and excluding, whether or not actually known by the applicable Property Representative, any matter actually known to Purchaser, in writing or otherwise, as of the expiration of the Inspection Period. Purchaser and Seller acknowledge that the individual(s) named above are named solely for the purpose of defining and narrowing the scope of the Seller's and the Purchaser's knowledge and not for the purpose of imposing any liability on or creating any duties running on the part of such individual(s). Purchaser and Seller covenant that no action of any kind will be brought against such individual(s) related to or arising out of this Agreement. Purchaser's knowledge of a misrepresentation or breach of warranty by Seller shall not release Seller from liability for such breach or misrepresentation except as otherwise provided in paragraphs (iii) and (iv) below.
- (iii) If, before the Closing Date, Purchaser obtains actual knowledge that any of the Seller's representations or warranties is inaccurate and Purchaser nonetheless proceeds with the Closing, Seller shall not have any liability for any such matter regarding which Purchaser had actual knowledge before the Closing Date.
- (iv) All representations and warranties of Seller made in this Agreement shall be true as of the date of this Agreement, shall be deemed to have been made again at and as of the Closing Date, shall be true at and as of the Closing Date, and, together with the covenants made by Seller herein, shall survive Closing for a period of one (1) year.
- (v) Other than the representations and warranties set forth herein, neither Seller nor any other agent, partner, employee, or representative of Seller has made any representation or warranty regarding the physical condition of the Property, or any part thereof, or anything relating to the subject matter of this Agreement.

**Section 4.02. Purchaser.** Purchaser represents and warrants to, and covenants with, Seller as follows:

- (a) **Organization and Authority.** Purchaser is duly organized, validly existing and in good standing under the laws of its state of formation. Purchaser has all requisite power and authority to execute, deliver and perform its obligations under this Agreement and all of the other Transaction Documents to which it is a party and to carry out the Transaction. The Person who has executed this Agreement on behalf of Purchaser has been duly authorized to do so.
- (b) **Enforceability of Documents.** Upon execution by Purchaser, this Agreement and the other Transaction Documents to which it is a party, shall constitute the legal, valid and binding obligations of Purchaser, enforceable against Purchaser in accordance with their respective terms, except as such enforcement may be

limited by bankruptcy, insolvency, reorganization, arrangement, moratorium, or other similar laws relating to or affecting the rights of creditors generally, or by general equitable principles.

(c) **Litigation.** There are no actions or proceedings pending against or involving Purchaser before any Governmental Authority which in any way adversely affect or may adversely affect Purchaser or Purchaser's ability to perform under this Agreement and the other Transaction Documents to which it is a party.

(d) **Satisfaction of Conditions Precedent.** From the Effective Date through the Closing Date, Purchaser agrees to use its best efforts to satisfy all conditions set forth in Section 5.02 of this Agreement on or prior to the Closing Date.

(e) **Purchaser's Investigation.** As a material inducement to Seller to enter into this Agreement and to sell the Properties to Purchaser, Purchaser represents and warrants to Seller that Purchaser is a sophisticated investor with substantial experience in purchasing real property similar to the Properties and Purchaser will have the right to examine and inspect the physical nature and condition of the Properties, including environmental conditions.

All representations and warranties of Purchaser made in this Agreement shall be true as of the date of this Agreement, shall be deemed to have been made again at and as of the Closing Date, shall be true at and as of the Closing Date, and, together with the covenants made by Purchaser herein, shall survive Closing for a period of one (1) year.

## ARTICLE V

### CONDITIONS PRECEDENT TO CLOSING

**Section 5.01. Purchaser's Conditions to Closing.** Purchaser shall not be obligated to close and fund the Transaction until the fulfillment (or written waiver by Purchaser) of all of the following conditions:

- (a) Seller and Lessee, as appropriate, shall have delivered to Purchaser or the Title Company, as applicable, the following items:
  - (i) The Deeds;
  - (ii) Such documents evidencing the legal status and good standing of Seller/Lessee that may be required by Purchaser and/or the Title Company for issuance of the Title Policies, including, without limitation, certificates of good standing;
  - (iii) Fully executed originals of (A) the Lease, together with fully executed originals of memoranda thereof for all of the Properties (collectively, the "Memoranda of Lease"), (B) an Assignment of Warranties in the form of Exhibit D, attached hereto, or if not assignable, evidence satisfactory to Purchaser that it will receive coverage or protection acceptable to Purchaser for the matters covered by such warranties, in either case, to the extent required by Purchaser (the "Assignment of Warranties"), and all of the other Transaction Documents;
  - (iv) Certificates evidencing the insurance coverage, limits and policies to be carried by Lessee under and pursuant to the terms of the Lease, on the forms and containing the information required by Purchaser, as landlord ("Lease Proof of Insurance");
  - (v) A certificate of an officer, manager or general partner, as applicable, of each Seller and Lessee, together with copies of each entity's (A) articles of organization or certificate of formation, as applicable, amended to date; (B) operating agreement, bylaws or partnership agreement, as applicable, amended to date; (C) resolutions authorizing the Transaction and the execution of this Agreement and the other Transaction Documents, and identifying the

Person(s) authorized to execute this Agreement and the other Transaction Documents; and (D) original certificates of good standing or similar documents from the states in which each entity was organized or formed, and original certificates of qualification or similar documents from the state or states where the Properties are located;

(vi) A duly executed affidavit from each Seller stating that such Seller is not a "foreign person" as defined in the Federal Foreign Investment in Real Property Tax Act of 1980 and 1984 Tax Reform Act, in the form attached hereto as Exhibit C (collectively, "Non-Foreign Seller Certificate");

(vii) Closing settlement statements approved by Seller and Purchaser to reflect the credits, prorrations, and adjustments contemplated by or specifically provided for in this Agreement;

(viii) To the extent not previously provided, the most recent financial statements available for the Seller Entities; and

(ix) All documents required to be delivered by this Agreement and the other Transaction Documents and as may otherwise be required in order to fully and legally close this Transaction.

(b) Purchaser shall have received the Title Commitments and the Title Company's irrevocable commitment to insure title by means of the Title Policies.

(c) There shall have been no material adverse change in the financial condition of Seller, Lessee or the Properties from the Effective Date.

(d) All representations and warranties of Seller set forth herein shall have been true and correct in all respects when made, and all covenants, agreements and conditions required to be performed or complied with by Seller prior to or at the time of Closing in connection with the Transaction shall have been duly performed or complied with by Seller prior to or at such time or waived in writing by Purchaser.

(e) No event shall have occurred or condition shall exist which would, upon the Closing Date, or, upon the giving of notice and/or passage of time, constitute a breach or default hereunder or under any other Transaction Document, or any other agreements between or among Purchaser, Seller, or Lessee.

(f) Seller and Lessee shall have caused all leases and, unless otherwise agreed to in writing by Purchaser, all subleases of any or all of the Properties and any other documents affecting the Properties existing at Closing, at Purchaser's sole option, to be cancelled as of the Closing Date or subordinated to the Lease pursuant to subordination agreements in form and substance satisfactory to Purchaser.

Upon the fulfillment or Purchaser's written waiver of all of the above conditions, Purchaser shall deposit funds necessary to close this Transaction with the Title Company and this Transaction shall close in accordance with the terms and conditions of this Agreement. Unless otherwise agreed, all of the documents to be delivered at Closing shall be dated as of the Closing Date.

**Section 5.02. Seller's Conditions Precedent to Closing.** Seller shall not be obligated to close the Transaction until the fulfillment (or written waiver by Seller) of all of the following conditions:

(a) Purchaser shall have delivered to the Title Company the Purchase Price, as adjusted pursuant to the requirements of this Agreement;

(b) Purchaser shall have caused to be executed and delivered to the appropriate Persons fully executed originals of all Transaction Documents, including without limitation, the Lease, together with the

Memoranda of Lease and the Assignment of Warranties, as well as a Landlord's Waiver/Agreement required by Seller's lender to acknowledge and consent to a blanket first-priority lien on all of Seller/Lessee's personal property at the Properties;

(c) Purchaser and Seller shall have approved the Title Company settlement statements that reflect the credits, prorations, and adjustments contemplated by or specifically provided for in this Agreement;

(d) Purchaser shall have delivered to Seller and/or the Title Company such other documents as may reasonably be required in order to fully and legally close this Transaction; and

(e) All representations and warranties of Purchaser set forth herein shall have been true and correct in all respects when made, and all covenants, agreements and conditions required to be performed or complied with by Purchaser prior to or at the time of Closing in connection with the Transaction shall have been duly performed or complied with by Purchaser prior to or at such time or waived in writing by Seller.

(f) No event shall have occurred or condition shall exist which would, upon the Closing Date, or, upon the giving of notice and/or passage of time, constitute a breach or default hereunder or under any Transaction Document, or any other agreements between or among Purchaser, Seller, or Lessee.

(g) All covenants, agreements and conditions required to be performed or complied with by Purchaser prior to or at the time of Closing in connection with the Transaction shall have been duly performed or complied with by Purchaser or waived in writing by Seller prior to or at such time.

## ARTICLE VI

### DEFAULTS; REMEDIES

**Section 6.01. Default.** Each of the following shall be deemed an event of default (each, an "Event of Default"):

(a) If any representation or warranty of Seller or Purchaser set forth in this Agreement or any other Transaction Document is false in any material respect or if Seller renders any false statement;

(b) If Seller or Purchaser fails to perform any of its obligations under this Agreement; or

(c) If any Insolvency Event shall occur with respect to any Seller Entity or Purchaser.

**Section 6.02. Remedies.** Upon any Event of Default, the non-defaulting party shall be entitled to exercise, at its option and as its sole and exclusive remedy, one of the following remedies:

(a) The non-defaulting party may terminate this Agreement by giving written notice to the defaulting party and recover from the defaulting party all reasonable and verified out-of-pocket costs and expenses incurred by the non-defaulting party hereunder (including without limitation, the Transaction Costs, any other due diligence costs, and the reasonable and verified fees and costs of legal counsel or other advisors), in which event neither party will have any further obligations or liability hereunder, except for those obligations expressly stated to survive such termination; or

(b) The non-defaulting party may waive the Event of Default and proceed with the Closing.

## ARTICLE VII

### MISCELLANEOUS

#### Section 7.01. Transaction Characterization.

(a) The parties intend that (i) all components of the Transaction shall be considered a single integrated transaction and shall not be severable; and (ii) the Lease shall constitute a single master lease of all, but not less than all, of the Properties, unless the parties otherwise agree as provided for herein, and is a unitary, unseverable instrument pertaining to all, but not less than all, of the Properties, and none of the Lease or Lessee's rights, obligations or duties may be divided or otherwise allocated by Lessee among the Properties.

(b) The parties intend that the conveyance of the Properties to Purchaser be an absolute conveyance in effect as well as form, and that the instruments of conveyance to be delivered at Closing shall not serve or operate as a mortgage, equitable mortgage, deed of trust, security agreement, trust conveyance or financing or trust arrangement of any kind, nor as a preference or fraudulent conveyance against any creditors of Seller. After the execution and delivery of the Deeds, Seller will have no legal or equitable interest or any other claim or interest in the Properties, other than the interest, if any, set forth in the Lease. The parties also intend for the Lease to be a true lease and not a transaction creating a financing lease, capital lease, equitable mortgage, mortgage, deed of trust, security interest or other financing arrangement, and the economic realities of the Lease are those of a true lease. Notwithstanding the existence of the Lease, neither party shall contest the validity, enforceability or characterization of the sale and purchase of the Properties by Purchaser pursuant to this Agreement as an absolute conveyance, and both parties shall support the intent expressed herein that the purchase of the Properties by Purchaser pursuant to this Agreement provides for an absolute conveyance and does not create a joint venture, partnership, equitable mortgage, trust, financing device or arrangement, security interest or the like, if, and to the extent that, any challenge occurs.

(c) Each of the parties hereto agrees that it will not, nor will it permit any Affiliate to, at any time, take any action or fail to take any action with respect to the preparation or filing of any statement or disclosure to Governmental Authority, including without limitation, any income tax return (including an amended income tax return), to the extent that such action or such failure to take action would be inconsistent with the intention of the parties expressed in this Section 7.01.

#### Section 7.02. Risk of Loss.

(a) **Condemnation.** If, prior to Closing, action is initiated to take any of the Properties, or any portion thereof, by eminent domain proceedings or by deed in lieu thereof, Purchaser may elect at or prior to Closing, to (i) terminate this Agreement, in which event neither party will have any further obligations or liability hereunder, except for those obligations expressly stated to survive such termination, (ii) remove the applicable Property or Properties from the Properties to be conveyed hereunder, with an appropriate adjustment to the Purchase Price, and proceed to close with respect to the remaining Properties, or (iii) proceed to close, in which event all of Seller's assignable right, title and interest in and to the award of the condemning authority shall be assigned to Purchaser at the Closing and there shall be no reduction in the Purchase Price.

(b) **Casualty.** Seller assumes all risks and liability for damage to or injury occurring to any of the Properties by fire, storm, accident, or any other casualty or cause until the Closing has been consummated. If any of the Properties, or any part thereof, suffers any damage prior to the Closing from fire or other casualty, which Seller, at its sole option, does not elect to fully repair, Purchaser may elect at or prior to Closing, to (i) terminate this Agreement, in which event neither party will have any further obligations or liability hereunder, except for those obligations expressly stated to survive such termination, (ii) remove the applicable Property or Properties from the Properties to be conveyed hereunder, with an adjustment to the Purchase Price agreed upon between Seller and Purchaser, and proceed to close with respect to the remaining Properties, or (iii) consummate the Closing, in which event all of Seller's right, title and interest in and to the proceeds of any insurance covering such damage (less an amount equal to any expense and costs reasonably incurred by Seller to repair or restore

the Properties, which shall be payable to Seller upon Seller's delivery to Purchaser of satisfactory evidence thereof), to the extent that the amount of such insurance does not exceed the Purchase Price, shall be assigned to Purchaser at Closing, and Purchaser shall be entitled to a credit in the amount of Seller's deductible at Closing.

(c) **Maintenance of the Properties and Insurance.** From the Effective Date until Closing, Seller shall continue to maintain the Properties or cause the Properties to be maintained in good condition and repair, and shall continue to maintain or cause to be maintained all insurance for the Properties in the same or greater amounts, with the same or greater coverage, and subject to the same or lower deductibles as in existence as of the Effective Date.

**Section 7.03. Notices.** All notices, demands, designations, certificates, requests, offers, consents, approvals, appointments and other instruments given pursuant to this Agreement (collectively called "Notices") shall be in writing and given by (a) hand delivery, (b) express overnight delivery service, (c) email transmission, or (d) certified or registered mail, return receipt requested, and shall be deemed to have been delivered upon (i) receipt, if hand delivered, (ii) the next Business Day, if delivered by a reputable express overnight delivery service, (iii) receipt of confirmation of email, if delivered by email, or (iv) the third Business Day following the day of deposit of such notice with the United States Postal Service, if sent by certified or registered mail, return receipt requested. Notices shall be provided to the parties and addresses (or email addresses, as applicable) specified below:

4848-2670-9558.6  
STORE/Synalloy  
Purchase and Sale Agreement  
6 Properties in OH, SC, TN and TX  
File No. 7210/02-475

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If to Seller: Bristol Metals, LLC  
Specialty Pipe & Tube, Inc.  
Palmer of Texas Tanks, Inc.  
Manufacturers Chemicals, LLC  
Manufacturers Soap & Chemical Company  
Syalloy Corporation  
4510 Cox Road, Suite 201  
Glen Allen, VA 23060  
Attention: Craig Bram  
Email: cbram@syalloy.com

With a copy to: LeClairRyan  
Attention: John C. Selbach, Esq.  
919 East Main Street, Twenty-Fourth Floor  
Richmond, VA 23219  
(804) 343-4388 Direct  
(804) 916-7288 Fax  
(804) 240-3578 Mobile  
John.Selbach@leclairryan.com

If to Purchaser: STORE Capital Acquisitions, LLC  
8501 E. Princess Drive, Suite 190  
Scottsdale, AZ 85255  
Attention: Michael T. Bennett  
Executive Vice President – General Counsel  
Email: mbennett@storecapital.com

With a copy to: Kutak Rock LLP  
1801 California Street, Suite 3000  
Denver, CO 80202  
Attention: Nathan Humphrey, Esq.  
Email: nathan.humphrey@kutakrock.com

or to such other address or such other Person as either party may from time to time hereafter specify to the other party in a notice delivered in the manner provided above. Whenever in this Agreement the giving of Notice is required, the giving thereof may be waived in writing at any time by the Person or Persons entitled to receive such Notice.

A copy of any Notice delivered pursuant to this Section shall also contemporaneously be delivered in the manner herein specified to any mortgagee or assignee of Purchaser's interest which shall have duly notified Seller in writing of its name and address.

**Section 7.04. Assignment.** Purchaser may assign its rights under this Agreement in whole or in part at any time to an Affiliate of Purchaser if the assignee assumes all liability and obligations of Purchaser under this Agreement and Seller and Escrow Agent are given written notice of such assignment (together with a copy of the instrument of assignment). Upon any unconditional assignment of Purchaser's entire right and interest hereunder to

an Affiliate of Purchaser, Purchaser shall automatically be relieved, from and after the date of such assignment, of liability for the performance of any obligation of Purchaser contained herein. Seller shall not, without the prior written consent of Purchaser, which consent may be withheld in Purchaser's sole discretion, sell, assign, transfer, mortgage, convey, encumber or grant any easements or other rights or interests of any kind in the Properties, any of Seller's rights under this Agreement or any interest in Seller, whether voluntarily, involuntarily or by operation of law or otherwise, including, without limitation, by merger, consolidation, dissolution or otherwise.

**Section 7.05. Indemnity.** Seller shall indemnify, defend and hold harmless Purchaser and its Affiliates, and their respective officers, directors, shareholders, managers, members, employees, representatives, successors and assigns, as applicable (collectively, the "Indemnified Parties"), from and against any and all Losses of any nature arising from or connected with the ownership and operation of the Properties prior to the Closing Date. Without limiting the generality of the foregoing, such indemnity shall include, without limitation, any Losses incurred with respect to any engineering, governmental inspection and attorneys' fees and expenses that the Indemnified Parties may incur by reason of any environmental condition and/or any representation or warranty set forth in Section 4.01(n) being false, or by reason of any investigation or claim of any Governmental Authority in connection therewith. The obligations under this Section 7.05(a) shall survive Closing for a period of three (3) years.

**Section 7.06. Brokerage Commission.** Each of the parties represents and warrants to the other that neither party has dealt with, negotiated through or communicated with any broker in connection with this Transaction. Each party shall indemnify, defend and hold harmless the other party from and against any and all claims, loss, costs and expenses, including reasonable attorneys' fees, resulting from any claims that may be made against the indemnified party by any broker claiming a commission or fee by, through or under such indemnifying party. The parties' respective obligations under this Section 7.06 shall survive Closing or termination of this Agreement.

**Section 7.07. Reporting Requirements.** The parties agree to comply with any and all reporting requirements applicable to the Transaction which are set forth in any law, statute, ordinance, rule, regulation, order or determination of any Governmental Authority, and further agree upon request, to furnish the other party with evidence of such compliance.

**Section 7.08. Disclosures.** Except as expressly set forth in Sections 7.07 and 7.16 and this Section 7.08 and as required by law or judicial action, prior to Closing neither Seller nor Purchaser will make any public disclosure of this Agreement or the other Transaction Documents, the Transaction or the provisions of the Transaction Documents without the prior consent of the other party hereto. The parties further agree that, notwithstanding any provision contained in this Agreement, any party (and each employee, representative or other agent of any party) may disclose to any and all Persons, without limitation of any kind, any matter required under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

**Section 7.09. Time is of the Essence.** The parties hereto expressly agree that time is of the essence with respect to this Agreement. The Inspection Period, which is also the time period for examining and objecting to Title Commitments and Surveys, can be extended only by written amendment to this Agreement.

**Section 7.10. Non-Business Days.** If the Closing Date or the date for delivery of a notice or performance of some other obligation of a party falls on a Saturday, Sunday or legal holiday in the state in which any Property is located, then the Closing Date or such notice or performance shall be postponed until the next Business Day.

**Section 7.11. Waiver and Amendment.** No provision of this Agreement shall be deemed waived or amended except by a written instrument unambiguously setting forth the matter waived or amended and signed by the party against which enforcement of such waiver or amendment is sought. Waiver of any matter shall not be deemed a waiver of the same or any other matter on any future occasion.

**Section 7.12. Limitation on Liability.** Notwithstanding anything to the contrary provided in this Agreement, it is specifically understood and agreed, such agreement being a primary consideration for the execution of this Agreement and the Lease, that (a) there shall be absolutely no personal liability on the part of any director, officer, manager, member, employee or agent of either party with respect to any of the terms, covenants and conditions

of this Agreement, (b) each party waives all claims, demands and causes of action against the other party's directors, officers, managers, members, employees and agents in the event of any breach by such other party of any of the terms, covenants and conditions of this Agreement, and (c) each party shall look solely to the assets of the other party for the satisfaction of each and every remedy in the event of any breach of any of the terms, covenants and conditions of this Agreement, such exculpation of liability to be absolute and without any exception whatsoever.

**Section 7.13. Headings; Internal References.** The headings of the various sections and exhibits of this Agreement have been inserted for reference only and shall not to any extent have the effect of modifying the express terms and provisions of this Agreement. Unless stated to the contrary, any references to any section, subsection, exhibit and the like contained herein are to the respective section, subsection, exhibit and the like of this Agreement.

**Section 7.14. Construction Generally.** This is an agreement between parties who are experienced in sophisticated and complex matters similar to the Transaction and the other Transaction Documents, is entered into by both parties in reliance upon the economic and legal bargains contained herein and therein, and shall be interpreted and construed in a fair and impartial manner without regard to such factors as the party which prepared the instrument, the relative bargaining powers of the parties or the domicile of any party. Seller and Purchaser were each represented by legal counsel competent in advising them of their obligations and liabilities hereunder.

**Section 7.15. Further Assurances.** Each of the parties agrees, whenever and as often as reasonably requested so to do by the other party or the Title Company, to execute, acknowledge, and deliver, or cause to be executed, acknowledged, or delivered, any and all such further conveyances, assignments, confirmations, satisfactions, releases, instruments, or other documents as may be necessary, expedient or proper, in order to complete any and all conveyances, transfers, sales and assignments herein provided and to do any and all other acts and to execute, acknowledge and deliver any and all documents as so requested in order to carry out the intent and purpose of this Agreement.

**Section 7.16. Securitizations and Other Transactions.** As a material inducement to Purchaser's willingness to complete the transactions contemplated by this Agreement and the other Transaction Documents, Seller hereby acknowledges and agrees that Purchaser may, from time to time and at any time following Closing, (a) advertise, issue press releases, send direct mail or otherwise disclose information regarding the Transaction for marketing purposes; provided, however, Seller shall have a right to review such information at least ten days prior to disclosure; and (b) engage in all or any combination of the following, or enter into agreements in connection with any of the following or in accordance with requirements that may be imposed by applicable securities, tax or other laws: (i) subject to the terms of the Lease, the sale, assignment, grant, conveyance, transfer, financing, re-financing, purchase or re-acquisition of any Property, the Lease or any other Transaction Document, Purchaser's right, title and interest in any Property, the Lease or any other Transaction Document, the servicing rights with respect to any of the foregoing, or participations in any of the foregoing, or (ii) a securitization and related transactions. Seller agrees to use all reasonable efforts and to cooperate fully with Purchaser with respect to all reasonable requests of Purchaser relating to the foregoing, which includes without limitation, with respect to the activities described in subsection (b), providing financial information, financial and other data, and other information and materials which would customarily be required by a purchaser, transferee, assignee, servicer, participant, investor or rating agency involved with respect to any of the foregoing. The provisions of this Section 7.16 shall survive the Closing.

**Section 7.17. Attorneys' Fees.** In the event of any controversy, claim, dispute or proceeding between the parties concerning this Agreement, the prevailing party shall be entitled to recover all of its reasonable attorneys' fees and other costs in addition to any other relief to which it may be entitled.

**Section 7.18. Entire Agreement.** This Agreement and all other Transaction Documents, and all other certificates, instruments or agreements to be delivered hereunder and thereunder constitute the entire agreement between the parties with respect to the subject matter hereof, and there are no other representations, warranties or agreements, written or oral, between Seller and Purchaser with respect to the subject matter of this Agreement. Notwithstanding anything in this Agreement to the contrary, upon the execution and delivery of this Agreement by Seller and Purchaser, (a) this Agreement shall supersede any previous discussions, letters of intent, agreements and/or term or commitment letters relating to the Transaction, including without limitation, the Letter of Intent and any and all agreements related to confidentiality, exclusivity, non-competition, non-solicitation of employees, non-solicitation or pursuit of any

business opportunity represented by the Transaction, or any other term or condition which restricts any business activity of Purchaser or its affiliates, (b) the terms and conditions of this Agreement shall control notwithstanding that such terms are inconsistent with or vary from those set forth in any of the foregoing agreements, and (c) this Agreement may only be amended by a written agreement executed by Purchaser and Seller. The provisions of this Section shall survive the Closing.

**Section 7.19. Forum Selection; Jurisdiction; Venue.** For purposes of any action or proceeding arising out of this Agreement, the parties hereto expressly submit to the jurisdiction of all federal and state courts located in the Commonwealth of Virginia. Seller consents that it may be served with any process or paper by registered mail or by personal service in accordance with applicable law. Furthermore, Seller waives and agrees not to assert in any such action, suit or proceeding that it is not personally subject to the jurisdiction of such courts, that the action, suit or proceeding is brought in an inconvenient forum or that venue of the action, suit or proceeding is improper. Nothing contained in this Section shall limit or restrict the right of Purchaser to commence any proceeding in the federal or state courts located in the state or states in which the Properties are located to the extent Purchaser deems such proceeding necessary or advisable to exercise remedies available under this Agreement.

**Section 7.20. Separability; Binding Effect; Governing Law.** Each provision hereof shall be separate and independent, and the breach of any provision by Purchaser shall not discharge or relieve Seller from any of its obligations hereunder. Each provision hereof shall be valid and shall be enforceable to the extent not prohibited by law. If any provision hereof or the application thereof to any Person or circumstance shall to any extent be invalid or unenforceable, the remaining provisions hereof, or the application of such provision to Persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby. Subject to the provisions of Section 7.04, all provisions contained in this Agreement shall be binding upon, inure to the benefit of and be enforceable by the successors and assigns of each party hereto, including, without limitation, any United States trustee, any debtor-in-possession or any trustee appointed from a private panel, in each case to the same extent as if each successor and assign were named as a party hereto. This Agreement shall be governed by, and construed with, the laws of the applicable state or states in which the Properties are located, without giving effect to any state's conflict of laws principles.

**Section 7.21. Survival.** Except for the conditions of Closing set forth in Article V, which shall be satisfied or waived in writing as of the Closing Date, all representations, warranties, agreements, obligations and indemnities of Seller and Purchaser set forth in this Agreement shall survive the Closing.

**Section 7.22. Waiver of Jury Trial and Certain Damages.** THE PARTIES HERETO SHALL AND THEY HEREBY DO INTENTIONALLY WAIVE ANY AND ALL RIGHTS TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER OF THE PARTIES HERETO AGAINST THE OTHER ON ANY MATTERS WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS AGREEMENT AND/OR ANY CLAIM OR INJURY OR DAMAGE RELATED THERETO. EACH PARTY FURTHER WAIVES THE RIGHT IT MAY HAVE TO SEEK PUNITIVE, CONSEQUENTIAL, SPECIAL AND INDIRECT DAMAGES FROM THE OTHER PARTY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM WITH RESPECT TO ANY MATTER ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT AND/OR ANY DOCUMENT CONTEMPLATED HEREIN OR RELATED HERETO.

**Section 7.23. Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and all such counterparts shall be deemed to constitute one and the same instrument.

*[Remainder of page intentionally left blank; signature page(s) to follow]*

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

**PURCHASER:**

**STORE CAPITAL ACQUISITIONS, LLC**, a Delaware limited liability company

By: \_\_\_  
Name: \_\_\_  
Title: \_\_\_

4848-2670-9558.6  
STORE/Synalloy  
Purchase and Sale Agreement  
6 Properties in OH, SC, TN and TX  
File No. 7210/02-475

---

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

**SELLER:**

**BRISTOL METALS, LLC**, a Tennessee limited liability company

By: \_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**SPECIALTY PIPE & TUBE, INC.**, a Delaware corporation

By: \_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**PALMER OF TEXAS TANKS, INC.**, a Texas corporation

By: \_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**MANUFACTURERS CHEMICALS, LLC**, a Tennessee limited liability company

By: \_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**MANUFACTURERS SOAP & CHEMICAL COMPANY**, a Tennessee corporation

By: \_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**SYNALLOY CORPORATION**, a Delaware corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Exhibits:

- A. Defined  
Terms
- B. Property Addresses / Legal  
Descriptions
- C. Non-Foreign Seller  
Certificate

Assignment of Warranties

4848-2670-9558.6  
STORE/Synalloy  
Purchase and Sale Agreement  
6 Properties in OH, SC, TN and TX  
File No. 7210/02-475

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**EXHIBIT A**  
**DEFINED TERMS**

The following terms shall have the following meanings for all purposes of this Agreement:

“*Additional Title Objection*” has the meaning set forth in Section 2.01(d)(ii).

“*Affiliate*” or any derivation thereof, means any Person which directly or indirectly controls, is under common control with, or is controlled by any other Person. For purposes of this definition, “controls”, “under common control with” and “controlled by” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities or otherwise.

“*Assignment of Warranties*” has the meaning set forth in Section 5.01(a)(iii).

“*Bulk Sales Statutes*” has the meaning set forth in Section 4.01(q).

“*Business Day*” means a day on which banks located in Scottsdale, Arizona are not required or authorized to remain closed.

“*Closing*” shall have the meaning set forth in Section 3.01.

“*Closing Date*” shall have the meaning set forth in Section 3.01.

“*Closing Deadline*” means five (5) Business Days following the expiration of the Inspection Period or any other date mutually agreed upon by Seller and Purchaser.

“*Deeds*” means those certain special warranty deeds whereby Seller conveys to Purchaser all of Seller’s right, title and interest in and to the Properties, free and clear of all Liens, restrictions, encroachments and easements, except the Permitted Encumbrances.

“*Effective Date*” has the meaning set forth in the introductory paragraph of this Agreement.

“*Environmental Liens*” means all liens and other encumbrances imposed pursuant to any Hazardous Materials Law.

“*Environmental Report*” has the meaning set forth in Section 2.04.

“*Event of Default*” has the meaning set forth in Section 6.01.

“*Governmental Authority*” means the United States of America, any state or other political subdivision thereof, any other entity exercising executive, judicial, regulatory or administrative functions of or pertaining to government and any corporation or other entity owned or controlled (through stock or capital ownership or otherwise) by any of the foregoing.

“*Hazardous Materials*” includes: (a) oil, petroleum products, flammable substances, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or any other materials, contaminants or pollutants, the presence of which causes any of the Properties to be in violation of any local, state or federal law or regulation, (including without limitation, any Hazardous Materials Law), or are defined as or included in the definition of “hazardous substances”, “hazardous wastes”, “hazardous materials”, “toxic substances”, “contaminants”, “pollutants”, or words of similar import under any applicable local, state or federal law or under the regulations adopted, orders issued, or publications promulgated pursuant thereto, including, but not limited to: (i) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. §9601, et seq.; (ii) the Hazardous Materials

Transportation Act, as amended, 49 U.S.C. §1801, et seq.; (iii) the Resource Conservation and Recovery Act, as amended, 42 U.S.C. §6901, et seq.; and (iv) regulations adopted and publications promulgated pursuant to the aforesaid laws; (b) asbestos in any form which is friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls in excess of fifty (50) parts per million; (c) underground storage tanks; and (d) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any Governmental Authority.

“*Hazardous Materials Laws*” includes any and all federal, state and local laws, rules, regulations, statutes, and requirements pertaining or relating to the environmental condition of the Properties or to Hazardous Materials.

“*Indemnified Parties*” has the meaning set forth in Section 7.05.

“*Insolvency Event*” means (a) a Person’s (i) failure to generally pay its debts as such debts become due; (ii) admitting in writing its inability to pay its debts generally; or (iii) making a general assignment for the benefit of creditors; (b) any proceeding being instituted by or against any Person (i) seeking to adjudicate it a bankrupt or insolvent; (ii) seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency, or reorganization or relief of debtors; or (iii) seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property, and in the case of any such proceeding instituted against any such Person, either such proceeding shall remain undismissed for a period of 120 days or any of the actions sought in such proceeding shall occur; or (c) any Person taking any corporate or other formal action to authorize any of the actions set forth above in this definition.

“*Inspection Period*” has the meaning set forth in Section 2.07.

“*Inspections*” has the meaning set forth in Section 2.07.

“*Lease*” has the meaning set forth in Section 1.03.

“*Lease Proof of Insurance*” has the meaning set forth in Section 5.01(a)(iv).

“*Legal Requirements*” has the meaning set forth in Section 4.01(e).

“*Lessee*” means Synalloy Corporation, a Delaware corporation.

“*Letter of Intent*” means that certain Letter of Intent dated June 22, 2016 between STORE Capital Corporation, on behalf of Purchaser, and Seller with respect to the Transaction, and any amendments or supplements thereto.

“*Lien*” means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction).

“*Losses*” means any and all claims, lawsuits, suits, liabilities (including, without limitation, strict liabilities), actions, proceedings, obligations, debts, damages, losses, costs, expenses, diminutions in value, fines, penalties, interest, charges, fees, expenses, judgments, decrees, awards, amounts paid in settlement and damages of whatever kind or nature (including, without limitation, attorneys’ fees, court costs and costs incurred in the investigation, defense and settlement of claims).

“*Memoranda of Lease*” has the meaning set forth in Section 5.01(a)(iii).

“*Non-Foreign Seller Certificate*” has the meaning set forth in Section 5.01(a)(vi).

“*Notices*” has the meaning set forth in Section 7.03.

“*OFAC List*” means the list of specially designated nationals and blocked Persons subject to financial sanctions that is maintained by the U.S. Treasury Department, Office of Foreign Assets Control and any other similar list maintained by the U.S. Treasury Department, Office of Foreign Assets Control pursuant to any Legal Requirements, including, without limitation, trade embargo, economic sanctions, or other prohibitions imposed by Executive Order of the President of the United States. The OFAC List currently is accessible through the internet website [www.treas.gov/ofac/t11sdn.pdf](http://www.treas.gov/ofac/t11sdn.pdf).

“*Permitted Encumbrances*” means (a) the lien of any real estate taxes, water and sewer charges, not yet due and payable; (b) those recorded easements, restrictions, liens and encumbrances set forth as exceptions in the Title Commitments and in the Title Policies to be issued by Title Company to Purchaser and approved by Purchaser in its sole discretion in connection with this Agreement; and (c) the Lease.

“*Person*” means any natural person, firm, corporation, partnership, limited liability company, other entity, state, political subdivision of any state, the United States of America, any agency or instrumentality of the United States of America, any other public body or other organization or association.

“*Professional Fees*” has the meaning set forth in Section 1.05.

“*Property*” or “*Properties*” has the meaning set forth in Section 1.01.

“*Property Condition Reports*” has the meaning set forth in Section 2.06.

“*Purchase Price*” means the amount specified in Section 1.02.

“*Real Property*” has the meaning set forth in Section 1.01.

“*Seller Documents*” has the meaning set forth in Section 2.02.

“*Seller Entity*” or “*Seller Entities*” means individually or collectively, as the context may require, Seller and Lessee and any Affiliate of Seller and Lessee.

“*Surveys*” has the meaning set forth in Section 2.03.

“*Title Commitments*” has the meaning set forth in Section 2.01(a).

“*Title Company*” means First American Title Insurance Company located at 2425 E. Camelback Road, Suite 300, Phoenix, Arizona 85016, Attention: Kristin Brown, National Commercial Services, or an alternative title insurance company selected by Purchaser.

“*Title Objection*” has the meaning set forth in Section 2.01(d)(i).

“*Title Policies*” has the meaning set forth in Section 2.01(a).

“*Transaction*” has the meaning set forth in Section 1.01.

“*Transaction Costs*” means all out-of-pocket costs and expenses incurred in connection with the Transaction, including but not limited to (a) the procurement, or if the same is provided by Seller, the update of, any Property Condition Report, Environmental Report, Survey, Title Commitments, Title Policies, all title policies and all endorsements required by Purchaser and its lender, (b) the Valuations, (c) any mortgagee’s title insurance policies required by Purchaser’s lender and any mortgage taxes, (d) all taxes (including stamp taxes and transfer taxes), escrow, closing, transfer and recording fees. Transaction Costs expressly exclude Professional Fees.

“*Transaction Documents*” means this Agreement, the Lease, the Memoranda of Lease, the Deeds, the Lease Proof of Insurance, the Non-Foreign Seller Certificates, the Assignment of Warranties any and all documents referenced

herein and therein, and such other documents, payments, instruments and certificates as are reasonably required by Purchaser and/or the Title Company.

“*UST Regulations*” means 40 C.F.R. § 298 Subpart H – Financial Responsibility, or any equivalent state law, with respect to petroleum underground storage tanks (as such term is defined under 40 C.F.R. § 290.12 or any equivalent state law).

“*USTs*” means any one or combination of tanks and associated product piping systems used in connection with storage, dispensing and general use of Hazardous Materials.

“*Valuation*” or “*Valuations*” has the meaning set forth in Section 2.05.

“*Zoning Evidence*” has the meaning set forth in Section 2.03.

**EXHIBIT B**

**PROPERTY ADDRESSES / LEGAL DESCRIPTIONS**

**Street Addresses/Owners:**

390 Bristol Metals Road, Bristol, TN 37620 ("BRISTOL") / Bristol Metals, LLC

4285, Lot 2 ("CLEVELAND WAREHOUSE") / Manufacturers Chemicals, LLC ("MC") and 4325 Old Tasso Road, Cleveland, TN 37312 ("MC PRODUCTION FACILITY") / Manufacturers Soap & Chemical Company

300 International Blvd, Fountain Inn, SC 29644 ("CRI") / Synalloy Corporation

1701 North US Highway 385, Andrews, TX 79714 ("PALMER") / Palmer of Texas Tanks, Inc., formerly owned by Lee-VAR Inc., a TX corporation; Synalloy purchased all stock of Lee-VAR, which owned the property; later changed name to Palmer of Texas Tanks, Inc.

3830/3838 Majestic Street, Houston, TX 77026 / Specialty Pipe & Tube, Inc. (acquired in 2014 by stock acquisition)

3600 Union Street, Mineral Ridge, OH 44440 / Specialty Pipe & Tube, Inc. (acquired in 2014 by stock acquisition)

**Legal Descriptions:** To be provided by Seller or Title Company.

4848-2670-9558.6  
STORE/Synalloy  
Purchase and Sale Agreement  
6 Properties in OH, SC, TN and TX  
File No. 7210/02-475

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EXHIBIT C

NON-FOREIGN SELLER CERTIFICATE

STATE OF \_\_\_\_ )  
 ) ss:  
COUNTY OF \_\_\_\_ )

\_\_\_\_\_, being first duly sworn deposes and states under penalty of perjury:

1. That he/she is a \_\_\_\_\_ of \_\_\_\_\_, the transferor of the Property described on Schedule I attached hereto.
2. That the transferor's office address is at \_\_\_\_\_.
3. That the United States taxpayer identification number for the transferor is \_\_\_\_\_.
4. That the transferor is not a "foreign person" as that term is defined in Section 1445(f) of the United States Internal Revenue Code of 1986, as amended (the "Code").
5. That the transferor is not a disregarded entity as defined in § 1.1445-2(b)(2)(iii) of the regulations promulgated under the Code.

This affidavit is given to \_\_\_\_\_, a Delaware limited liability company, the transferee of the Property described in paragraph 1 above, for the purpose of establishing and documenting the non-foreign affidavit exemption to the withholding requirement of Section 1445 of the Code. The transferor understands that this affidavit may be disclosed to the Internal Revenue Service by the transferee and that any false statement contained herein could be punished by fine, imprisonment, or both.

\_\_\_\_\_  
By: ***EXHIBIT – NOT FOR SIGNATURE*** \_\_\_\_\_  
Name: \_\_\_\_  
Title: \_\_\_\_

Subscribed and sworn to before me this \_\_\_\_ day of \_\_\_\_\_, 2\_\_\_\_.

Notary Public: \_\_\_\_\_

(SEAL)

My Commission Expires: \_\_\_\_\_

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4848-2670-9558.6  
STORE/Synalloy  
Purchase and Sale Agreement  
6 Properties in OH, SC, TN and TX  
File No. 7210/02-475

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**Schedule I  
to Non-foreign Seller Certificate**

**Street Addresses:**

390 Bristol Metals Road, Bristol, TN 37620

4285/4325 Old Tasso Road, Cleveland, TN 37312

300 International Blvd, Fountain Inn, SC 29644

1701 North US Highway 385, Andrews, TX 79714

3830/3838 Majestic Street, Houston, TX 77026

3600 Union Street, Mineral Ridge, OH 44440

**Legal Descriptions:** To be provided by Seller or Title Company.

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4848-2670-9558.6  
STORE/Synalloy  
Purchase and Sale Agreement  
6 Properties in OH, SC, TN and TX  
File No. 7210/02-475

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EXHIBIT D

ASSIGNMENT OF WARRANTIES

THIS ASSIGNMENT OF WARRANTIES (this "Assignment"), is made as of September \_\_, 2016 by and between BRISTOL METALS, LLC, a Tennessee limited liability company, SPECIALTY PIPE & TUBE, INC., a Delaware corporation, PALMER OF TEXAS TANKS, INC., a Texas corporation, MANUFACTURERS CHEMICALS, LLC, a Tennessee limited liability company, MANUFACTURERS SOAP & CHEMICAL COMPANY, a Tennessee corporation, and SYNALLOY CORPORATION, a Delaware corporation (collectively, "Assignor") and STORE \_\_\_\_\_, a Delaware limited liability company ("Assignee").

WITNESSETH:

WHEREAS, pursuant to the terms of that certain Purchase and Sale Agreement, dated as of \_\_\_\_\_, 201\_, by and between Assignor and Assignee (the "Purchase Agreement"), Assignor agreed to sell to Assignee, *inter alia*, certain real property, the improvements located thereon and certain rights appurtenant thereto, all as more particularly described in the Purchase Agreement (collectively, the "Property"). Initially capitalized terms not otherwise defined herein shall have the respective meanings ascribed to such terms in the Purchase Agreement; and

WHEREAS, the Purchase Agreement provides, *inter alia*, that Assignor shall assign to Assignee rights to all guaranties and warranties relating to the Property and that Assignor and Assignee shall enter into this Assignment.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto hereby agree as follows:

**1. Assignment of Warranties.** Assignor hereby assigns, sets over and transfers to Assignee all of Assignor's right, title and interest in, to and under any and all guaranties and warranties in effect with respect to all or any portion of the Property as of the date hereof, if and only to the extent the same may be assigned or quitclaimed by Assignor without expense to Assignor. Assignee hereby accepts the foregoing assignment of guaranties and warranties.

**2. Miscellaneous.** This Assignment and the obligations of the parties hereunder shall survive the closing of the transaction referred to in the Purchase Agreement and shall not be merged therein, shall be binding upon and inure to the benefit of the parties hereto, their respective legal representatives, successors and assigns and may not be modified or amended in any manner other than by a written agreement signed by the party to be charged therewith.

**3. Severability.** If any term or provision of this Assignment or the application thereof to any persons or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Assignment or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby, and each term and provision of this Assignment shall be valid and enforced to the fullest extent permitted by law.

**4. Counterparts.** This Assignment may be executed in counterparts, each of which shall be an original and all of which counterparts taken together shall constitute one and the same agreement.

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IN WITNESS WHEREOF, the undersigned have executed this Assignment as of the date first set forth hereinabove.

**ASSIGNOR:**

**BRISTOL METALS, LLC**, a Tennessee limited liability company

By: EXHIBIT – NOT FOR SIGNATURE

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**SPECIALTY PIPE & TUBE, INC.**, a Delaware corporation

By: EXHIBIT – NOT FOR SIGNATURE

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**PALMER OF TEXAS TANKS, INC.**, a Texas corporation

By: EXHIBIT – NOT FOR SIGNATURE

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**MANUFACTURERS CHEMICALS, LLC**, a Tennessee limited liability company

By: EXHIBIT – NOT FOR SIGNATURE

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**MANUFACTURERS SOAP & CHEMICAL COMPANY**, a Tennessee corporation

By: **EXHIBIT – NOT FOR SIGNATURE**  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**SYNALLOY CORPORATION**, a Delaware corporation

By: **EXHIBIT – NOT FOR SIGNATURE**  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ASSIGNEE:**

**STORE** \_\_\_\_\_, **LLC**, a Delaware limited liability company

By: **EXHIBIT – NOT FOR SIGNATURE**  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## CERTIFICATIONS

I, Craig C. Bram, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Synalloy Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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 officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2016      /s/ Craig C. Bram  
Craig C. Bram  
Chief Executive Officer

## CERTIFICATIONS

I, Dennis M. Loughran, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Synalloy Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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 officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2016      /s/ Dennis M. Loughran  
Dennis M. Loughran  
Chief Financial Officer



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

The undersigned, who are the chief executive officer, the chief financial officer and the principal accounting officer of Synalloy Corporation, each hereby certifies that, to the best of his knowledge, the accompanying Form 10-Q 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: November 8, 2016    /s/ Craig C. Bram  
Craig C. Bram  
Chief Executive Officer

/s/ Dennis M. Loughran  
Dennis M. Loughran  
Chief Financial Officer

/s/ Richard D. Sieradzki  
Richard D. Sieradzki  
Principal Accounting Officer