

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

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
COMMISSION FILE NUMBER 0-19687



SYNALLOY CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	57-0426694
(State of incorporation)	(I.R.S. Employer Identification No.)
4510 Cox Road, Suite 201, Richmond, Virginia, 23060	
(Address of principal executive offices) (Zip Code)	
Registrant's telephone number, including area code: 864-585-3605	
Securities registered pursuant to Section 12(b) of the Act	Name of each exchange on which registered:
Common Stock, \$1.00 Par Value	NASDAQ Global Market
(Title of Class)	

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

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

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

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

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

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

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

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

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

Based on the closing price as of June 30, 2016, which was the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the common stock held by non-affiliates of the registrant was \$63.3 million. Based on the closing price as of March 10, 2017, the aggregate market value of common stock held by non-affiliates of the registrant was \$89.7 million. The registrant did not have any non-voting common equity outstanding at either date.

The number of shares outstanding of the registrant's common stock as of March 10, 2017 was 8,678,622.

Documents Incorporated By Reference

Portions of the Proxy Statement for the 2017 annual shareholders' meeting are incorporated by reference into Part III of this Form 10-K.

Synalloy Corporation
Form 10-K
For Period Ended December 31, 2016
Table of Contents

		<u>Page #</u>	
Part I			
	Item 1	Business	2
	Item 1A	Risk Factors	6
	Item 1B	Unresolved Staff Comments	13
	Item 2	Properties	14
	Item 3	Legal Proceedings	14
	Item 4	Mine Safety Disclosures	14
Part II			
	Item 5	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Security	15
	Item 6	Selected Financial Data	17
	Item 7	Management's Discussion and Analysis of Financial Condition and Results of Operations	18
	Item 7A	Quantitative and Qualitative Disclosures about Market Risks	27
	Item 8	Financial Statements and Supplementary Data	28
		Notes to Consolidated Financial Statements	32
		Segment Information	51
		Management's Annual Report On Internal Control Over Financial Reporting	58
		Report of Independent Registered Public Accounting Firm - Consolidated Financial Statements - KPMG LLP	59
		Report of Independent Registered Public Accounting Firm - Internal Control - KPMG LLP	60
		Report of Independent Registered Public Accounting Firm - Consolidated Financial Statements - Dixon Hughes Goodman LLP	61
	Item 9	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	62
	Item 9A	Controls and Procedures	62
	Item 9B	Other Information	62
Part III			
	Item 10	Directors, Executive Officers and Corporate Governance	62
	Item 11	Executive Compensation	62
	Item 12	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	63
	Item 13	Certain Relationships and Related Transactions	63
	Item 14	Principal Accountant Fees and Services	63
Part IV			
	Item 15	Exhibits and Financial Statement Schedules	64
Signatures			66
Index to Exhibits			67

Forward-Looking Statements

This Annual Report on Form 10-K includes and incorporates by reference "forward-looking statements" within the meaning of the federal securities laws. All statements that are not historical facts are forward-looking statements. The words "estimate," "project," "intend," "expect," "believe," "should," "anticipate," "hope," "optimistic," "plan," "outlook," "should," "could," "may" and similar expressions identify forward-looking statements. The forward-looking statements are subject to certain risks and uncertainties, including without limitation those identified below, which could cause actual results to differ materially from historical results or those anticipated. Readers are cautioned not to place undue reliance on these forward-looking statements. The following factors could cause actual results to differ materially from historical results or those anticipated: adverse economic conditions; the impact of competitive products and pricing; product demand and acceptance risks; raw material and other increased costs; raw materials availability; employee relations; ability to maintain workforce by hiring trained employees; labor efficiencies; customer delays or difficulties in the production of products; new fracking regulations; a prolonged decrease in nickel and oil prices; unforeseen delays in completing the integrations of acquisitions; risks associated with mergers, acquisitions, dispositions and other expansion activities; financial stability of our customers; environmental issues; unavailability of debt financing on acceptable terms and exposure to increased market interest rate risk; inability to comply with covenants and ratios required by our debt financing arrangements; ability to weather an economic downturn; loss of consumer or investor confidence and other risks detailed from time-to-time in Synalloy Corporation's Securities and Exchange Commission filings. Synalloy Corporation assumes no obligation to update any forward-looking information included in this Annual Report on Form 10-K.

PART I

Item 1 Business

Synalloy Corporation, a Delaware corporation, was incorporated in 1958 as the successor to a chemical manufacturing business founded in 1945. Its charter is perpetual. The name was changed on July 31, 1967 from Blackman Uhler Industries, Inc. On June 3, 1988, the state of incorporation was changed from South Carolina to Delaware. The Company's executive office is located at 4510 Cox Road, Suite 201, Richmond, Virginia 23060 with an additional corporate and shared services office at 775 Spartan Boulevard, Suite 102, Spartanburg, South Carolina 29301. Unless indicated otherwise, the terms "Company," "we" "us," and "our" refer to Synalloy Corporation and its consolidated subsidiaries.

The Company's business is divided into two reportable operating segments, the Metals Segment and the Specialty Chemicals Segment. The Metals Segment operates as three reporting units, all International Organization for Standardization ("ISO") certified manufacturers, including Bristol Metals, LLC ("BRISMET"), a wholly-owned subsidiary of Synalloy Metals, Inc., Palmer of Texas Tanks, Inc. ("Palmer") and Specialty Pipe & Tube, Inc. ("Specialty"). BRISMET manufactures stainless steel and other alloy pipe. Palmer manufactures liquid storage solutions and separation equipment, and Specialty is a master distributor of seamless carbon pipe and tube. The Metals Segment's markets include the oil and gas, chemical, petrochemical, pulp and paper, mining, power generation (including nuclear), water and waste water treatment, liquid natural gas ("LNG"), brewery, food processing, petroleum, pharmaceutical and other heavy industries. The Specialty Chemicals Segment operates as one reporting unit which includes Manufacturers Chemicals, LLC ("MC"), a wholly-owned subsidiary of Manufacturers Soap and Chemical Company ("MS&C"), and CRI Tolling, LLC ("CRI Tolling"). The Specialty Chemicals Segment produces specialty chemicals for the chemical, paper, metals, mining, agricultural, fiber, paint, textile, automotive, petroleum, cosmetics, mattress, furniture, janitorial and other industries. MC manufactures lubricants, surfactants, defoamers, reaction intermediaries and sulfated fats and oils. CRI Tolling provides chemical tolling manufacturing resources to global and regional chemical companies and contracts with other chemical companies to manufacture certain, pre-defined products.

General

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

BRISMET manufactures welded pipe, primarily from stainless steel, but also from other corrosion-resistant metals. Pipe is produced in sizes from one-half inch to 120 inches in diameter and wall thickness up to one and one-half inches. Eighteen-inch and smaller diameter pipe is made on equipment that forms and welds the pipe in a continuous process. Pipe larger than 18 inches in diameter is formed on presses or rolls and welded on batch welding equipment. Pipe is normally produced in standard 20-foot lengths. However, BRISMET has unusual capabilities in the production of long length pipe without circumferential welds. This can reduce the installation cost for the customer. Lengths up to 60 feet can be produced in sizes up to 18 inches in diameter. In larger sizes, BRISMET has a unique ability among domestic producers to make 48-foot lengths in diameters up to 36 inches. Over the past four years, BRISMET has made substantial capital improvements, installing an energy efficient furnace to anneal pipe quicker

while minimizing natural gas usage; system improvements in pickling to maintain the proper chemical composition of the pickling acid; and converting the former Bristol Fabrication facility into a heavy wall/quick turn welded pipe production shop by adding a 4,000 ton press along with all necessary ancillary processes.

Palmer is a manufacturer of fiberglass and steel storage tanks for the oil and gas, waste water treatment and municipal water industries. Located in Andrews, Texas, Palmer is ideally located in the heart of a significant oil and gas production territory. Palmer produces made-to-order fiberglass tanks, utilizing a variety of custom mandrels and application specific materials. Its fiberglass tanks range from two feet to 30 feet in diameter at various heights. The majority of these tanks are used for oil field waste water capture and are an integral part of the environmental regulatory compliance of the drilling process. Each fiberglass tank is manufactured to American Petroleum Institute Q1 standards to ensure product quality. Palmer's steel storage tank facility enables efficient, environmentally compliant production with designed-in expansion capability to support future growth. Finished steel tanks range in size predominantly from 50 to 1,500 barrels and are used to store extracted oil. During 2014, Palmer obtained all of the necessary certifications to produce certified pressure vessels. These certifications allow Palmer to sell all of the separator and storage equipment needed at a well site.

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

In order to establish stronger business relationships, the Metals Segment uses only a few raw material suppliers. Nine suppliers furnish approximately 77 percent of total dollar purchases of raw materials, with one supplier furnishing 42 percent of material purchases. However, the Company does not believe that the loss of this supplier would have a materially adverse effect on the Company as raw materials are readily available from a number of different sources, and the Company anticipates no difficulties in fulfilling its requirements.

Specialty Chemicals Segment – This segment consists of the Company's wholly-owned subsidiary MS&C. MS&C owns 100 percent of the membership interests of MC, which has a production facility in Cleveland, Tennessee. This segment also includes CRI Tolling which is located in Fountain Inn, South Carolina. MC and CRI Tolling are aggregated as one reporting unit and comprise the Specialty Chemicals Segment. Both facilities are fully licensed for chemical manufacture. MC manufactures lubricants, surfactants, defoamers, reaction intermediaries and sulfated fats and oils. CRI Tolling provides chemical tolling manufacturing resources to global and regional companies and contracts with other chemical companies to manufacture certain pre-defined products.

MC produces over 1,100 specialty formulations and intermediates for use in a wide variety of applications and industries. MC's primary product lines focus on the areas of defoamers, surfactants and lubricating agents. These three fundamental product lines find their way into a large number of manufacturing businesses. Over the years, the customer list has grown to include end users and chemical companies that supply paper, metal working, surface coatings, water treatment, paint, mining, oil and gas and janitorial applications. MC's capabilities also include the sulfation of fats and oils. These products are used in a wide variety of applications and represent a renewable resource, animal and vegetable derivatives, as alternatives to more expensive and non-renewable petroleum derivatives.

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

CRI Tolling was acquired by the Company in 2013. CRI Tolling had underutilized manufacturing capacity which allowed the Specialty Chemicals Segment to expand production from MC's Cleveland, Tennessee facility to further penetrate existing markets, as well as develop new ones, including those in the energy industry, and provides redundant production capabilities for key products. The Company invested approximately \$3,500,000 in equipment at CRI Tolling during 2014. The new equipment provided CRI Tolling with production capabilities similar to those currently in place at MC's facility and increased the production capacity of the Specialty Chemicals Segment by 60 percent.

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

Most raw materials used by the segment are generally available from numerous independent suppliers and approximately 46 percent of total purchases are from its top eleven suppliers. While some raw material needs are met by a sole supplier or only a few suppliers, the Company anticipates no difficulties in fulfilling its raw material requirements.

Please see Note 15 to the Consolidated Financial Statements, which are included in Item 8 of this Form 10-K, for financial information about the Company's segments.

Sales and Distribution

Metals Segment – The Metals Segment utilizes separate sales organizations for its different product groups. Stainless steel pipe is sold worldwide under the BRISMET trade name through authorized stocking distributors at warehouse locations throughout the country. Producing sales and providing service to the distributors and end-user customers are BRISMET's President, two outside sales employees, seven independent manufacturers' representatives and eight inside sales employees. Additionally, BRISMET operates international offices in Brussels, Belgium and Shanghai, China, with one person in each office.

Palmer employs three sales professionals that manage the relationship with customers and partnerships to identify and secure new sales. Additionally, the Metals Segment President assists in account relationship management with large customers. Customer feedback and in-field experience generate product enhancements and new product development.

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

The Metals Segment had one domestic customer that accounted for approximately 14 percent of the segment's revenues for 2015. There were no customers representing more than ten percent of the Metals Segment's revenues for 2016 or 2014.

Specialty Chemicals Segment – Specialty chemicals are sold directly to various industries nationwide by five full-time outside sales employees and eleven manufacturers' representatives. The Specialty Chemicals Segment has one customer that accounted for approximately 25 percent of the segment's revenues for 2016 and the same customer accounted for 31 percent of revenues for 2015 and 2014. The concentration of sales to this customer declined in 2016 as a result of this customer moving production of the products previously produced and sold by the Specialty Chemicals Segment in house.

Competition

Metals Segment – Welded stainless steel pipe is the largest sales volume product of the Metals Segment. Although information is not publicly available regarding the sales of most other producers of this product, management believes that the Company is one of the largest domestic producers of such pipe. This commodity product is highly competitive with nine known domestic producers, including the Company, and imports from many different countries.

Due to the size of the tanks produced and shipped to its customers, the majority of Palmer's products are sold within a 300 mile radius from its plant in Andrews, Texas. There are currently 18 tank producers, with similar capabilities, servicing that same area.

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

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

Mergers, Acquisitions and Dispositions

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

On December 9, 2016, the Company's subsidiary BRISMET, entered into a definitive agreement to acquire the stainless steel pipe and tube assets of Marcegaglia USA, Inc. ("MUSA") located in Munhall, PA to enhance its on-going business with additional capacity and technological advantages. The transaction closed on February 28, 2017. The agreement is structured as an asset purchase and excludes galvanized product and ornamental tubing products. The purchase price for the transaction, which excludes real estate and certain other assets, totaled \$14,954,000; the assets purchased from MUSA include inventory, equipment and a non-compete agreement. In accordance with the agreement, on December 9, 2016, BRISMET entered into an escrow agreement and deposited \$3,000,000 into the escrow fund. This deposit is included in prepaid expenses and other current assets in the accompanying consolidated balance sheet. The deposit was remitted to MUSA at the close of the transaction and was reflected as a credit against the purchase price. Since the transaction closed on February 28, 2017, the purchase accounting is not complete as of the time of this filing. As part of the MUSA transaction, BRISMET assumed all of MUSA's rights and obligations pursuant to the Collective Bargaining Agreement between MUSA and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union AFL-CIO, on behalf of Local Union 5852-22 (the "Union") dated October 1, 2013 (the "CBA"). At the closing of the transaction, BRISMET and the Union amended the CBA to include a modest wage increase and to extend the CBA's termination date to September 30, 2018.

On November 21, 2014, the Company entered into a Stock Purchase Agreement with The Davidson Corporation, a Delaware corporation ("Davidson"), to purchase all of the issued and outstanding stock of Specialty. The purchase price for the all-cash acquisition was \$31,500,000. Davidson had the potential to receive earn-out payments up to a total of \$5,000,000 if Specialty achieved targeted sales revenue over a two-year period following closing. Sales revenues did not reach minimum earn-out levels. Therefore, Davidson did not receive any earn-out payments. The purchase price for the acquisition was funded through a combination of cash on hand, a new term loan with the Company's bank and an increase to the Company's credit facility. The financial results for Specialty are reported as a part of the Company's Metals Segment.

On August 29, 2014, the Company completed the sale of all of the issued and outstanding membership interests of its wholly owned subsidiary, Ram-Fab, LLC, a South Carolina limited liability company ("Ram-Fab"), to a subsidiary of Primoris Services Corporation. The transaction was valued at less than \$10 million, which consideration included cash at closing, Synalloy's ability to receive potential future earn-out payment(s) and the retention of specified Ram-Fab current assets. The Company did not receive any earn-out payments due to the profitability realized by Primoris on the job that was in process at the time of sale. The Company realized a one-time charge in the third quarter of 2014 of \$1,996,000 for costs associated with the sale plus a \$947,000 charge to write off the Company's investment in Ram-Fab. These charges, along with all non-recurring revenues and expenses associated with Ram-Fab are included in the respective consolidated financial statements as discontinued operations. Ram-Fab was reported as a part of the Metals Segment.

On June 27, 2014, the Company completed the planned closure of the Bristol Fabrication unit of Synalloy Fabrication, LLC ("Bristol Fab"). Bristol Fab's collective bargaining agreement with the United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada Local Union No. 538 (the "Union") expired on February 15, 2014. After lengthy negotiations with the Union, Bristol Fab was unable to reach an agreement. Also, upon closure of the operation, the Company was legally obligated to pay a withdrawal liability to the Union's pension fund of over \$1.9 million. The Company realized pre-tax charges in the second quarter of 2016, fourth quarter of 2015 and second quarter of 2014 of \$150,000, \$1,902,000 and \$6,988,000, respectively, for costs associated with the closure of Bristol Fab. These costs, along with all non-recurring revenues and expenses associated with Bristol Fab, are included in the respective consolidated financial statements as discontinued operations. Bristol Fab was reported as a part of the Metals Segment.

Environmental Matters

Environmental expenditures that relate to an existing condition caused by past operations and do not contribute to future revenue generation are expensed. Liabilities are recorded when environmental assessments and/or cleanups are probable and the costs of these assessments and/or cleanups can be reasonably estimated. Changes to laws and environmental issues, including climate change, are made or proposed with some frequency and some of the proposals, if adopted, might directly or indirectly result in a material reduction in the operating results of one or more of our operating units. We are presently unable to foresee the future well enough to quantify such risks. See Note 7 to the Consolidated Financial Statements, which are included in Item 8 of this Form 10-K, for further discussion.

Research and Development Activities

The Company spent approximately \$603,000 in 2016, \$548,000 in 2015 and \$531,000 in 2014 on research and development activities that were expensed in its Specialty Chemicals Segment. Five individuals, all of whom are graduate chemists, are engaged primarily in research and development of new products and processes, the improvement of existing products and processes, and the development of new applications for existing products.

Seasonal Nature of the Business

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

Backlogs

The Specialty Chemicals Segment operates primarily on the basis of delivering products soon after orders are received. Accordingly, backlogs are not a factor in this business. The same applies to commodity pipe sales in the Metals Segment. However, backlogs are important in the Metals Segment's steel and fiberglass tank operations since tanks are produced only after orders are received. Its backlog of open orders were \$9,878,000 and \$9,964,000 at the end of 2016 and 2015, respectively.

Employee Relations

At December 31, 2016, the Company had 412 employees. The Company considers relations with employees to be strong. The number of employees of the Company represented by unions, located at the Bristol, Tennessee and Mineral Ridge, Ohio facilities, is 132, or 32 percent of the Company's employees. They are represented by two locals affiliated with the United Steelworkers. Collective bargaining contracts for the Steelworkers will expire in June 2017 and July 2019.

Financial Information about Geographic Areas

Information about revenues derived from domestic and foreign customers is set forth in Note 15 to the Consolidated Financial Statements.

Available information

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

Item 1A Risk Factors

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

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

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

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

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

We rely on a small number of suppliers for our raw materials and any interruption in our supply chain could affect our operations. In order to foster stronger business relationships, the Metals Segment uses only a few raw material suppliers. During the year ended December 31, 2016, nine suppliers furnished approximately 77 percent of our total dollar purchases of raw materials, with one supplier providing 42 percent. However, these raw materials are available from a number of sources, and the Company anticipates no difficulties in fulfilling its raw materials requirements for the Metals Segment. Raw materials used by the Specialty Chemicals Segment are generally available from numerous independent suppliers and approximately 4 percent of total purchases were made from our top eleven suppliers during the year ended December 31, 2016. Although some raw material needs are met by a single supplier or only a few suppliers, the Company anticipates no difficulties in fulfilling its raw material requirements for the Specialty Chemicals Segment. While the Company believes that raw materials for both segments are readily available from numerous sources, the loss of one or more key suppliers in either segment, or any other material change in our current supply channels, could have an adverse effect on the Company's ability to meet the demand for its products, which could impact our operations, revenues and financial results.

A substantial portion of our overall sales is dependent upon a limited number of customers, and the loss of one or more of such customers would have a material adverse effect on our business, results of operation and profitability. The products of the Specialty Chemicals Segment are sold to various industries nationwide. The Specialty Chemicals Segment has one customer that accounted for approximately 25 percent of revenues for 2016 and the same customer accounted for approximately 31 percent of revenues for 2015 and 2014. The concentration of sales to this customer declined in 2016 as a result of this customer moving production of the products previously produced and sold by the Specialty Chemicals Segment in house. The loss of this customer would have a material adverse effect on the revenues of the Specialty Chemicals Segment of the Company.

The Metals Segment had one customer that accounted for approximately 14 percent of revenues for 2015. There were no customers representing more than ten percent of the Metals Segment's revenues in 2016 or 2014. Palmer and Specialty, which are a part of the Metals Segment, sell much of their products to the oil and gas industry. Any change in this industry, or any change in this industry's demand for their products, would have a material adverse effect on the profits of the Metals Segment and the Company.

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

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

Significant changes in nickel prices could have an impact on the sales by the Metals Segment. The Metals Segment uses nickel in a number of its products. Nickel prices are currently at a relatively low level, which reduces our manufacturing costs for certain products. When nickel prices increase, many of our customers increase their orders in an attempt to avoid future price increases, resulting in increased sales for the Metals Segment. Conversely, when nickel prices decrease, many of our customers wait to place orders in an attempt to take advantage of subsequent price decreases, resulting in reduced sales for the Metals Segment. On average, the Metals Segment turns its inventory of commodity pipe every six months, but the nickel surcharge on sales of commodity pipe is established on a monthly basis. The difference, if any, between the price of nickel on the date of purchase of the raw material and the price, as established by the surcharge, on the date of sale has the potential to create an inventory profit or loss. If the price of nickel steadily increases over time, as it did from 2005 to 2007, the Metals Segment is the beneficiary of the increase in nickel price in the form of inventory gains. Conversely, if the price of nickel steadily decreases over time, as it did from 2009 to 2013, the Metals Segment suffers inventory losses. Low nickel prices weighted heavily on stainless steel pipe sales throughout most of 2016, with only late year increases having some minor favorable impacts during the fourth quarter. This resulted in average nickel prices being down 19 percent for the full year of 2016 and up 14 percent for the fourth quarter 2016, when compared to the same periods of the prior year. We will incur inventory losses in the future if nickel prices decrease. Any material changes in the cost of nickel could impact our sales and result in fluctuations in the profits for the Metals Segment.

The Company began hedging its nickel exposure during 2016. The program may not eliminate all of the Company's nickel pricing exposure.

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

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

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

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

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

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

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

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

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

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

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

incidents will not result in production delays, failure to timely fulfill customer orders or otherwise have a material adverse effect on our business, financial condition or results of operations.

Certain of our employees in the Metals Segment are covered by collective bargaining agreements, and the failure to renew these agreements could result in labor disruptions and increased labor costs. As of December 31, 2016, we had 132 employees represented by unions at our Bristol, Tennessee and Mineral Ridge, Ohio facilities, which is 32 percent of the aggregate number of Company employees. These employees are represented by two local unions affiliated with the United Steelworkers (the "Steelworkers Union"). The collective bargaining contracts for the Steelworkers Unions will expire in June 2017 and July 2019. Although we believe that our present labor relations are satisfactory, our failure to renew these agreements on reasonable terms as the current agreements expire could result in labor disruptions and increased labor costs, which could adversely affect our financial performance.

Our current capital structure includes indebtedness, which is secured by all or substantially all of our assets and which contains restrictive covenants that may prevent us from obtaining adequate working capital, making acquisitions or capital improvements.

Our existing credit facility contains restrictive covenants that limit our ability to, among other things, borrow money or guarantee the debts of others, use assets as security in other transactions, make investments or other restricted payments or distributions, change our business or enter into new lines of business, and sell or acquire assets or merge with or into other companies. In addition, our credit facility requires us to meet a minimum fixed charge coverage ratio which could limit our ability to plan for or react to market conditions or meet extraordinary capital needs and could otherwise restrict our financing activities. Our ability to comply with the covenants and other terms of our credit facility will depend on our future operating performance. If we fail to comply with such covenants and terms, we will be in default and the maturity of any then outstanding related debt could be accelerated and become immediately due and payable. In addition, in the event of such a default, our lender may refuse to advance additional funds, demand immediate repayment of our outstanding indebtedness, and elect to foreclose on our assets that secure the credit facility.

There were no events of default under our credit facility at December 31, 2016. Although we believe we will remain in compliance with these covenants in the foreseeable future and that our relationship with our lender is strong, there is no assurance our lender would consent to an amendment or waiver in the event of noncompliance; or that such consent would not be conditioned upon the receipt of a cash payment, revised principal payout terms, increased interest rates or restrictions in the expansion of the credit facility for the foreseeable future, or that our lender would not exercise rights that would be available to them, including, among other things, demanding payment of outstanding borrowings. In addition, our ability to obtain additional capital or alternative borrowing arrangements at reasonable rates may be adversely affected. All or any of these adverse events would further limit our flexibility in planning for, or reacting to, downturns in our business.

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

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

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

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

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

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

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

The loss of key members of our management team, or difficulty attracting and retaining experienced technical personnel, could reduce our competitiveness and have an adverse effect on our business and results of operations. The successful implementation of our strategies and handling of other issues integral to our future success will depend, in part, on our experienced management team. The loss of key members of our management team could have an adverse effect on our business. Although we have entered into employment agreements key members of our management team including Craig C. Bram, President and Chief Executive Officer, Dennis M. Loughran, Senior Vice President and Chief Financial Officer, Sally M. Cunningham, Vice President of Corporate Administration, J. Kyle Pennington, President of Metals Segment, James G. Gibson, General Manager and President of Specialty Chemicals Segment, Steven J. Baroff, President and General Manager of Specialty, K. Dianne Beck, Vice President of Specialty, and Christopher D. Sitka, Vice President of Specialty, employees may resign from the Company at any time and seek employment elsewhere, subject to certain non-competition restrictions for a one-year period. Additionally, if we cannot retain our technical personnel or attract additional experienced technical personnel, our ability to compete could be harmed.

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

Our results of operations could be adversely affected by goodwill impairments. Goodwill must be tested at least annually for impairment, and more frequently when circumstances indicate likely impairment. Goodwill is considered impaired to the extent that its carrying amount exceeds its implied fair value. An impairment of goodwill could have a substantial negative effect on our profitability. The Company performed the step zero qualitative test during the fourth quarter of 2016 which resulted in no goodwill impairment for the year ended December 31, 2016.

Our results of operations could be adversely affected by intangible asset impairments. As a result of our acquisitions, we had approximately \$12,309,000 of intangible assets on our balance sheet as of December 31, 2016. Intangible assets are amortized over their estimated useful lives using either an accelerated or straight-line method. Intangibles are reviewed for impairment when events or changes in circumstances indicate the carrying value of the intangible asset or group of assets may no longer be recoverable. An impairment of intangible assets could have a substantial negative effect on our profitability.

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

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

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

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

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

Our internal controls over financial reporting could fail to prevent or detect misstatements. Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of

effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Any failure to maintain effective internal controls or to timely effect any necessary improvement in our internal control and disclosure controls could, among other things, result in losses from fraud or error, harm our reputation or cause investors to lose confidence in our reported financial information, all of which could have a material adverse effect on our financial condition, results of operations and cash flows.

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

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

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

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

Item 1B Unresolved Staff Comments

None.

Item 2 Properties

The Company operates the major plants and facilities listed below, all of which are in adequate condition for their current usage. All facilities throughout the Company are believed to be adequately insured. The buildings are of various types of construction including brick, steel, concrete, concrete block and sheet metal. All have adequate transportation facilities for both raw materials and finished products. In September 2016, the Company sold its real estate properties previously owned in Tennessee, South Carolina, Texas and Ohio to Store Funding and concurrently leased back these real properties; see Note 12 to the Consolidated Financial Statements included in Item 8 of this Form 8K. The parcel of land in Mineral Ridge, OH, the corporate headquarters located in Richmond, VA, and the shared service center located in Spartanburg, SC were excluded from this transaction and continue to be leased by the Company from other parties.

Location	Principal Operations	Building Square Feet	Land Acres
Bristol, TN	Manufacturing stainless steel pipe	275,000	73.1
Cleveland, TN	Chemical manufacturing and warehousing facilities	143,000	18.8
Fountain Inn, SC	Chemical manufacturing and warehousing facilities	136,834	16.9
Andrews, TX	Manufacturing liquid storage solutions and separation equipment	122,662	19.6
Houston, TX	Cutting facility and storage yard for heavy walled pipe	29,821	10.0
Mineral Ridge, OH	Cutting facility and storage yard for heavy walled pipe	12,000	12.0
Mineral Ridge, OH	Storage yard for heavy walled pipe	—	4.6
Richmond, VA	Corporate headquarters	5,911	—
Spartanburg, SC	Office space for corporate employees and shared service center	4,858	—
Augusta, GA	Chemical manufacturing ⁽¹⁾	—	46.0

(1) Property owned by Company; plant was closed in 2001 and all structures and manufacturing equipment have been removed.

Item 3 Legal Proceedings

For a discussion of legal proceedings, see Notes 7 and 13 to the Consolidated Financial Statements included in Item 8 of this Form 10-K.

Item 4 Mine Safety Disclosures

Not applicable.

PART II

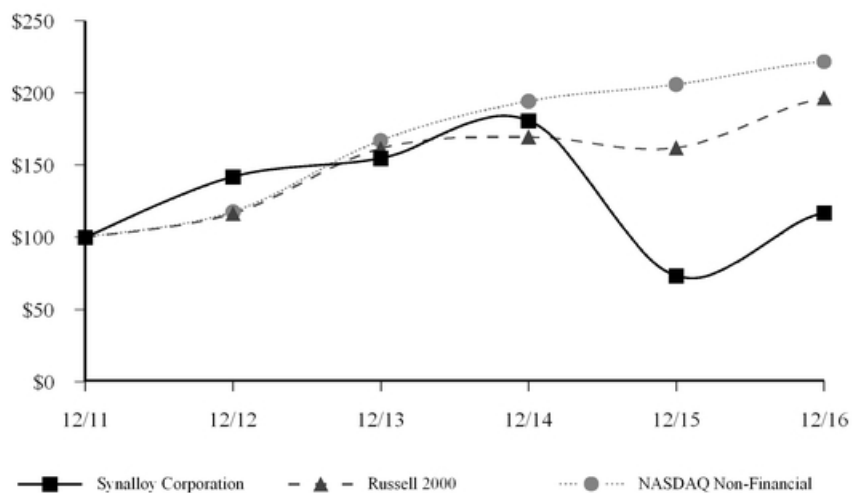
Item 5 Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company had 525 common shareholders of record at March 10, 2017. The Company's common stock trades on the NASDAQ Global Market under the trading symbol SYNL. As a result of the Board's review of financial performance and capital needed to support future growth, no dividends were declared or paid in 2016. The Company's credit agreement restricts the payment of dividends indirectly through a minimum fixed charge coverage covenant. The Company paid a \$0.30 cash dividend on December 8, 2015 and a \$0.30 cash dividend on December 9, 2014. The prices shown below are the high and low sales prices for the common stock for each full quarterly period in the last two fiscal years as quoted on the NASDAQ Global Market.

Quarter	2016		2015	
	High	Low	High	Low
1st	\$ 10.07	\$ 6.42	\$ 18.49	\$ 14.25
2nd	8.50	7.25	15.00	13.25
3rd	9.68	6.56	13.79	7.92
4th	11.70	8.57	10.55	6.20

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

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among Synalloy Corporation, the Russell 2000 Index, and the NASDAQ Non Financial Index



*\$100 invested on 12/31/11 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

Source: Russell Investment Group

Comparison of 5 Year Cumulative Total Return Graph

	12/11	12/12	12/13	12/14	12/15	12/16
Synalloy Corporation	\$ 100.00	\$ 141.90	\$ 154.75	\$ 180.75	\$ 73.42	\$ 116.86
Russell 2000	100.00	116.35	161.52	169.43	161.95	196.45
NASDAQ Non-Financial	100.00	117.61	166.99	194.19	205.76	221.55

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

Unregistered Sales of Equity Securities

Pursuant to the compensation arrangement with directors discussed under Item 12 "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" in this Form 10-K, on May 5, 2016, the Company issued an aggregate of 40,991 shares of restricted stock to non-employee directors in lieu of \$330,000 of their annual cash retainer fees. Issuance of these shares was not registered under the Securities Act of 1933 based on the exemption provided by Section 4(2) thereof because no public offering was involved.

The Company also issued 21,133 shares of common stock in 2016 to management and key employees that vested pursuant to the 2005 and 2015 Stock Awards Plans. Issuance of these shares was not registered under the Securities Act of 1933 based on the exemption provided by Section 4(2) thereof because no public offering was involved.

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
January 1, 2016 - January 31, 2016	—	\$ —	—	899,600
February 1, 2016 - February 29, 2016	—	\$ —	—	899,600
March 1, 2016 - March 31, 2016	29,500	\$ 8.61	29,500	870,100
April 1, 2016 - April 30, 2016	—	\$ —	—	870,100
May 1, 2016 - May 31, 2016	—	\$ —	—	870,100
June 1, 2016 - June 30, 2016	—	\$ —	—	870,100
July 1, 2016 - July 31, 2016	—	\$ —	—	870,100
August 1, 2016 - August 31, 2016	—	\$ —	—	870,100
September 1, 2016 - September 30, 2016	—	\$ —	—	870,100
October 1, 2016 - October 31, 2016	—	\$ —	—	870,100
November 1, 2016 - November 30, 2016	—	\$ —	—	870,100
December 1, 2016 - December 31, 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 6 Selected Financial Data

Selected Financial Data and Other Financial Information

(Dollar amounts in thousands except for per share data)

	2016	2015 ^(c)	2014 ^(a)	2013	2012
Operations^(b)					
Net sales	\$ 138,566	\$ 175,460	\$ 199,505	\$ 196,751	\$ 166,162
Gross profit	16,904	25,319	32,929	19,798	19,733
Selling, general & administrative expense ^(e)	22,673	21,938	16,530	15,987	12,399
Goodwill impairment	—	17,158	—	—	—
Operating (loss) income ^(e)	(8,246)	(13,031)	16,098	3,547	7,334
Net (loss) income - continuing operations	(6,994)	(10,269)	12,619	2,898	3,983
Net (loss) income - discontinued operations	(99)	(1,251)	(7,157)	(1,137)	252
Net (loss) income	(7,093)	(11,520)	5,462	1,761	4,235
Financial Position					
Total assets ^{(d), (e)}	138,638	149,043	187,633	163,068	148,299
Working capital ^(d)	64,732	58,304	64,580	74,988	65,919
Long-term debt, less current portion ^(e)	8,804	23,410	27,039	20,713	37,385
Shareholders' equity	88,593	95,154	109,454	106,098	71,774
Financial Ratios					
Current ratio ^{(d), (e)}	3.0:1	3.2:1	2.6:1	4.0:1	3.6:1
Gross profit to net sales ^(b)	12 %	14 %	17%	10%	12%
Long-term debt to capital ^(e)	9 %	20 %	20%	16%	34%
Return on average assets ^{(b), (d), (e)}	(4)%	(6)%	7%	2%	3%
Return on average equity ^(b)	(7)%	(10)%	12%	3%	6%
Per Share Data (Income/(Loss) – Diluted)					
Net (loss) income - continuing operations	\$ (0.81)	\$ (1.18)	\$ 1.45	\$ 0.42	\$ 0.62
Net (loss) income - discontinued operations	(0.01)	(0.14)	(0.82)	(0.16)	0.04
Net (loss) income	(0.82)	(1.32)	0.63	0.25	0.66
Dividends declared and paid	—	0.30	0.30	0.26	0.25
Book value	10.22	11.02	12.57	12.21	11.29
Other Data					
Depreciation and amortization ^{(b), (e)}	\$ 6,695	\$ 6,634	\$ 5,132	\$ 4,625	\$ 2,952
Capital expenditures ^(b)	3,044	10,905	8,066	5,648	4,542
Employees at year end	412	411	464	670	597
Shareholders of record at year end	527	540	575	619	669
Average shares outstanding - diluted	8,650	8,710	8,715	6,947	6,394
Stock Price					
Price range of common stock					
High	\$ 11.70	\$ 18.49	\$ 18.84	\$ 17.38	\$ 14.97
Low	6.42	6.20	13.14	12.53	10.21
Close	10.95	6.88	17.67	15.53	13.49

(a) 2014 represents a 53 week year.

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

(c) Effective December 31, 2015, the Company changed from a fiscal year to a calendar year.

(d) Effective 2015, the section or line includes the effects of the adoption of ASU 2015-17, *Balance Sheet Classification and Deferred Taxes*, requiring all deferred tax assets and liabilities and any related valuation allowance to be classified as non-current on our consolidated balance sheets. Prior periods were not retrospectively adjusted.

(e) Information in the line has been re-stated to reflect the adoption of ASU 2015-03, *Interest - Imputation of Interest*, requiring debt issuance costs related to a recognized debt liability be presented as a direct deduction of the debt liability. Concurrently, amortization expense is reclassified from amortization expense (included in selling, general, administrative expense) to interest expense.

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

Critical Accounting Policies and Estimates

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

Allowance for Doubtful Accounts

The Company maintained allowances for doubtful accounts of approximately \$82,000 as of December 31, 2016, for estimated losses resulting from the inability of its customers to make required payments. The allowance is based upon a review of outstanding receivables, historical collection information and existing economic conditions. The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral. Receivables are generally due within 30 to 60 days. Delinquent receivables are written off based on individual credit evaluations and specific circumstances of the customer.

Inventory Adjustments and Reserves

At the end of each quarter, all facilities review recent sales reports to identify sales price trends that would indicate products or product lines that are being sold below our cost. This would indicate that an adjustment would be required. As of December 31, 2016 and December 31, 2015, an adjustment was required by our Metals Segment mainly due to decreases in nickel prices. Stainless steel, both in its raw material (coil or plate) or finished goods (pipe) state is purchased / sold using a base price plus an additional surcharge which is dependent on current nickel prices. As raw materials are purchased, it is priced to the Company based upon the surcharge at that date. When the finished pipe is ultimately sold to the customer approximately five months later, the then-current nickel surcharge is used to determine the proper selling prices. A lower of cost or market adjustment is recorded when the Company's inventory cost, based upon a historical nickel price, is greater than the current selling price of that product due to a reduction in the nickel surcharge. A \$43,000 and \$1,237,000 adjustment was required at December 31, 2016 and December 31, 2015, respectively, for reductions in nickel surcharge. At December 31, 2016, an adjustment of \$93,000 was required by our storage tank facility as lower demand for oil and gas products caused selling prices to fall below inventory cost for certain tanks. No adjustment was needed at December 31, 2015 for tank inventory.

The Company establishes inventory reserves for:

- Estimated obsolete or unmarketable inventory. As of December 31, 2016 and December 31, 2015, the Company identified inventory items with no sales or expected sales activity for finished goods or no usage for raw materials for a certain period of time. For those inventory items that are not currently being marketed and unable to be sold, a reserve was established for 100 percent of the inventory cost less any estimated scrap proceeds. The Company reserved \$697,000 and \$658,000 at December 31, 2016 and December 31, 2015, respectively.
- Estimated quantity losses. The Company performs an annual physical inventory during the fourth quarter each year. For those facilities that complete their physical inventory before the end of December, a reserve is established for the potential quantity losses that could occur subsequent to their physical. This reserve is based upon the most recent physical inventory results. At December 31, 2016 and December 31, 2015, the Company had \$269,000 and \$24,000, respectively, reserved for physical inventory quantity losses.

Impairment of Long-Lived Assets

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

Business Combinations

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

Goodwill

Goodwill, which represents the excess of purchase price over fair value of net assets acquired, is tested for impairment at the reporting unit level, annually in the fourth quarter and whenever circumstances indicate that the carrying value may not be recoverable. The evaluation of impairment involves using either a step zero qualitative approach or a two-step quantitative approach, if required, as outlined in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 350. The step zero approach allows an entity to first assess qualitative factors to determine whether it is more likely than not that the Fair Value of a reporting unit is less than its carrying value. If an entity cannot make this determination, then the two-step approach will be followed. The initial step of the two-step quantitative approach of the goodwill impairment test involves a comparison of the fair value of the reporting unit in which the goodwill is recorded to its carrying amount. If the reporting unit's fair value exceeds its carrying value, no impairment loss is recognized and the second step, which is a calculation of the impairment, is not performed. However, if the reporting unit's carrying value exceeds its fair value, an impairment charge equal to the difference in the carrying value of the goodwill and the implied fair value of the goodwill is recorded. Implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. That is, the fair value of the reporting unit is allocated to the assets and liabilities of the reporting unit as if it had been acquired in a business combination. The excess of the fair value of the reporting unit over the amounts allocated to assets and liabilities is the implied fair value of goodwill. The Company performed the step zero qualitative test during the fourth quarter of 2016 which resulted in no impairment of the goodwill recognized of \$1,355,000 for the Specialty Chemicals Segment for the year ended December 31, 2016.

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

Liquidity and Capital Resources

Cash flows provided by continuing operating activities during 2016 and 2015 totaled \$5,301,000 and \$17,312,000, respectively, a reduction of cash flows of \$12,011,000. Net income from continuing operations generated \$2,073,000 in cash flows for 2016 after adding back depreciation and amortization expense of \$6,695,000 and the loss on the sale of property, plant and equipment resulting from the sale-leaseback of \$2,372,000, a decrease of \$6,553,000 from \$8,626,000 for 2015. In addition to adding back depreciation and amortization, the prior year amount also added back the goodwill impairment charge and deducted the gain on the earn-out liability which did not recur in 2016. Accounts receivable from continuing operations used cash of \$37,000 during 2016 as sales increased three percent for the last two months of the year when compared to the same period of the prior year. Accounts receivable days outstanding, calculated on a three-month average basis, decreased two days during 2016, decreasing from 53.6 days at the end of 2015 to 51.5 at the end of 2016. Inventory generated \$2,033,000 of cash as year-over-year inventory levels decreased to correspond with lower sales volumes. Inventory turns, calculated on a three-month average basis, were relatively unchanged, increasing to 1.90 turns at the end of 2016 from 1.89 turns at the end of 2015. Accounts payable favorably affected cash flows from continuing operations by \$4,419,000 in 2016 entirely in the Metals Segment as BRISMET purchased a large amount of inventory in December to obtain favorable pricing for an order that is scheduled to ship in early 2017 combined with increased inventory purchases for Palmer and Specialty to support projected 2017 sales levels. Also, accounts payable days outstanding at year-end 2016 was increased by approximately seven days to 52 days. Finally, the change in other assets and accrued expenses resulted mainly from an \$11,000,000 non-cash accrual recorded during the fourth quarter 2016 for a judgment received on an on-going lawsuit which was initially identified during the Company's due diligence associated with the acquisition of Palmer. The Company is completely indemnified by the former shareholders of Palmer and, accordingly, a corresponding indemnified receivable was also recorded. This litigation is more fully described in Note 13.

Cash flows provided by continuing operating activities during 2015 and 2014 totaled \$17,312,000 and \$28,104,000 respectively, a decrease in cash flows of \$10,792,000. Cash flows in 2015 were generated from net income from continuing operations totaling \$8,626,000 after adding back depreciation and amortization expense of \$6,634,000, the goodwill impairment charge of \$17,158,000

and deducting the gain on the earn-out liability of \$4,897,000, a decrease from the prior year of \$5,588,000. Accounts receivable from continuing operations generated \$11,381,000 cash during 2015 as sales decreased 27 percent for the fourth quarter of 2015 compared to the fourth quarter of 2014. Accounts receivable days outstanding remained relatively stable, decreasing from 54.9 days at the end of 2014 to 53.6 days at the end of 2015. Accounts payable negatively affected cash flows from continuing operations by \$9,122,000 in 2015 as the significant inventory purchases made during the fourth quarter of 2014 in the Metals Segment, which increased the 2014 year-end accounts payable balance, were paid during 2015. Accounts payable days outstanding was consistent at 45 days for both years. Accrued income taxes generated \$3,037,000 as the Company received excess tax deposits when the 2014 tax returns were filed. In prior year, these excess payments would have been applied to the subsequent year tax deposits. A decrease in inventory generated \$4,173,000 of cash during 2015. This resulted from selling the incremental inventory purchased by the Metals Segment at the end of 2014 combined with a Company directive to lower inventory levels during 2015. Inventory turns, calculated on a three month basis, decreased from 3.16 turns at the end of 2014 to 1.89 turns at the end of 2015. The 2015 calculation includes Specialty's values which, by definition of being a master pipe distributor, has a lower turnover rate.

In 2016, the Company's current assets and current liabilities increased \$12,407,000 and \$5,979,000, respectively, from the year ended 2015 amounts, which caused working capital for 2016 to increase by \$6,428,000 to \$64,732,000 from the 2015 total of \$58,304,000. The current ratio for the year ended December 31, 2016, decreased to 3.0:1 from the 2015 year-end ratio of 3.2:1.

The Company generated cash from investing activities during 2016 of \$17,673,000. During the fourth quarter 2016, a \$3,000,000 escrow deposit was made in conjunction with the Marcegaglia USA acquisition, which will be used to offset total funds due at closing. The sale-leaseback transaction, which is discussed in Note 12 to the Consolidated Financial Statements included in Item 8 of this Form 10-K, resulted in net proceeds of \$21,925,000. Financing activities during 2016 used cash of \$19,459,000 as the proceeds from the sale-leaseback transaction was used to pay down long-term debt. No dividends were declared during 2016.

In connection with the Specialty acquisition discussed in Note 18 to the Consolidated Financial Statements included in Item 8 of this Form 10-K, on November 21, 2014, the Company modified its Credit Agreement to increase the limit of the current revolving line of credit (the "Line") by \$15,000,000 to a maximum of \$40,000,000, and extended the maturity date to November 21, 2017. The Total Funded Debt to EBITDA ratio (as defined in the Credit Agreement), tangible net worth floor (as defined in the Credit Agreement), and Total Liabilities to Tangible Net Worth ratio (as defined in the Credit Agreement) were changed as a result of this modification. None of the other provisions of the Credit Agreement were changed as a result of this modification. Interest on the Credit Agreement is calculated using the One Month LIBOR (as defined in the Credit Agreement), plus a pre-defined spread, based on the Company's Total Funded Debt to EBITDA ratio (as defined in the Credit Agreement).

The Credit Agreement modification on November 21, 2014, also provided for a five-year term loan (the "Specialty note"), expiring November 21, 2019, in the amount of \$10,000,000 that required equal monthly payments of \$166,667, plus interest, calculated using the One Month LIBOR (as defined in the Credit Agreement), plus a pre-defined spread, based on the Company's Total Funded Debt to EBITDA ratio (as defined in the Credit Agreement). On August 31, 2016, the balance of this note was refinanced and consolidated into the Line as part of the amendment to the Credit Agreement discussed below.

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 in the amount of \$45,000,000. The Line was used to refinance and consolidate the existing line of credit, the Palmer note, and the Specialty note 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 a pre-defined spread. 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 evaluated this transaction in accordance with Accounting Standards Codification ("ASC") 470-50-40-10 and ASC 470-50-40-21 and determined the refinancing 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.

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 12. 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. At December 31, 2016, the Company was in compliance with all debt covenants.

Results of Operations

Comparison of 2016 to 2015 – Consolidated

For the full-year 2016, the net loss from continuing operations totaled \$6,994,000, or \$0.81 loss per share. This compared to full-year 2015 net loss from continuing operations of \$10,269,000, or \$1.18 loss per share. For the fourth quarter of 2016 the Company

recorded a net loss from continuing operations of \$1,435,000, or \$0.17 loss per share. This compares to a net loss from continuing operations of \$17,717,000, or \$2.04 loss per share for fourth quarter of 2015.

Consolidated gross profit from continuing operations decreased 33 percent to \$16,904,000 in 2016, compared to \$25,319,000 in 2015, and, as a percent of sales, decreased to twelve percent of sales in 2016 compared to 14 percent of sales in 2015. For the fourth quarter of 2016, consolidated gross profit from continuing operations was \$3,684,000, an increase of eight percent from the fourth quarter of 2015 of \$3,424,000. Consolidated gross profit from continuing operations was eleven percent of sales for the fourth quarter of 2016 and ten percent of sales for same period of 2015. The majority of the changes in dollars and in percentage of sales were attributable to the Metals Segment as discussed in the Metals Segment Comparison of 2016 to 2015 below. Consolidated selling, general and administrative expense from continuing operations for 2016 increased by \$735,000 or three percent to \$22,673,000 (16 percent of sales) compared to \$21,938,000 (13 percent of sales) for 2015. These costs decreased \$78,000 or one percent to \$5,548,000 for the fourth quarter of 2016 from \$5,626,000 for the same period of 2015 and were 17 percent of sales for the fourth quarter 2016 compared to 16 percent of sales for the fourth quarter of 2015. The increase for the full-year 2016 resulted from higher salaries and wages, directors fees, amortization and sale-leaseback closing costs partly offset by lower professional fees, sales commissions and incentive based bonuses. In addition, the Company incurred \$106,000 for one-time acquisition costs associated with the Marcegaglia USA acquisition in 2016 compared to \$500,000 of one-time acquisition costs associated with the Specialty acquisition in 2015. These costs were \$30,000 and \$46,000 for the fourth quarters of 2016 and 2015, respectively. All of these items will be discussed in greater detail in the respective sections below.

Comparison of 2015 to 2014 – Consolidated

For the full-year 2015, the net loss from continuing operations totaled \$10,269,000, or \$1.18 loss per share. This compared to full-year 2014 net earnings from continuing operations of \$12,619,000, or \$1.45 per share. For the fourth quarter of 2015 the Company recorded a net loss from continuing operations of \$17,717,000, or \$2.04 loss per share. This compares to net earnings from continuing operations of \$1,409,000, or \$0.16 per share for fourth quarter of 2014. The fourth quarter and full-year 2015 results were impacted by a fourth quarter 2015 pretax charge of \$17,158,000, representing the impairment of goodwill for two Metals Segment business units, Palmer and Specialty. The non-cash charge represents the application of ASC Topic 350 requiring (at least annual) impairment assessments of goodwill recorded by our business units. This assessment involves a comparison of the book value of the business units to fair value determined through analysis of management's financial projections, as well as consideration of our market capitalization. The results of the impairment analysis were significantly impacted by the Company's stock price of \$6.88 per share at December 31, 2015. A more detailed description of the accounting assessment is provided below.

Consolidated gross profit from continuing operations decreased 23 percent to \$25,319,000 in 2015, compared to \$32,929,000 in 2014, and, as a percent of sales, decreased to 14 percent of sales in 2015 compared to 17 percent of sales in 2014. For the fourth quarter of 2015, consolidated gross profit from continuing operations was \$3,424,000, a decrease of 58 percent from the fourth quarter of 2014 of \$8,247,000. Consolidated gross profit from continuing operations was ten percent of sales for the fourth quarter of 2015 and 17 percent of sales for same period of 2014. The decreases in dollars and in percentage of sales were attributable to the Metals Segment as discussed in the Metals Segment Comparison of 2015 to 2014 below. Consolidated selling, general and administrative expense from continuing operations for 2015 increased by \$5,409,000 to \$21,938,000, or 13 percent of sales, compared to \$16,529,000, or eight percent of sales for 2014. These costs increased \$1,203,000 during the fourth quarter of 2015 compared to the same period of 2014 and were 16 percent of sales for the fourth quarter 2015 compared to nine percent of sales for the fourth quarter of 2014. The dollar increase for both the year and fourth quarter of 2015 when compared to the same periods of 2014 resulted primarily from the inclusion of Specialty's selling, general and administrative expenses for the entire year and quarter for 2015. Since Specialty was acquired in November 2014, only a portion of their selling, general, and administrative expenses were included in the prior year. This accounted for \$3,746,000 and \$561,000 of the annual and fourth quarter increase in selling, general and administrative costs for 2015. The remainder of the increase resulted from higher professional fees and increased salaries and wages, partly offset by lower incentive based bonuses and sales commissions. In addition, the Company incurred \$500,000 for one-time acquisition costs associated with the Specialty acquisition in 2015 compared to \$302,000 of one-time acquisition costs associated with this acquisition in 2014. These costs were \$46,000 and \$305,000 for the fourth quarters of 2015 and 2014, respectively. All of these items will be discussed in greater detail in the respective sections below.

Metals Segment – The following table summarizes operating results from continuing operations and backlogs for the three years indicated. Reference should be made to Note 15 to the Consolidated Financial Statements included in Item 8 of this Form 10-K.

(in thousands)	2016		2015		2014	
	Amount	%	Amount	%	Amount	%
Net sales	\$ 90,215	100.0 %	\$ 114,908	100.0 %	\$ 134,304	100.0%
Cost of goods sold	82,676	91.6 %	100,077	87.1 %	112,486	83.8 %
Gross profit	7,539	8.4 %	14,831	12.9 %	21,818	16.2%
Selling, general and administrative expense	12,360	13.7 %	12,009	10.5 %	8,307	6.2%
Goodwill impairment	—	— %	17,158	14.9 %	—	—%
Business interruption proceeds	—	— %	(1,246)	(1.1)%	—	—%
Loss on sale-leaseback	2,166	2.4 %	—	— %	—	—%
Operating (loss) income	\$ (6,987)	(7.7)%	\$ (13,090)	(11.4)%	\$ 13,511	10.1%
Year-end backlog - Storage tanks	\$ 9,878		\$ 9,964		\$ 12,229	

Comparison of 2016 to 2015 – Metals Segment

The Metals Segment sales from continuing operations decreased \$24,693,000 or 21 percent for the full-year of 2016 compared to the same period of 2015. For the fourth quarter of 2016, Metals Segment sales from continuing operations totaled \$21,883,000, a decrease of \$537,000 or two percent from \$22,420,000 for the fourth quarter of 2015. Sales in prior year periods reflected stronger order shipments across all markets in early 2015, before the precipitous decline in oil prices occurred.

Stainless steel pipe sales from continuing operations decreased 28 percent and 17 percent for the full-year and fourth quarter, respectively, of 2016 when compared to the same periods of the prior year. The pipe sales decrease for the year resulted from a ten percent decrease in average unit volumes and an 18 percent decrease in average selling price. For the fourth quarter, average unit volumes decreased seven percent while the average selling price decreased ten percent for 2016 compared to 2015. Low nickel prices weighed heavily on stainless steel pipe sales throughout most of 2016, with only late year increases having some minor favorable impacts during the fourth quarter. That late year movement resulted in average nickel prices being up 14 percent for the fourth quarter, while the average for the full year of 2016 was down 19 percent, when compared to the same periods of the prior year, respectively.

Seamless heavy-wall carbon steel pipe and tube sales decreased 17 percent while increasing 26 percent for the full-year and fourth quarter, respectively, of 2016 compared to the same periods of the prior year. The full year sales reduction was comprised of a two percent increase in average unit volumes offset by a 19 percent decrease in average selling price. For the fourth quarter, average unit volumes increased 36 percent while average selling prices decreased ten percent. Heavier fourth quarter demand, primarily related to improvements in the oil and gas sector and reduced inventory overhang, drove the sales increase.

Storage tank sales increased one percent and 33 percent for the full-year and fourth quarter, respectively, of 2016 when compared to the same periods for the prior year. The full-year increase was comprised of a 15 percent increase in the number of tanks sold offset by a 14 percent decrease in average selling price. For the fourth quarter, the storage tank increase resulted from a 51 percent increase in the number of tanks sold offset by an 18 percent decrease in average selling price. The results highlight a move toward higher levels of activity in the Permian Basin and other Palmer of Texas delivery areas, as WTI pricing and other economic indicators have risen throughout the second half of 2016.

The Metals Segment's operating results from continuing operations increased \$6,103,000 to a loss of \$6,987,000 for the full-year 2016 compared to an operating loss of \$13,090,000 for 2015. For the fourth quarter, the Metals Segment's operating results from continuing operations increased \$17,164,000 to a loss of \$1,326,000 compared to a loss of \$18,490,000 for 2016 compared to 2015, respectively. Current year operating results was affected by the following factors:

- a) The Metals Segment recorded a pre-tax goodwill impairment charge of \$17,158,000 in the fourth quarter of 2015. See the "Comparison of 2015 to 2014 - Metals Segment" section for further explanation.
- b) \$2,166,000 in net charges associated with the loss recognized on three Metal Segment properties sold as part of the sale-leaseback transaction that took place during the third quarter. This amount is net of the deferred gain amortization of \$60,000 recorded in the fourth quarter 2016.
- c) 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.

- d) As a result of continued low nickel prices during 2016, the Company experienced inventory margin compression of approximately \$5,751,000 and \$194,000 for the full-year and fourth quarter of 2016. This compares to inventory margin compression of approximately \$6,872,000 and \$2,012,000, respectively, for the same periods of 2015.

Selling, general and administrative expense from continuing operations increased \$351,000, or three percent for the full-year 2016 when compared to 2015. This expense category was 14 percent of sales for 2016 and ten percent of sales for 2015. For the fourth quarter, selling, general and administrative expense was \$3,200,000 (15 percent of sales) in 2016, an increase of \$345,000 from \$2,855,000 (13 percent of sales) for the same period of 2015. The changes in selling, general and administrative expense resulted from higher salaries and wages (\$259,000 and \$136,000 for the full-year and fourth quarter, respectively), higher sales commissions (\$32,000 and \$174,000 for the full-year and fourth quarter, respectively), higher allocated administrative costs (\$408,000 and \$102,000 for the full-year and fourth quarter, respectively) and higher amortization expense (\$181,000 and \$45,000 for the full-year and fourth quarter, respectively). These amounts were partially offset by lower incentive bonus expense (\$403,000 and \$56,000 for the full-year and fourth quarter, respectively) and lower professional fees (\$129,000 and \$147,000 for the full-year and fourth quarter, respectively).

Comparison of 2015 to 2014 – Metals Segment

The Metals Segment sales from continuing operations decreased 14 percent for the full-year 2015 as compared to the same period of 2014 and sales for the fourth quarter of 2015 totaled \$22,420,000, a decrease of 30 percent compared to 2014 results. The following factors resulted in the decreased sales in 2015. Storage tank sales decreased 38 percent and 50 percent for the year and fourth quarter, respectively, of 2015 when compared to the same periods of 2014. The decrease in storage tank sales for the year and fourth quarter of 2015 when compared to the same periods of 2014 resulted from a decrease in demand for storage tank products due to lower oil prices in 2015 combined with a fire occurring at the facility in late April. The Company was adequately insured for the fire and the proceeds from business interruption insurance payments for May through October were recorded in the operating income section of the Consolidated Statements of Operations. The facility was 100 percent operational at the end of the third quarter of 2015.

Incremental sales of heavy-walled carbon steel pipe and tube products attributable to the Company's November 21, 2014 acquisition of Specialty, accounted for incremental sales of \$15,489,000 and \$753,000 for the year and fourth quarter, respectively, of 2015.

Stainless steel pipe sales from continuing operations decreased 23 percent and 31 percent for the year and fourth quarter, respectively, of 2015 when compared to the prior year. The pipe sales decrease for the year resulted from an eleven percent decrease in average unit volumes and a twelve percent decrease in average selling prices. The Metals Segment's commodity unit volumes for the year of 2015 decreased twelve percent while non-commodity unit volumes decreased approximately eight percent. Selling prices for commodity pipe decreased approximately eight percent while selling prices for non-commodity pipe decreased 20 percent. The non-commodity price decrease was largely attributable to mix differences between the years.

The pipe sales decrease for the fourth quarter of 2015 resulted from an approximate twelve percent decrease in average unit volumes combined with an approximate 20 percent decrease in average selling prices. In the fourth quarter 2015, the Metals Segment's commodity unit volumes decreased approximately one percent while non-commodity unit volumes decreased approximately 33 percent. Selling prices for commodity pipe decreased 28 percent while selling prices for non-commodity pipe increased one percent.

The sales decreases resulted from low nickel prices in 2015. Decreasing nickel surcharges reduced the price per pound of stainless steel pipe along with delaying re-stocking purchases from the distributors. Also, imports of stainless steel pressure pipe from India have increased at prices well below market prices in the United States. These unfairly traded imports have hurt the domestic industry's sales volumes, pricing and profits. On September 20, 2015, the Company joined three other stainless steel pipe manufacturers and petitioned the Department of Commerce ("DOC") and the U.S. International Trade Commission ("ITC") to apply antidumping and countervailing duties of imports of welded stainless pressure pipe from India. Even though the Company has been successful in past unfair trade proceedings, this case is pending and there is no assurance that this action will result in a favorable outcome to the petitioners.

Operating income from continuing operations for the entire year and fourth quarter of 2015 when compared to the same periods of 2014 was impacted by the following four factors:

- a) The inclusion of the operating results of Specialty for the full year of 2015 compared to one month in 2014. Excluding the goodwill impairment charge which is described below, Specialty had an operating income of \$1,611,000 and an operating loss of \$90,000 for the full-year and fourth quarter 2015, respectively, compared to \$505,000 of operating income for both the full-year and fourth quarter 2014;
- b) Continued low oil and gas prices 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) The dumping of welded stainless pressure pipe from India resulted in lower sales, as well as margin compression during 2015; and
- d) As a result of a continued drop in nickel prices during 2015, the Company experienced inventory losses of approximately \$8,079,000 and \$2,363,000 for the full-year and fourth quarter 2015, respectively. This compares to inventory losses of approximately \$107,000 and \$228,000, respectively, for the same periods of 2014.

Selling, general and administrative expense from continuing operations increased \$3,702,000, or 45 percent in 2015 when compared to 2014. This expense category was ten percent of sales for 2015 and six percent of sales for 2014. The increase resulted from including selling, general and administrative expenses for Specialty for the entire year for 2015 compared to only six weeks in 2014. These higher costs amounted to \$3,746,000.

The fire at the storage tank facility in late April 2015 shut down the fiberglass fabrication area of the facility resulting in financial losses. These losses were offset by business interruption insurance proceeds of \$1,246,000 and \$189,000, for the full-year and fourth quarter 2015, respectively.

As a result of the required annual (or more frequent) multi-step analysis to determine whether or not the book value of goodwill is impaired, the Company recognized a pre-tax charge of \$17,158,000 representing the combined value of goodwill impairments for the Company's Specialty and Palmer reporting units. During the Company's performance of the first step in this process the Company employed a discounted cash flow methodology based on management's financial projections to estimate the fair value of its business units. The results of the discounted cash flow analysis preliminarily indicated that the calculated fair value of the business units was in excess of the book value (including goodwill). However, the Company also considered the large decline in its share price and was required to analyze the difference between fair value determined using market capitalization as its basis, compared to fair value determined using the previously described discounted cash flow method. With the share price decline, the Company's market capitalization at the end of 2015 was less than \$60,000,000. This was down from \$164,000,000 at the end of 2014. Due to the decline in market capitalization of over \$100,000,000 during 2015, the Company's analysis concluded there is an impairment to the goodwill for Specialty and Palmer, both with the most significant exposure to declines in the oil and gas market. While this represents a permanent impairment, it is based on stock pricing dynamics that we do not believe currently reflect the future value of the two impacted business units. In 2015, both businesses were EBITDA positive, during a period we believe represents the bottom of the market for the oil and gas segments of their business. In addition, both businesses have maintained or gained market share, and stand ready to support our customer base when those markets inevitably rebound.

Specialty Chemicals Segment – The following tables summarize operating results for the three years indicated. Reference should be made to Note 15 to the Consolidated Financial Statements included in Item 8 of this Form 10-K.

(Amounts in thousands)	2016		2015		2014	
	Amount	%	Amount	%	Amount	%
Net sales	\$ 48,351	100.0%	\$ 60,552	100.0%	\$ 65,201	100.0%
Cost of goods sold	38,884	80.4%	50,064	82.7%	54,089	83.0%
Gross profit	9,467	19.6%	10,488	17.3%	11,112	17.0%
Selling, general and administrative expense	4,579	9.5%	4,823	8.0%	4,982	7.6%
Loss on sale-leaseback	206	0.4%	—	—%	—	—%
Operating income	\$ 4,682	9.7%	\$ 5,665	9.4%	\$ 6,130	9.4%

Comparison of 2016 to 2015 – Specialty Chemicals Segment

Sales for the Specialty Chemicals Segment for the full-year 2016 were \$48,351,000, a decrease of \$12,201,000 or 20 percent from the full-year 2015 amount of \$60,552,000. Sales for the fourth quarter of 2016 were \$11,167,000, a \$1,978,000 or 15 percent decrease from the same quarter of 2015. Pounds shipped during the full-year decreased 16 percent for 2016 compared to 2015. For the fourth quarter of 2016, pounds shipped decreased 13 percent. Overall selling prices decreased four percent and two percent for the full-year and fourth quarter, respectively, of 2016 compared to the same periods of 2015. Sales were affected during the full-year and fourth quarter 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 Specialty Chemicals Segment's raw material costs decreased, which resulted in lower passed through material value as part of the billed selling prices.

The Specialty Chemicals Segment's operating income for the full-year of 2016 decreased \$983,000 or 17 percent to \$4,682,000. The fourth quarter of 2016 decreased eight percent from the prior year quarter to \$961,000. The decrease in operating income for the full-year and fourth quarter was directly related to the lower sales levels.

Selling, general and administrative expense decreased \$244,000 or five percent in 2016 when compared to 2015. This expense category was nine percent of sales for 2016 and eight percent of sales for 2015. For the fourth quarter, selling, general and administrative expense was \$1,068,000 (ten percent of sales) in 2016, an increase of \$17,000 from \$1,052,000 (eight percent of sales) for the same period of 2015. The changes in selling, general and administrative expense resulted from lower sales commissions in 2016 (\$391,000 and \$54,000 for the full-year and fourth quarter, respectively) and lower professional fees (\$72,000 and \$51,000 for the full-year and fourth quarter, respectively), partially or entirely offset by higher allocated administrative costs (\$264,000 and \$66,000 for the full-year and fourth quarter, respectively) and higher incentive based bonuses (\$80,000 and \$43,000 for the full-year and fourth quarter, respectively).

Comparison of 2015 to 2014 – Specialty Chemicals Segment

Sales for the Specialty Chemicals Segment decreased seven percent from 2014 totaling \$60,552,000 for 2015 compared to \$65,201,000 in 2014. For the fourth quarter of 2015, sales were \$13,145,000, representing a 20 percent decrease from the same quarter of 2014. Pounds shipped during the full-year increased by six percent for 2015 compared to 2014. For the fourth quarter of 2015, pounds shipped decreased ten percent. The annual increase resulted from the ramping up of the BioBased Technologies LLC project in early 2015 offset partially by lower chemical sales into the oil and gas market. Overall selling prices decreased twelve percent and eleven percent for the full-year and fourth quarter, respectively, of 2015 compared to the same periods of 2014. The change in lower selling prices from 2014 on a year-to-date basis is primarily due to lower raw materials costs. While this negatively impacts the Company's top line sales, this is significantly offset by lower input costs.

The Specialty Chemicals Segment's operating income for the full-year of 2015 decreased eight percent to \$5,665,000. The fourth quarter of 2015 decreased 23 percent from the prior year quarter to \$1,040,000. The decrease in operating income resulted from lower sales, primarily associated with weak demand from the oil and gas sector, combined with higher repairs and maintenance, utilities, waste disposal and depreciation expenses. Told products continue to outperform management's acquisition projections and had a positive impact on profitability during the full year of 2015.

Selling, general and administrative expense decreased \$165,000 or three percent in 2015 when compared to 2014, which represented eight percent of sales for both periods. For the fourth quarter, selling, general and administrative expense was \$1,071,000 in 2015, a decrease of \$198,000 when compared to the same period of 2014. These decreases resulted from lower sales commissions in 2015 (\$405,000 and \$151,000 lower for the full-year and fourth quarter, respectively) and lower incentive based bonuses (\$191,000 and \$93,000 lower for the full-year and fourth quarter, respectively). For the full-year of 2015, these costs were slightly offset by higher salaries and wages (up \$396,000).

Unallocated Income and Expense

Reference should be made to Note 15 to the Consolidated Financial Statements, included in Item 8 of this Form 10-K, for the schedule that includes these items.

Comparison of 2016 to 2015 – Corporate

Corporate expenses increased \$627,000 to \$5,733,000, or four percent of sales, in 2016 up from \$5,106,000, three percent of sales, in 2015. The full-year increase resulted primarily from:

- Professional fees decreased \$192,000 from the prior year resulting from additional professional services obtained in the prior year surrounding registration statement filing, goodwill impairment testing and valuation and SEC comment letter response;
- Personnel costs were \$590,000 higher as additional personnel were added during the third quarter of 2015 to strengthen the Company's corporate staff combined with normal annual rate increases;
- Performance based bonuses increased \$220,000 from the prior year. Pre-defined Adjusted EBITDA targets were not achieved in either year. However, the portion of the performance based bonus relating to personal goal achievements was higher in the current year;
- One-time closing costs associated with the sale-leaseback transaction increased corporate expenses by \$165,000 in 2016. These costs will not recur in future years; and
- Directors' fees increased \$203,000 for 2016 compared to 2015 as an additional director was added during 2016 along with increases to the annual retainer during 2016.

Acquisition costs of \$106,000 for 2016 and \$500,000 for 2015 resulted from costs associated with the MUSA and Specialty acquisitions. See Note 18 and Note 22.

Interest expense was \$933,000 and \$1,353,000 for the full-years of 2016 and 2015, respectively. The decrease in interest expense during 2016 resulted from the company using the proceeds from the September 30, 2016 sale-leaseback transaction to pay off the remaining term loan and lower the outstanding balance of the revolving line of credit.

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 December 31, 2016.

During the third quarter of 2016, the Company completed a sale-leaseback transaction whereby all of the Company's operating real estate assets were sold to a third party and are being leased back by the Company. The Company received gross sales proceeds of \$22,000,000, or approximately \$4,230,000 in excess of net book value of total assets sold. Pursuant to the applicable accounting standards, the Company was required to calculate the gain or loss associated with the transaction on a property by property basis. As a result, losses associated with three of the properties in this transaction, totaling \$2,455,000, were charged against earnings during the third quarter. Gains associated with the remaining three properties, totaling approximately \$6,685,000, were deferred and will be amortized on the straight-line method over the initial lease term of 20 years. Total incremental costs associated with the sale-leaseback transaction for 2016 is as follows:

	4th Quarter	Full-Year
Metals Segment Operating (Income) Loss	\$ (60,000)	\$ 2,166,000
Specialty Chemicals Segment Operating (Income) Loss	(24,000)	206,000
Unallocated Corporate Expenses	64,000	165,000
Total incremental costs	<u>\$ (20,000)</u>	<u>\$ 2,537,000</u>

Comparison of 2015 to 2014 – Corporate

Corporate expenses for 2015 were \$5,106,000, or three percent of sales from continuing operations, compared to \$3,241,000, or two percent of sales from continuing operations for 2014, an increase of \$1,865,000, or 58 percent. The twelve month increase resulted primarily from:

- Professional fees increased \$1,302,000 from the prior year resulting from the change in the Company's Independent Registered Public Accounting Firm in addition to additional services obtained surrounding income tax provision review, Sarbanes-Oxley compliance, registration statement filing and SEC comment letter response;
- Personnel costs were \$515,000 higher than the prior year as additional personnel were added to strengthen the Company's corporate staff combined with normal annual rate increases;
- Performance based bonuses decreased \$427,000 from the prior year due to lower current year profitability;
- Travel expenses were \$192,000 higher than the prior year in order to provide the necessary oversight to our various facilities;
and
- Directors' fees increased \$125,000 as an additional director was added during 2015 along with increases to the annual retainer during 2015.

It should be noted that \$765,000 of these are costs that are not expected to recur in 2016 and beyond.

Acquisition costs of \$500,000 during the total year of 2015 mainly represent professional fees associated with the Specialty acquisition.

Interest expense increased to \$1,353,000 for 2015 compared to \$1,092,000 for 2014. The higher interest expense in 2015 is due to a full year of borrowings on the Company's line of credit plus the additional fixed term bank debt associated with the Specialty acquisition in November 2014. Also, unallocated corporate expenses increased by \$42,000 for the change in fair value of the interest rate swap contracts, compared to an increase of \$426,000 for the full-year 2014.

During 2014 and 2015, management reviewed the earn-out reserves for the Palmer and Specialty acquisitions and determined there was no likelihood the minimum threshold sales target would be achieved. As a result, the Company recorded favorable adjustments to earn-out payment liabilities totaling \$4,897,000 and \$3,476,000 for the full years 2015 and 2014, respectively.

In the fourth quarter of 2015 the Company received final proceeds from settlement of the insurance claim for the fire at Palmer and booked a casualty insurance gain of \$923,000. That amount represents the value of insurance payments exceeding the net book value of assets damaged in the loss. The favorable casualty gain adjustment was recorded at the parent company level.

Other income of \$135,000 for the twelve months of 2015 represents life insurance proceeds received in excess of cash surrender value for a former officer of the Company.

Contractual Obligations and Other Commitments

As of December 31, 2016, the Company's contractual obligations and other commitments were as follows:

(Amounts in thousands)

	Total	Payment Obligations for the Year Ended					
		2017	2018	2019	2020	2021	Thereafter
Obligations:							
Revolving credit facility	\$ 8,804	\$ —	\$ —	\$ 8,804	\$ —	\$ —	\$ —
Interest on bank debt	481	231	231	19	—	—	—
Capital lease	125	71	23	23	8	—	—
Operating leases	47,208	2,252	2,309	2,309	2,309	2,275	35,754
Deferred compensation ⁽¹⁾	200	21	21	21	21	17	99
Total	\$ 56,818	\$ 2,575	\$ 2,584	\$ 11,176	\$ 2,338	\$ 2,292	\$ 35,853

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

Current Conditions and Outlook

The 2017 and 2018 years offer the potential for significant recovery for all of Synalloy's operating businesses. The Company recently closed on the purchase of the stainless steel pipe assets of MUSA. These assets in combination with BRISMET, creates the largest domestic producer of welded stainless steel pipe in North America. The Company will spend the balance of 2017 integrating the two units and looks forward to realizing cost savings and pursuing opportunities for increased revenue. The prospect of rising commodity prices, both oil and nickel, should continue to benefit the Metals Segment businesses over the next several years. Capital spending in the downstream energy markets, along with infrastructure spending should increase demand for all of the Metals Segment's products.

The Specialty Chemicals Segment has an excellent pipeline of new product opportunities the Company expects to enhance performance as it moves into the second quarter of this year. One recent example is the Company signed a three-year contract to supply a fire retardant product used in the manufacture of telephone and computer cable and expect production to commence in June. This product will be produced at CRI Tolling.

Item 7A Quantitative and Qualitative Disclosures about Market Risks

The Company is exposed to market risks from adverse changes in interest rates. Changes in United States interest rates affect the interest earned on the Company's cash and cash equivalents as well as interest paid on its indebtedness. Except as described below, the Company does not engage in speculative or leveraged transactions, nor does it hold or issue financial instruments for trading purposes. The Company is exposed to changes in interest rates primarily as a result of its borrowing activities used to maintain liquidity and fund business operations.

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

At December 31, 2016

- \$8,804,000 under a revolving line of credit with an availability of \$30,466,000, expiring on February 28, 2019 with a variable interest rate of 2.62 percent.
- An interest rate swap contract with a notional amount of \$12,750,000 which fixes the term loan interest rate at 3.74 percent. The fair value of the interest rate swap contract was an asset to the Company of \$31,000.

Item 8 Financial Statements and Supplementary Data

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

Consolidated Balance Sheets

As of December 31, 2016 and December 31, 2015

	2016	2015
Assets		
<i>Current assets</i>		
Cash and cash equivalents	\$ 62,873	\$ 391,424
Accounts receivable, less allowance for doubtful accounts of \$82,000 and \$247,000, respectively	18,028,946	17,946,119
<i>Inventories, net</i>		
Raw materials	31,973,073	34,821,694
Work-in-process	9,897,857	5,096,515
Finished goods	18,928,579	23,897,426
Total inventories	60,799,509	63,815,635
Prepaid expenses and other current assets	7,272,569	2,704,958
Indemnified contingencies - see Note 13	11,339,888	238,278
Total current assets	97,503,785	85,096,414
Cash value of life insurance	—	1,500,781
Property, plant and equipment, net	27,324,092	46,294,271
Goodwill	1,354,730	1,354,730
Intangible assets, net	12,308,838	14,745,825
Deferred charges, net and other non-current assets	146,618	51,469
Total assets	\$ 138,638,063	\$ 149,043,490
Liabilities and Shareholders' Equity		
<i>Current liabilities</i>		
Accounts payable	\$ 16,684,508	\$ 12,265,930
Accrued expenses	16,087,434	9,992,868
Current portion of long-term debt	—	4,533,908
Total current liabilities	32,771,942	26,792,706
Long-term debt, less unamortized debt issuance costs of \$0 and \$135,915, respectively	8,804,206	23,409,886
Long-term deferred gain, sale-leaseback	6,267,623	—
Deferred income taxes	1,609,492	3,016,954
Other long-term liabilities	592,245	669,650
<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	34,714,206	34,476,240
Retained earnings	57,936,533	65,029,474
	102,950,739	109,805,714
Less cost of common stock in treasury - 1,630,690 and 1,663,314 shares, respectively	14,358,184	14,651,420
Total shareholders' equity	88,592,555	95,154,294
<i>Commitments and contingencies - see Note 13</i>		
Total liabilities and shareholders' equity	\$ 138,638,063	\$ 149,043,490

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations

Years ended December 31, 2016, December 31, 2015 and January 3, 2015

	2016	2015	2014
Net sales	\$ 138,565,782	\$ 175,460,438	\$ 199,504,628
Cost of sales	121,661,303	150,141,663	166,575,146
Gross profit	16,904,479	25,318,775	32,929,482
Selling, general and administrative expense	22,672,872	21,937,988	16,529,438
Acquisition related costs	106,227	499,761	301,715
Business interruption proceeds	—	(1,246,024)	—
Goodwill impairment	—	17,158,249	—
Loss on sale-leaseback	2,371,778	—	—
Operating (loss) income	(8,246,398)	(13,031,199)	16,098,329
Other (income) and expense			
Interest expense	932,572	1,352,806	1,150,940
Change in fair value of interest rate swap	12,997	41,580	425,543
Specialty and Palmer earn-out adjustments	—	(4,897,448)	(3,476,197)
Casualty insurance gain	—	(923,470)	—
Other, net	—	(134,389)	(6,744)
(Loss) income before income taxes	(9,191,967)	(8,470,278)	18,004,787
(Benefit from) provision for income taxes	(2,198,000)	1,799,000	5,386,000
Net (loss) income from continuing operations	(6,993,967)	(10,269,278)	12,618,787
Net loss from discontinued operations, net of tax	(99,334)	(1,251,058)	(7,156,524)
Net (loss) income	\$ (7,093,301)	\$ (11,520,336)	\$ 5,462,263
Net (loss) income per common share from continuing operations:			
Basic	\$ (0.81)	\$ (1.18)	\$ 1.45
Diluted	\$ (0.81)	\$ (1.18)	\$ 1.45
Net loss per diluted common share from discontinued operations:			
Basic	\$ (0.01)	\$ (0.14)	\$ (0.82)
Diluted	\$ (0.01)	\$ (0.14)	\$ (0.82)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Cost of Common Stock in Treasury	Total
Balance at December 28, 2013	\$ 10,300,000	\$ 33,657,714	\$ 76,337,597	\$ (14,197,198)	\$ 106,098,113
Net income	—	—	5,462,263	—	5,462,263
Payment of dividends, \$0.30 per share	—	—	(2,632,537)	—	(2,632,537)
Issuance of 14,522 shares of common stock from the treasury	—	(8,341)	—	127,881	119,540
Stock options exercised for 7,980 shares, net	—	40,844	—	1,173	42,017
Employee stock option and grant compensation	—	364,157	—	—	364,157
Balance at January 3, 2015	10,300,000	34,054,374	79,167,323	(14,068,144)	109,453,553
Net loss	—	—	(11,520,336)	—	(11,520,336)
Payment of dividends, \$0.30 per share	—	—	(2,617,513)	—	(2,617,513)
Issuance of 26,118 shares of common stock from the treasury	—	(102,237)	—	231,290	129,053
Stock options exercised for 666 shares, net	—	2,408	—	5,894	8,302
Employee stock option and grant compensation	—	521,695	—	—	521,695
Purchase of 100,400 shares of common stock	—	—	—	(820,460)	(820,460)
Balance at December 31, 2015	10,300,000	34,476,240	65,029,474	(14,651,420)	95,154,294
Net loss	—	—	(7,093,301)	—	(7,093,301)
Dividend on stock grant forfeiture	—	—	360	—	360
Issuance of 62,124 shares of common stock from the treasury	—	(221,507)	—	547,125	325,618
Employee stock option and grant compensation	—	459,473	—	—	459,473
Purchase of 29,500 shares of common stock	—	—	—	(253,889)	(253,889)
Balance at December 31, 2016	<u>\$ 10,300,000</u>	<u>\$ 34,714,206</u>	<u>\$ 57,936,533</u>	<u>\$ (14,358,184)</u>	<u>\$ 88,592,555</u>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31, 2016, December 31, 2015 and January 3, 2015

	2016	2015	2014
Operating activities			
Net (loss) income	\$ (7,093,301)	\$ (11,520,336)	\$ 5,462,263
Income from discontinued operations, net of tax	99,334	1,251,058	7,156,524
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:			
Depreciation expense	4,235,203	4,356,911	3,724,757
Amortization expense	2,459,787	2,277,480	1,407,149
Non-cash interest expense on debt issuance costs	72,290	120,521	59,246
Goodwill impairment	—	17,158,249	—
Deferred income taxes	(1,407,462)	150,462	796,916
Earn-out adjustments	—	(4,897,448)	(3,476,197)
(Reduction of) provision for losses on accounts receivable	(45,151)	60,855	72,100
Provision for losses on inventories	983,505	2,003,885	2,548,196
Loss (gain) on sale of property, plant and equipment	2,294,917	(18,277)	26,800
Amortization of gain on sale-leaseback	(83,569)	—	—
Deferred rent adjustment on sale-leaseback	101,633	—	—
Casualty insurance gain	—	(923,470)	—
Change in cash value of life insurance	1,502	(82,504)	(39,093)
Change in fair value of interest rate swap	(277,430)	41,581	425,543
Change in environmental reserves	140,520	(25,000)	(50,000)
Issuance of treasury stock for director fees	330,000	118,762	110,501
Employee stock option and grant compensation	459,473	521,695	364,157
Dividend on stock grant forfeiture	360	—	—
Changes in operating assets and liabilities:			
Accounts receivable	(37,676)	11,380,941	3,448,709
Inventories	2,032,621	4,173,337	(3,298,982)
Other assets and liabilities	(11,531,707)	(718,787)	(1,164,297)
Accounts payable	4,418,578	(9,122,368)	7,820,957
Accrued expenses	9,441,925	(2,034,303)	3,995,534
Accrued income taxes	(1,294,557)	3,038,362	(1,287,007)
Net cash provided by continuing operating activities	5,300,795	17,311,606	28,103,776
Net cash (used in) provided by discontinued operating activities	(3,843,137)	(849,974)	785,249
Net cash provided by operating activities	1,457,658	16,461,632	28,889,025
Investing activities			
Purchases of property, plant and equipment	(3,044,411)	(10,905,230)	(8,065,992)
Proceeds from sale of property, plant and equipment	22,215,362	21,500	8,000
MUSA escrow deposit	(3,000,000)	—	—
Acquisition of Specialty	—	—	(31,490,433)
Cash received from Specialty acquisition	—	—	12,960
Proceeds from casualty insurance	—	1,219,048	—
Proceeds from life insurance policies	1,502,283	720,518	—
Net cash provided by (used in) continuing investing activities	17,673,234	(8,944,164)	(39,535,465)
Net cash provided by discontinued investing activities	—	—	3,139,106
Net cash provided by (used in) investing activities	17,673,234	(8,944,164)	(36,396,359)
Financing activities			
Net borrowings from line of credit	6,928,640	990,929	884,637
Borrowings from long-term debt	—	—	10,000,000
Payments on long-term debt	(26,068,228)	(4,700,570)	(2,533,903)
Payments on capital lease obligation	(65,966)	(13,355)	—
Proceeds from exercised stock options	—	8,302	42,017
Dividends paid	—	(2,617,513)	(2,632,537)
Purchase of common stock	(253,889)	(820,460)	—
Net cash (used in) provided by financing activities	(19,459,443)	(7,152,667)	5,760,214
(Decrease) increase in cash and cash equivalents	(328,551)	364,801	(1,747,120)
Cash and cash equivalents at beginning of year	391,424	26,623	1,773,743
Cash and cash equivalents at end of year	\$ 62,873	\$ 391,424	\$ 26,623

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies

Description of Business

Synalloy Corporation (the "Company"), a Delaware corporation, was incorporated in 1958 as the successor to a chemical manufacturing business founded in 1945. Its charter is perpetual. The name was changed on July 31, 1967 from Blackman Uhler Industries, Inc. On June 3, 1988, the state of incorporation was changed from South Carolina to Delaware. The Company's executive offices are located at 4510 Cox Road, Suite 201, Richmond, Virginia 23060.

The Company's business is divided into two reportable operating segments, the Metals Segment and the Specialty Chemicals Segment. The Metals Segment currently operates as three reportable units including Bristol Metals, LLC ("BRISMET"), Palmer of Texas Tanks, Inc. ("Palmer") and Specialty Pipe & Tube, Inc. ("Specialty"). Two other operations, Bristol Fab and Ram-Fab, were sold or closed during 2014; see Note 19. BRISMET manufactures pipe, Palmer manufactures liquid storage solutions and separation equipment and Specialty is a master distributor of seamless carbon pipe and tube. The Specialty Chemicals Segment operates as one reportable unit and is comprised of Manufacturers Chemicals, LLC ("MC") and CRI Tolling, LLC ("CRI Tolling") and produces specialty chemicals.

Principles of Consolidation

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

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. Fiscal year 2016 and 2015 ended on December 31, 2016 and December 31, 2015, respectively, having 52 weeks. Fiscal year 2014 ended on January 3, 2015 having 53 weeks.

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable from the sale of products are recorded at net realizable value and the Company generally grants credit to customers on an unsecured basis. Substantially all of the Company's accounts receivable are due from companies located throughout the United States. The Company provides an allowance for doubtful collections for projected uncollectable amounts. The allowance is based upon a review of outstanding receivables, historical collection information and existing economic conditions. The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral. Receivables are generally due within 30 to 60 days. Delinquent receivables are written off based on individual credit evaluations and specific circumstances of the customer.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by either specific identification or weighted average methods.

Inventory cost is adjusted when its net realizable value is estimated to be below estimated selling price. At the end of each quarter, all facilities review recent sales reports to identify sales price trends that would indicate products or product lines that are being sold below cost. This would indicate that an adjustment would be required. Adjustments were required by our Metals Segment for the years ended December 31, 2016 and December 31, 2015, mainly due to decreases in nickel prices. Stainless steel, both in its raw material (coil or plate) or finished goods (pipe) state is purchased / sold using a base price plus an additional surcharge which is dependent on current nickel prices. As raw materials are purchased, it is priced to the Company based upon the surcharge

at that date. When the finished pipe is ultimately sold to the customer approximately five months later, the then-current nickel surcharge is used to determine the proper selling prices. An adjustment is recorded when the Company's inventory cost, based upon a historical nickel price, is greater than the current selling price of that product due to a reduction in the nickel surcharge. A \$43,000 and \$1,237,000 adjustment was required at December 31, 2016 and December 31, 2015, respectively, for reductions in nickel surcharge. At December 31, 2016, an adjustment of \$93,000 was required by our storage tank facility as lower demand for oil and gas products caused selling prices to fall below inventory cost for certain tanks. No reserve was required at our storage tank facility at December 31, 2015.

The Company establishes inventory reserves for:

- Estimated obsolete or unmarketable inventory. As of December 31, 2016 and December 31, 2015, the Company identified inventory items with no sales activity for finished goods or no usage for raw materials for a certain period of time. For those inventory items that are not currently being marketed and unable to be sold, a reserve was established for 100 percent of the inventory cost less any estimated scrap proceeds. The Company reserved \$697,000 and \$658,000 at December 31, 2016 and December 31, 2015, respectively.
- Estimated quantity losses. The Company performs an annual physical count of inventory during the fourth quarter each year. For those facilities that complete their physical inventory counts before the end of December, a reserve is established for the potential quantity losses that could occur subsequent to their physical inventory. This reserve is based upon the most recent physical inventory results. At December 31, 2016 and December 31, 2015, the Company had \$269,000 and \$24,000, respectively, reserved for physical inventory quantity losses.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is provided on the straight-line method over the estimated useful life of the assets. Land improvements and buildings are depreciated over a range of ten years to 40 years, and machinery, fixtures and equipment are depreciated over a range of three to 20 years. The costs of software licenses are amortized over five years using the straight-line method. The Company continually reviews the recoverability of the carrying value of long-lived assets. The Company also reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable. When the future undiscounted cash flows of the operation to which the assets relate do not exceed the carrying value of the asset, the assets are written down to fair value.

Business Combinations

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

Goodwill, Intangible Assets and Deferred Charges

Goodwill, arising from the excess of purchase price over fair value of net assets of businesses acquired, is not amortized but is reviewed annually, at the reporting unit level, in the fourth quarter for impairment and whenever events or circumstances indicate that the carrying value may not be recoverable.

The Company evaluates goodwill for impairment by performing a qualitative evaluation and a two-step quantitative test, if required, which involves comparing the estimated fair value, based on a discounted cash flow model, of the associated reporting unit to its carrying value, including goodwill. The Company performed the step zero qualitative test during the fourth quarter of 2016 which resulted in no goodwill impairment for the year ended December 31, 2016. For the fourth quarter of 2015 the Company performed the two-step quantitative test and recorded an impairment charge of approximately \$17,158,000 for the year ended December 31, 2015. See Note 4 for further details on the Company's evaluation of goodwill impairment.

Intangible assets represent the fair value of intellectual, non-physical assets resulting from business acquisitions. Deferred charges represent other intangible assets and debt issuance costs for the year ended December 31, 2016 as the Company had no term debt outstanding. For the year ended December 31, 2015, unamortized debt issuance costs are included in long term debt. Intangible assets are amortized over their estimated useful lives using either an accelerated or straight-line method. Debt issuance costs are amortized on a weighted average basis utilizing the outstanding balance for each debt facility. Other deferred charges are amortized over their estimated useful lives using the straight-line method. Deferred charges are amortized over a period ranging from three to ten years and intangible assets are amortized over a period ranging from eight to 15 years. The weighted average amortization period for the customer relationships is approximately twelve years. Deferred charges and intangible assets totaled \$20,708,000

and \$20,572,000 at December 31, 2016 and December 31, 2015, respectively. Accumulated amortization of deferred charges and intangible assets as of December 31, 2016 and December 31, 2015 totaled \$8,253,000 and \$5,775,000, respectively. Estimated amortization expense for the next five fiscal years based on existing deferred charges and intangible assets is: 2017 - \$2,393,000, 2018 - \$2,228,000, 2019 - \$2,056,000; 2020 - \$1,897,000; 2021 - \$1,807,000; and thereafter - \$2,074,000. The Company recorded amortization expense of \$2,460,000, \$2,277,000 and \$1,407,000 for 2016, 2015 and 2014, respectively.

Revenue Recognition

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

Shipping Costs

Shipping costs of approximately \$4,488,000, \$5,155,000 and \$5,705,000 in 2016, 2015 and 2014, respectively, are recorded in cost of goods sold.

Research and Development Expenses

The Company incurred research and development expense of approximately \$603,000, \$548,000 and \$531,000 in 2016, 2015 and 2014, respectively.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing accounts and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in fiscal years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets unless it is more likely than not that such assets will be realized.

Additionally, the Company maintains reserves for uncertain tax provisions in accordance with Accounting Standards Codification ("ASC") 740. See Note 10 for more information.

Earnings Per Share of Common Stock

Earnings per share of common stock are computed based on the weighted average number of shares outstanding during each period; see Note 14.

Fair Market Value

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

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

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

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

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

Financial instruments, such as cash, accounts receivable, accounts payable and the credit facility revolver are stated at their carrying value, which is a reasonable estimate of fair value; see Note 2.

Use of Estimates

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

Concentrations of Credit Risk

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

Recent accounting pronouncements

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 plans to adopt the new guidance in the first quarter of 2018 and 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 was required; however, in certain circumstances, the ASU may result in companies consolidating entities previously unconsolidated. The ASU requires all legal entities to re-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 was effective for fiscal years beginning after December 15, 2015. In June 2015, the FASB issued 2015-15, *"Interest - Imputation of Interest,"* to address the presentation of debt issuance costs related to line of credit arrangements to be presented as an asset and amortizing the deferred debt issuance costs ratably over the term of the line of credit arrangement, regardless of whether there are any outstanding borrowings on the line of credit arrangement. Effective January 1, 2016, the Company adopted the provisions of ASU 2015-03 and ASU 2015-15 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 December 31, 2016, as the Company had no term 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 consolidated balance sheet. Also, amortization expense originally recorded as "Selling, general and administrative expenses" related to debt acquisition costs for the twelve-month periods ending December 31, 2016, 2015 and 2014 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 in the quarterly 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 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 using the modified retrospective approach. Early adoption is permitted. While the Company expects ASU 2016-02 to add material 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 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.

Reclassifications

Customer rebates payable of \$158,000 were reclassified from accounts receivable to accrued expenses on the accompanying 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 Fair Value of Financial Instruments

The Company's financial instruments include cash and cash equivalents, cash value of life insurance, accounts receivable, derivative instruments, accounts payable, earn-out liabilities and debt instruments. For short-term instruments, other than those required to be reported at fair value on a recurring basis and for which additional disclosures are included below, management concluded the historical carrying value is a reasonable estimate of fair value because of the short period of time between the origination of such instruments and their expected realization. Therefore, as of December 31, 2016 and December 31, 2015, the carrying amount for cash and cash equivalents, accounts receivable, accounts payable and borrowings under the Company's line of credit, which are based on variable interest rates, approximates their fair value. The carrying amount for cash value of life insurance and long-term debt at December 31, 2015 approximated their fair values.

The Company has two Level 2 financial assets and liabilities. The fair value of the interest rate swap contract entered into on August 21, 2012 was an asset of \$31,000 and a liability of \$40,000 at December 31, 2016 and December 31, 2015, respectively. During the third quarter of 2016, the swap contract entered into on September 3, 2013 was settled and as result had no value at December 31, 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 the swaps' fair value were recorded in current assets or liabilities, as appropriate, with corresponding offsetting entries to other income (expense). Significant inputs to the discounted cash flow model include projected future cash flows based on projected one-month LIBOR and the average margin for companies with similar credit ratings and similar maturities. These are classified as Level 2 as they are not actively traded and are valued using pricing models that use observable market inputs. See Note 17 for further discussion of interest rate swaps.

The earn-out liability payments resulting from the acquisitions of Palmer and Specialty are classified as Level 3. The amount of the total earn-out liability to the prior owners of Palmer was determined using management's best estimate of Palmer's EBITDA for the three-year earn-out period which would determine the amount of the ultimate payment to be made. The amount of the total earn-out liability due to the prior owner of Specialty was determined using management's best estimate of Specialty's revenues for the two-year earn-out period which determined the amount of the ultimate payment to be made. Factors such as volume increases, selling price increases and inflation were used to develop a base projection. The Company believed additional costs would be required at Palmer to improve employee turnover, safety, internal controls, etc. These estimated costs were deducted in order to determine projected Palmer's EBITDA. The Company's cost of borrowing at that time was used to determine the present value of these expected payments. Each quarter-end, the Company re-evaluated its assumptions and adjustments to the estimated present value of the expected payments to be made, if required.

During the three months ended June 28, 2014, the Company reviewed the Palmer earn-out reserve for the second and third year payments and determined the EBITDA threshold target of \$5,825,000 for the period from August 22, 2013 to August 21, 2014 ("Year 2") would not be attained, and therefore, the earn-out payment of \$2,500,000 for Year 2 was not made to the former Palmer shareholders. Also, the Company did not expect Palmer to meet the EBITDA threshold target of \$6,825,000 during the final twelve month earn-out period, which was used in the earn-out calculation for year three. However, it was expected to reach the minimum \$5,825,000 threshold and the earn-out reserve was adjusted accordingly. As a result, the Company adjusted the earn-out liability to the present value of the Company's current estimates by recognizing a gain of approximately \$3,476,000 during the second quarter of 2014.

During the three months ended April 4, 2015, the Company reviewed the Palmer earn-out reserve for the third year payment and determined the EBITDA minimum threshold of \$5,825,000 would not be attained. As a result, the remaining earn-out liability to the former shareholders of Palmer was reduced to zero and a gain of approximately \$2,483,000 was recognized during the first quarter of 2015. The earn-out period expired August 21, 2015 and no earn-out payments were made for the third year.

During the second quarter 2015, the Company adjusted the preliminary estimate of the earn-out liability to the former owner of Specialty by approximately \$2,419,000. Based on the heavy dependence on the energy sector by Specialty's Houston location and as a result of continued evaluation by the Company, the preliminary estimate was revised and goodwill was adjusted accordingly for the final estimate.

During the third quarter 2015, the Company completed its revenue projections during its 2016 planning processes. As a result, the Company determined the fair value of the earn-out liability was zero and reduced the remaining earn-out liability by recognizing a gain of approximately \$2,414,000 during the third quarter 2015 and remained at zero for the period December 31, 2015. There were no changes in the estimated fair value of Specialty's earn-out liability during 2016. The earn-out period expired on November 22, 2016 with no earn-out payment made to the previous owners of Specialty.

The following table presents a summary of changes in fair value of the Company's Level 3 liabilities measured on a recurring basis for 2015:

	Level 3 Inputs
Balance at January 3, 2015	\$ 7,256,387
Interest expense charged during the year	60,096
Reduction due to the finalization of Specialty's beginning balance sheet	(2,419,035)
Change in the fair value of Specialty's earn-out liability	(2,414,115)
Change in the fair value of Palmer's earn-out liability	(2,483,333)
Balance at December 31, 2015	\$ —

There were no transfers of assets or liabilities between Level 1, Level 2 and Level 3 in the years ended December 31, 2016 or December 31, 2015. There have also been no changes in the fair value methodologies used by the Company during the years ended December 31, 2016 or December 31, 2015.

Note 3 Property, Plant and Equipment

Property, plant and equipment consist of the following:

	2016	2015
Land ⁽¹⁾	\$ 62,916	\$ 1,819,736
Land improvements ⁽¹⁾	120,915	852,976
Buildings ⁽¹⁾	641,526	24,631,349
Machinery, fixtures and equipment	66,099,880	61,928,770
Machinery and equipment under capital lease	199,767	107,287
Construction-in-progress	5,418,397	7,158,098
	72,543,401	96,498,216
Less accumulated depreciation	45,219,309	50,203,945
Property, plant and equipment, net	\$ 27,324,092	\$ 46,294,271

⁽¹⁾On September 30, 2016, the Company completed the sale of substantially all of its real estate properties (land, land improvements and buildings) to Store Funding. Concurrently, the Company leased back all real properties sold to Store Funding (see Note 12).

The Company recorded depreciation expense from continuing operations of \$4,235,000, \$4,357,000, and \$3,725,000 for 2016, 2015 and 2014, respectively. Accumulated depreciation includes \$25,300 and \$5,400 at December 31, 2016 and December 31, 2015, respectively, for assets acquired under capital leases.

Note 4 Goodwill

There were no changes in the carrying amount of goodwill for the year ended December 31, 2016. The changes in the carrying amount of goodwill by segment for the year ended December 31, 2015 was as follows:

	Specialty Chemicals Segment	Metals Segment	Total
Balance at January 3, 2015	\$ 1,354,730	\$ 21,895,471	\$ 23,250,201
Specialty inventory adjustment	—	(2,318,187)	(2,318,187)
Reduction due to the finalization of Specialty's beginning balance sheet	—	(2,419,035)	(2,419,035)
Impairment charge	—	(17,158,249)	(17,158,249)
Balance at December 31, 2015	\$ 1,354,730	\$ —	\$ 1,354,730
Balance at December 31, 2016	\$ 1,354,730	\$ —	\$ 1,354,730

Goodwill represents the excess of the purchase price over the fair value of the net assets of businesses acquired.

During the second quarter 2015, the Company finalized the purchase price allocation for the Specialty acquisition relating to two matters. Additional information was obtained surrounding the proper lifespan of Specialty's steel pipe. As a result, the fair value of the inventory increased and goodwill decreased by approximately \$2,318,000. Additionally, the Company adjusted the earn-out liability to the former owner of Specialty by approximately \$2,419,000.

Goodwill is tested for impairment at the reporting unit level annually in the fourth quarter and whenever events or circumstances indicate the carrying value may not be recoverable. The evaluation of goodwill impairment involves using either a qualitative or quantitative approach as outlined in ASC Topic 350. The Company completed its annual goodwill impairment evaluation using the step zero qualitative approach during the fourth quarter of 2016 and the two-step quantitative analysis during the fourth quarter of 2015.

For the year ended December 31, 2016, the goodwill impairment test resulted in no goodwill impairment of the remaining goodwill of \$1,355,000 recognized on the consolidated balance sheet for the Specialty Chemicals Segment

In the first step of the analysis, for the period ended December 31, 2015, the Company compared the estimated value of each reporting unit to its carrying value, including goodwill. The fair value of the reporting units was determined based on discounted cash flow methodologies. The fair value of all reporting units exceeded the carrying value. However, the Company noted substantial compression of the Company's stock price during 2015 resulting in a significant gap between the market capitalization of the Company, which has been increased by an estimated control premium of 35 percent, compared to the fair value of the Company determined using the discounted cash flow methodologies mentioned previously. As a result, invested equity, which is market capitalization plus interest rate debt, was allocated to each reporting unit and compared to the respective net assets. This step indicated sufficient cushion (\$26,573,000) in the Specialty Chemicals Segment to support the recorded goodwill but indicated potential impairment of the goodwill recorded for the Metals Segment. Therefore, the second step of the analysis was performed where the implied fair value of goodwill was determined for the Specialty and Palmer reporting units. BRISMET was not included in the Step 2 analysis since it does not have any goodwill. The implied fair value of goodwill represents the excess of fair value of the reporting unit over the fair value amounts assigned to all of the tangible and intangible assets of the reporting unit as if it were to be acquired in a business combination. Any amount remaining after this allocation represents the implied fair value of goodwill. The implied fair value of the respective reporting units' goodwill was then compared to the carrying value of the goodwill and any excess of carrying value over the implied fair value represents the non-cash impairment charge. The results of the second step analysis showed that the implied fair value of goodwill was zero for the Palmer and Specialty reporting units. Therefore, in 2015, the Company recorded a goodwill impairment charge of \$17,158,000 for the Palmer and Specialty operations. As a result of the goodwill impairment charge, there is no goodwill remaining within the Metals Segment, and goodwill remaining on the consolidated balance sheet at December 31, 2015 is \$1,355,000 for the Specialty Chemicals Segment.

The impairment of the Specialty and Palmer reporting units was primarily driven by the significant compression of the Company's stock price as a result of temporary business declines being experienced in the Metals Segment. These declines primarily related to lower oil prices that caused significantly reduced demand for Palmer and Specialty's products and, secondarily, related to lowered nickel surcharges which affected both pounds shipped and selling prices for the BRISMET reporting unit. Other companies in the oil and gas sector are similarly affected as a result of declining commodity prices. As discussed above, this compression resulted in a significant gap between the fair value of the Company based on the discounted cash flow analysis and the market capitalization of the Company as of December 31, 2015. The valuation of goodwill for the second step of the goodwill impairment analysis is considered a Level 3 fair value measurement, which means that the valuation of the assets and liabilities reflect the Company's own assumptions about the assumptions that the market participants would use in pricing the assets and liabilities.

Note 5 Long-term Debt

	2016	2015
\$45,000,000 Revolving line of credit, due February 28, 2019	\$ 8,804,206	\$ —
\$40,000,000 Revolving line of credit due November 21, 2017	—	1,875,566
\$10,000,000 Term loan, due November 21, 2019	—	7,833,333
\$22,500,000 Term loan, due August 21, 2022	—	15,000,000
\$4,033,250 Mortgage, due August 19, 2023	—	3,370,810
	8,804,206	28,079,709
Less current portion	—	4,533,908
Less unamortized debt issuance costs	—	135,915
Long-term debt, less current portion	\$ 8,804,206	\$ 23,409,886

In connection with the Palmer acquisition on August 21, 2012, the Company amended its Credit Agreement with a regional bank for an additional ten-year term loan (the "Palmer note") in the amount of \$22,500,000 that required equal monthly payments of \$187,500 plus interest. In conjunction with this term loan, to mitigate the variability of the interest rate risk, the Company entered into an interest rate swap contract (the "Palmer swap") on August 21, 2012 with its current bank; see Note 17. On August 31, 2016, the Palmer note was refinanced and consolidated into the new credit facility in the form of an asset-based revolving line of credit (the "Line") as part of the amendment to the Credit Agreement discussed below.

In connection with the acquisition of CRI, on August 9, 2013 the Company amended its Credit Agreement for an additional ten-year mortgage (the "CRI note") in the amount of \$4,033,250, with monthly principal payments customized to account for the 20-year amortization of the real estate assets combined with a 5-year amortization of the equipment assets purchased. In conjunction with this term loan, to mitigate the variability of interest rate risk, the Company entered into an interest rate swap contract (the "CRI swap") on September 3, 2013; see Note 17. On September 30, 2016, the Company paid the remaining balance of the CRI note and settled the CRI swap with its bank in conjunction with the sale leaseback transaction; see Note 12.

In connection with the Specialty acquisition discussed in Note 18, on November 21, 2014, the Company modified its Credit Agreement to increase the limit of the current revolving line of credit by \$15,000,000 to a maximum of \$40,000,000, and extended the maturity date to November 21, 2017. The Total Funded Debt to EBITDA ratio (as defined in the Credit Agreement), tangible net worth floor (as defined in the Credit Agreement), and Total Liabilities to Tangible Net Worth ratio (as defined in the Credit Agreement) were changed as a result of this modification. None of the other provisions of the Credit Agreement were changed as a result of this modification. Interest on the Credit Agreement is calculated using the One Month LIBOR (as defined in the Credit Agreement), plus a pre-defined spread, based on the Company's Total Funded Debt to EBITDA ratio (as defined in the Credit Agreement).

The Credit Agreement modification on November 21, 2014, also provided for a five-year term loan (the "Specialty note"), expiring November 21, 2019, in the amount of \$10,000,000 that required equal monthly payments of \$166,667, plus interest, calculated using the One Month LIBOR (as defined in the Credit Agreement), plus a pre-defined spread, based on the Company's Total Funded Debt to EBITDA ratio (as defined in the Credit Agreement). On August 31, 2016, the balance of this note was refinanced and consolidated into the Line as part of the amendment to the Credit Agreement discussed below.

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 in the amount of \$45,000,000. The Line was used to refinance and consolidate the existing line of credit, the Palmer note, and the Specialty note. 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 a pre-defined spread. 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 evaluated this transaction in accordance with 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.

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 12. 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. At December 31, 2016, the Company was in compliance with all debt covenants.

The line of credit interest rates were 2.62 percent, 2.00 percent, and 1.77 percent at December 31, 2016, December 31, 2015, and January 3, 2015, respectively. Additionally, the Company is required to pay a fee equal to 0.125 percent on the average daily unused amount of the line of credit on a quarterly basis. As of December 31, 2016, the amount available for borrowing under the line of credit was \$30,466,000 of which \$8,804,000 was borrowed, leaving \$21,662,000 of availability. Average line of credit borrowings outstanding during fiscal 2016, 2015 and 2014 were \$6,830,000, \$6,446,000 and \$2,735,000 with weighted average interest rates of 2.88 percent, 2.48 percent and 1.35 percent, respectively.

The Company made interest payments on all credit facilities of \$826,000 in 2016, \$1,149,000 in 2015 and \$930,000 in 2014.

Note 6 Accrued Expenses

Accrued expenses consist of the following:

	2016	2015
Indemnified legal judgment (See Note 13)	\$ 11,000,000	\$ —
Salaries, wages and commissions	2,133,814	1,941,547
Facility closing reserves	—	3,000,000
Taxes, other than income taxes	479,870	744,880
Current portion of pension liability from the closure of Bristol Fab	—	643,802
Advances from customers	571,738	637,597
Insurance	209,000	629,625
Professional fees	40,073	531,694
EPA liability	—	368,690
Warranty reserve	180,000	254,516
Interest rate swap liability	—	246,145
Benefit plans	159,253	181,694
Customer rebate liability	157,445	157,988
Current portion, environmental reserves	184,887	101,000
Current portion, deferred gain sale-leaseback	334,273	—
Other accrued items	637,081	553,690
Total accrued expenses	<u>\$ 16,087,434</u>	<u>\$ 9,992,868</u>

Note 7 Environmental Compliance Costs

At December 31, 2016 and December 31, 2015, the Company had accrued \$590,000 and \$551,000, respectively, for remediation costs which, in management's best estimate, is sufficient to satisfy anticipated costs of known remediation requirements as outlined below. Expenditures related to costs currently accrued are not discounted to their present values and are expected to be made over the next three to four years. As a result of the evolving nature of the environmental regulations, the difficulty in estimating the extent and remedy of environmental contamination and the availability and application of technology, the estimated costs for future environmental compliance and remediation are subject to uncertainties and it is not possible to predict the amount or timing of future costs of environmental matters which may subsequently be determined.

Prior to 1987, the Company utilized certain products at its chemical facilities that are currently classified as hazardous materials. Testing of the groundwater in the areas of the former wastewater treatment impoundments at these facilities disclosed the presence of certain contaminants. In addition, several solid waste management units ("SWMUs") at the plant sites have been identified. During 2014, at the former Augusta, GA plant site, the Georgia Department of Natural Resources, Environmental Protection Division ("EPD") closed the surface impoundment regulated unit since the Company met post-closure clean-up goals and the Company renewed the Corrective Action Permit, which includes a site-wide corrective action plan, long-term monitoring and institutional controls. The Company has accrued \$515,000 and \$476,000 at December 31, 2016 and December 31, 2015, respectively, for estimated future remedial and cleanup costs. As part of the Asset Purchase Agreement for the sale of the former Spartanburg facility, the purchaser also agreed to pay for all future annual monitoring and reporting costs at the Augusta facility required by the EPD.

The Company has identified and evaluated two SWMUs at its plant in Bristol, Tennessee that revealed residual groundwater contamination. An Interim Corrective Measures Plan to address the final area of contamination identified was submitted for regulatory approval and was approved in March 2005. The Company has \$75,000 accrued at December 31, 2016 and December 31, 2015, to provide for estimated future remedial and cleanup costs.

The Company has been designated, along with others, as a potentially responsible party under the Comprehensive Environmental Response, Compensation, and Liability Act, or comparable state statutes, at one waste disposal site. Notification from the United States Environmental Protection Agency for this site was received by the Company in February 2008. The last correspondence that the Company received for this site was dated March 10, 2011. It is impossible to determine the ultimate costs related to the remaining site due to several factors such as the unknown possible magnitude of possible contamination, the unknown timing and extent of the corrective actions which may be required and the determination of the Company's liability in proportion to the other parties. At the present time, the Company does not have sufficient information to form an opinion as to whether it has any liability, or the amount of such liability, if any. However, it is reasonably possible that some liability exists.

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

Note 8 Deferred Compensation

The Company has deferred compensation agreements with certain former officers providing for payments for the longer of ten years or life from age 65. The present value of such vested future payments, \$171,000 at December 31, 2016 and \$182,000 at December 31, 2015, has been accrued.

Note 9 Stock Options, Stock Grants and New Stock Issues

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

	Weighted Average Exercise Price	Options Outstanding	Weighted Average Contractual Term (in years)	Intrinsic Value of Options	Options Available
At December 28, 2013	\$ 11.95	162,736	7.5	\$ 582,894	181,017
Granted February 20, 2014	\$ 14.76	13,790			(13,790)
Exercised	\$ 11.23	(17,074)		\$ 91,772	
Expired	\$ 13.70	(2,157)			2,157
At January 3, 2015	\$ 12.25	157,295	6.9	\$ 852,810	169,384
Granted February 10, 2015	\$ 16.01	32,532			(32,532)
Exercised	\$ 12.47	(666)		\$ 1,511	
Expired	\$ 14.08	(15,176)			15,176
At December 31, 2015	\$ 12.79	173,985	6.4	\$ —	152,028
Exercised	\$ —	—		\$ —	
Expired	\$ 16.01	(937)			937
At December 31, 2016	\$ 12.77	173,048	5.4	\$ —	152,965
Exercisable options	\$ 12.12	129,762	4.8	\$ —	

				Grant Date Fair Value
Options expected to vest:				
At January 3, 2015	\$ 12.54	100,508	7.2	\$ 6.76
Granted February 10, 2015	\$ 16.01	32,532		\$ 6.39
Vested	\$ 12.16	(35,794)		\$ 7.01
Forfeited unvested options	\$ 14.23	(11,286)		
At December 31, 2015	\$ 13.76	85,960	7.3	\$ 6.57
Vested	\$ 12.71	(41,737)		\$ 6.91
Forfeited unvested options	\$ 16.01	(937)		
At December 31, 2016	\$ 14.72	43,286	7.1	\$ 6.24

The following table summarizes information about stock options outstanding at December 31, 2016:

Range of Exercise Prices	Outstanding Stock Options			Exercisable Stock Options	
	Shares	Weighted Average		Shares	Weighted Average Exercise Price
		Exercise Price	Remaining Contractual Life in Years		
\$ 11.55	82,342	\$ 11.55	4.06	82,342	\$ 11.55
\$ 11.35	25,076	\$ 11.35	5.10	19,879	\$ 11.35
\$ 13.70	27,801	\$ 13.70	6.10	17,141	\$ 13.70
\$ 14.76	9,260	\$ 14.76	7.14	3,704	\$ 14.76
\$ 16.01	28,569	\$ 16.01	8.11	6,696	\$ 16.01
	173,048			129,762	

The 2011 Plan is an incentive stock option plan, therefore there are no income tax consequences to the Company when an option is granted or exercised. The stock options will vest in 20 percent increments annually on a cumulative basis, beginning one year after the date of grant. In order for the options to vest, the employee must be in the continuous employment of the Company since the date of the grant. Any portion of the grant that has not vested will be forfeited upon termination of employment. Shares representing grants that have not yet vested will be held in escrow by the Company. An employee will not be entitled to any voting

rights with respect to any shares not yet vested, and the shares are not transferable. On February 20, 2014, the Company granted options to purchase 3,790 shares of its common stock at an exercise price of \$14.76 per share to participants in the 2011 Plan. The fair value of this stock option grant was \$6.70. The Black-Scholes model for this grant was based on a risk-free interest rate of two percent, an expected life of seven years, an expected volatility of 0.52 and a dividend yield of 1.80 percent.

On February 10, 2015, the Company granted options to purchase 32,532 shares of its common stock at an exercise price of \$16.01 per share to participants in the 2011 Plan. The per share weighted-average fair value of this stock option grant was \$6.39. The Black-Scholes model for this grant was based on a risk-free interest rate of two percent, an expected life of seven years, an expected volatility of 0.46 and a dividend yield of two percent.

No options were exercised by employees or directors in 2016. In 2015 and 2014, options for 666 and 17,074 shares were exercised by employees and directors for an aggregate exercise price of \$8,000 and \$192,000, respectively. The proceeds were generated from cash received of \$8,000 in 2015 and from cash received of \$42,000 and repurchase of 9,094 shares from employees and directors totaling \$150,000 in 2014. At the 2016, 2015 and 2014 respective year ends, options to purchase 129,762, 88,025 and 56,787 shares with weighted average exercise prices of \$12.12, \$11.85 and \$11.73, respectively, were fully exercisable. Compensation cost charged against income before taxes for the options was approximately \$135,000 for 2016, \$278,000 for 2015 and \$261,000 for 2014. As of December 31, 2016, there was \$173,000 of unrecognized compensation cost related to unvested stock options granted under the Company's stock option plans. The weighted average period over which the stock option compensation cost is expected to be recognized is 2.50 years.

The Compensation & Long-Term Incentive Committee ("Compensation Committee") of the Board of Directors of the Company approves stock grants under the Company's 2005 Stock Awards Plan to certain management employees of the Company. The stock grants will vest in 20 percent increments annually on a cumulative basis, beginning one year after the date of grant. In order for the grants to vest, the employee must be in the continuous employment of the Company since the date of the grant. Any portion of the grant that has not vested will be forfeited upon termination of employment. Shares representing grants that have not yet vested will be held in escrow by the Company. An employee will not be entitled to any voting rights with respect to any shares not yet vested, and the shares are not transferable. On October 16, 2014, 31,080 shares, with a market price of \$15.69 per share, were granted under the Plan to the chief executive officer of the Company. On November 21, 2014, as a result of the acquisition of Specialty, 23,665 shares, at a market price of \$15.85 per share, were granted under the Plan to certain management employees of Specialty. On January 5, 2015, 3,000 shares, with a market price of \$17.95 per share, were granted under the Plan to external consultants of the Company. The Company's 2005 Stock Awards Plan expired on February 3, 2015 at which time no further grants could be awarded. There are outstanding awards under this plan that will vest over the next three years.

The 2015 Stock Awards Plan was approved by the Compensation Committee of the Board of Directors of the Company and authorizes the issuance of up to 250,000 shares which can be awarded for a period of ten years from the effective date of 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.

On February 19, 2016, the Compensation 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. On May 5, 2016, the Compensation 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.

A summary of plan activity for the 2005 and 2015 Stock Awards Plans is as follows:

	Shares	Weighted Average Grant Date Fair Value
Outstanding at December 28, 2013	19,252	\$ 11.15
Granted October 16, 2014	31,080	\$ 15.69
Granted November 21, 2014	23,665	\$ 15.85
Vested	(7,434)	\$ 10.60
Forfeited	(160)	\$ 13.34
Outstanding at January 3, 2015	66,403	\$ 15.00
Granted January 5, 2015	3,000	\$ 17.95
Vested	(17,903)	\$ 13.86
Forfeited	(60)	\$ 13.34
Outstanding at December 31, 2015	51,440	\$ 15.57
Granted February 19, 2016	50,062	\$ 7.51
Granted May 5, 2016	42,348	\$ 8.05
Vested	(21,133)	\$ 13.12
Forfeited	(1,260)	\$ 17.73
Outstanding at December 31, 2016	121,457	\$ 10.03

Compensation expense on the grants issued is charged against earnings equally before forfeitures, if any, over a period of 60 months from the date of the grants, with the offset recorded in Shareholders' Equity. Compensation cost charged against income for the awards was approximately \$324,000, \$207,000 net of income taxes, or \$0.02 per share for 2016, \$243,000, \$155,000 net of income taxes, or \$0.02 per share for 2015 and \$103,000, \$66,000 net of income taxes, or \$0.01 per share, for 2014. As of December 31, 2016, there was \$1,082,000 of total unrecognized compensation cost related to unvested stock grants under the Company's Stock Awards Plan. The weighted average period over which the stock grant compensation cost is expected to be recognized is 3.58 years.

Each year, the Company allows each non-employee director to elect to receive up to 100 percent of their annual retainer in restricted stock. The number of restricted shares issued is determined by the average of the high and low common stock price on the day prior to the Annual Meeting of Shareholders or the date prior to the appointment to the Board for those individuals that are appointed mid-term. On May 5, 2016, May 12, 2015 and April 24, 2014, non-employee directors received an aggregate of 40,991, 8,216 and 7,088 shares, respectively, of restricted stock in lieu of total retainer fees of \$330,000, \$119,000 and \$111,000, respectively. The shares granted to the directors are not registered under the Securities Act of 1933 and are subject to forfeiture in whole or in part upon the occurrence of certain events.

Note 10 Income Taxes

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

(Amounts in thousands)	2016	2015
Deferred tax assets:		
Sale leaseback deferred gain	\$ 2,387	\$ —
Inventory valuation reserves	379	699
Allowance for doubtful accounts	29	61
Inventory capitalization	1,781	1,692
Environmental reserves	199	175
Interest rate swap	15	41
Warranty accrual	62	88
Deferred compensation	61	64
Accrued bonus	337	338
Accrued expenses	78	1,403
State net operating loss carryforwards	1,725	1,616
Other	389	423
Total deferred tax assets	7,442	6,600
Valuation allowance	(1,790)	(1,694)
Total net deferred tax assets	5,652	4,906
Deferred tax liabilities:		
Tax over book depreciation and amortization	6,947	7,609
Prepaid expenses	211	312
Other	103	2
Total deferred tax liabilities	7,261	7,923
Net deferred tax liabilities	\$ (1,609)	\$ (3,017)

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

(Amounts in thousands)	2016	2015	2014
Current:			
Federal	\$ (981)	\$ 1,414	\$ 3,933
State	191	235	656
Total current	(790)	1,649	4,589
Deferred:			
Federal	(1,329)	(48)	964
State	(79)	198	(167)
Total deferred	(1,408)	150	797
Total	\$ (2,198)	\$ 1,799	\$ 5,386

Tax benefit from discontinued operations amounted to \$51,000, \$651,000 and \$3,807,000 for the fiscal years ended 2016, 2015 and 2014, respectively.

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

(Amounts in thousands)	2016		2015		2014	
	Amount	%	Amount	%	Amount	%
Tax at U.S. statutory rates	\$ (3,125)	34.0 %	\$ (2,881)	34.0 %	\$ 6,302	35.0 %
State income taxes, net of federal tax benefit	(49)	0.5 %	285	(3.4)%	324	1.8 %
State valuation allowance	96	(1.0)%	94	(1.1)%	—	— %
Life insurance cash surrender value	504	(5.5)%	—	— %	—	— %
Earn-out adjustments	—	— %	(857)	10.1 %	(1,217)	(6.8)%
Manufacturing exemption	—	— %	(188)	2.2 %	(458)	(2.5)%
Stock option compensation	46	(0.5)%	95	(1.1)%	91	0.5 %
Uncertain tax positions	—	— %	(139)	1.6 %	139	0.8 %
Goodwill impairment	—	— %	5,405	(63.8)%	—	— %
Other, net	330	(3.6)%	(15)	0.2 %	205	1.1 %
Total	\$ (2,198)	23.9 %	\$ 1,799	(21.3)%	\$ 5,386	29.9 %

Income tax payments of approximately \$992,000, \$2,251,000 and \$2,091,000 were made in 2016, 2015 and 2014, respectively. The Company had state net operating loss carryforwards at the end of fiscal years 2016 and 2015 of approximately \$49,677,000 and \$47,042,000, respectively. These losses will expire between the years of 2017 and 2036. A valuation allowance has been set up against \$49,545,000 of these state net operating loss carryforwards because it is not more likely than not that the losses will be realized in the foreseeable future. The portion of the valuation allowance for the net operating loss carryforwards was \$1,725,000 and \$1,616,000 at December 31, 2016 and December 31, 2015, respectively. In addition, a \$65,000 valuation allowance was established at December 31, 2016 for other deferred tax assets. This resulted in a valuation allowance increase of \$96,000 all related to continuing operations.

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 2014 or state income tax examinations for years before 2012. The Company completed its 2012 and 2013 federal income tax return examination by the Internal Revenue Service during the second quarter of 2015.

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

(Amounts in thousands)	Unrecognized Tax		Total
	Benefit	Interest and Penalties	
Balance at January 3, 2015	\$ 1,431	\$ 73	\$ 1,504
Increases related to prior year tax positions	—	—	—
Decreases related to prior year tax positions	(1,431)	(73)	(1,504)
Increases related to current year tax position	—	—	—
Settlements during period	—	—	—
Lapse of statute of limitations	—	—	—
Balance at December 31, 2015	—	—	—
Increases related to prior year tax positions	—	—	—
Decreases related to prior year tax positions	—	—	—
Increases related to current year tax position	—	—	—
Settlements during period	—	—	—
Lapse of statute of limitations	—	—	—
Balance at December 31, 2016	\$ —	\$ —	\$ —

The Company's continuing practice is to recognize interest and/or penalties related to income tax matters in the provision for income taxes. The Company had no accruals for uncertain tax positions including interest and penalties at the end of 2016.

Note 11 Benefit Plans and Collective Bargaining Agreements

The Company has a 401(k) Employee Stock Ownership Plan (the "401(k)/ESOP Plan") covering all non-union employees. Employees could contribute to the 401(k)/ESOP Plan up to 100 percent of their wages with a maximum of \$18,000 for 2016. Under the Economic Growth and Tax Relief Reconciliation Act, employees who are age 50 or older could contribute an additional \$6,000 per year for a maximum of \$24,000 for 2016. Contributions by the employees are invested in one or more funds at the direction of the employee; however, employee contributions cannot be invested in Company stock. For the years ended December 31, 2015 and January 3, 2015, contributions by the Company were made in cash and then used by the 401(k)/ESOP Plan Trustee to purchase Company stock. Effective January 1, 2016, contributions by the Company are made in accordance with the investment elections made by each participant for their deferral contributions. The Company contributes on behalf of each eligible participant a matching contribution equal to a percentage which is determined each year by the Board of Directors. For 2016, 2015 and 2014 the maximum was four percent. The matching contribution is allocated after each payroll. Matching contributions of approximately \$517,000, \$541,000 and \$521,000 were made for 2016, 2015 and 2014, respectively. The Company may also make a discretionary contribution, which if made, would be distributed to all eligible participants regardless of whether they contribute to the 401(k)/ESOP Plan. No discretionary contributions were made to the 401(k)/ESOP Plan in 2016, 2015 or 2014.

The Company also has a 401(k) and Profit Sharing Plan (the "Profit Sharing Plan") covering all employees of the United Steel Workers of America, Local 4586 Collective Bargaining Agreement. Employees could contribute to the Profit Sharing Plan up to 60 percent of pretax annual compensation, as defined in the Plan, with a maximum of \$18,000 for 2016. Under the Economic Growth and Tax Relief Reconciliation Act, employees who are age 50 or older could contribute an additional \$6,000 per year for a maximum of \$24,000 for 2016. The Company contributes three percent of a participant's compensation for the plan year, regardless of whether the participants contribute to the Profit Sharing Plan. The Company's contribution of approximately \$137,000, \$147,000 and \$148,000 were expensed for 2016, 2015 and 2014, respectively. Additional profit sharing amounts may also be contributed at the option of the Company's Board of Directors, which if made, would be allocated to participants based on the ratio of the participant's compensation to the total compensation of all participants eligible to participate in the Profit Sharing Plan. No discretionary contributions were made to the Profit Sharing Plan in 2016, 2015 or 2014.

The Company also contributes to union-sponsored defined contribution retirement plans. Contributions relating to these plans were approximately \$22,000, \$38,000 and \$2,180,000 for 2016, 2015 and 2014, respectively. Also, upon closure of Bristol Fab as discussed in Note 19, the Company was legally obligated to pay a withdrawal liability to the Union's pension fund of over \$1,900,000. This withdrawal liability is included in the employer contribution to the union-sponsored defined contribution retirement plan for 2014.

The Company has two collective bargaining agreements at its Bristol, Tennessee and Mineral Ridge, Ohio facilities. The number of employees of the Company represented by these unions, located at the Bristol, Tennessee and Mineral Ridge, Ohio facilities, is 132, or 32 percent of the Company's total employees. They are represented by two locals affiliated with the United Steelworkers. The Company considers relationships with its union employees to be satisfactory. Collective bargaining contracts for the United Steelworkers will expire in June 2017 and July 2019.

Note 12 Leases

On August 31, 2016, Synalloy and its operating subsidiaries ("the Synalloy Companies") entered into a Purchase and Sale Agreement ("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. The net book value of the real estate properties sold totaled \$17,770,000 and the Company recognized a loss on the sale at September 30, 2016 of \$2,455,000. The Company also recognized a deferred gain of \$6,685,000 amortized on the straight-line method over the initial lease term of 20 years. The deferred gain recognized during the fourth quarter of 2016 totaled \$82,000 and reduced the net loss recognized at December 31, 2016 in the accompanying consolidated statements of operations to \$2,372,000. 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 5.

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 Company leases office space in Spartanburg, South Carolina and Richmond, Virginia, property for a storage yard in Mineral Ridge, Ohio and various manufacturing and office equipment at each of its locations, all under operating leases.

The amount of future minimum lease payments under operating leases are as follows: 2017 - \$2,253,000; 2018 - \$2,309,000; 2019 - \$2,309,000; 2020 - \$2,310,000; 2020 - \$2,275,000; and thereafter - \$35,754,000. Rent expense related to operating leases was \$1,144,000, \$686,000 and \$903,000 in 2016, 2015 and 2014, respectively.

The Company leases machinery and equipment for its manufacturing facility in Cleveland, Tennessee under a capital lease. Future minimum commitments for capital leases are as follows:

Year ending December 31:	
2017	\$ 70,656
2018	23,076
2019	23,076
2020	7,692
2021	—
Total minimum lease payments	124,500
Less imputed interest costs	4,053
Present value of net minimum lease payments	\$ 120,447

The current portion due under the capital lease is included in accrued expenses and the long-term portion is included in other long-term liabilities in the accompanying consolidated balance sheet as of December 31, 2016 and December 31, 2015.

Note 13 Commitments and Contingencies

The Company is from time-to-time subject to various claims, other possible legal actions for product liability and other damages, and other matters arising out of the normal conduct of the Company's business. No significant claims expenses were incurred during 2016 or 2015, with the exception of the items discussed below. The Metals Segment recorded claim expense from continuing operations \$115,000 for 2014 for specific customers' product claims. These claim expenses exclude normal, recurring warranty charges. Any legal costs associated with commitments or contingencies are expensed as incurred.

In January 2014, a Metals Segment customer filed suit against Palmer and Synalloy and another unrelated defendant in Texas state court alleging breach of warranty, among other claims. The plaintiff's claim for damages did not state a dollar amount. This matter arose out of products manufactured and sold by Palmer prior to the Company's acquisition of all of Palmer's outstanding stock in August 2012. In August and September 2016, the parties to the lawsuit tried the matter in a bench trial in the District Court of Harris County, Texas, 333rd Judicial District (the "Court"). On December 31, 2016 (but made available to the parties to the lawsuit on January 3, 2017), the Court entered final judgment in favor of the Plaintiff and Synalloy and against Palmer. The Court ordered Palmer to pay the Plaintiff approximately \$8,600,000 in damages, plus pre- and post-judgment interest, and approximately \$1,040,000 in attorneys' fees. The Court ruled Synalloy has no liability to the Plaintiff. Palmer filed a motion for a new trial with the Court at the end of January 2017. Palmer is currently analyzing its options should the motion for a new trial be denied, including, but not limited to, a full appeal of the matter. The former shareholders of Palmer are contractually bound, pursuant to the Stock Purchase Agreement by and among Synalloy and the former shareholders dated August 10, 2012, to hold harmless and indemnify Synalloy and Palmer from any and all costs and damages, including the judgment described above and all associated attorneys' fees, arising out of this matter. At December 31, 2016, the Company recorded \$11,000,000 in accrued expenses and current assets to reflect the legal liability and corresponding indemnified receivable due from the former shareholders of Palmer.

In September 2014, a Metals Segment customer filed suit against Synalloy Fabrication, LLC (discontinued operation) and its surety in the United States District Court for the District of Maryland (Baltimore Division) alleging breach of contract, among other claims. The plaintiff's claim for damages was approximately \$3,300,000 plus attorney's fees. This matter arose from a disagreement over the scope of a pipe fabrication project and whether an enforceable contract exists between the parties. On March 11, 2016, 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 the 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 statement of operations.

Other than the environmental contingencies discussed in Note 7 and the matters discussed in this Note 13, management is not currently aware of any other asserted or unasserted matters which could have a significant effect on the financial condition or results of operations of the Company.

Note 14 Earnings Per Share

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

	2016	2015	2014
Numerator:			
Net (loss) income from continuing operations	\$ (6,993,967)	\$ (10,269,278)	\$ 12,618,787
Net loss from discontinued operations, net of tax	\$ (99,334)	\$ (1,251,058)	\$ (7,156,524)
Denominator:			
Denominator for basic earnings per share - weighted average shares	8,649,745	8,710,361	8,702,094
Effect of dilutive securities:			
Employee stock options and stock grants	—	—	13,008
Denominator for diluted earnings per share - weighted average shares	8,649,745	8,710,361	8,715,102
Net (loss) earnings per share from continuing operations:			
Basic	\$ (0.81)	\$ (1.18)	\$ 1.45
Diluted	\$ (0.81)	\$ (1.18)	\$ 1.45
Net loss per share from discontinued operations:			
Basic	\$ (0.01)	\$ (0.14)	\$ (0.82)
Diluted	\$ (0.01)	\$ (0.14)	\$ (0.82)

The diluted earnings per share calculations exclude the effect of potentially dilutive shares when the inclusion of those shares in the calculation would have an anti-dilutive effect. The Company had weighted average shares of common stock of 295,287 in 2016, 229,025 in 2015 and 46,957 in 2014, which were not included in the diluted earnings per share calculation as their effect was anti-dilutive.

Note 15 Industry Segments

The Company's business is divided into two operating segments: Metals and Specialty Chemicals. The Company identifies such segments based on products and services, long-term financial performance and end markets targeted. The Metals Segment operates as three reporting units including Synalloy Metals, Inc., a wholly-owned subsidiary which owns 100 percent of BRISMET, Palmer and Specialty, both wholly-owned subsidiaries of the Company. BRISMET manufactures pipe from stainless steel and other alloys, Palmer produces fiberglass and steel storage tanks and Specialty is a master distributor of seamless carbon pipe and tube. The Metal Segment's products, some of which are custom-produced to individual orders and required for corrosive and high-purity processes, are used principally by the chemical, petrochemical, pulp and paper, mining, power generation (including nuclear), water and wastewater treatment, liquid natural gas, brewery, food processing, petroleum, pharmaceutical and other industries. Products include pipe, storage tanks, pressure vessels and a variety of other components. The Specialty Chemicals Segment operates as one reporting unit which includes MS&C, a wholly owned subsidiary of the Company which owns 100 percent of MC, and CRI Tolling, a wholly owned subsidiary of the Company. The Specialty Chemicals Segment manufactures a wide variety of specialty chemicals for the carpet, chemical, paper, metals, mining, agricultural, fiber, paint, textile, automotive, petroleum, cosmetics, mattress, furniture, janitorial and other industries. MC manufactures lubricants, surfactants, defoamers, reaction intermediaries and sulfated fats and oils. CRI Tolling provides chemical tolling manufacturing resources to global and regional companies and contracts with other chemical companies to manufacture certain pre-defined products.

The chief operating decision maker evaluates performance and determines resource allocations based on a number of factors, the primary measure being operating income (loss). The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Segment operating income is the segment's total revenue less operating expenses, excluding interest expense and income taxes. Identifiable assets, all of which are located in the United States, are those assets used in operations by each segment. The Metals Segment's identifiable assets did not include any goodwill in 2015 or 2016. During 2015, the Company recorded an impairment charge of approximately \$17,158,000 of the total Metals Segment's goodwill as a result of the two-step annual impairment analysis performed in the fourth quarter; see Note 4. The Specialty Chemicals Segment's identifiable assets include goodwill of \$1,355,000 in 2016 and 2015. Centralized data processing and accounting expenses are allocated to the two segments based upon estimates of their percentage of usage. Unallocated corporate expenses include environmental charges of \$48,000 and \$1,000 for 2016 and 2015, respectively, and environmental income of \$13,000 for 2014. Corporate assets consist principally of cash, certain investments and equipment.

The Metals Segment had one customer that accounted for approximately 14 percent of revenues in 2015. There were no customers representing more than ten percent of the Metals Segment's revenues in 2016 or 2014. The Specialty Chemicals Segment has one customer that accounted for approximately 25 percent of revenues for 2016 and the same customer accounted for approximately 31 percent of revenues for 2015 and 2014. The concentration of sales to this customer declined in 2016 as a result of this customer moving production of the products previously produced and sold by the Specialty Chemicals Segment in house. The loss of this customer would have a material adverse effect on the revenues of the Specialty Chemicals Segment and the Company.

In order to establish stronger business relationships, the Metals Segment uses only a few raw material suppliers. Nine suppliers furnish about 77 percent of total dollar purchases of raw materials, with one supplier furnishing 42 percent. However, the Company does not believe that the loss of this supplier would have a materially adverse effect on the Company as raw materials are readily available from a number of different sources, and the Company anticipates no difficulties in fulfilling its requirements. For the Specialty Chemicals Segment, most raw materials are generally available from numerous independent suppliers and about 46 percent of total purchases are from its top eleven suppliers. While some raw material needs are met by a sole supplier or only a few suppliers, the Company anticipates no difficulties in fulfilling its raw material requirements.

Segment Information:

All values are for continuing operations only.

(Amounts in thousands)	2016	2015	2014
Net sales			
Metals Segment	\$ 90,215	\$ 114,908	\$ 134,304
Specialty Chemicals Segment	48,351	60,552	65,201
	<u>\$ 138,566</u>	<u>\$ 175,460</u>	<u>\$ 199,505</u>
Operating (loss) income			
Metals Segment	\$ (4,821)	\$ 2,822	\$ 13,511
Goodwill impairment	—	(17,158)	—
Business interruption proceeds	—	1,246	—
Loss on sale-leaseback	(2,166)	—	—
Total Metals Segment	<u>(6,987)</u>	<u>(13,090)</u>	<u>13,511</u>
Specialty Chemicals Segment	4,888	5,665	6,130
Loss on sale-leaseback	(206)	—	—
Total Specialty Chemicals Segment	<u>4,682</u>	<u>5,665</u>	<u>6,130</u>
Unallocated straight line lease cost	(102)	—	—
	<u>(2,407)</u>	<u>(7,425)</u>	<u>19,641</u>
Less unallocated corporate expenses	5,733	5,106	3,241
Acquisition related costs	106	500	302
Operating (loss) income	<u>(8,246)</u>	<u>(13,031)</u>	<u>16,098</u>
Interest expense	933	1,353	1,151
Change in fair value of interest rate swap	13	42	426
Specialty and Palmer earn-out adjustments	—	(4,897)	(3,476)
Casualty insurance gain	—	(923)	—
Other income, net	—	(136)	(8)
(Loss) income before income taxes	<u>\$ (9,192)</u>	<u>\$ (8,470)</u>	<u>\$ 18,005</u>
Identifiable assets			
Metals Segment	\$ 109,689	\$ 112,749	
Specialty Chemicals Segment	22,908	33,391	
Corporate	6,041	2,903	
	<u>\$ 138,638</u>	<u>\$ 149,043</u>	
Depreciation and amortization			
Metals Segment	\$ 5,133	\$ 5,173	\$ 4,078
Specialty Chemicals Segment	1,449	1,376	974
Corporate	113	85	80
	<u>\$ 6,695</u>	<u>\$ 6,634</u>	<u>\$ 5,132</u>
Capital expenditures			
Metals Segment	\$ 2,201	\$ 7,399	\$ 3,123
Specialty Chemicals Segment	476	3,439	4,913
Corporate	367	67	30
	<u>\$ 3,044</u>	<u>\$ 10,905</u>	<u>\$ 8,066</u>
Sales by product group			
Specialty chemicals	\$ 48,351	\$ 60,552	\$ 65,201
Stainless steel pipe	56,066	77,850	101,035
Seamless carbon steel pipe and tube	14,913	18,013	2,524
Liquid storage tanks and separation equipment	19,236	19,045	30,745
	<u>\$ 138,566</u>	<u>\$ 175,460</u>	<u>\$ 199,505</u>
Geographic sales			
United States	\$ 132,313	\$ 167,185	\$ 191,032
Elsewhere	6,253	8,275	8,473
	<u>\$ 138,566</u>	<u>\$ 175,460</u>	<u>\$ 199,505</u>

Note 16 Quarterly Results (Unaudited)

The following is a summary of quarterly operations for 2016 and 2015:

(Amounts in thousands except for per share data)		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2016					
Net sales from continuing operations	\$	36,312	\$ 34,907	\$ 34,297	\$ 33,050
Gross profit from continuing operations		4,718	3,998	4,504	3,684
Net loss from continuing operations		(1,367)	(1,584)	(2,608)	(1,435)
Loss from discontinued operations, net of tax		—	(99)	—	—
Net loss		(1,367)	(1,683)	(2,608)	(1,435)
Per common share from continuing operations					
Basic		(0.16)	(0.18)	(0.30)	(0.17)
Diluted		(0.16)	(0.18)	(0.30)	(0.17)
Per common share from discontinued operations					
Basic		—	(0.01)	—	—
Diluted		—	(0.01)	—	—
2015					
Net sales from continuing operations	\$	51,648	\$ 50,163	\$ 38,083	\$ 35,566
Gross profit from continuing operations		8,942	8,416	4,537	3,424
Net income (loss) from continuing operations ⁽¹⁾		3,638	2,455	1,355	(17,717)
Loss from discontinued operations, net of tax		—	—	—	(1,251)
Net income (loss)		3,638	2,455	1,355	(18,968)
Per common share from continuing operations					
Basic		0.42	0.28	0.16	(2.04)
Diluted		0.42	0.28	0.16	(2.04)
Per common share from discontinued operations					
Basic		—	—	—	(0.14)
Diluted		—	—	—	(0.14)

(1) The Company recorded a goodwill impairment charge of approximately \$17,158,000 during the fourth quarter of 2015; see Note 4.

Note 17 Interest Rate Swaps

As discussed in Note 5, as a result of the CRI acquisition and in conjunction with the term loan obtained in August 2013, to mitigate the variability of the interest rate risk, the Company entered into the CRI swap on September 3, 2013 with its current bank. The CRI swap had an initial notional amount of \$4,033,000 with a fixed interest rate of 4.83 percent and a term of ten years that expires on August 19, 2023. Also, as a result of the Palmer acquisition and in conjunction with the term loan obtained in August 2012 to mitigate the variability of the interest rate risk, the Company entered into the Palmer swap on August 21, 2012 with its current bank. The Palmer swap had an initial notional amount of \$22,500,000 with a fixed interest rate of 3.74 percent, and a term of ten years that expires on August 21, 2022. The notional amounts of both interest rate swaps decrease as monthly principal payments are made.

Although the swaps are expected to effectively offset variable interest in the borrowing, hedge accounting was not utilized. Therefore, their fair values are recorded in current assets or liabilities, as appropriate, with corresponding changes to their fair values recorded to other income (expense). The Company recorded a liability of \$206,000 for the fair value of the CRI swap as of December 31, 2015. During the third quarter of 2016, the CRI contract was settled and as a result had no value at December 31, 2016. The Company recorded an asset of \$31,000 and a liability of \$40,000 for the fair value of the Palmer swap at December 31, 2016 and December 31, 2015, respectively.

Note 18 Acquisitions

Acquisition of Specialty Pipe & Tube, Inc.

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

The purchase price for the all-cash acquisition was approximately \$31,500,000. Davidson had the potential to receive earn-out payments up to a total of \$5,000,000 if Specialty achieved targeted sales revenue over a two-year period following closing. At the end of each year (based on the acquisition date) for the following two year periods, if Specialty's revenues for a year were greater than \$27,000,000, the seller of Specialty would be paid the product of the amount of revenue during the year in excess of \$27,000,000, as a percentage of \$2,000,000, multiplied by \$2,500,000, not to exceed \$2,500,000. No earn-out payment would be paid for any year where revenue was less than or equal to \$27,000,000. If the cumulative revenue for the earn-out periods was greater than \$58,000,000, the Company would make an additional earn-out payment so that the total cumulative earn-out payments equaled the product of the amount of cumulative revenue for all earn-out periods in excess of \$54,000,000, as a percentage of \$4,000,000, multiplied by \$5,000,000, not to exceed a total cumulative earn-out payment of \$5,000,000.

At acquisition, the Company preliminarily forecasted earn-out payments totaling \$5,000,000, which was discounted to a present value of \$4,774,000 using its incremental borrowing rate of three percent. As discussed in Note 2, during the three months ended July 4, 2015, the Company finalized its sales projections for Specialty and determined the revenue targets for the first year would not be met and the opening balances for the earn-out liability and goodwill were adjusted by \$2,419,000. The impact of the declines experienced in West Texas Intermediate Prices ("WTI") oil prices, which decreased 31 percent during 2015, had a substantial effect on Specialty. Revenues declined by more than 35 percent during 2015 compared to 2014 revenue levels. The Company did not expect significant improvement in WTI prices during 2016 and adjusted its 2016 projections accordingly. As a result, during the three months ended October 3, 2015, the Company determined the fair value of the Specialty earn-out liability was zero and reduced the remaining earn-out liability by recognizing a gain of approximately \$2,414,000. The Company reviewed Specialty's revenue projections at December 31, 2015 and again concluded that the fair value was zero. The estimated fair value of the Specialty earn-out liability remained at zero during 2016 and the earn-out period expired November 22, 2016 with no payment made during the year ended December 31, 2016. The financial results for Specialty are reported as a part of the Company's Metals Segment.

The purchase price for the acquisition was funded through a combination of cash on hand, a new term loan with the Company's bank and an increase to the Company's current credit facility which is discussed in Note 5.

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

Sources of funds:

Cash on hand	\$	21,490,433
Proceeds of term loan		10,000,000
Total sources of funds	\$	<u>31,490,433</u>

Uses of funds:

Acquisition of Specialty's common stock	\$	27,496,000
Cash paid to escrow agent for potential future claims, to be settled within 18 months		3,248,500
Cash paid for a portion of the seller's investment banker fee		745,933
Total uses of funds	\$	<u>31,490,433</u>

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

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

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

During the second quarter of 2015, the Company finalized the purchase price allocation for the Specialty acquisition. Additional information was obtained surrounding the proper lifespan of Specialty's steel pipe. As a result, the Company changed its fair value estimate for valuing inventory and the fair value of inventory increased and goodwill decreased by approximately \$2,318,000. This adjustment and the adjustment to the earn-out liability describe above caused goodwill related to the Specialty acquisition to decrease to \$1,260,000. During the fourth quarter, as discussed in Note 4, goodwill related to the Specialty acquisition was reduced to zero.

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

	2014
Pro-forma revenues from continuing operations	\$ 228,647,000
Pro-forma net income from continuing operations	8,928,000
Earnings per share from continuing operations:	
Basic	\$ 1.85
Diluted	\$ 1.85

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

Note 19 Dispositions and Closures

On August 29, 2014, the Company completed the sale of all of the issued and outstanding membership interests of its wholly owned subsidiary Ram-Fab to a subsidiary of Primoris Services Corporation ("Primoris"). The transaction was valued at less than \$10 million, which consideration included cash at closing, Synalloy's ability to receive potential future earn-out payment(s) and the retention of specified Ram-Fab current assets. The future earn-out calculation was based upon the Company and Primoris sharing the profits for the sales order that was in process at the time of sale. The respective sales order was completed and shipped during 2015. Primoris realized minimal profit on this order, which resulted in the Company not receiving an earn-out payment. The Company realized a one-time charge in the third quarter of 2014 of \$1,996,000 for costs associated with the closure plus a \$947,000 charge to write-off the Company's investment in Ram-Fab. These charges, along with all non-recurring expenses associated with Ram-Fab are included in the respective consolidated financial statements as discontinued operations. Ram-Fab was reported as a part of the Metals Segment.

On June 27, 2014, the Company completed the planned closure of Bristol Fab. Bristol Fab's collective bargaining agreement with the Union expired on February 15, 2014. Also, upon closure of the operation, the Company was legally obligated to pay a withdrawal liability to the Union's pension fund of approximately \$1,900,000. This obligation was payable over 26 months ending October 1, 2016 with an interest rate of 4.51 percent. The balance as of December 31, 2015 of \$644,000 is included in accrued expenses on the accompanying consolidated balance sheet. The Company realized charges in the fourth quarter of 2015 and in the second quarter of 2014 of \$1,902,000 and \$6,988,000, respectively, for costs associated with the closure of Bristol Fab. These costs, along with all non-recurring expenses associated with Bristol Fab, are included in the respective consolidated financial statements as discontinued operations. Bristol Fab was reported as a part of the Metals Segment.

As of December 31, 2016, the Company has successfully completed the items and processes identified when the one-time closing charges were developed. A charge of \$99,000 and \$1,251,000, net of tax respectively, was recorded as discontinued operations during 2016 and 2015 for the legal claim filed against Synalloy Fabrication as discussed in Note 13. The matter was settled during 2016 and the settlement was paid in full by September 2016. As such, the facility closing reserve was zero as of December 31, 2016.

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

	2016	2015	2014
Net sales	\$ —	\$ —	\$ 21,963,078
Loss before income taxes	\$ (150,334)	\$ (1,902,058)	\$ (10,963,524)
Benefit from income taxes	(51,000)	(651,000)	(3,807,000)
Net loss from discontinued operations	\$ (99,334)	\$ (1,251,058)	\$ (7,156,524)

Note 20 Payment of Dividends

At the end of each fiscal year the Board reviews the financial performance and capital needed to support future growth to determine the amount of cash dividend, if any, which is appropriate. As a result of this review, no dividends were declared or paid in 2016. In 2015, the Company paid a \$0.30 cash dividend on December 8, 2015 for a total of \$2,618,000 and in 2014, the Company paid a \$0.30 cash dividend on December 9, 2014 for a total payment of \$2,633,000.

Note 21 Business Interruption Proceeds and Gain on Casualty Loss

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 completed repairs to the facility and the losses were fully insured including business interruption coverage. Total business interruption insurance recoveries recognized during the year ended December 31, 2015 were approximately \$1,246,000 and is shown separately in operating income on the accompanying consolidated statements of operations. During the fourth quarter of 2015, the Company completed the insurance claim settlement for the fire and recorded a casualty insurance gain of \$923,000, representing the excess of insurance proceeds over the net book value of assets damaged in the loss, and is shown separately in other income on the accompanying consolidated statements of operations for the year ended December 31, 2015.

Note 22 Subsequent Events

On February 8, 2017, the Compensation 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 44,686 shares with a market price of \$12.30 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 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.

On December 9, 2016, the Company's subsidiary BRISMET, entered into a definitive agreement to acquire the stainless steel pipe and tube assets of Marcegaglia USA, Inc. ("MUSA") located in Munhall, PA to enhance its on-going business with additional capacity and technological advantages. The transaction closed on February 28, 2017 and was funded through an increase to the Company's current credit facility. The agreement is structured as an asset purchase and excludes galvanized product and ornamental tubing products. The purchase price for the transaction, which excludes real estate and certain other assets, totaled \$14,954,000; the assets purchased from MUSA include inventory, equipment and a non-compete agreement. In accordance with the agreement, on December 9, 2016, BRISMET entered into an escrow agreement and deposited \$3,000,000 into the escrow fund. This deposit is included in prepaid expenses and other current assets in the accompanying consolidated balance sheet. The deposit was remitted to MUSA at the close of the transaction and was reflected as a credit against the purchase price. Since the transaction closed on February 28, 2017, the purchase accounting is not complete at the time of this filing. As part of the MUSA transaction, BRISMET assumed all of MUSA's rights and obligations pursuant to the Collective Bargaining Agreement between MUSA and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union AFL-CIO, on behalf of Local Union 5852-22 (the "Union") dated October 1, 2013 (the "CBA"). At the closing of the transaction, BRISMET and the Union amended the CBA to include a modest wage increase and to extend the CBA's termination date to September 30, 2018.

Management's Annual Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities and Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

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

Management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of December 31, 2016 using the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission in the *Internal Control-Integrated Framework (COSO 2013)*. Based on that evaluation, management believes the Company's internal control over financial reporting was effective as of December 31, 2016.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2016, has been audited by KPMG LLP, an independent registered public accounting firm, which also audited the Company's Consolidated Financial Statements for the year ended December 31, 2016. KPMG LLP's report on the Company's internal control over financial reporting is set forth below.

Changes in Internal Control Over Financial Reporting

There was no change in the Company's internal control over financial reporting that occurred during the Company's fourth quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. The Company believes that its disclosure controls and procedures were operating effectively as of December 31, 2016.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Synalloy Corporation:

We have audited the accompanying consolidated balance sheets of Synalloy Corporation and subsidiaries (the Company) as of December 31, 2016 and 2015, and the related consolidated statements of operations, shareholders' equity, and cash flows for the fiscal years ended December 31, 2016 and 2015. In connection with our audit of the consolidated financial statements, we also have audited financial statement schedule II, Valuation and Qualifying Accounts, for the fiscal years ended December 31, 2016 and 2015. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Synalloy Corporation and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the fiscal years ended December 31, 2016 and 2015, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule for the fiscal years ended December 31, 2016 and 2015, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Synalloy Corporation's internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 14, 2017 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Richmond Virginia

March 14, 2017

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Synalloy Corporation:

We have audited Synalloy Corporation's (the Company) internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Synalloy Corporation and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of operations, shareholders' equity, and cash flows for the fiscal years ended December 31, 2016 and 2015, and our report dated March 14, 2017, expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Richmond, Virginia

March 14, 2017

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
Synalloy Corporation

We have audited the accompanying consolidated statements of operations, shareholders' equity and cash flows of Synalloy Corporation and subsidiaries (the "Company") for the year ended January 3, 2015. Our audit also included the financial statement schedule listed in Item 15 for the year ended January 3, 2015. These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audit.

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

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

/s/ Dixon Hughes Goodman LLP

Charlotte, North Carolina
March 14, 2017

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

None.

Item 9A Controls and Procedures

Disclosure Controls and Procedures

Under the supervision and with the participation of the Company's management, including the Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, the Company conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934 (the "Exchange Act"), as amended. Based on this evaluation, the Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer concluded that the Company's disclosure controls and procedures were effective as of the end of December 31, 2016. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect the internal controls subsequent to the date the Company completed the evaluation.

Item 9B Other Information

Not applicable

PART III

Item 10 Directors, Executive Officers and Corporate Governance

In accordance with General Instruction G(3), information called for by Part III, Item 10, is incorporated herein by reference from the information appearing under the caption "Proposal 1 - Election of Directors," "Executive Officers," and "Section 16(a) Beneficial Ownership Reporting Compliance" in the definitive Proxy Statement for the 2016 Annual Meeting of Shareholders, which definitive Proxy Statement will be filed electronically with the SEC pursuant to Regulation 14A.

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

Audit Committee. The Company has a separately designated standing Audit Committee of the Board of Directors established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The members of the Audit Committee are Anthony A. Callander, Henry L. Guy, James W. Terry and Vincent W. White.

Audit Committee Financial Expert. The Company's Board of Directors has determined that the Company has at least one "audit committee financial expert," as that term is defined by Item 407(d)(5) of Regulation S-K promulgated by the Securities and Exchange Commission, serving on its Audit Committee. Mr. Anthony A. Callander meets the terms of the definition and is independent, as independence is defined for audit committee members in the rules of the NASDAQ Global Market. Pursuant to the terms of Item 407(d) of Regulation S-K, a person who is determined to be an "audit committee financial expert" will not be deemed an expert for any purpose as a result of being designated or identified as an "audit committee financial expert" pursuant to Item 407(d), and such designation or identification does not impose on such person any duties, obligations or liability that are greater than the duties, obligations or liability imposed on such person as a member of the Audit Committee and Board of Directors in the absence of such designation or identification. Further, the designation or identification of a person as an "audit committee financial expert" pursuant to Item 407(d) does not affect the duties, obligations or liability of any other member of the Audit Committee or Board of Directors.

Item 11 Executive Compensation

In accordance with General Instruction G(3), information called for by Part III, Item 11, is incorporated herein by reference from the information appearing under the caption "Board of Directors and Committees - Compensation Committee Interlocks and Insider Participation," "Director Compensation," "Discussion of Executive Compensation" and "Compensation Committee Report" in the definitive Proxy Statement for the 2016 Annual Meeting of Stockholders, which definitive Proxy Statement will be filed electronically with the SEC pursuant to Regulation 14A.

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

In accordance with General Instruction G(3), information called for by Part III, Item 12, is incorporated by reference from the information appearing under the caption "Beneficial Owners of More Than Five Percent of the Company's Common Stock" and "Security Ownership of Certain Beneficial Owners and Management" in the definitive Proxy Statement for the 2016 Annual Meeting of Shareholders, which definitive Proxy Statement will be filed electronically with the SEC pursuant to Regulation 14A.

Equity Compensation Plan Information. The following table sets forth aggregated information as of December 31, 2016 about all of the Company's equity compensation plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) ⁽¹⁾ (c)
Equity compensation plans approved by security holders	173,048	\$ 12.77	235,611
Equity compensation plans not approved by security holders	—	—	—
Total	173,048	\$ 12.77	235,611

⁽¹⁾ Represents shares remaining available for issuance under the 2015 Stock Awards Plan and the 2011 Plan.

Non-employee directors are paid an annual retainer of \$95,000, and each director has the opportunity to elect to receive 100 percent of the retainer in restricted stock. For 2016, non-employee directors received an aggregate of \$330,000 of the annual retainer in restricted stock. The number of restricted shares is determined by the average of the high and low sale price of the Company's stock on the day prior to the Annual Meeting of Shareholders. For 2016, seven non-employee directors each received an aggregate of 40,991 shares. Issuance of the shares granted to the directors is not registered under the Securities Act of 1933 and the shares are subject to forfeiture in whole or in part upon the occurrence of certain events. The above table does not reflect these shares issued to non-employee directors.

Item 13 Certain Relationships and Related Transactions

In accordance with General Instruction G(3), information called for by Part III, Item 13, is incorporated by reference from the information appearing under the caption "Board of Directors and Committees – Related Party Transactions" and "– Director Independence" in the definitive Proxy Statement for the 2016 Annual Meeting of Shareholders, which definitive Proxy Statement will be filed electronically with the SEC pursuant to Regulation 14A.

Item 14 Principal Accountant Fees and Services

In accordance with General Instruction G(3), information called for by Part III, Item 14, is incorporated by reference from the information appearing under the caption "Independent Registered Public Accounting Firm - Fees Paid to Independent Registered Public Accounting Firm" and "– Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm" in the definitive Proxy Statement for the 2016 Annual Meeting of Shareholders, which definitive Proxy Statement will be filed electronically with the SEC pursuant to Regulation 14A.

PART IV

Item 15 Exhibits and Financial Statement Schedules

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

1. Financial Statements: The following consolidated financial statements of Synalloy Corporation are included in Part II, Item 8:
 - Consolidated Balance Sheets at December 31, 2016 and December 31, 2015
 - Consolidated Statements of Operations for the years ended December 31, 2016, December 31, 2015 and January 3, 2015
 - Consolidated Statements of Shareholders' Equity for the years ended December 31, 2016, December 31, 2015, and January 3, 2015
 - Consolidated Statements of Cash Flows for the years ended December 31, 2016, December 31, 2015 and January 3, 2015
 - Notes to Consolidated Financial Statements
 2. Financial Statements Schedules: The following consolidated financial statements schedule of Synalloy Corporation is included in Item 15:
 - Schedule II - Valuation and Qualifying Accounts for the years ended December 31, 2016, December 31, 2015 and January 3, 2015
 - All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.
 3. Listing of Exhibits:
 - See "Exhibit Index"
-

Schedule II Valuation and Qualifying Accounts

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning of Period	Charged to (Reduction of) Cost and Expenses	Deductions	Balance at End of Period
Year ended December 31, 2016				
Deducted from asset account:				
Allowance for doubtful accounts	\$ 247,000	\$ (45,000)	\$ (120,000)	\$ 82,000
Inventory reserves	\$ 682,000	\$ 984,000	\$ (700,000)	\$ 966,000
Year ended December 31, 2015				
Deducted from asset account:				
Allowance for doubtful accounts	\$ 1,115,000	\$ 104,000	\$ (972,000) (a)	\$ 247,000
Inventory reserves	\$ 725,000	\$ 767,000	\$ (810,000)	\$ 682,000
Year ended January 3, 2015				
Deducted from asset account:				
Allowance for doubtful accounts	\$ 1,079,000	\$ 667,000 (b)	\$ (631,000)	\$ 1,115,000
Inventory reserves	\$ 2,206,000	\$ 3,975,000 (c)	\$ (5,456,000) (c)	\$ 725,000

(a) Allowance for doubtful accounts deductions for 2015 includes an \$801,000 payment to the former owners of Palmer. Per the Stock Purchase Agreement between the former owners of Palmer and the Company (the "SPA"), the former owners of Palmer reimbursed Synalloy for all uncollected accounts receivable after 120 days of Synalloy's ownership. Synalloy increased the allowance for doubtful accounts to reflect the \$801,000 payment to offset the outstanding accounts receivable at that time. Over the next two years, Synalloy collected approximately \$299,000 on these old accounts and the accounts receivable balance was reduced accordingly. The SPA did not require the reimbursement of these subsequent collections to the former owners of Palmer; however, Synalloy management, on our own recognizance during the second quarter of 2015, reimbursed the \$299,000 collected on these old accounts and eliminated the outstanding receivable and allowance for doubtful accounts balances. This transaction had no effect on earnings during any period.

(b) Allowance for doubtful accounts charged to cost and expenses for 2014 includes approximately \$76,000 for the beginning balance in the allowance for doubtful accounts for Specialty as a result of the acquisition on November 21, 2014.

(c) Inventory reserves for 2014 reflect \$3,109,000 of charged to costs and \$4,813,000 of deductions associated with the closing of Bristol Fab and the sale of Ram-Fab during 2014.

Signatures

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

SYNALLOY CORPORATION

By <u>/s/ Craig C. Bram</u> Craig C. Bram President and Chief Executive Officer (principal executive officer)	<u>March 14, 2017</u> Date
By <u>/s/ Dennis M. Loughran</u> Dennis M. Loughran Senior Vice President and Chief Financial Officer (principal financial officer)	<u>March 14, 2017</u> Date
By <u>/s/ Richard D. Sieradzki</u> Richard D. Sieradzki Chief Accounting Officer (principal accounting officer)	<u>March 14, 2017</u> Date

Registrant

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

By <u>/s/ Murray H. Wright</u> Murray H. Wright Chairman of the Board	<u>March 14, 2017</u> Date
By <u>/s/ Anthony A. Callander</u> Anthony A. Callander Director	<u>March 14, 2017</u> Date
By <u>/s/ Amy J. Michtich</u> Amy J. Michtich Director	<u>March 14, 2017</u> Date
By <u>/s/ James W. Terry, Jr.</u> James W. Terry, Jr. Director	<u>March 14, 2017</u> Date
By <u>/s/ Henry L. Guy</u> Henry L. Guy Director	<u>March 14, 2017</u> Date
By <u>/s/ Susan S. Gayner</u> Susan S. Gayner Director	<u>March 14, 2017</u> Date
By <u>/s/ Vincent W. White</u> Vincent W. White Director	<u>March 14, 2017</u> Date
By <u>/s/ Craig C. Bram</u> Craig C. Bram Chief Executive Officer and Director	<u>March 14, 2017</u> Date

Index to Exhibits

Exhibit No. from Item 601 of Regulation S-K	Description
1.1	Underwriting Agreement dated September 24, 2013, incorporated by reference to Registrant's Form 8-K filed September 24, 2013
3.1	Restated Certificate of Incorporation of Registrant, as amended, incorporated by reference to Registrant's Form 8-K filed August 13, 2007
3.2	Restated Certificate of Incorporation of Registrant, as amended, incorporated by reference to Registrant's Form 8-K filed May 8, 2015
3.3	Bylaws of Registrant, incorporated by reference to Registrant's Form 10-Q for the period ended March 31, 2001, as amended, which amendments are incorporated by reference to Registrant's Form 8-K filed August 13, 2007
4.1	Form of Common Stock Certificate, incorporated by reference to Registrant's Form 10-Q for the period ended March 31, 2001
10.1	Synalloy Corporation 2005 Stock Awards Plan, incorporated by reference to the Proxy Statement for the 2005 Annual Meeting of Shareholders
10.2	Synalloy Corporation 2015 Stock Awards Plan, incorporated by reference to the Proxy Statement for the 2015 Annual Meeting of Shareholders
10.3	Amendment 1 to the Synalloy Corporation 2005 Stock Awards Plan, incorporated by reference to Registrant's Form 10-K for the year ended December 29, 2007
10.4	Amendment 2 to the Synalloy Corporation 2005 Stock Awards Plan, incorporated by reference to Registrant's Form 10-K for the year ended January 3, 2015
10.5	2011 Long-Term Incentive Stock Option Plan, incorporated by reference to Registrant's Proxy Statement for the 2011 Annual Meeting of Shareholders
10.6	2013 Short-Term Cash Incentive and Options Plan, incorporated by reference to Registrant's Form 10-K for the year ended December 28, 2013
10.7	2014 Short-Term Cash Incentive and Options Plan, incorporated by reference to Registrant's Form 10-K for the year ended January 3, 2015
10.8	2015 Short-Term Cash Incentive and Restricted Stock Incentive Plan, incorporated by reference to Registrant's Form 10-K for the year ended December 31, 2015
10.9	2016 Short-Term Cash Incentive and Restricted Stock Incentive Plan
10.10	Agreement between Registrant's Bristol Metals, LLC subsidiary and the United Steelworkers of America Local 4586, dated February 1, 2015, incorporated by reference to Registrant's Form 10-K for the year ended December 31, 2015
10.11	Agreement between Registrant's Specialty Pipe & Tube, Inc. subsidiary and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union Local 4564-07, dated July 1, 2014, incorporated by reference to Registrant's Form 10-K for the year ended January 3, 2015
10.12	Agreement between Registrant's Bristol Metals, LLC subsidiary and the Teamsters Local Union No. 549, dated March 5, 2010, incorporated by reference to Registrant's Form 10-K for the year ended January 1, 2011
10.13	Agreement between Registrant's Bristol Metals, LLC subsidiary and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union Local 5852-22, dated October 1, 2013, as amended March 1, 2017
10.14	Loan Agreement, dated as of June 30, 2010, between Registrant and Branch Banking and Trust ("BB&T"), incorporated by reference to Registrant's Form 10-K for the year ended January 1, 2011
10.15	First Amended and Restated Loan Agreement, dated August 21, 2012, between Registrant and BB&T, incorporated by reference to Registrant's Form 10-K for the year ended December 29, 2012
10.16	First Amendment to First Amended and Restated Loan Agreement, dated October 22, 2012, between Registrant and BB&T, incorporated by reference to Registrant's Form 10-K for the year ended December 29, 2012
10.17	Second Amendment to First Amended and Restated Loan Agreement, dated August 9, 2013, between Registrant and Branch Banking and Trust ("BB&T"), incorporated by reference to Registrant's Form 10-K for the year ended December 28, 2013.
10.18	Third Amendment to First Amended and Restated Loan Agreement, dated January 2, 2014, between Registrant and Branch Banking and Trust ("BB&T"), incorporated by reference to Registrant's Form 10-K for the year ended December 28, 2013

10.19	Fourth Amendment to First Amended and Restated Loan Agreement, dated as of November 21, 2014, between Registrant and Branch Banking and Trust ("BB&T"), incorporated by reference to Registrant's Form 8-K filed on November 25, 2014
10.20	Fifth Amendment to First Amended and Restated Loan Agreement, dated as of March 7, 2016, between Registrant and Branch Banking and Trust ("BB&T"), incorporated by reference to Registrant's Form 10-K for the year ended December 31, 2015
10.21	Second Amended and Restated Loan Agreement, dated as of August 31, 2016, between Registrant and Branch Banking & Trust ("BB&T"), incorporated by reference to Registrant's Form 10-Q for the period ended September 30, 2016
10.22	Employment Agreement dated January 24, 2011, between Registrant and Craig C. Bram, incorporated by reference to Registrant's Form 10-K for the year ended January 1, 2011
10.23	Amended Employment Agreement dated January 24, 2012, between Registrant and Craig C. Bram, incorporated by reference to Registrant's Form 10-K for the year ended December 31, 2011
10.24	Amended Employment Agreement dated January 24, 2013, between Registrant and Craig C. Bram, incorporated by reference to Registrant's Form 10-K for the year ended December 29, 2012
10.25	Amended Employment Agreement dated June 1, 2013, between Registrant and Craig C. Bram, incorporated by reference to Registrant's Form 8-K filed June 28, 2013
10.26	Amended Employment Agreement dated May 1, 2014, between Registrant and Craig C. Bram, incorporated by reference to Registrant's Form 10-K for the year ended January 3, 2015
10.27	Employment Agreement dated January 11, 2016, between Registrant and Dennis M. Loughran, incorporated by reference to Registrant's Form 8-K filed January 11, 2016.
10.28	Employment Agreement dated January 11, 2016, between Registrant and J. Kyle Pennington, incorporated by reference to Registrant's Form 8-K filed January 11, 2016.
10.29	Employment Agreement dated January 11, 2016, between Registrant and James G. Gibson, incorporated by reference to Registrant's Form 8-K filed January 11, 2016.
10.30	Stock Purchase Agreement, dated as of August 10, 2012, among Jimmie Dean Lee, James Varner, Steven C. O'Brate and Synalloy Corporation, incorporated by reference to Registrant's Form 8-K filed on August 24, 2012
10.31	Stock Purchase Agreement, dated as of November 21, 2014, between The Davidson Corporation and Synalloy Corporation, incorporated by reference to Registrant's Form 8-K filed on November 25, 2014
10.32	Purchase and Sale Agreement, dated as of September 1, 2016, by and between Store Capital Acquisition, LLC and Bristol Metals, LLC, Specialty Pipe & Tube, Inc., Palmer of Texas Tanks, Inc., Manufacturers Soap & Chemical Company, Manufacturers Chemicals, LLC, and Synalloy Corporation, incorporated by reference to Registrant's Form 10-Q for the period ended September 30, 2016
10.33	Master Lease Agreement, dated as of September 30, 2016 between Registrant and Store Master Funding XII, LLC
10.34	Asset Purchase Agreement, dated as of December 9, 2016, by and between Marcegaglia USA, Inc. and Bristol Metals, LLC, as amended by Amendment No. 1 to Asset Purchase Agreement, dated as of February 28, 2017, by and between Marcegaglia USA, Inc. and Bristol Metals, LLC
21	Subsidiaries of the Registrant
23.1	Consent of KPMG LLP, independent registered public accounting firm
23.2	Consent of Dixon Hughes Goodman LLP, independent registered public accounting firm
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 Principal 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 Annual Report on Form 10-K shall be deemed "furnished" and not "filed."

SYNALLOY CORPORATION
2016 Executive Incentive Plan

1. **Purpose.** This Executive Incentive Plan (the “Incentive Plan”) is intended to provide key executive employees of Synalloy Corporation (the “Company”, which term shall include Synalloy Corporation and any of its affiliates or subsidiaries) the opportunity to participate in the Company’s profitability, future prosperity and growth. The purpose of the Incentive Plan is to provide short and Long Term incentive for gain through outstanding service to the Company and its shareholders, and to assist in attracting and retaining executives of ability and initiative.
2. **Administration.** The Incentive Plan shall be administered by the Company’s Compensation & Long Term Incentive Committee (the “Committee”). The same restrictions set forth in the Company’s 2015 Stock Awards Plan (the “Restricted Stock Plan”), shall also apply under this Incentive Plan. To the extent this Incentive Plan differs from or is inconsistent with the Restricted Stock Plan, the terms and provisions of the Restricted Stock Plan shall govern. The Committee shall have complete authority and discretion to (1) interpret all provisions of this Incentive Plan consistent with law and the Restricted Stock Plan, (2) to adopt, amend, and rescind general and special rules and regulations for its administration, and (3) to make all other determinations necessary or advisable for the administration of the Incentive Plan. No member of the Committee shall be liable for any action or determination in respect thereto, if made in good faith, and shall be entitled to indemnification by the Company with respect to all matters arising from his or her service on the Committee to the fullest extent allowable under the Company’s charter documents and applicable law.
3. **Eligibility.** Any salaried employee of the Company who in the judgment of the Committee occupies a management position in which his or her efforts contribute to the profit and growth of the Company may be eligible to participate in the Incentive Plan. The named participants to this Incentive Plan shall be recommended by the division Presidents and the CEO, and approved by the Committee. The key metric used to measure management performance in a particular division or the Company as a whole, as the case may be, is “Adjusted EBITDA” defined as operating income before interest, change in fair value of interest rate swap, income taxes, depreciation and amortization, excluding inventory profits and losses, acquisition costs and costs associated with raising capital. The Adjusted EBITDA Target described herein and reflected on Exhibit A are derived from the Company’s annual budget approved by the Company’s Board of Directors and are exclusive of and calculated prior to allocation of the cash and restricted stock incentives payable to the executives participating in the Incentive Plan. Exhibit A to this Incentive Plan, as may be amended from time to time by the Committee, sets forth for each named participant, his or her Base Salary, the Short Term Cash Incentive and the Long Term Incentive (both as a percentage of Base Salary).
4. **Short Term Cash Incentive.**
 - A. **Components:** The Short Term Cash Incentive has two components: an annual Adjusted EBITDA Performance metric (70% of total) and an annual goal achievement metric (30% of total). The table below illustrates Total Short Term Cash Incentive as a percentage of base salary when both components are achieved. Exhibit A details each Executive, their corresponding level, Adjusted EBITDA metrics and annual goals.

Total Short Term Cash Incentive			
Incentive as a % of Base Salary	Threshold Performance	Target Performance	Maximum Performance
Level 1	60%	65%	100%
Level 2	42%	65%	85%
Level 3	35%	50%	72%
Level 4	30%	50%	60%

- A. **Adjusted EBITDA Performance Metric.** At the beginning of each year, the Company's Board of Directors will approve the upcoming year's budget that shall include the Adjusted EBITDA target for each division and for the Company as a whole. Threshold and Maximum Adjusted EBITDA are calculated as a percentage of the Target Adjusted EBITDA as approved by the Committee. The Adjusted EBITDA component of the Short Term Cash Incentive will be based on a percentage of Base Salary for each Executive Level as applicable (see chart below).

Adjusted EBITDA Component of the Short Term Cash Incentive			
Incentive as a % of Base Salary	Threshold Adjusted EBITDA Performance	Target Adjusted EBITDA Performance	Maximum Adjusted EBITDA Performance
Level 1	42.0%	45.5%	70.0%
Level 2	29.4%	45.5%	59.5%
Level 3	24.5%	35.0%	50.4%
Level 4	21.0%	35.0%	42.0%

- B. **Goal Achievement Metric:** At the beginning of each year, Management will propose annual goals for each Executive to the Committee for review and approval. The Achieved Goals component of the Short Term Cash Incentive will be based on a percentage of Base Salary for each Executive Level as applicable (see chart below).

Goals Achieved Component of the Short Term Cash Incentive			
Incentive as a % of Base Salary	Threshold Goals Achieved	Target Goals Achieved	Maximum Goals Achieved
Level 1	18.0%	19.5%	30.0%
Level 2	12.6%	19.5%	25.5%
Level 3	10.5%	15.0%	21.6%
Level 4	9.0%	15.0%	18.0%

5. Long Term Incentive
("LTI").

- A. **Components:** The LTI has two components: a Time Based metric (50% of total) and a Performance Based metric (50% of total). The total LTI will be based on a percentage of Base Salary for each Executive Level as applicable (see chart below). The number of shares will be determined by an average of the High and Low Synalloy stock price on the day prior to the restricted stock grant. Exhibit A details each Executive, their corresponding level, and Adjusted EBITDA metrics.

Long Term Incentive			
Incentive as a % of Base Salary	Total Long Term Incentive	Time Based Incentive	Performance Based Incentive
Level 1	65.0%	32.5%	32.5%
Level 2	45.0%	22.5%	22.5%
Level 3	25.0%	12.5%	12.5%
Level 4	12.5%	6.25%	6.25%

- A. **LTI: Time Based Incentive:** The Time Based Incentive is intended to be a reward and retention tool for the Company Executives. The restricted stock calculation is based on a percentage of base salary by Executive Level. The grant date is generally in February at the beginning of Year 1 as approved by the Committee. The restricted stock should have a three year vesting period with 33.3% vesting each year.
- B. **LTI: Performance Based Incentive:** The Performance Based Incentive is a Three Year Cumulative Adjusted EBITDA

Target calculated by taking the current year Adjusted EBITDA target as approved in the Short Term Incentive and then applying a compounded growth rate for years two and three. The growth rates are proposed by Management and approved by the Committee. Threshold and Maximum Adjusted EBITDA are calculated as a percentage of the Target Adjusted EBITDA as approved by the Committee. The Performance Based Incentive of the LTI will be based on a percentage of Base Salary for each Executive Level as applicable (see chart below). The grant date is generally in February at the beginning of Year 1 as approved by the Committee. The restricted stock should have a three year vesting period with 100.0% vesting at the end of year 3 at the level of 3 year cumulative Adjusted EBITDA achievement.

Performance Based Component of LTI		
	3 Year Cumulative Adjusted EBITDA	% of Performance Based Incentive
Below Threshold	\$XXM	0%
Threshold Performance	\$XXM	50%
Target Performance	\$XXM	100%
Maximum Performance	\$XXM	150%

6. Mid-Year Acquisition Adjustments. The Company, from time to time, may acquire another business or operating division mid-year, which acquisition will not be budgeted or accounted for in the annual or three year Adjusted EBITDA Targets that are established at the beginning of the fiscal year. Upon consultation with the CEO and division Presidents, the Committee may amend the applicable Adjusted EBITDA Targets to account for any and all mid-year acquisitions.
7. General Provisions. Neither the adoption of this Incentive Plan nor its operation, nor any document describing or referring to this Incentive Plan, or any part thereof, shall confer upon any employee any right to continue in the employ of the Company or any subsidiary, or shall in any way affect the right and power of the Company to terminate the employment of any employee at any time with or without assigning a reason therefor to the same extent as the Company might have done if this Incentive Plan had not been adopted. In light of the importance of promoting Long Term relationships and a long- term commitment to the ongoing success of the Company, in order to receive any cash payments or grants of restricted stock under this Incentive Plan, an employee must be employed by the Company on the last day of the applicable fiscal year; provided, however, that if termination of employment occurs as a result of death, disability (unable to work for 12 consecutive months), or retirement (with a minimum of 5 years of employment with the Company), payment of the cash bonus and/or the grant of restricted will be determined as otherwise provided in this Incentive Plan but shall be prorated to reflect that portion of the prior year in which the employee was an employee of the Company. Eligible employees must have entered into a confidentiality and non-competition agreement in a form acceptable to the CEO of the Company in order to receive any benefits under this Incentive Plan. Payments under this Incentive Plan will be prior to March 15th of the year following the Company's fiscal year end. This Incentive Plan shall be governed by the laws of the Commonwealth of Virginia.
8. Duration and Amendment of the Incentive Plan. Unless previously terminated by the Committee, the Incentive Plan shall be effective for the fiscal year specified in the Incentive Plan. The Committee may alter, amend, or terminate this Incentive Plan, including any exhibits attached hereto, at any time.

COLLECTIVE BARGAINING AGREEMENT

Between

Marcegaglia, USA, Inc.

and

United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union
AFL - CIO, CLC

on behalf of

Local Union 5852-22

“Senior Most Qualified” will apply throughout the contract unless explicitly stated otherwise.

Most Qualified- is defined as, the ability to do the job/assignment with proper training.

October 1, 2013

September 30, 2017

Contents

<u>Article</u>	<u>Page</u>
PREAMBLE	1
ARTICLE I - PURPOSE AND INTENT	1
ARTICLE II - RECOGNITION AND DUES	1
Section 1 - Bargaining Unit	1
Section 2 - Union Membership	1
Section 3 - Check Off	2
ARTICLE III - MANAGEMENT RIGHTS	2
The Company retains the exclusive right to manage the business and plant, and to direct the working force. The Company, in the exercise of its rights, shall observe the provisions of this Agreement. The right to manage the business and plant, and to direct the working force includes the right to hire, establish work schedules, and make, modify and enforce rules governing the conduct and performance of employees, the right to discipline, suspend, or discharge for legitimate reasons, and the right to lay employees off due to lack of work or other legitimate reasons, except as limited by this Agreement. These rights are vested exclusively in the Company, provided that this will not be used for purpose of discrimination against any employee. Consideration shall be given to the workforce and normal duties of their jobs.	2
ARTICLE IV - RESPONSIBILITIES OF THE PARTIES	2
ARTICLE IVa - UNION RESPONSIBILITIES	3
ARTICLE V - WAGES	4
Section 1 - Wage Rates	4
Section 2 - Wage Payment	4
Section 3 - Inter-Departmental Transfers	4
Section 4 - Pay on Day of Injury	4
Section 5 - Jury Duty	5
Section 6 - Funeral Leave	5
Section 7 - Plant Shutdown/Severance Pay	6
ARTICLE VI - HOURS OF WORK	7
Section 1 - Workweek/Workday	7
Section 2 - Work Stations	7
Section 3 - Continuous Process	7
Section 4 - Overtime Payment	7
Section 5 - Overtime Work	8
Section 6 - Overtime Performance	8
Section 7 - Non Availability of Work	8
Section 8 - Reporting to Work	9
Section 9 - Work Hours	9
ARTICLE VII - Holidays	9
Section 1 - Holiday Schedule	9
Section 2 - Holiday Pay	10
Section 3 - Holiday Pay on Regular Scheduled Workday	10
Section 4 - Pay Requirements	10
Section 5 - Holiday Pay for Partial Work Day	10
ARTICLE VIII - Vacations	10
Section 1 - Vacation Eligibility	10

Section 2 - Length of Vacation, Calculation of Payment	10
Section 3 - Vacation Scheduling	11
Section 4 - Plant Shutdown	11
Section 5 - Terminations	12
ARTICLE IX - SENIORITY	12
Section 1 - General	12
Section 2 - Bids Between Departments	12
Section 3 - Special Skill Classification Bids	13
Section 4 - Job Probationary Period	13
Section 5 - Voluntary Lay Off	14
Section 6 - Reduction in Force	14
Section 7 - Probationary Employee	14
Section 8 - Notice of Layoff/Recall	14
Section 9 - Promotion to Excluded Position	15
Section 10 - Termination of Seniority	15
ARTICLE X - ADJUSTMENT OF GRIEVANCES	15
Section 1 - Grievance Procedure	15
Section 2 - Arbitration	17
Section 3 - General Provisions Applicable to Complaints and Grievances	17
ARTICLE XI - DISCHARGE	18
ARTICLE XII - INSURANCE	19
Section 1 - Medical Program	19
Section 2 - Medical Program - Retired Employees	20
Section 3 - Dental Program	20
Section 4 - Vision Program	21
Section 5 - Life Insurance	21
ARTICLE XIII - SAFETY AND HEALTH	21
Section 1 - Safety Program	21
Section 2 - Safety Committee	22
Section 3 - Safety Conditions	22
Section 4 - Physician Examination	23
Section 5 - Safety Instructions	23
Section 6 - Accident Investigations	23
Section 7 - Pay on Day of On the Job Injury	23
Section 8 - Medical Surveillance	23
ARTICLE XIV - RETIREMENT PLAN	24
ARTICLE XV - 401(k) BENEFITS	24
ARTICLE XVI - MILITARY	24
Section 1 - Rights and Privileges	24
Section 2 - Military Reserves	24
ARTICLE XVII - TERMINATION	24
SIGNATURES	25
APPENDIX A CLASSIFICATION AND PROGRESSIVE RATE CHART	26
APPENDIX B ATTENDANCE POLICY	27

APPENDIX C WORK RULES	29
APPENDIX D CREW LEADERS	32
APPENDIX E EMPLOYEE RATES AND EVALUATION PROCESS	33
APPENDIX F SAFETY RULES POLICY-Proposal	34
APPENDIX G LETTER AGREEMENTS	35

PREAMBLE

This Agreement effective October 1, 2013 is entered into between Marcegaglia USA, Inc. (hereinafter referred to as the "Company") and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO, CLC, on behalf of Local #5852-22, (hereinafter referred to as the "Union") for the Company's facility in Munhall, PA. The parties enter into this Agreement for the purpose of establishing wages, hours and other terms and conditions of employment for bargaining unit employees of this facility.

ARTICLE I - PURPOSE AND INTENT

The purpose of this Agreement is to maintain the favorable relations existing between the Company and its employees by establishing the basic terms and conditions of employment. It is the objective of the parties that the Company succeed in its business as well as in the fulfillment of its responsibilities to the employees covered by this Agreement. It is, therefore, the intent of the parties to set forth their Agreement with respect to the rates of pay, hours of work, and conditions of employment to be observed by the Company, the Union, and the employees covered by this Agreement, and to promote harmonious relations between the Company, its employees, and the Union.

The parties further agree to strive collectively to maintain a strong market position for the Company by the use of modern methods and equipment designed to improve quality and reduce costs; to accomplish this purpose there must be continual improvement in quality and employee productivity under favorable working conditions and at fair wages consistent with competitive industry practices. The Company and the Union agree to discharge their responsibilities under this Agreement and are bound to observe all of its terms and conditions.

It is the continuing policy of the Company and the Union that the provisions of this Agreement shall be applied to all employees without regard to race, color, sex, age, religion, creed, national origin or disability and in accordance with applicable state and federal laws and regulations. There shall be no discrimination in applying wages, conditions of work, work rules and other phases of labor relations.

ARTICLE II - RECOGNITION AND DUES

Section 1 - Bargaining Unit

The Company recognizes the Union as the exclusive collective bargaining representative for all production employees and excluding salaried employees, such as managers, supervisors, assistant supervisors, technical and clerical employees, guards and janitors. The specific terms of this Agreement shall be the source of rights that may be asserted by the Union against the Company.

Section 2 - Union Membership

- A. Following the Effective Date of this Agreement, each employee who is a member of the Union in good standing and each employee who becomes a member after that date shall, as a condition of employment, maintain membership in the Union.
- B. Each employee hired after the Effective Date of this Agreement shall, as a condition of employment, on the 31st day following the beginning of such employment, acquire and maintain membership in the Union.
- C. On or before the last day of each month, the Union shall submit to the Company a list showing the name and check or badge number of each employee who shall have become a member of the Union in good standing since the last previous list of such members was furnished to the Company. The Company shall continue to rely upon the membership list that has been submitted to it by the Union subject to revision by the addition of new members and deletion of the names of employees who have withdrawn from membership during such period.
- D. For purpose of this Agreement, "Membership" shall be, at a minimum, "Core Membership" in the Union. The foregoing provisions shall be effective in accordance and consistent with applicable provisions of federal and state law.

Section 3 - Check Off

- A. The Company will check off monthly dues, assessments and/or fees as designated by the International Treasurer of the Union as membership dues in the Union or fees on the basis of individually signed check off authorization cards in a form agreed to by the Company and the Union.
-

- B. Deductions shall commence with respect to dues/fees for the month in which the Company receives such authorization card or in which such card becomes effective, whichever is later. Dues/fees for a given month shall be deducted from the first pay processed in the succeeding month.
- C. In cases of earnings insufficient to cover deduction of dues/fees, the dues/fees shall be deducted from the next pay in which there are sufficient earnings, or a double deduction may be made from the first pay of the following month, provided, however, that the accumulation of dues shall be limited to two (2) months.

ARTICLE III - MANAGEMENT RIGHTS

The Company retains the exclusive right to manage the business and plant, and to direct the working force. The Company, in the exercise of its rights, shall observe the provisions of this Agreement. The right to manage the business and plant, and to direct the working force includes the right to hire, establish work schedules, and make, modify and enforce rules governing the conduct and performance of employees, the right to discipline, suspend, or discharge for legitimate reasons, and the right to lay employees off due to lack of work or other legitimate reasons, except as limited by this Agreement. These rights are vested exclusively in the Company, provided that this will not be used for purpose of discrimination against any employee. Consideration shall be given to the workforce and normal duties of their jobs.

ARTICLE IV - RESPONSIBILITIES OF THE PARTIES

Each of the parties hereto acknowledges the rights and responsibilities of the other party and agrees to discharge its responsibilities that may be provided elsewhere, in the following manner:

- A. There shall be no strikes, work stoppages or interruptions of or impeding of work. There shall be no concerted refusals by groups of employees to work overtime. No officer or representative of the Union shall authorize, instigate, or condone such activities and no employee shall participate in such activities. It is agreed that if the offending party or individual persists in violations, or if there is a significant violation, he/she may be suspended or discharged.
- B. The applicable procedures setting out the resolution of grievances, in Article X - Adjustment of Grievances - shall be the means to settle all complaints and grievances.
- C. There shall be no lockouts.
- D. The Company shall address minor and major disciplinary infractions through the publication of a comprehensive "Company Rules and Regulations Policy and Procedure" as well as "Attendance Policy". If the Company intends to change Policies, the Union shall be notified of the intended changes and provided an opportunity to comment and offer suggestions. The final decision as to any changes shall be by mutual agreement of the parties.
- E. Parties recognize that a management employee may need to assist a bargaining unit employee from time to time to start-up, trouble shoot, keep operations going and otherwise assist where the normal operator or bargaining unit person is working during this time and has not been replaced by the management employee. Management employees may also perform work that is customarily performed by production or maintenance employees for the purpose of instruction, experimental work and in case of emergencies. If a supervisor performs work in violation of this paragraph and the employee who otherwise would have performed this work can reasonably be identified, the employee may seek redress through the grievance procedure.

ARTICLE IVa - UNION RESPONSIBILITIES

Union officials will carry out their duties in a responsible manner and the Company will respect their positions and work with such officials to have satisfactory relations. The following will take place:

- A. The Union will furnish the Company, in writing, the names of employees who will act as Union representatives, Grievance Persons and alternatives on each shift.
 - B. Whenever possible Union business shall be conducted on the employee's time. However, if it is necessary for officers or committee persons to conduct union business during their working hours, they shall be permitted a reasonable time to do so at a time prescribed by the Foreman involved. The Unit President, District Representative or the International Safety Representative will be permitted access to the plant at reasonable times when necessary to transact legitimate Union business pertaining to the administration of the Agreement after notifying the Human Resources Manager or his representatives as to the reason, time and location.
-

- C. The Company agrees to grant time off without pay to Union officers and Grievance Persons to attend meetings when attendance of such officers and Grievance Persons is required for Union business. Notice of request is required three (3) days in advance.
- D. The Local Unit President, for the purpose of layoff only, shall head the plant seniority list during his/her term of office and upon completion of the term of office, the employee will return to his/her proper position on the seniority list.

ARTICLE V - WAGES

Section 1 - Wage Rates

The straight time hourly wage rates of employees in each classification and the effective dates of such wage rates are set forth Appendix "A" CLASSIFICATION AND PROGRESSIVE RATE CHART.

Section 2 - Wage Payment

- A. The jobs outlined in **Appendix "A" CLASSIFICATION AND PROGRESSIVE RATE CHART** are those in effect. The Company has the sole discretion to move any employee up or down along categories A, B and C within any job classification based upon his/her performance.
The procedure the Company will use for moving employees up or down along categories A, B, and C within any job classification based upon his/her performance is set forth in Appendix "E", EMPLOYEE RATES AND EVALUATION PROCESS.
- B. The standard Company pay period will be established at the discretion of the Company. Employee pay shortages of greater than fifty dollars (\$50.00) or more shall be corrected as soon as possible (ASAP), no greater than five (5) days.
- C. Payment of wages will be made by direct deposit transaction into the employee's account at his/her designated financial institution.

Section 3 - Inter-Departmental Transfers

- A. If an employee is transferred to a higher job class, he/she shall be paid the starting rate of his/her new job.
- B. An employee may be transferred on a temporary basis to another job in another department for up to sixty (60) consecutive work days at the discretion of the Company. Pay will be at the higher rate of his/her previous or transferred job. After sixty (60) working days, the Company will move the employee back to his/her previous job, or to another job in his/her home department, and keep him/her there for sixty (60) working days before transferring him/her to another department again.

Section 4 - Pay on Day of Injury

If an employee is injured on the job and requires medical attention at the Emergency Department of a local hospital, he/she shall be paid for the balance of his/her shift at the appropriate straight time rate. Such time shall include time spent seeking emergency care and post-emergency care if the attending physician at the Emergency Department determines the employee should not return to work on the day of the injury.

Pay for the time the employee has worked plus the time missed while seeking emergency care and post-emergency care shall not exceed the balance of the hours in his/her shift.

The employee must furnish documentation from the treating Emergency Department which shows the date the emergency treatment was given and the employee's work status for the day after the injury.

For purposes of overtime calculation, the employee's time away from the plant to seek emergency care shall not be considered time worked.

Section 5 - Jury Duty

An employee who is required to perform jury duty shall be excused from work for the days on which he/she serves jury duty.

An employee shall notify the Company within two (2) working days of his receipt of such notice. If the employee must then call before the date required for jury duty, he/she must notify the Company as soon as his/her status is determined and the possible extent of such service. If an employee is dismissed from jury duty without reporting for jury duty, the employee must report to work as scheduled.

For each day of jury duty, when the employee would have worked a regularly scheduled day, the employee shall receive the difference between the payment received for such service and eight (8) hours pay at his/her straight time hourly rate provided the employee provided notice as required above. Such pay shall be based on the number of days the employee would have worked had he not be performing jury duty.

The pay differential specified above will be limited to one period of jury duty annually, not to exceed fifteen (15) working days per year, and shall not exceed pay for forty (40) hours of differential pay during any one week.

The employee will present proof that he/she did serve or report as a juror and the amount of pay he/she received.

If an employee is subpoenaed as a witness, the employee shall be paid as per the above formula covering jury duty for those days required to report up to three (3) days per calendar year. The aforementioned shall exclude subpoena notices arising out of secondary employment.

Section 6 - Funeral Leave

When death occurs to an employee's legal spouse, mother, father, mother-in-law, father-in-law, son, daughter, brother, sister, brother-in-law, sister-in-law, grandparent or grandchild, an employee, upon request, will be excused from work and paid his/her regular rate of pay for a maximum of three (3) scheduled days.

When death occurs to a grandparent of an employee's spouse, the employee, upon request, will be excused from work and be paid his/her regular rate of pay for one scheduled shift, which shall be the day of the funeral, provided the employee furnishes documentation that he/she attended the funeral. For an Aunt, Uncle or Cousin, provided the employee has available vacation, one (1) day of vacation would be granted.

If the application of this provision produces unusual hardship, as determined by Management, in dealing with the death in the family, the Company may allow time off with pay, but in no case more than three (3) scheduled shifts. The Company may allow up to two additional shifts off without pay in cases of unusual hardship. If the employee is not granted additional unpaid time off in a case of unusual hardship, he/she shall have the option of using two days of vacation time. An employee will not receive funeral pay when it duplicates pay received for time not worked for any other reason.

Section 7 - Plant Shutdown/Severance Pay

A. Conditions _____ of Allowances

When in its sole judgment, the Company decides to permanently close the plant and terminate the employment of individuals, an employee whose employment is terminated shall be entitled to a severance allowance in accordance with and subject to the following provisions.

Before the Company shall finally decide to permanently close the plant, it shall give the Union, when practicable, advance written notification of its intent. Such notification shall be given sixty (60) days prior to the proposed closure date, and the Company will thereafter meet with appropriate Union representatives in order to provide them with an opportunity to discuss the Company's proposed course of action. Upon conclusion of such meetings, which in no event shall be less than thirty (30) days prior to the proposed closure date, the Company shall advise the Union of its final decision. The final closure decision shall be the exclusive function of the Company. This notification provision shall not be interpreted to offset the Company's right to layoff or in any other way reduce or increase the working force in accordance with its presently existing rights as set forth in Article III of this Agreement.

The Company acknowledges its obligations under the 1989 WARN Plant Closing law.

B. Eligibility

To be eligible for a severance allowance an employee shall have accumulated three (3) or more years of continuous service as computed in accordance with Article IX - Seniority, of this Agreement.

C. Scale _____ of Allowance

An eligible individual shall receive severance allowance equal to the following number of weeks for the corresponding amount of continuous service:

Amount of Continuous Service	Weeks of Severance
3 years but less than 5 years	1
5 years but less than 7 years	2
7 years but less than 10 years	3
10 years or more	4

D. Calculation of Allowance

A week's severance allowance shall be determined in accordance with the provisions for calculation of vacation pay as set forth in Article VIII - Vacations.

E. Non-Duplication of Allowance

Severance allowance shall not be duplicated for the same severance, whether the other obligation arises by reason of contract, law, or otherwise. If the individual is or shall become entitled to any discharge, liquidation, severance, or dismissal allowance, or payment of similar kind by reason of any law of the United States, or any other states, districts, or territories thereof, the total amount of such payments shall be deducted from the severance allowance to which the individual may be entitled under this section, or any payment made by the Company under this section, or any payment made by the Company under this section may be offset against such payments. Statutory unemployment compensation payments shall be excluded from the non-duplication provision of this section.

F. Payment of Allowance

Payment shall be made in a lump-sum at the time of termination. Acceptance of severance allowance shall terminate employment and continuous service for all purposes of this Agreement.

ARTICLE VI - HOURS OF WORK

Section 1 - Workweek/Workday

The normal workweek and workday shall be established by the Company.

Section 2 - Work Stations

Employees are expected to be at their work stations at the start of their shifts and remain at their work stations until the end of their shifts. All employees, at the completion of their respective scheduled shifts, shall not stop their activity and leave their work stations until relieved by the next shift employees, unless otherwise directed by their respective supervisors.

When an employee's regular permanent shift will be changed for any reason the Company shall provide at least five (5) calendar days notice of the change in assignment. When the change in shift assignment is due to unanticipated events, the employee affected by the shift change will be given a three (3) day notice of said shift change, unless in the case of an unforeseeable emergency.

Section 3 - Continuous Process

The Company may exercise its right to implement Continuous Process Operations as a measure to utilize the full productive capacity of the plant and equipment. Continuous Process is a work schedule that contemplates up to twenty-one (21) turns per week.

The Company may implement Continuous Process operations on a plant-wide basis or for specific operations based upon operational needs.

Section 4 - Overtime Payment

The rules for the payment of overtime for Regular and Continuous Process Operations are defined below:

- A. Overtime pay at the rate of one and one-half (1 ½) times the normal hourly rate shall be paid for all hours worked in excess of forty (40) in any workweek.
 - B. Scheduled absences, which include authorized vacation, jury duty leave, and funeral leave, will count toward the forty (40) hours in any one workweek.
 - C. Employees who are scheduled to work or who are notified to report and do report, and less than four (4) hours of work is available, shall be given four (4) hours work in scheduled classification or, in the event that no work whatsoever is available, shall be paid a minimum of four (4) hours at that rate. Payment of overtime premium shall be made only for the hours actually worked.
-

Section 5 - Overtime Work

When overtime work is required and a need exists for the Company to request specific employees for overtime work in order to maintain flexibility in equipment utilization, the following procedure will be used:

- A. When an employee fails to report to work as scheduled, the Company may hold over qualified employee(s) from the shift that is ending, such employee(s) will be asked to stay over into the next shift by order of seniority. If there are no volunteers from the prior shift, the junior qualified employee(s) on the shift will be required to stay. If the shift assignment is for eight (8) hours, the additional assignment may be up to four (4) hours unless the employee agrees to stay longer. If the shift assignment is for twelve (12) hours, the additional assignment may be for up to two (2) hours unless the employee agrees to stay longer. In no case will an employee work more than sixteen (16) hours.
- B. If it is necessary to call qualified employees, they will be called in order of seniority. If insufficient employees become available through the offer system, then the junior-most employee shall become obliged to work as necessary.
- C. Overtime will be allocated by seniority within department or job class. In the event no employee in the relevant job class and department accepts the overtime, the opportunity to work overtime will be offered to all employees in the plant and will be awarded to the senior qualified employee. In the event no employee is awarded the overtime after the opportunity has been offered on a plant-wide basis, the most junior qualified employee in the relevant department and job class will be obligated to work the overtime.

Section 6 - Overtime Performance

- A. The Union agrees that all employees will cooperate in the performance of overtime work and there shall be no concerted action by it or its members to discourage such overtime performance.
- B. The Company desires not to engage in overtime balancing. If excessive overtime accumulation by some employees becomes a problem, the Union will address it as an internal Union affair by means of persuasion of the proper employees to accept or reject overtime offers accordingly. The Company does however reserve the right to balance overtime as the Company deems necessary.

Section 7 - Non Availability of Work

In the event work cannot be provided because of strikes, work stoppages in connection with labor disputes, mechanical or electrical failures, failures of utilities, Acts of God (fire, lightning, storms, cyclones, floods, etc.) Section 6 shall not apply. Supervisors shall make reasonable efforts to inform employees work cannot be provided, but in failing to do so, the Company shall not be liable for any pay or guarantee. If some alternative work is available, the Company shall endeavor to utilize whoever is available, but shall not be liable in these situations, for any pay or guarantee for those who are not available or who do not work.

Section 8 - Reporting to Work

- A. Recognizing mutual responsibility in report-off practice, each employee must report off in accordance with the Company rules and regulations.
- B. In the case of an unreported absence of two (2) or more days, the employee will be considered as having quit his job. If an employee fails to report his/her absence he/she shall not be arbitrarily treated under this Article if he/she is able to furnish satisfactory evidence that such failure resulted from illness, accident, death in his/her immediate family, Act of God, or other good causes, which prevented him/her from making such report. Absenteeism will be handled as described in the Absentee Policy.
- C. An employee reporting late for work will be paid commencing with the ring-in time rounded to the nearest tenth (1/10) of an hour.

Section 9 - Work Hours

In the event an economic downturn, the Company and the Union shall confer in an effort to work out a mutually satisfactory arrangement for the fair distribution of the work to senior qualified employees.

ARTICLE VII - Holidays

Section 1 - Holiday Schedule

The following days shall be considered paid holidays:

New Year's Day

Good Friday

Memorial Day

Fourth of July

Labor Day

Thanksgiving Day

Friday following Thanksgiving Day

First day of Deer Hunting Season (Buck Season)

Christmas Day

Day before or day after Christmas (to be determined the first of each year)

December 31st

On an un-worked holiday the hours will be counted as time worked.

If any of the above holidays fall on Saturday, they will be observed on Friday. If any of the above holidays fall on Sunday, they will be observed on the following Monday.

When Christmas falls on a Thursday, the Company will modify the schedule of 3pm to 11pm employees so that the employees do not have to work Christmas Eve and effort will be made to reschedule so as not to lose any work time in the week.

Section 2 - Holiday Pay

Employees eligible for paid holidays will be paid one and one-half (1 ½) times their normal hourly rate for all hours worked on such holidays, in addition to their regular holiday pay.

Section 3 - Holiday Pay on Regular Scheduled Workday

An eligible employee who does not work on any such holiday shall be paid his/her regular scheduled workday at the rate of pay applicable to his/her classification for the pay period in which the holiday falls.

Section 4 - Pay Requirements

An eligible employee for the purpose of this Article is defined as one who meets the following conditions:

- A. Has completed his/her probationary period as defined in Article IX, Section 7 of this Agreement.
- B. Performs work in the month in which the holiday occurs.
- C. Works his/her last scheduled day before and his/her first scheduled day after the holiday occurs, excluding scheduled vacations, funeral leave and jury duty.

Section 5 - Holiday Pay for Partial Work Day

If an eligible employee performs work on a holiday, but works less than eight (8) hours, he/she shall be paid in accordance with Section 3 of this Article for all un-worked hours up to eight (8) hours for the day.

ARTICLE VIII - Vacations

Section 1 - Vacation Eligibility

- A. An eligible employee for the purpose of this Article is defined as one who is actively employed, has one (1) year of continuous service as of January 1 of the vacation year and who has received earnings in at least 51% of the pay periods during the previous calendar year.
-

- B. Such vacation benefits shall have been earned in the previous calendar year and be based upon the eligible employee's company continuous service date as of January 1 of the vacation year.
- C. An employee who does not have one (1) year continuous service as of January 1 of the vacation year, will be entitled to one (1) week of vacation providing the employee's employment anniversary date occurs on or before December 15 of the vacation year and such employee has received earnings in 51% of the pay periods during the preceding 12 month period.

Section 2 - Length of Vacation, Calculation of Payment

- A. An eligible employee will receive an annual vacation entitlement which will include time off with pay in week increments in accordance with the following table:

YEARS OF SERVICE	VACATION WEEKS
1 year but less than 3 years	1 week (40 hours pay)
7 years but less than 20 years	3 weeks (120 hours pay)
20 years or more: can take one additional week off at no pay.	3 weeks (120 hours pay) and 40 hours unpaid

- B. Vacation pay will be computed based upon the employee's applicable straight time rate for the classified or laborer job currently held and on which the employee holds seniority rights.
- C. Payment of regular vacation pay will be made in the payroll period in which approved vacation is taken by the employee.

Section 3 - Vacation Scheduling

On or promptly after January 1 of each year, each employee entitled or expected to become entitled to take vacation time off in the following year will establish his/her vacation based on the following:

- A. The Company shall review all requests submitted by 1/31 of each year and schedule employee vacations based upon seniority and operational necessity, giving senior employees preference where and when practical. Maintenance employees cannot schedule vacations during a plant shutdown. The final right to allot vacation periods and the right to change allotments is exclusively reserved to the Company in order to assure orderly operations. The Company must give employees thirty (30) days notice before changing scheduled vacations.
- B. Employees will be charged eight (8) hours of vacation time for each scheduled vacation day. Written requests that are received after 1/31 shall be considered on a first come, first serve basis, and shall be scheduled based on anticipated operational conditions. Employees will be notified of the status of such requests within a reasonable time.
- C. All other requests for scheduled vacation days must be submitted to the Supervisor at least 24 hours before beginning of the work shift. Vacation cannot be carried over to a subsequent calendar year. Employees will be paid according to Section 2.B., above.

Section 4 - Plant Shutdown

Each year the Company may shut down the plant for two (2) weeks, one week being between Christmas and New Year's Day.

Going further, plant shutdown will be announced 30 days prior to the date of shutdown, employees with greater than three (3) week's vacation who are not scheduled to work will be required to schedule vacation during the shutdown. Those employees with one (1) week who are not scheduled to work will have the option of vacation or layoff. If the announcement of the shutdown is after January for that year, employees may take vacation as previously scheduled or as otherwise selected in Section 3.

Plant Maintenance and production personnel dedicated to special activities are exempted from this policy as per proper advance notification. When the plant is closed for the scheduled shutdown, all personnel may be scheduled, and will be required, to work.

Section 5 - Terminations

An employee separated from the Company for any reason shall be paid for any unused entitlement for the year in effect. In the event of death of the employee, any unused vacation pay entitlement due in the year of death, as well as any accrued vacation, will be paid to the employee's designated beneficiary.

ARTICLE IX - SENIORITY

Section 1 - General

The purpose of this Article is to provide a fair and workable agreement for giving preference when possible to employees with greater continuous seniority. Both the Company and the Union encourage the promotion and advancement of all employees.

Seniority shall be defined for purposes of this Agreement as the net credited seniority for the bargaining unit employees on the payroll as of the date of this Agreement and is in accordance with the seniority list published as of that date. Employee, senior most qualified, with the most seniority shall be granted their preference in selecting their assigned shift.

The following shall apply to all cases of promotions, layoffs and recalls.

Section 2 - Bids Between Departments

This Section will cover job bids for all permanent jobs and will allow employees to bid from one job classification (Welder/Finisher/Helper) to another, other than for Special Skill Classification Bids, which are covered in Section 3.

Successful bidders shall remain on the new job for no less than one (1) year prior to rebidding, unless permitted by the Company due to special necessities and circumstances.

The Company shall first post a notice that the job is open. Interested employees will, within ninety-six (96) hours, excluding Saturdays, Sundays, and Holidays, notify the Company of their interest by completing and submitting a bid notice to their Supervisor. An employee who is on vacation when a job is posted may apply for that job by telephone, FAX, or E-mail. He/she may also have another employee submit a bid on his/her behalf, which the employee will confirm upon his/her return to work.

In awarding all permanent bids, consideration shall be given to the following Factors:

- a. The best-qualified bidder able to perform the work.
- b. Continuous plant service.

When the Company determines that Factor (a) applies to two (2) or more applicants who are relatively equal, Factor (b) shall govern the choice. The "best qualified" shall be determined based on each employee's performance during the past year; using such objective criteria as productivity, quality, disciplinary and absentee records. An employee who is denied a job under paragraph a., above, shall have recourse to the grievance process.

An employee awarded a job on this basis shall be paid in accordance with Article V of this Agreement. The successful bidder will start his/her probationary period on the new job assignment within thirty (30) calendar days of the bid award unless it is determined that additional time is needed, such as finding an appropriate replacement for the successful bidder, in which case the assignment may be delayed for an appropriate period of time.

Should it be necessary for the Company to fill the job in the interim period, such job shall be filled in accordance with the applicable provisions under the Agreement.

In the event no employee bids the posted bid, the Company may assign the job to:

- a. Any probationary employee in accordance with Section 5 of this Article.
- b. Any new hire.

Section 3 - Special Skill Classification Bids

The Special Skill Classification will include, but not be confined to, Maintenance positions.

It must be recognized that the Company is completely aware of the advantage of promoting within; there are, however occasions when it is absolutely essential that fully qualified persons fill a special skill position. When such is the case, the following action will be taken:

- a. The position will be posted indicating that the position is to be filled with a completely qualified person.
 - b. All Company employees signing the posting will be considered for the position.
 - c. If any employee is deemed through testing to be qualified, they will be offered the position in accordance with their Company seniority (most senior first).
 - d. If, in the discretion of management, no employee considered above is deemed qualified, the Company will fill the position by hiring a person from outside the Company, and such person will become a member of the
-

Bargaining Union under the provisions of this Agreement. Written documentation shall be provided to the Union President and Servicing Union Staff Representative.

Section 4 - Job Probationary Period

When an employee has been awarded a bid job by the Company in accordance with Section #2 or #3 of this Article, he/she shall be deemed to be probationary for sixty (60) working days. At any time during this period, the Company may discontinue the probationary period if, it is determined that the employee cannot meet the requirements of the job. An employee who fails to qualify under this provision will be reassigned or returned to his/her former job assignment.

Section 5 - Voluntary Lay Off

- A. In the event of a reduction in force, an employee may volunteer to be laid off. Such a voluntary lay off will be granted if mutually agreed upon by the Company and the Union.
- B. Voluntary layoffs will last for a minimum of ninety (90) calendar days except in the case where the Company needs an employee to return to work prior to the expiration of ninety (90) calendar days.
- C. At the end of ninety (90) calendar days of voluntary lay off, senior employees will be given an opportunity to return to work if work is available, or they may volunteer for an additional thirty (30) calendar days of voluntary layoff.
- D. This process of continuing voluntary lay off will continue in thirty (30) calendar day increments until the employee returns to work.

Section 6 - Reduction in Force

In the event of a reduction in force, the employees with the least amount of continuous plant seniority will be laid off first, provided the remaining employees are qualified to fill the remaining jobs. The jobs to be continued in force will be filled from among the employees not laid off according to the following procedures:

- A. So far as possible, jobs will be filled on a seniority basis from among employees who are classified in or are qualified for such jobs. Those who are considered as trainees for the classification will then be utilized.
- B. Employees not awarded classified restricted jobs in accordance with the foregoing will be assigned to Helper jobs, to the extent needed by the Company.
- C. In recalling employees from layoff, the employees on the layoff list will be recalled according to their seniority, provided they are qualified to perform the available work, and reinstated to active classification status when applicable.
- D. Notice of recall shall be mailed by certified mail to employee's address on file with the Company and dates used in Section 11 shall count from the date of delivery.

Section 7 - Probationary Employee

New employees and those hired after break in continuity of service will be regarded as probationary employees for the first 1040 hours of work and will receive no continuous service credit during such period unless required by law (Company will abide by the Affordable Healthcare Act with regard to benefits). Probationary employees may be laid off or discharged as exclusively determined by the Company. Probationary employees continued in the service of the Company subsequent to the first 1040 hours of work from the date of original hiring shall receive seniority credit from the date of original hire or other period required by law.

Section 8 - Notice of Layoff/Recall

The Company will give a five (5) working day notice concerning any layoff. An employee who leaves after being notified of a layoff affecting his job will retain seniority rights described above, provided he returns to work within seven (7) calendar days after being recalled. A Seniority List has been established to govern layoff and recall.

Section 9 - Promotion to Excluded Position

- A. Any employee who is temporarily utilized in an excluded position shall retain and accumulate plant seniority and such assignment shall not exceed a total of one hundred eighty (180) working days due to sick leave, accidents, vacations, production reasons, etc.
 - B. Any employee who is promoted to an excluded position shall retain and accumulate seniority for a total of ninety (90) working days. Any employee who remains in an excluded position beyond this limitation shall forfeit all seniority rights in the bargaining unit and shall not accumulate plant seniority while assigned to such excluded position.
-

- C. If the employee is subsequently returned to the bargaining unit, such employee shall be assigned a position in accordance with his/her plant seniority.
- D. In making a selection under Paragraph A or B, above, the selection of the employee will be at the sole discretion of the Company.

Section 10 - Termination of Seniority

Seniority shall date from an employee's original date of employment, and shall be terminated and employment shall end under the following circumstances:

- A. Discharge for cause.
- B. Resignation, retirement, or death of employee.
- C. Termination in accordance with Article V - Wages, Plant Shutdown, Severance Pay.
- D. Permanent transfer to an excluded position.
- E. Failure to notify the Company of reason for absence within two (2) working days of the start of such absence, unless it would be impossible or unreasonable under the circumstances.
- F. Failure to report to work within five (5) working days of receipt of recall notice, unless it would be impossible or unreasonable under the circumstances.
- G. Failure to return to work on the first working day following the expiration of an approved leave of absence, unless it would be impossible or unreasonable under the circumstances.
- H. Absence from work for twenty-four (24) consecutive months for any reason.

ARTICLE X - ADJUSTMENT OF GRIEVANCES

Section 1 - Grievance Procedure

The Company and the Union agree that the Grievance Procedure contained herein is adequate to provide a fair and final determination of all grievances arising under the terms of this Agreement; that this procedure shall be used to adjust any such complaints or grievances; and that both parties shall expedite such settlement.

Step 1 Any employee who believes that he/she has a justifiable complaint shall within thirty (30) days of the incident discuss the complaint with his/her Supervisor, with or without the Grievance Committee-person being present, as the employee may elect, in an attempt to settle same. However, any such employee may instead, if he/she desires, report the matter directly to his/her Committee-person, if he/she believes the request or complaint merits discussion, shall take it up with the employee's Supervisor in a sincere effort to resolve the problem.

The Supervisor shall have authority to settle the complaint. The Grievance Committee-person shall have authority to settle, withdraw, or refer the complaint as provided below.

The settlement of a complaint in Step 1 shall be without prejudice to the position of either party and will not set a precedent in any other grievance, past, present or future.

If the complaint is not settled in Step 1, the Grievance Committee-person can refer it to Step 2 by completing a written grievance form within three (3) days of the Supervisor's oral response.

Step 2 In order to be considered further, a grievance shall be filed by the Union with the Human Resources Manager, within ten (10) days of receipt of the written grievance, by proper notation on such written grievance.

The second step meeting shall include the grievant and three other Union representatives of the Union's choice. The Company will be represented by the Human Resources Manager or his/her representative and any additional members of supervision who are required to obtain a full disclosure of the facts. Either party may call additional witnesses who are employees of the Company and their attendance shall be limited to the time required for their testimony.

Grievances discussed at Step 2 shall be answered by the Human Resources Manager, which shall be given to the Grievance Committee within fifteen (15) days after the date of the Step 2 meeting unless a different date is mutually agreed upon.

The Human Resources Manager shall have the authority to settle any grievance before him/her. The Chairperson of the Grievance Committee shall have authority to settle, withdraw, or recommend for appeal to Step 3 of the Grievance Procedure, any grievance before the Grievance Committee.

Step 3 In order for a grievance to be considered further, written notice of appeal shall be served to the Human Resources Manager, within fifteen (15) days after receipt of the Step 2 answer, by the representative of the International Union.

Discussion of the appealed grievance shall take place at the earliest date of mutual convenience following receipt of the notice of appeal, but not later than thirty (30) days thereafter unless either party shall request in writing, with reasons therefore, that the meeting take place at a later date.

Grievances discussed in such meeting shall be answered, in writing, by the Human Resource Manager or his/her designee within fifteen (15) days after the date of such meeting unless by mutual agreement a different date for disposition is agreed upon. Such written answer shall contain a concise summary of each representative's contractual analysis of the issues presented by the grievance; the Company's answer, and shall form a part of the written grievance.

The Human Resources Manager or his/her designee of the Company shall have authority to settle the grievance. The designated representative of the International Union shall have authority to settle, withdraw, or appeal the grievance to Arbitration. The designated representative of the International Union may by written notice served on the designated representative of the Company within thirty (30) days from receipt of the Company's Step 3 response, appeal the grievance to Arbitration.

Section 2 - Arbitration

- A. If a satisfactory settlement of a grievance is not made in Step 3 of the grievance procedure, an appeal may be taken by the Union to an impartial Arbitrator by written notice served on the Company within thirty (30) days from receipt of the Company's Step 3 response. The Arbitrator shall be appointed by mutual agreement of the parties.
- B. The Union may not call Non-Bargaining Unit employees to testify on the Union's behalf at any arbitration hearing. The Company may not call any Bargaining Unit employee to testify on its behalf at any arbitration hearing. Nothing in this paragraph shall be interpreted to limit the parties' rights to cross-examine witnesses who testify at arbitration hearings.
- C. The Arbitrator shall have jurisdiction and authority only to interpret, apply or determine compliance with the provisions of this Agreement. The Arbitrator shall not have jurisdiction or authority to add to, detract from or alter in any way the provisions of this Agreement.
- D. The Arbitrator shall not docket an appeal which is not filed within the time provided in Article X - Adjustment of Grievances for filing notice of appeal from a decision in Step 3.
- E. The decision of the Arbitrator on any issue which shall have been submitted in accordance with the provisions of this Agreement shall be final and binding upon the Company, the Union and all employees concerned.
- F. The expense and compensation incident to the services of the Arbitrator shall be born by the losing party or as directed by the Arbitrator.
- G. If this Agreement is violated by the occurrence of a strike, work stoppage or interruption or impeding of work at any plant or sub-division thereof, the Arbitrator shall refuse to consider or decide any cases concerning employees involved in such violation while such strike, work stoppage, or interruption or impeding of work is in effect.

Section 3 - General Provisions Applicable to Complaints and Grievances

- A. At all steps in the complaint and grievance procedure, the grievant and the Union Representatives should disclose to the Company Representatives a full and detailed statement of the facts relied upon, the remedy sought, and the provisions of the Agreement relied upon. In the same manner, Company Representatives should disclose all the pertinent facts relied upon by the Company.
 - B. If a decision with respect to a complaint or a grievance is not referred or appealed in accordance with the time limits set forth in each Step, the matter shall be considered settled on the basis of the decision last made and shall not be eligible for further appeal. The Company shall notify the Union when closing a grievance pursuant to this paragraph.
 - C. If the Company's discussion or answer to a complaint or a grievance is not given within the prescribed time requirements in any Step, the Union after notifying the Company shall be entitled to the remedy sought in the grievance.
 - D. The parties may, by mutual agreement, waive any of the time limits set forth in this Article.
 - E. In case a complaint involves a large group of employees, a reasonable number may participate in the discussion in Step 1 and 2.
 - F. Complaints or grievances which are not initiated in the proper step of the Grievance Procedure shall be referred to the proper step for discussion and answer by the Company and the Union Representatives designated to handle complaints and grievances in such step.
 - G. In any settlement involving retro-active payments, the appropriate Union and Company representatives shall expeditiously determine the identity of the payees and the specific amount(s) owed each payee. Payment shall be made promptly.
-

- H. If this Agreement is violated by the occurrence of a strike, work stoppage, or interruption or impeding of work at any plant or sub-division thereof, no grievance shall be discussed or processed into the 3rd Step level or above in such plant which such violations continues, and under no circumstances shall any complaint or grievance concerning employees engaged in the violation be discussed or processed while such violation(s) continues.
- I. "Day" as used in this Section shall mean calendar day, but shall not include any Saturday, Sunday, or Holiday.

ARTICLE XI - DISCHARGE

An employee (other than a Probationary employee) shall not be peremptorily discharged. In all cases in which Management may conclude that an employee's conduct may justify suspension or discharge, he shall be suspended initially for not more than 5 calendar days, and given written notice of such action.

In all cases of discharge, or of suspension for any period of time, a copy of the discharge or suspension notice shall be promptly furnished to the President of the Bargaining Unit.

If such initial suspension is for 5 calendar days and if the employee affected believes he has been unjustly dealt with, the employee may request and shall be granted, during this period, an investigatory meeting with the Plant Manager or the Company's designated official. A grievance committeeman may be present as the employee may choose.

During the course of the meeting described in the preceding paragraph, the Company will present its reasons for the suspension or discharge. The employee and/or Union will present their arguments for why the suspension or discharge is not appropriate. The Company, employee and Union will all have the opportunity to present any facts that have come to light between the time of the event which gave rise to the suspension or discharge and the time of the investigatory meeting. After such meeting, or if no such meeting is requested, Management may conclude whether the suspension shall be affirmed, modified, extended, revoked, or converted into a discharge. In the event the suspension is affirmed, modified, extended, or converted into a discharge, the employee may, within 5 calendar days after notice of such action, file a grievance in the third step of the complaint and grievance procedure.

Final decision shall be made by the Company in this step within 5 calendar days from the date of the filing thereof. Such grievance shall thereupon be handled in accordance with the grievance procedure section.

The Company in arbitration proceedings will not make use of any personnel records of previous disciplinary action against the employee involved where the disciplinary action occurred two or more years prior to the date of the event which is the subject of such arbitration.

Should it be determined by the Arbitrator that an employee has been suspended or discharged without proper cause therefore, the Company shall reinstate the employee and make the employee whole for the period of the employee's suspension or discharge, which shall include providing him such earnings and other benefits as the employee would have received except for such suspension or discharge, and offsetting such earnings or other amounts as the employee would not have received except for such suspension or discharge.

ARTICLE XII - INSURANCE

Section 1 - Medical Program

- A. The Company will provide a health plan for each full time employee with 1040 hours worked, or as required by law who elects health care coverage, as well as his/her dependents, if elected.
- B. Plan coverage will be set forth in the summary plan description for the plan, a copy of which will be provided to each employee.
- C. The employer may elect new carriers and new providers during the term of this Agreement. However, the level of coverage will remain substantially similar throughout the term of this Agreement.
- D. Any employee who elects health care coverage will be required to pay, by means of payroll deduction, an amount equal to 15% of the premium cost of the level of coverage selected as of the Effective Date of this Agreement (the "Base"), as well as an amount equal to 50% of the cost of any rate increase since the Effective Date of the original Agreement. The rate used in this calculation shall be the composite rate provided by the health insurance company, net of any broker's commissions.

During the term of this Agreement, the Base shall be set at the following levels on the effective dates specified below:

Effective Date	Base Company Contribution
April 1, 2009	\$411.00
August 1, 2010	461.00
August 1, 2011	511.00

- E. The Company and the Union will meet annually to review anticipated rate changes prior to increasing employee contributions, the Company will review possible program changes with the Union. To the extent that the Company and the Union can agree on changes that will mitigate rate increases, the program changes will be implemented instead of an increase in employee contributions.
- F. If an employee is laid off work, medical coverage will continue, if the employee proffers the amount of contribution to the Company, for the following period of time:
 - a. If the employee has less than ten (10) years of service, coverage will continue until the end of the month of layoff plus six (6) additional months of coverage.
 - b. If the employee has more than ten (10) years of service, coverage will continue until the end of the month layoff plus twelve (12) additional months of coverage.
- G. If the Company is unable to provide a substantially similar level of health care coverage to the members of the bargaining unit at any time during the life of this Agreement, it will meet with the Union to discuss alternatives available.

Section 2 - Medical Program - Retired Employees

- A. For those employees who retire from the Company on or after the Effective Date of the original Agreement, the health plan which is in place for active employees shall be continued for retired employees who elect such coverage as well as their dependents, if elected. Such premium costs will be the responsibility of the retired employee and/or his covered dependents.
- B. Coverage under the health care plan will continue for the retired employee and dependents as long as the appropriate contributions are made and the employee and/or dependents remain eligible under the terms of the Plan.
- C. Notwithstanding the foregoing, all covered individuals will cease receiving health care coverage from the Company under the health care plan when they become eligible for Medicare. When they are Medicare eligible, the medical provider for the Company will be a Medicare HMO plan selected by the Company. The premium costs of the Medicare HMO plan will be the responsibility of the retired employee and/or his/her covered dependents.

Section 3 - Dental Program

- A. The Company will provide a dental insurance plan for full time employees as well as their dependents. Such plan will be subject to a deductible amount prior to the commencement of coverage equal to \$25 for individual coverage and \$100 for family coverage.
- B. The terms of the dental plan are as set forth in a plan description which will be distributed to all employees.
- C. The Company may elect to change carriers or providers for the insurance plan, provided that the coverage remains substantially equivalent to that in place as of the Effective Date of this Agreement.

Section 4 - Vision Program

- A. The Company will provide a program of coverage for full time employees designed to provide employees savings on vision services when using specified providers.
- B. The terms of vision plan are as set forth in the summary plan description, a copy of which shall be provided to all employees.
- C. The Company reserves the right to change carriers or providers for the vision plan, provided that the level of coverage remains substantially similar.

Section 5 - Life Insurance

- A. Term life insurance coverage will be provided to all active full time employees in a death benefit amount equal to \$30,000.
 - B. Accidental Death and Dismemberment insurance will be provided to al active full time employees, in a death benefit amount equal to \$30,000.
 - C. The Company will make a voluntary life insurance program available to those employees who wish to purchase additional life insurance.
-

- D. Those employees who retire after the effective date of this Agreement will be eligible to receive a \$4,000 benefit to be paid by the Company in the event of the retired employee's death.

ARTICLE XIII - SAFETY AND HEALTH

Section 1 - Safety Program

- A. The Company agrees to continue to make all reasonable provisions for the safety and health of its employees during the hours of their employment and to comply with applicable laws and regulations. The Company and the Union agree to work cooperatively to reduce work hazards and eliminate on the job injuries. To this end, protective devices, wearing apparel other than normal, and other equipment necessary to properly protect employees from injury shall be provided by the Company at no cost to the employees, except that the Company may assess a fair charge to cover loss or willful destruction thereof by the employees.
- B. Every employee shall wear safety shoes which comply with ANSI Standard Z41 PT 99 or its successor standard. The Company will provide safety shoes from a catalogue chosen by the Company, once per year. Alternatively, the employee may obtain safety shoes from any other source and the Company shall reimburse the employee up to \$120.00, once a year, or if approved by Human Resources as needed paid through the payroll system. If the employee chooses to select from a source other than the catalogue, the employee must present adequate proof of purchase for payment.
- C. The Company will provide \$100.00 per year toward the cost of prescription Safety Glasses for employees who wear prescription eyeglasses.
- D. The Company shall provide adequate first aid for all employees during their working hours.

Section 2 - Safety Committee

A Safety Committee shall be composed of three (3) employees designated by the Union and three (3) members from Management. The Union and the Management representatives shall designate their respective Co-Chairpersons and committee members.

The Committee shall hold monthly meetings at times determined by the Co-Chairpersons who may agree to also hold special meetings. Such special meetings will be scheduled by mutual agreement of the Co-Chairpersons, and shall take place within three (3) working days of the date the Co-Chairpersons reach such agreement.

The Safety Committee shall have the option of conducting plant tours/inspections on a quarterly basis in lieu of its regular monthly meetings. During such tours, the members of the committee may personally examine machinery, equipment and other items in and around the facility, and monitor the Company's progress in meeting its safety goals. The Co-Chairpersons shall agree beforehand as to what parts of the facility shall be the focus of such plant tours/inspections.

The Management Co-Chairperson shall provide the Union Co-Chairperson with a copy of the minutes of each meeting.

Section 3 - Safety Conditions

- A. If any employee feels he/she is being required to work under conditions which are unsafe or unhealthy beyond the normal hazard inherent to his/her job, he/she shall notify his/her Supervisor of such conditions and facts relating thereto. Any dispute arising between the supervisor and the employee regarding a safety condition will be referred, as soon as possible, to a management member of the safety committee. The management representative will meet with both the employee and the supervisor. The employee will be afforded the opportunity to explain why he/she believes the condition is unsafe or unhealthy beyond the normal hazard inherent in the employee's job. The management representative will, in concert with the employee and supervisor, attempt to determine if the conditions are unsafe or unhealthy beyond the normal hazard inherent in the employee's job, and if so, what can be done to mitigate or eliminate such hazards. If the management representative determines that an unsafe condition does not exist, the employee will return to work, and the employee may still utilize Article X of this Agreement to file a grievance.
 - B. Safety Committee Members will utilize their own time to investigate alleged unsafe conditions unless there is a serious imminent unsafe condition or the management representative in Part A seeks to consult with a member of the Safety Committee to review a dispute. When seeking time off during the employees' work time, such permission shall not be unreasonably withheld.
 - C. The Company and Union Co-Chairpersons may, by mutual agreement, request the Company to undertake testing of air quality, noise levels, or other such tests as the two Co-Chairpersons should agree upon.
-

- D. The Company will not assign employees to work alone in an area where they will not be observable by other employees, specifically in/on overhead cranes, confined spaces, and other such areas as the parties may determine.
- E. Recognizing that engineering controls are often the most effective means of abating an occupational health or safety hazard, the Company shall install such controls where employees are exposed to unsafe or unhealthful conditions when and where practicable. Such controls shall be tested at reasonable intervals and maintained in sound working order.
- F. The Company will install appropriate ventilation systems where needed and maintain them in good working order.
- G. The Joint Safety and Health Committee shall inspect and review changed or new work processes or new machinery or materials to assure the safety and health of employees.

Section 4 - Physician Examination

Employees shall be directed to and shall submit to examination by a physician selected by the Company to obtain clearance to return to work after absence due to illness, injury or other causes, or at any other time during the course of his/her employment when in the judgment of the Company such examination is called for in the best interest of the employee and the Company. The Company retains the right to conduct, at its own discretion, random drug testing for substance abuse. It is agreed, however, that the Company does not have the right to establish any requirements regarding the treatment of any illness or injury or the selection of the physician to administer such treatment is the solely the prerogative of the employee, except as provided for under the Worker's Compensation Act.

Section 5 - Safety Instructions

- A. Employees hired or awarded different jobs shall be given safety instruction for the job they were assigned. The Safety Committee may make recommendations on these and other safety education matters including the development of safe procedures for new or changed machinery or work process.

Section 6 - Accident Investigations

All serious accidents shall be investigated by a management member of the Safety Committee as soon as practical and recommendation will be made to the Supervisor. Copies of the report and/or recommendations will be given to all members of the Safety Committee. After receiving the investigation report, the Union Chairman of the Safety Committee may address questions about the investigation report to the Management Chairman of the Safety Committee, or recommend further investigation of the accident.

Section 7 - Pay on Day of On the Job Injury

An employee who is injured on the job shall be paid according to Article V, Section 4.

Section 8 - Medical Surveillance

The Company shall institute a medical surveillance program. This program shall provide selected employees with recommendations for tests appropriate to the hazards such employees are exposed to on the job. The employee shall seek such testing through the annual examinations provided in the Company's benefit plans. To the extent the benefit plans do not cover such tests, the Company will bear the expense of such tests. The Company and the Union will work consultatively to determine what, if any, tests are appropriate for various job assignments. Recommendations for such tests will be made following mutual agreement by the Union and the Company.

ARTICLE XIV - RETIREMENT PLAN

The Company will implement a defined contribution pension plan under the Steelworkers Pension and Trust Fund.

The Company contributions shall be increased to 3.0% on October 1, 2008. Company contributions will increase to 3.50% of Gross Pay effective July 1, 2010, and to 3.75% of Gross Pay, effective October 1, 2012.

ARTICLE XV - 401(k) BENEFITS

All eligible employees may elect to participate in a 401(k) program. Employees may join the plan or make contribution changes on January 1st, April 1st, July 1st, or October 1st of any year after they have completed their probationary period. Changes in distribution allocations may be made quarterly. The Company retains the right to change the plan administrator.

ARTICLE XVI - MILITARY

Section 1 - Rights and Privileges

An employee entering the Armed Forces of the United States shall be guaranteed all the rights and privileges to which he/she is entitled to under the law.

Section 2 - Military Reserves

- A. Those employees who elect to fulfill their military obligation by serving in either the Military Reserves or National Guard shall be allotted time off up to two (2) calendar weeks annually for summer encampment duty.
- B. Employees with one (1) or more years of continuous Company service shall be eligible to receive a special payment from the Company representing the difference between gross military earnings, excluding travel, clothing or housing allowance and the straight time Company earnings, up to a maximum of eighty (80) hours for the period corresponding to military encampment.
- C. The Company shall establish a payroll and administrative procedure for administrating special payments under this Article.

ARTICLE XVII - TERMINATION

The terms and conditions of this Agreement shall become effective on October 1, 2013 and shall remain in full force and effect until 11:59 p.m. on September 30, 2017.

At least ninety (90) days prior to the expiration date of the Agreement, either party may indicate by written notice to the other its desire to negotiate a new Agreement.

SIGNATURES

United Steel, Paper, and Forestry, Rubber,
Manufacturing, Energy, Allied Industrial and Service
Workers International

United Steel, Paper, and Forestry, Rubber,
Manufacturing, Energy, Allied Industrial and
Service Workers International (Local Unit)

Marcegaglia USA, Inc.

Leo Gerard
President

Gregg Waugaman
Unit President

Marco Costi
President

Stanley W. Johnson
Secretary - Treasurer

Ken Norman
Recording Secretary

James Bogolea
H.R. Manager

Tom Conway

Ryan Peterson
Unit Committee

Robert Minster
CFO

Vice President
Administration

Fred Redmond

William Miller
Unit Committee

Vice President
Human Affairs

John P. DeFazio
Director - District 10

Joseph Dombrowski
Unit Committee

James P. Watt
District 10
Staff Representative

APPENDIX A

CLASSIFICATION AND PROGRESSIVE RATE CHART

(\$/HOUR)

		<u>10/01/2013</u>	<u>04/01/2014</u>	<u>10/01/2015</u>	<u>10/01/2016</u>
Helper	C	11.70	11.85	12.00	12.15
	B	13.07	13.22	13.37	13.52
	A	14.49	14.64	14.79	14.94
Finisher	C	14.17	14.32	14.47	14.62
	B	15.53	15.68	15.83	15.98
	A	16.96	17.11	17.26	17.41
Welder	C	15.72	15.87	16.02	16.17
	B	17.26	17.41	17.56	17.71
	A	18.81	18.96	19.11	19.26
Maintenance	C	16.96	17.11	17.26	17.41
	B	18.50	18.65	18.80	18.95
	A	20.05	20.20	20.35	20.50

The increase for 10/1/2015 and 10/1/2016 will be based on the audited balance sheets as determined 3/31/2015 and 3/31/2016.

If on 3/31/15 the balance sheets reflect a profit, the increase will be \$0.30 instead of \$0.15 on 10/1/2015.

If on 3/31/16 the balance sheets reflect a profit, the increase will be \$0.25 instead of \$0.15 on 10/1/ 2016.

However, if the 3/31/2016 is the first year that the balance sheets reflect a profit, the increase will be \$0.30 on 10/1/2016.

APPENDIX B
ATTENDANCE POLICY

Marcegaglia USA, Inc. Attendance Policy

POLICY

Every employee has the obligation of reporting to work punctually, in accordance with his/her work schedule. Excessive absences, tardiness and early quits have a detrimental affect on productivity, morale, and the Company's ability to meet its commitments to its customers.

Every employee is required to notify the Company, specifically a Department Supervisor as far in advance as possible, or as otherwise directed, when he/she is to be absent for a scheduled shift or a part thereof.

UNDER THIS ATTENDANCE POLICY, THERE IS NO DIFFERENCE BETWEEN AN EXCUSED AND UNEXCUSED ABSENCE, LATE AND/OR AN EARLY QUIT. IT DOES NOT MATTER WHY AN ABSENCE, LATE OR EARLY QUIT OCCURS.

DEFINITIONS

Absent - Failing to report to work on any scheduled workday, including scheduled overtime.

Tardy/Late - Reporting to work after a scheduled starting time, or failing to clock in at the beginning of one's shift. See Item 10 under "Program," below.

Early Quit - Leaving work before the scheduled ending time. In accordance with Company work rules, an employee must obtain his/her supervisor's approval before leaving on an Early Quit.

Weekend - Days on which an employee is not scheduled to work. Generally Saturday and Sunday, but may fall on other days, depending on the employee's schedule.

On January 1st of each year, each employee (except probationary employees) shall be allotted the following:

5 incidents/occurrences for Absences.

6 incidents/occurrences for Lates/Early Quits. There is no difference between a Late and an Early Quit.

Probationary employees will receive a pro-rated allotment at the end of their probation periods.

Employees do not receive any allotment of Absences or late arrivals/early quits during the probation periods. The Company does not need to apply the normal disciplinary steps indicated in this policy for employees during the probation period.

PROGRAM

1. Absence from 3 or more consecutively scheduled days is considered one incident if the illness/injury is verified by a doctor, in writing. If it is not, then each day will be considered an incident. Item #5 below applies.
 2. Work scheduled outside of an employee's regular schedule including, but not limited to overtime, will be considered regularly scheduled time if the employee has agreed in advance to work during this time.
 3. An employee off for 4 or more consecutively scheduled work days due to an illness or injury must provide a release from his/her attending physician in order to return to work. Employees will not be permitted to return to work without a doctor's release.
Partial days shall be included, for example:
If a person leaves early, then reports off for the next 3 consecutively scheduled days due to the same illness/injury, it will be considered 4 consecutive days. The same applies if a person is absent for 3 consecutive days, reports to work on the 4th day, but leaves early due to the same illness/injury. With a physician's verification, this time will be recorded as one occurrence.
 4. Employees who report to work and leave less than halfway through the scheduled shift shall be charged for an Absence occurrence, not an Early Quit.
 5. Absences separated by a weekend are not considered consecutive days unless verified by an employee's attending physician.
 6. Time off for certain events such as Jury Duty, Funeral Leave, Military Leave, Union Business, Family Medical Leave, Sick & Accident and Worker's Compensation will not be counted, **for the purpose of discipline** against an employee provided that the appropriate documentation is provided in a timely manner.
 7. Non-probationary employees shall receive eight (8) hours paid personal day for three (3) months perfect attendance. Perfect attendance will be defined as an employee who has not missed work for any reason other than Jury Duty, Military Leave, Funeral Leave and Union business. Said paid time off shall be paid at the
-

employee's normal pay rate on the date such days are used. Such days will be considered as time worked for all purpose. Any unused paid sick days will be paid at the employee's base straight time wage at year end.

8. An employee who is one occurrence away from termination, whether for Lates/Early Quits or Absences may convert one unused Absence occurrence to two unused Late/Early Quit occurrences or two Late/Early Quit occurrences to one Absence occurrence. The employee may make one such conversion per year.
9. An employee may, at the Company's discretion, make up lost time for pay purposes. He/she will, however, be charged for the occurrence unless advance arrangements are made in accordance with Item#11, below.

It is each employee's responsibility to clock in/out properly. An employee, who for any reason does not clock in/out, must properly complete an Employee Time Verification Form. An employee who does not clock out but completes the Employee Time Verification Form shall not be charged an occurrence. If, however, an employee's failure to clock in/out becomes habitual, he/she will be subject disciplinary action. The determination of habitual violations shall be at the discretion of the Company.

NOTE: COMPLETION OF THE EMPLOYEE TIME VERIFICATION FORM IS THE EMPLOYEE'S RESPONSIBILITY.

Verbal, email or voicemail verifications do not qualify as proper verification. Only the completion of the Employee Time Verification Form is acceptable.

10. Arrangements may be made for a temporarily modified schedule, as follows:
 - A. An employee may be authorized to start a shift early in order to leave early or start a shift late and work late.
 - B. The arrangements must be made in advance and have the appropriate documentation which must be received by Human Resources in advance of the schedule modification.
 - C. It is the employee's responsibility to ensure that the proper documentation is completed, signed and submitted to Human Resources in a timely manner.
11. An employee who fails to clock in at the beginning of his/her shift will be considered late. If the employee personally reports to a member of management that he/she has not clocked in, and does so before the scheduled starting time for his/her shift, he/she will not be charged with a Late occurrence. The management employee to whom such notice is given must notify Human Resources within 24 hours. If no management employee is available, such notice may be given by voice mail at extension 202. The employee leaving such voice mail should note the time he or she is calling. The time of the call will be confirmed by the voice mail system, which places a time stamp on all messages.

DISCIPLINE

1. Employees will be subject to disciplinary action under this policy as follows.
 - A. Verbal Warning - When employee is one occurrence from reaching his/her allotted limit.
 - B. Written Warning - When employee reaches his/her allotted limit.
 - C. Termination - When employee exceeds his/her allotted occurrences.
 2. Four (4) occurrences within a 30 day period shall be cause for termination regardless of previously issued warning(s) and regardless of whether the incidents are for Absences, Lates or Early Quits.
- The Company and the Union may amend this policy by mutual agreement.
-

APPENDIX C
WORK RULES

Marcegaglia USA, Inc. Munhall Work Rules

The following work rules are in effect and set forth below and are to be observed by all employees. Violation of any of these rules will result in disciplinary action up to and including discharge.

1. Intentional falsification of time cards, claim forms, production reports, personal information, or any other Company documentation.
2. Unauthorized possession of property of the Company, another employee, or authorized visitor.
3. Misuse, removal, or release of property or confidential information of the Company without prior written authorization from the Company.
4. Unauthorized possession or bringing firearms, weapons, or explosives on Company premises at any time.
5. Intentional or negligent destruction, damage, misuse, or concealment of the tools, equipment, products, or property of the Company, another employee or authorized visitor.
6. Sabotage or willful neglect in the performance of assigned duties or responsibilities.
7. Leading, encouraging, instigating, or participating in an unauthorized or illegal work stoppage, walkout, slowdown, or other interference with production.
8. Threats or use of physical harm directed at another person while on Company property or while off site on Company business. Any threatening physical contact, fighting, provoking, or instigating a fight with another person while on Company property or while off site on Company business.
9. Using, possessing, distributing, or being under the influence of alcohol on Company premises.
10. Bringing in, using, possessing, distributing, or being under the influence of an illegal substance on Company premises at any time.
11. Insubordination, such as but not limited to, refusal or failure to follow the directions of management in the performance of work assignments unless the employee or another employee's life or health would be endangered. Failure to recognize the authority of a superior. Opposition to and in defiance of established authority including behavior that may cause dissension or disunity within the organization.
12. Punching the time card of another employee or having one's own time card punched by another employee.
13. Leaving the Company facility without permission during scheduled work hours.
14. Immoral or indecent conduct on Company property or off site while on Company business or as a representative of the Company.
15. Harassment of any kind toward any other person while on Company premises.
16. Removal of, tampering with or rendering inoperative any lock-out/tag-out device.
17. Interfering, hindering, or refusing to cooperate with management or security personnel in the performance of plant protection activities.
18. Interfering, hindering, or refusing to cooperate with management or authorized personnel in the investigation of accidents or other events.
19. Willful or negligent violation of published safety rules.
20. Failure to immediately (on the same day of occurrence) report any accident which results in or is the result of equipment damage, to a supervisor or management personnel.
21. Sleeping during scheduled work hours. (Sleeping during scheduled work hours is theft of company time)
22. Knowingly harboring or refusing treatment of a disease or other physical condition which endangers other employees.
23. Making false, vicious, or malicious statements concerning any employee, Company official, the Company, or its products.
24. Use of obscene, profane, or abusive language toward any person or employee on Company property.
25. Gambling on Company property.
26. Unauthorized entry onto Company property or premises outside of scheduled work hours.

The following are considered minor infractions and disciplinary action will be taken in accordance with a progressive disciplinary system.

27. Being away from assigned workstation without prior approval or using any entrance or exit from the facility other than designated employee entrances or exits.
 28. Failure to punch time card as required.
 29. Loitering, interfering, or disrupting another person's work duties or responsibilities.
-

30. Unauthorized solicitation.
31. Smoking in restricted areas.
32. Failure to maintain required performance standards or unsatisfactory work quality.
33. Creating or contributing to unsanitary conditions or poor housekeeping.
34. Failure to contact supervisor or appropriate personnel when reporting off from scheduled work.
35. Parking in unauthorized area.
36. Unauthorized or improper use of Company phones, intercom, tools, equipment, or material.
37. Performing personal work on Company time.
38. Failure of union officials to obtain written authorization to obtain time off from scheduled work to conduct union business.
39. Failure to provide written notification to the Company within 5 days of a change in address, phone number or line of contact.
40. Failure to report off from work prior to the start of an employee's scheduled shift unless an emergency situation prevents makes such reporting impossible.

PROGRESSIVE DISCIPLINARY ACTION

1st Infraction

Verbal Warning

2nd Infraction

Written Warning

3rd Infraction

1 Day Suspension

4th Infraction

3 Day Suspension

5th Infraction

5 Day Suspension or Termination

Each infraction shall be effective for a sliding 12 month period

The following infractions will receive disciplinary action in accordance with the Company Attendance Policy.

41. Habitual tardiness, early quits or absenteeism.
42. Failure to report for scheduled agreed upon overtime work.

Any disciplinary action taken will be dependent upon the seriousness of the infraction and the number and nature of previous offenses.

The Company retains the right to interpret and handle each situation based upon its individual facts without creating or setting any precedent for any other case in the past, current or future.

The Company also reserves the right to add, remove, or modify the above work rules, as it deems necessary, provided that the company and the bargaining unit meet and discuss these changes prior to implementation.

In the administration and application of the above work rules the employee will have an opportunity to meet with and explain his/her situation to the Company. After this meeting, the Company may decide that discipline is warranted. The employee may grieve the reasonableness of such circumstance.

APPENDIX D
CREW LEADERS

Should the need arise for the performance of additional directional duties beyond those performed by non-bargaining unit supervisors, the company may utilize a crew leader.

1. Crew leaders shall be paid an additive of \$2.00\$+ above the base rate of the highest rated job over which direction is exercised.
 2. Crew leaders may participate in the hands-on performance of the crew's work.
 3. Qualifications of Crew Leaders
 - Ability to keep a detailed record of daily occurrences on the shift he/she is Group Leader.
 - Must have thoroughgoing knowledge of all or most jobs in the department, and be able to set up and operate the appropriate machinery, as determined by supervisor.
 - Attendance
 - Must be able to follow and carry out instructions received from foreman; such instructions may be in writing or delivered verbally.
 - Good reading and writing skills.
 - Must reflect a positive attitude with Management
 - Must be willing to work overtime, if needed.
 - Intimate knowledge of materials produced.
 - Able to use measuring devices such as, but not limited to, OD micrometers, wall micrometers, tape measures, et cetera.
 - Must be able to multi-task and demonstrate good decision making skills
 - Must be flexible in work schedule in order to cover for a supervisor, if needed.
 4. The Company will first look to employees assigned to the shift on which a Crew Leader is needed when selecting a Crew Leader. If no qualified employee is available on that shift, the Company will look to employees on other shifts.
 5. The Company will inform the Unit President of its selection of a Crew Leader before notifying the employees on the relevant shift or department of the Crew Leader assignment. Selection of Crew Leaders will be the senior most qualified on the crew.
 6. Crew Leaders may not issue discipline.
 7. Crew Leaders may not operate equipment on overtime.
 8. Crew Leaders may not be called to testify in arbitration concerning matters that occurred while they were working as a crew leader.
-

APPENDIX E

EMPLOYEE RATES AND EVALUATION PROCESS

The Company will perform yearly performance reviews of all employees, including probationary employees who have completed 540 hours or more. Such performance reviews will be completed during the months of August and/or September. The performance reviews must be forwarded to the Human Resources Manager within 30 working days of the date the review process began.

After the Human Resource Manager has received the review/evaluation and supervisors' recommendations he/she will have 30 working days to submit the information to Upper Management.

Upper Management will have 60 days to review the supervisors' evaluations and recommendations. Upper Management may convene a meeting at which supervisors will be expected to defend their recommendations to increase and/or decrease employees' pay rates. Upper Management shall determine the effective dates of any rate changes, but in no event will such rate changes be effective more than 30 days after Upper Management review.

In the event the supervisor concludes the employee's performance indicates a reduction of rate, he/she will complete a "Potential Rate Reduction Notice" and promptly arrange a meeting with the employee and the President of the Bargaining Unit or the President's designee. At such meeting the employee and President (or designee) will be informed of the possible rate reduction and the employee will be given a 60 day improvement period. The employee will also be given a "Performance Improvement Plan" which will establish the aspects of his/her job at which the employee must show improvement in order to avoid the rate reduction. The employee and Bargaining Unit President (or designee) will have the opportunity to ask questions and discuss the kinds of improvements in performance the employee will need to achieve to avoid a rate reduction.

The employee and supervisor shall meet at agreed intervals during this 60 day period to determine the state of the employee's progress. At the end of the 60 day period the supervisor will again meet with the employee to go over the supervisor's final decision. In the event of a rate reduction, the employee will be notified immediately. Any rate reduction will be effective with the beginning of the pay period after the date of this meeting.

During the course of the year, and outside the cycle of annual performance appraisals, the supervisor shall have the option of performing a review of an employee to determine fitness for an increase or decrease in rate. Increases or decreases in rate will be made according to the same procedures as used for rate increases or decreases resulting from the annual review process. This applies to individual performance evaluations.

If the above process is not completed by February 2014, the following shall apply

- A. **The jobs outlined in Appendix "A" classification list are those in effect.**
 1. **Employees bidding on a job will receive the "C" rate classification of that job.**
 2. **After a period of 6 months at the "C" rate the employee will be moved to the "B" rate of the job.**
 3. **After a period of 6 months at "B" rate the employees shall be moved to the "A" rate classification of that job.**
 4. **After 60 working days the Company must post temporary assigned jobs for a permanent position.**

This applies to individual performance evaluations

APPENDIX F
SAFETY RULES POLICY-Proposal

Marcegaglia USA, Inc. Safety Rules Policy

It is the policy of Marcegaglia USA to provide a safe work environment. It is our belief that all accidents are preventable and when both management and the work force cooperate to minimize workplace exposures and practice safe behavior, life and limb can be preserved. The Employer, the union and the employees recognize their obligations and/or rights under existing federal and state laws with respect to safety and health matters, and will cooperate with respect to compliance. The Union, employees and Employer will cooperate in achieving the objective of eliminating accidents and health hazards on the job.

In the unfortunate event an employee has a workplace injury an investigation will occur. If an injury occurs as a result of negligence with regard to a safety rule ~~the~~ discipline may occur in accordance with federal and state laws. Employees that are involved in an accident when an injury occurs will be required to submit to testing in accordance with US D.O.T. guidelines to determine the presence of illegal drugs, prescription drugs or alcohol.

Jim Bogolea, Human Resources Manager _____

APPENDIX G
LETTER AGREEMENTS

Appendix G - Letters of Agreement - Renew all letters

1. **Rule/Policy Changes** ----- dated May 18,
2009
 2. **Jury Duty** ----- dated May 18,
2009
 3. **Funeral Leave** ----- dated May 18,
2009
 4. **Holiday Pay** ----- dated May 18,
2009
 5. **Testing** ----- dated May 18,
2009
-

Memorandum of Understanding

Between

Bristol Metals, LLC

Marcegaglia, USA, Inc.

and

United Steel, Paper and Forestry, Rubber, Manufacturing,

Energy, Allied Industrial and Service Workers International Union

AFL - CIO, CLC,

On Behalf of

Local Union 5852-22

By their signatures below, the parties above agree to the assignment and amendment of the October 1, 2013 Collective Bargaining Agreement (the "Agreement") between Marcegaglia, USA, Inc. ("Marcegaglia") and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers Union, AFL-CIO, CLC (the "Union"). Specifically, the parties agree to the following terms, which (unless stated otherwise) will be effective March 1, 2017 and are contingent upon the completion of the asset sale between Marcegaglia and Bristol Metals, LLC ("Bristol Metals")

- 1) Assignment of the Agreement from Marcegaglia, USA, Inc. to Bristol Metals.
 - 2) 12-month extension of the Agreement term, through September 30, 2018.
 - 3) A \$0.25 per hour wage increase effective March 1, 2017.
 - 4) Covered Medical Benefits:
 - a) All Employees will be eligible for Medical Benefit coverage from the Synalloy benefit plan instead of the Marcegaglia plan. There will be no bonus paid for opting out of medical benefits.
 - b) Employees with the medical coverage levels listed below as of January 1, 2017 will receive the following additional hourly salary adjustment effective March 1, 2017:
 - i) Employee + Child(ren) - \$0.09 per hour
 - ii) Employee + Spouse - \$0.21 per hour
 - iii) Employee + Family - \$0.45 per hour
 - c) Effective January 1, 2018, Employee spouses that are eligible to receive comprehensive medical coverage from their own employer will not be permitted to elect Medical Benefits coverage from the Synalloy benefit plan.
 - i) Note that effectiveness and affordability of spousal coverage will be reviewed for impacted employees prior to 2018 Medical Open Enrollment.
 - d) Deductibles paid during the 2017 Marcegaglia UPMC medical plan year will be given as a deductible credit on the 2017 Synalloy medical plan.
 - 5) The term life insurance and accidental death and dismemberment insurance death benefits will be amended to \$25,000.
-

- 6) The Marcegaglia 401(k) Plan will rollover to the Synalloy 401(k) plan at Merrill Lynch.
 - a) Existing loans will be rolled over to the Merrill Lynch plan.
 - b) Merrill Lynch plan does not allow for loans, but does provide for hardship withdrawals.
- 7) Bristol Metals will agree to a Pension Incorporation Agreement (PIA) with the Steelworkers Trust Defined Benefit Plan. Bristol Metals will contribute an amount equal to 3.75% of an employee's total gross earnings to the Steelworkers Pension Trust.
- 8) Employees will receive Marcegaglia years of service credit for seniority and vacations as Bristol Metals employees.
- 9) The foregoing terms replace their counterparts in the Agreement. The remaining provisions of the Agreement remain "as is."
- 10) There will be a \$500 ratification bonus per employee paid by Marcegaglia USA contingent upon the completion of the asset sale between Marcegaglia USA and Bristol Metals, LLC.

WHEREFORE, on this ____ day of February 2017, intending to be legally bound, the parties signify their agreement to these terms by their signatures below.

For Marcegaglia USA, Inc.

By: _____

Title: _____

For Bristol Metals, LLC.

By: _____

Title: _____

For United Steel, Paper and Forestry, Rubber, Manufacturing,
Energy, Allied Industrial and Service Workers International Union
AFL - CIO, CLC, On Behalf of Local Union 5852-22.

By: _____

Title: _____

MASTER LEASE AGREEMENT

THIS MASTER LEASE AGREEMENT (this "Lease") is made as of September 30, 2016 (the "Effective Date"), by and between **STORE MASTER FUNDING XII, LLC**, a Delaware limited liability company ("Lessor"), whose address is 8501 E. Princess Drive, Suite 190, Scottsdale, Arizona 85255, and **SYNALLOY CORPORATION**, a Delaware corporation ("Lessee"), whose address is 4510 Cox Road, Suite 201, Richmond, VA 23060. Capitalized terms not defined herein shall have the meanings set forth in Exhibit A hereto.

In consideration of the mutual covenants and agreements herein contained, Lessor and Lessee hereby covenant and agree as follows:

ARTICLE I

BASIC LEASE TERMS

Section 1.01. Properties. The street addresses and legal descriptions of the Properties are set forth on Exhibit B attached hereto and incorporated herein.

Section 1.02. Initial Term Expiration Date. September 30, 2036.

Section 1.03. Extension Options. Two (2) extensions of ten (10) years each, as described in Section 3.02.

Section 1.04. Term Expiration Date (if fully extended). September 30, 2056.

Section 1.05. Initial Base Annual Rental. \$1,892,000, as described in Article IV.

Section 1.06. Rental Adjustment. The lesser of (i) 2.00%, or (ii) 1.25 times the change in the Price Index, as described in Section 4.02.

Section 1.07. Adjustment Date. October 1, 2017 and annually thereafter during the Lease Term (including any Extension Term).

Section 1.08. Guarantor. None.

Section 1.09. Lessee Tax Identification No. 57-0426694.

Section 1.10. Lessor Tax Identification No. 81-2113691.

ARTICLE II

LEASE OF PROPERTIES

Section 2.01. Lease. In consideration of Lessee's payment of the Rental and other Monetary Obligations and Lessee's performance of all other obligations hereunder, Lessor hereby leases to Lessee, and Lessee hereby takes and hires, the Properties, "AS IS" and "WHERE IS" without representation or warranty by Lessor, and subject to the existing state of title, the parties in possession, any statement of facts which an accurate survey or physical inspection might reveal, and all Legal Requirements now or hereafter in effect.

Section 2.02. Quiet Enjoyment. So long as Lessee shall pay the Rental and other Monetary Obligations provided in this Lease and shall keep and perform all of the terms, covenants and conditions on its part contained herein, Lessee shall have, subject to the terms and conditions set forth herein, the right to the peaceful and quiet enjoyment and occupancy of the Properties.

ARTICLE III

LEASE TERM; EXTENSION

Section 3.01. Initial Term. The initial term of this Lease ("Initial Term") shall commence as of the Effective Date and shall expire at midnight on September 30, 2036, unless terminated sooner as provided in this Lease and as may be extended as provided herein. The time period during which this Lease shall actually be in effect, including any Extension Term, is referred to as the "Lease Term."

Section 3.02. Extensions. Unless this Lease has expired or has been sooner terminated, or an Event of Default has occurred and is continuing at the time any extension option is exercised, Lessee shall have the right and option (each, an "Extension Option") to extend the Initial Term for all and not less than all of the Properties for two (2) additional successive periods of ten (10) years each (each, an "Extension Term"), pursuant to the terms and conditions of this Lease then in effect.

Section 3.03. Notice of Exercise. Lessee may only exercise the Extension Options by giving written notice thereof to Lessor of its election to do so no later than one hundred twenty (120) days prior to the expiration of the then-current Lease Term. If written notice of the exercise of any Extension Option is not received by Lessor by the applicable dates described above, then this Lease shall terminate on the last day of the Initial Term or, if applicable, the last day of the Extension Term then in effect. Upon the request of Lessor or Lessee, the parties hereto will, at the expense of Lessee, execute and exchange an instrument in recordable form setting forth the extension of the Lease Term in accordance with this Section 3.03.

Section 3.04. Removal of Personalty. Upon the expiration of the Lease Term, and if Lessee is not then in breach hereof, Lessee may remove from the Properties all personal property belonging to Lessee. Lessee shall repair any damage caused by such removal and shall leave all of the Properties clean and in good and working condition and repair inside and out, subject to normal wear and tear, casualty and condemnation. Any property of Lessee left on the Properties on the tenth day following the expiration of the Lease Term shall, at Lessor's option, automatically and immediately become the property of Lessor.

ARTICLE IV

RENTAL AND OTHER MONETARY OBLIGATIONS

Section 4.01. Base Monthly Rental. During the Lease Term, on or before the first day of each calendar month, Lessee shall pay in advance the Base Monthly Rental then in effect. If the Effective Date is a date other than the first day of the month, Lessee shall pay to Lessor on the Effective Date the Base Monthly Rental prorated by multiplying the Base Monthly Rental by a fraction, the numerator of which is the number of days remaining in the month (including the Effective Date) for which Rental is being paid, and the denominator of which is the total number of days in such month.

Section 4.02. Adjustments. During the Lease Term (including any Extension Term), on the first Adjustment Date and on each Adjustment Date thereafter, the Base Annual Rental shall increase by an amount equal to the Rental Adjustment; *provided, however*, that in no event shall Base Annual Rental be reduced as a result of the application of the Rental Adjustment.

Section 4.03. Additional Rental. Lessee shall pay and discharge, as additional rental ("**Additional Rental**"), all sums of money required to be paid by Lessee under this Lease which are not specifically referred to as Rental. Lessee shall pay and discharge any Additional Rental when the same shall become due, provided that amounts which are billed to Lessor or any third party, but not to Lessee, shall be paid within fifteen (15) days after Lessor's delivery or presentation of an invoice to Lessee and demand for payment thereof or, if earlier, when the same are due, provided, if the invoice for such amount has been delivered to Lessor, Lessor has forwarded the same to Lessee upon receipt. In no event shall Lessee be required to pay to Lessor any item of Additional Rental that Lessee is obligated to pay and has paid to any third party pursuant to any provision of this Lease.

Section 4.04. Rentals to be Net to Lessor. The Base Annual Rental payable hereunder shall be net to Lessor, so that this Lease shall yield to Lessor the Rentals specified during the Lease Term, and all Costs and obligations of every kind and nature whatsoever relating to the Properties shall be performed and paid by Lessee. Lessee shall perform all of its obligations under this Lease at its sole cost and expense. All Rental and other Monetary Obligations which Lessee is required to pay hereunder shall be the unconditional obligation of Lessee and shall be payable in full when due and payable, without notice or demand, and without any setoff, abatement, deferment, deduction or counterclaim whatsoever.

Section 4.05. ACH Authorization. Upon execution of this Lease, Lessee shall deliver to Lessor a complete Authorization Agreement – Pre-Arranged Payments in the form of Exhibit C attached hereto and incorporated herein by this reference, together with a voided check for account verification, establishing arrangements whereby payments of the Base Monthly Rental are transferred by Automated Clearing House Debit initiated by Lessor from an account established by Lessee at a United States bank or other financial institution to such account as Lessor may designate. Lessee shall continue to pay all Rental by Automated Clearing House Debit unless otherwise directed by Lessor.

Section 4.06. Late Charges; Default Interest. Any payment not made within three (3) days of the date due shall, in addition to any other remedy of Lessor, incur a late charge of five percent (5%) (which late charge is intended to compensate Lessor for the cost of handling and processing such delinquent payment and should not be considered interest). Any payment not made within five (5) days of the due date shall also bear interest at the Default Rate, such interest to be computed from and including the date such payment was due through and including the date of the payment; *provided, however*, in no event shall Lessee be obligated to pay a sum of late charge and interest higher than the maximum legal rate then in effect.

Section 4.07. Holdover. IF LESSEE REMAINS IN POSSESSION OF THE PROPERTIES AFTER THE EXPIRATION OF THE TERM HEREOF, LESSEE, AT LESSOR'S OPTION AND WITHIN LESSOR'S SOLE DISCRETION, MAY BE DEEMED A TENANT ON A MONTH-TO-MONTH BASIS AND SHALL CONTINUE TO PAY RENTALS AND OTHER MONETARY OBLIGATIONS IN THE AMOUNTS HEREIN PROVIDED, EXCEPT THAT THE BASE MONTHLY RENTAL SHALL BE AUTOMATICALLY INCREASED TO ONE HUNDRED FIFTY PERCENT (150%) OF THE LAST BASE MONTHLY RENTAL PAYABLE UNDER THIS LEASE, AND LESSEE SHALL COMPLY WITH ALL THE TERMS OF THIS LEASE; *PROVIDED THAT* NOTHING HEREIN NOR THE ACCEPTANCE OF RENTAL BY LESSOR SHALL BE DEEMED A CONSENT TO SUCH HOLDING OVER. LESSEE SHALL DEFEND, INDEMNIFY, PROTECT AND HOLD THE INDEMNIFIED PARTIES HARMLESS FROM AND AGAINST ANY AND ALL LOSSES RESULTING FROM LESSEE'S FAILURE TO SURRENDER POSSESSION UPON THE EXPIRATION OF THE LEASE TERM.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF LESSEE

The representations and warranties of Lessee contained in this Article V are being made to induce Lessor to enter into this Lease, and Lessor has relied, and will continue to rely, upon such representations and warranties. Lessee represents and warrants to Lessor as follows:

Section 5.01. Organization, Authority and Status of Lessee. Lessee has been duly organized or formed, is validly existing and in good standing under the laws of its state of formation and is qualified as a foreign corporation to do business in any jurisdiction where such qualification is required. All necessary corporate action has been taken to authorize the execution, delivery and performance by Lessee of this Lease and of the other documents, instruments and agreements provided for herein. Lessee is not, and if Lessee is a "disregarded entity," the owner of such disregarded entity is not, a "nonresident alien," "foreign corporation," "foreign partnership," "foreign trust," "foreign estate," or any other "person" that is not a "United States Person" as those terms are defined in the Code and the regulations promulgated thereunder. The Person who has executed this Lease on behalf of Lessee is duly authorized to do so.

Section 5.02. Enforceability. This Lease constitutes the legal, valid and binding obligation of Lessee, enforceable against Lessee in accordance with its terms.

Section 5.03. Litigation. There are no suits, actions, proceedings or investigations pending, or to the best of its knowledge, threatened against or involving any Lessee Entity or the Properties before any arbitrator or Governmental Authority which might reasonably result in any Material Adverse Effect.

Section 5.04. Absence of Breaches or Defaults. Lessee is not in default under any document, instrument or agreement to which Lessee is a party or by which Lessee, the Properties or any of Lessee's property is subject or bound, which has had, or could reasonably be expected to result in, a Material Adverse Effect. The authorization, execution, delivery and performance of this Lease and the documents, instruments and agreements provided for herein will not result in any breach of or default under any document, instrument or agreement to which Lessee is a party or by which Lessee, the Properties or any of Lessee's property is subject or bound.

Section 5.05. Compliance with OFAC Laws. None of the Lessee Entities, and no individual or entity owning directly or indirectly any interest in any of the Lessee Entities, is an individual or entity whose property or interests are subject to being blocked under any of the OFAC Laws or is otherwise in violation of any of the OFAC Laws; *provided, however,* that the representation contained in this sentence shall not apply to any Person to the extent such Person's interest is in or through a U.S. Publicly Traded Entity.

Section 5.06. Solvency. There is no contemplated, pending or threatened Insolvency Event or similar proceedings, whether voluntary or involuntary, affecting Lessee or any Lessee Entity. Lessee does not have unreasonably small capital to conduct its business.

Section 5.07. Ownership. None of (i) Lessee, (ii) any Affiliate of Lessee, or (iii) any Person owning ten percent (10%) or more of Lessee, owns, directly or indirectly, ten percent (10%) or more of the total voting power or total value of capital stock in STORE Capital Corporation.

ARTICLE VI

TAXES AND ASSESSMENTS; UTILITIES; INSURANCE

Section 6.01. Taxes.

(a) **Payment.** Subject to the provisions of Section 6.01(b) below, Lessee shall pay, prior to the earlier of delinquency or the accrual of interest on the unpaid balance, all taxes and assessments of every type or nature assessed by applicable Governmental Authorities having jurisdiction over the

Properties against or imposed upon the Properties, Lessee or Lessor during the Lease Term related to or arising out of this Lease and the activities of the parties hereunder, including without limitation, (i) all taxes or assessments upon the Properties or any part thereof and upon any personal property, trade fixtures and improvements located on the Properties, whether belonging to Lessor or Lessee, or any tax or charge levied in lieu of such taxes and assessments; (ii) all taxes, charges, license fees and or similar fees imposed by reason of the use of the Properties by Lessee; (iii) all excise, franchise, transaction, privilege, sales, use and other taxes upon the Rental or other Monetary Obligations hereunder, the leasehold estate of either party or the activities of either party pursuant to this Lease; and (iv) all franchise, privilege or similar taxes of Lessor calculated on the value of the Properties or on the amount of capital apportioned to the Properties. Notwithstanding anything in clauses (i) through (iv) to the contrary, Lessee shall not be obligated to pay or reimburse Lessor for any taxes based on the net income or gross rental income of Lessor or for any margin tax in the State of Texas.

(b) **Right to Contest.** Within thirty (30) days after each tax and assessment payment is required by this Section 6.01 to be paid, Lessee shall provide Lessor with evidence reasonably satisfactory to Lessor that taxes and assessments have been timely paid by Lessee. In the event Lessor receives a tax bill, Lessor shall use commercially reasonable efforts to forward said bill to Lessee within fifteen (15) days of Lessor's receipt thereof. Lessee may, at its own expense, contest or cause to be contested (in the case of any item involving more than \$10,000, after prior written notice to Lessor, which shall be given within fifteen (15) days of Lessee's determination to contest any matter as permitted herein), by appropriate legal proceedings conducted in good faith and with due diligence, any above-described item or lien with respect thereto, including, without limitation, the amount or validity or application, in whole or in part, of such item, provided that (i) neither the Properties nor any interest therein would be in any danger of being sold, forfeited or lost by reason of such proceedings; (ii) no Event of Default has occurred and is continuing; (iii) if and to the extent required by the applicable taxing authority and/or Lessor, Lessee posts a bond or takes other steps acceptable to such taxing authority and/or Lessor that removes such lien or stays enforcement thereof; (iv) Lessee shall promptly provide Lessor with copies of all notices received or delivered by Lessee and filings made by Lessee in connection with such proceeding; and (v) upon termination of such proceedings, it shall be the obligation of Lessee to pay the amount of any such tax and assessment or part thereof as finally determined in such proceedings, the payment of which may have been deferred during the prosecution of such proceedings, together with any costs, fees (including attorneys' fees and disbursements), interest, penalties or other liabilities in connection therewith. Lessor shall at the request of Lessee, execute or join in the execution of any instruments or documents necessary in connection with such contest or proceedings, but Lessor shall incur no cost or obligation thereby.

Section 6.02. Utilities. Lessee shall contract, in its own name, for and pay when due all charges for the connection and use of water, gas, electricity, telephone, garbage collection, sewer use and other utility services supplied to the Properties during the Lease Term. Under no circumstances shall Lessor be responsible for any interruption of any utility service.

Section 6.03. Insurance. TO BE REVIEWED BY LESSOR'S INSURANCE CONSULTANT AND MODIFIED, IF NECESSARY, TO FIT TRANSACTION

(a) **Coverage.** Throughout the Lease Term, Lessee shall maintain, with respect to each of the Properties, at its sole expense, the following types and amounts of insurance, in addition to such other insurance as Lessor may reasonably require from time to time:

(i) Insurance against loss or damage to real property and personal property under an "all risk" or "special form" insurance policy, which shall include coverage against all risks of direct physical loss, including but not limited to loss by fire, lightning, wind, terrorism, and other risks normally included in the standard ISO special form (and shall also include National Flood and Excess Flood insurance for any Property located in Flood Zone A or Flood Zone V, as designated by FEMA, or otherwise located in

a flood zone area identified by FEMA as a 100-year flood zone or special hazard area, and earthquake insurance if any Property is located within a moderate to high earthquake hazard zone as determined by an approved insurance company set forth in Section 6.03(b)(x) below). Such policy shall also include soft costs, a joint loss agreement, coverage for ordinance or law covering the loss of value of the undamaged portion of the Properties, costs to demolish and the increased costs of construction if any of the improvements located on, or the use of, the Properties shall at any time constitute legal non-conforming structures or uses. Ordinance or law limits shall be in an amount equal to the full replacement cost for the loss of value of the undamaged portion of the Properties and no less than 25% of the replacement cost for costs to demolish and the increased cost of construction, or in an amount otherwise specified by Lessor. Such insurance shall be in amounts not less than 100% of the full insurable replacement cost values (without deduction for depreciation), with an agreed amount endorsement or without any coinsurance provision, and with sublimits satisfactory to Lessor, as determined from time to time at Lessor's request but not more frequently than once in any 12-month period.

(ii) Commercial general liability insurance, including products and completed operation liability, covering Lessor and Lessee against bodily injury liability, property damage liability and personal and advertising injury, including without limitation any liability arising out of the ownership, maintenance, repair, condition or operation of every Property or adjoining ways, streets, parking lots or sidewalks. Such insurance policy or policies shall contain a broad form contractual liability endorsement under which the insurer agrees to insure Lessee's obligations under Article X hereof to the extent insurable, and a "severability of interest" clause or endorsement which precludes the insurer from denying the claim of Lessee or Lessor because of the negligence or other acts of the other, shall be in amounts of not less than \$10,000,000 per occurrence for bodily injury and property damage, and \$10,000,000 general aggregate per location, or such higher limits as Lessor may reasonably require from time to time, and shall be of form and substance satisfactory to Lessor. Such limits of insurance can be acquired through Commercial General liability and Umbrella liability policies.

(iii) Workers' compensation and Employers Liability insurance in the amount of \$1,000,000 or, if the amount required by state statute in the applicable Property's location is less, such lesser coverage amount, covering all persons employed by Lessee on the Properties in connection with any work done on or about any of the Properties for which claims for death or bodily injury could be asserted against Lessor, Lessee or the Properties.

(iv) Business interruption insurance including Rental Value Insurance payable to Lessor at all locations for a period of not less than twelve (12) months. Such insurance is to follow the form of the real property "all risk" or "special form" coverage and is not to contain a co-insurance clause. Such insurance is to have a minimum of 180 days of extended period of indemnity.

(v) Automobile liability insurance, including owned, non-owned and hired car liability insurance for combined limits of liability of \$5,000,000 per occurrence. The limits of liability can be provided in a combination of an automobile liability policy and an umbrella liability policy.

(vi) Comprehensive Boiler and Machinery or Equipment Breakdown Insurance against loss or damage from explosion of any steam or pressure boilers or similar apparatus, if any, and other building equipment including HVAC units located in or about each Property and in an amount equal to the lesser of 25% of the 100% replacement cost of each Property or \$5,000,000.

(vii) Such additional and/or other insurance and in such amounts as at the time is customarily carried by prudent owners or tenants with respect to improvements and personal property similar in character, location and use and occupancy to each Property.

(b) **Insurance Provisions.** All insurance policies shall:

- (i) provide for a waiver of subrogation by the insurer as to claims against Lessor, its employees and agents;
 - (ii) be primary and provide that any "other insurance" clause in the insurance policy shall exclude any policies of insurance maintained by Lessor and the insurance policy shall not be brought into contribution with insurance maintained by Lessor;
 - (iii) contain deductibles not to exceed \$25,000, except for property insurance and workers' compensation insurance which may have a deductible up to \$250,000;
 - (iv) contain a standard non-contributory mortgagee clause or endorsement in favor of any Lender designated by Lessor;
 - (v) provide that the policy of insurance shall not be terminated, cancelled or amended without at least thirty (30) days' prior written notice to Lessor and to any Lender covered by any standard mortgagee clause or endorsement;
 - (vi) provide that the insurer shall not have the option to restore the Properties if Lessor elects to terminate this Lease in accordance with the terms hereof;
 - (vii) be in amounts sufficient at all times to satisfy any coinsurance requirements thereof;
 - (viii) except for workers' compensation insurance referred to in Section 6.03(a)(iii) above, name Lessor and any Lessor Affiliate or Lender requested by Lessor, as an "additional insured" with respect to liability insurance, and as an "additional named insured" or "additional insured" with respect to real property and rental value insurance, as appropriate and as their interests may appear;
 - (ix) be evidenced by delivery to Lessor and any Lender designated by Lessor of an Acord Form 28 for property, business interruption and boiler & machinery coverage (or any other form requested by Lessor) and an Acord Form 25 for commercial general liability, workers' compensation and umbrella coverage (or any other form requested by Lessor); provided that in the event that either such form is no longer available, such evidence of insurance shall be in a form reasonably satisfactory to Lessor and any Lender designated by Lessor; and
 - (x) be issued by insurance companies licensed to do business in the states where the Properties are located and which are rated no less than A-X by Best's Insurance Guide or are otherwise approved by Lessor.
- (c) **Additional Obligations.** It is expressly understood and agreed that (i) if any insurance required hereunder, or any part thereof, shall expire, be withdrawn, become void by breach of any condition thereof by Lessee, or become void or in jeopardy by reason of the failure or impairment of the capital of any insurer, Lessee shall immediately obtain new or additional insurance reasonably satisfactory to Lessor and any Lender designated by Lessor; (ii) the minimum limits of insurance coverage set forth in this Section 6.03 shall not limit the liability of Lessee for its acts or omissions as provided in this Lease; (iii) Lessee shall procure policies for all insurance for periods of not less than one year and shall provide to Lessor and any servicer or Lender of Lessor certificates of insurance or, upon Lessor's request, duplicate originals of insurance policies evidencing that insurance satisfying the requirements of this Lease is in effect at all times; (iv) Lessee shall pay as they become due all premiums for the insurance required by this Section 6.03; (v) in the event that Lessee fails to comply with any of the requirements set forth in this Section 6.03, within ten (10) days of the giving of written notice by Lessor to Lessee, (A) Lessor shall be entitled to procure such insurance; and (B) any sums expended by Lessor in procuring such insurance shall be Additional Rental

and shall be repaid by Lessee, together with interest thereon at the Default Rate, from the time of payment by Lessor until fully paid by Lessee immediately upon written demand therefor by Lessor; and (vi) Lessee shall maintain all insurance policies required in this Section 6.03 not to be cancelled, invalidated or suspended on account of the conduct of Lessee, its officers, directors, managers, members, employees or agents, or anyone acting for Lessee or any subtenant or other occupant of the Properties, and shall comply with all policy conditions and warranties at all times to avoid a forfeiture of all or a part of any insurance payment.

(d) **Blanket Policies.** Notwithstanding anything to the contrary in this Section 6.03, any insurance which Lessee is required to obtain pursuant to this Section 6.03 may be carried under a "blanket" policy or policies covering other properties or liabilities of Lessee provided that such "blanket" policy or policies otherwise comply with the provisions of this Section 6.03.

Section 6.04. Tax Impound. Upon the occurrence of an Event of Default and with respect to each Event of Default, in addition to any other remedies, Lessor may require Lessee to pay to Lessor on the first day of each month the amount that Lessor reasonably estimates will be necessary in order to accumulate with Lessor sufficient funds in an impound account (which shall not be deemed a trust fund) (the "Reserve") for Lessor to pay any and all real estate taxes ("Real Estate Taxes") for the Properties for the ensuing twelve (12) months, or, if due sooner, Lessee shall pay the required amount immediately upon Lessor's demand therefor. Lessor shall, upon prior written request of Lessee, provide Lessee with evidence reasonably satisfactory to Lessee that payment of the Real Estate Taxes was made in a timely fashion. In the event that the Reserve does not contain sufficient funds to timely pay any Real Estate Taxes, upon Lessor's written notification thereof, Lessee shall, within five (5) Business Days of such notice, provide funds to Lessor in the amount of such deficiency. Lessor shall pay or cause to be paid directly to the applicable taxing authorities any Real Estate Taxes then due and payable for which there are funds in the Reserve; *provided, however*, that in no event shall Lessor be obligated to pay any Real Estate Taxes in excess of the funds held in the Reserve, and Lessee shall remain liable for any and all Real Estate Taxes, including fines, penalties, interest or additional costs imposed by any taxing authority (unless incurred as a result of Lessor's failure to timely pay Real Estate Taxes for which it had funds in the Reserve). Lessee shall cooperate fully with Lessor in assuring that the Real Estate Taxes are timely paid. Lessor may deposit all Reserve funds in accounts insured by any federal or state agency and may commingle such funds with other funds and accounts of Lessor. Interest or other gains from such funds, if any, shall be the sole property of Lessor. Upon an Event of Default, in addition to any other remedies, Lessor may apply all impounded funds in the Reserve against any sums due from Lessee to Lessor. Lessor shall give to Lessee an annual accounting showing all credits and debits to and from such impounded funds received from Lessee.

ARTICLE VII

MAINTENANCE; ALTERATIONS

Section 7.01. Condition of Property; Maintenance. Lessee hereby accepts the Properties "AS IS" and "WHERE IS" with no representation or warranty of Lessor as to the condition thereof. Lessee shall, at its sole cost and expense, be responsible for (a) keeping all of the building, structures and improvements erected on each of the Properties in good order and repair, free from actual or constructive waste; (b) the repair or reconstruction of any building, structures or improvements erected on the Properties damaged or destroyed by a Casualty; (c) subject to Section 7.02, making all necessary structural, non-structural, exterior and interior repairs and replacements to any building, structures or improvements erected on the Properties; (d) (i) ensuring that no party encroaches upon any Property, and (ii) prosecuting any claims that Lessee seeks to bring against any Person relating to Lessee's use and possession of any Property; and (e) paying all operating costs of the Properties in the ordinary course of business. Lessee waives any right to require Lessor to maintain, repair or rebuild all or any part of the Properties or make repairs at the expense of Lessor pursuant to any Legal Requirements at any time in effect.

Section 7.02. Alterations and Improvements. During the Lease Term, Lessee shall not alter the exterior, structural, plumbing or electrical elements of the Properties in any manner without the consent of Lessor, which consent shall not be unreasonably withheld, delayed or conditioned; *provided, however*, Lessee may undertake nonstructural alterations to the Properties, individually, costing \$250,000 or less without Lessor's prior written consent. If Lessor's consent is required hereunder and Lessor consents to the making of any such alterations, the same shall be made by Lessee at Lessee's sole expense by a licensed contractor and according to plans and specifications approved by Lessor and subject to such other conditions as Lessor shall reasonably require. Any work at any time commenced by Lessee on the Properties shall be prosecuted diligently to completion, shall be of good workmanship and materials and shall comply fully with all the terms of this Lease and all Legal Requirements. Upon completion of any alterations individually costing more than \$250,000, Lessee shall promptly provide Lessor with evidence of full payment to all laborers and materialmen contributing to the alterations. Additionally, upon completion of any alterations, Lessee shall promptly provide Lessor with (a) an architect's certificate certifying the alterations to have been completed in conformity with the plans and specifications (if the alterations are of such a nature as would require the issuance of such a certificate from the architect); (b) a certificate of occupancy (if the alterations are of such a nature as would require the issuance of a certificate of occupancy); and (c) any related documents or information reasonably requested by Lessor. Lessee shall keep the Properties free from any liens arising out of any work performed on, or materials furnished to, the Properties. Lessee shall execute and file or record, as appropriate, a "Notice of Non-Responsibility," or any equivalent notice permitted under applicable Law in the states where the Properties are located which provides that Lessor is not responsible for the payment of any costs or expenses relating to the additions or alterations. Any addition to or alteration of the Properties shall be deemed a part of the Properties and belong to Lessor, and Lessee shall execute and deliver to Lessor such instruments as Lessor may require to evidence the ownership by Lessor of such addition or alteration. Lessor and Lessee acknowledge and agree that their relationship is and shall be solely that of "Lessor-Lessee" (thereby excluding a relationship of "owner-contractor," "owner-agent" or other similar relationships). Accordingly, all materialmen, contractors, artisans, mechanics, laborers and any other persons now or hereafter contracting with Lessee, any contractor or subcontractor of Lessee or any other Lessee party for the furnishing of any labor, services, materials, supplies or equipment with respect to any portion of the Properties at any time from the date hereof until the end of the Lease Term, are hereby charged with notice that they look exclusively to Lessee to obtain payment for same.

Section 7.03. Encumbrances. During the Lease Term, following reasonable prior notice to Lessee, Lessor shall have the right to grant easements on, over, under and above the Properties, provided that such easements will not materially interfere with Lessee's use of the Properties. Lessee shall comply with and perform all obligations of Lessor under all easements, declarations, covenants, restrictions and other items of record now or hereafter encumbering the Properties; provided, however, that Lessor shall provide prior written notice to Lessee of any easements, declarations, covenants, and restrictions to which Lessor subjects the Property. Without Lessor's prior written consent, Lessee shall not grant any easements on, over, under or above the Properties.

ARTICLE VIII

USE OF THE PROPERTIES; COMPLIANCE

Section 8.01. Use. During the Lease Term, each of the Properties shall be used solely for the operation of a Permitted Facility. Except during periods when a Property is untenable due to Casualty or Condemnation (and provided that Lessee continues to strictly comply with the other terms and conditions of this Lease), Lessee shall at all times during the Lease Term occupy the Properties and shall diligently operate its business on the Properties. In the event that Lessee shall change the use of the Properties or the concept or brand operated on the Properties, Lessee shall provide Lessor with written notice of any such change and copies of the franchise agreement(s) related to such new concept or brand, if any.

Section 8.02. Compliance. LESSEE'S USE AND OCCUPATION OF EACH OF THE PROPERTIES, AND THE CONDITION THEREOF, SHALL, AT LESSEE'S SOLE COST AND EXPENSE, COMPLY FULLY WITH ALL LEGAL REQUIREMENTS AND ALL RESTRICTIONS, COVENANTS AND ENCUMBRANCES OF RECORD, AND ANY OWNER OBLIGATIONS UNDER SUCH LEGAL REQUIREMENTS, OR RESTRICTIONS, COVENANTS AND ENCUMBRANCES OF RECORD, WITH RESPECT TO THE PROPERTIES, IN EITHER EVENT, THE FAILURE WITH WHICH TO COMPLY COULD HAVE A MATERIAL ADVERSE EFFECT. WITHOUT IN ANY WAY LIMITING THE FOREGOING PROVISIONS, LESSEE SHALL COMPLY WITH ALL LEGAL REQUIREMENTS RELATING TO ANTI-TERRORISM, TRADE EMBARGOS, ECONOMIC SANCTIONS, ANTI-MONEY LAUNDERING LAWS, AND THE AMERICANS WITH DISABILITIES ACT OF 1990, AS SUCH ACT MAY BE AMENDED FROM TIME TO TIME, AND ALL REGULATIONS PROMULGATED THEREUNDER, AS IT AFFECTS THE PROPERTIES NOW OR HEREAFTER IN EFFECT. LESSEE SHALL OBTAIN, MAINTAIN AND COMPLY WITH ALL REQUIRED LICENSES AND PERMITS, BOTH GOVERNMENTAL AND PRIVATE, TO USE AND OPERATE THE PROPERTIES AS PERMITTED FACILITIES. UPON LESSOR'S WRITTEN REQUEST FROM TIME TO TIME DURING THE LEASE TERM, LESSEE SHALL CERTIFY IN WRITING TO LESSOR THAT LESSEE'S REPRESENTATIONS, WARRANTIES AND OBLIGATIONS UNDER SECTION 5.05 AND THIS SECTION 8.02 REMAIN TRUE AND CORRECT AND HAVE NOT BEEN BREACHED. LESSEE SHALL IMMEDIATELY NOTIFY LESSOR IN WRITING IF ANY OF SUCH REPRESENTATIONS, WARRANTIES OR COVENANTS ARE NO LONGER TRUE OR HAVE BEEN BREACHED OR IF LESSEE HAS A REASONABLE BASIS TO BELIEVE THAT THEY MAY NO LONGER BE TRUE OR HAVE BEEN BREACHED. IN CONNECTION WITH SUCH AN EVENT, LESSEE SHALL COMPLY WITH ALL LEGAL REQUIREMENTS AND DIRECTIVES OF GOVERNMENTAL AUTHORITIES AND, AT LESSOR'S REQUEST, PROVIDE TO LESSOR COPIES OF ALL NOTICES, REPORTS AND OTHER COMMUNICATIONS EXCHANGED WITH, OR RECEIVED FROM, GOVERNMENTAL AUTHORITIES RELATING TO SUCH AN EVENT. LESSEE SHALL ALSO REIMBURSE LESSOR FOR ALL COSTS INCURRED BY LESSOR IN EVALUATING THE EFFECT OF SUCH AN EVENT ON THE PROPERTIES AND THIS LEASE, IN OBTAINING ANY NECESSARY LICENSE FROM GOVERNMENTAL AUTHORITIES AS MAY BE NECESSARY FOR LESSOR TO ENFORCE ITS RIGHTS UNDER THE TRANSACTION DOCUMENTS, AND IN COMPLYING WITH ALL LEGAL REQUIREMENTS APPLICABLE TO LESSOR AS THE RESULT OF THE EXISTENCE OF SUCH AN EVENT AND FOR ANY PENALTIES OR FINES IMPOSED UPON LESSOR AS A RESULT THEREOF. LESSEE WILL USE ITS BEST EFFORTS TO PREVENT ANY ACT OR CONDITION TO EXIST ON OR ABOUT THE PROPERTIES THAT WILL MATERIALLY INCREASE ANY INSURANCE RATE THEREON, EXCEPT WHEN SUCH ACTS ARE REQUIRED IN THE NORMAL COURSE OF ITS BUSINESS AND LESSEE SHALL PAY FOR SUCH INCREASE. LESSEE AGREES THAT IT WILL DEFEND, INDEMNIFY AND HOLD HARMLESS THE INDEMNIFIED PARTIES FROM AND AGAINST ANY AND ALL LOSSES CAUSED BY, INCURRED OR RESULTING FROM LESSEE'S FAILURE TO COMPLY WITH ITS OBLIGATIONS UNDER THIS SECTION, EXCLUDING LOSSES SUFFERED BY AN INDEMNIFIED PARTY ARISING OUT OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF SUCH INDEMNIFIED PARTY.

Section 8.03. Environmental.

(a) **Covenants.**

(i) Lessee covenants to Lessor during the Lease Term, subject to the limitations of subsection (ii) below, as follows:

(A) Lessee shall permit no uses or operations on or of the Properties, whether by Lessee or any other Person, that are not in compliance with all Environmental Laws and permits issued pursuant thereto.

(B) Lessee shall permit no Releases in, on, under or from the Properties, except in Permitted Amounts.

(C) Lessee shall permit no Hazardous Materials or Regulated Substances in, on or under the Properties, except in Permitted Amounts. Above and below ground storage tanks shall be properly permitted and only used as permitted.

(D) Lessee shall keep the Properties or cause the Properties to be kept free and clear of all Environmental Liens, whether due to any act or omission of Lessee or any other Person.

(E) Lessee shall not act or fail to act or allow any other tenant, occupant, guest, customer or other user of the Properties to act or fail to act in any way that (1) materially increases a risk to human health or the environment, (2) poses an unreasonable or unacceptable risk of harm to any Person or the environment (whether on or off any of the Properties), (3) has a Material Adverse Effect, (4) is contrary to any material requirement set forth in the insurance policies maintained by Lessee or Lessor, (5) constitutes a public or private nuisance or constitutes waste, (6) violates any covenant, condition, agreement or easement applicable to the Properties, or (7) would result in any reopening or reconsideration of any prior investigation or causes a new investigation by a Governmental Authority having jurisdiction over any Property.

(F) Lessee shall, at its sole cost and expense, fully and expeditiously cooperate in all activities pursuant to this Section 8.03, including but not limited to providing all relevant information and making knowledgeable persons available for interviews.

(ii) Notwithstanding any provision of this Lease to the contrary, an Event of Default shall not be deemed to have occurred as a result of the failure of Lessee to satisfy any one or more of the covenants set forth in subsections (A) through (E) above provided that Lessee shall be in compliance with the requirements of any Governmental Authority with respect to the Remediation of any Release at the Properties.

(b) **Notification Requirements.** During the Lease Term, Lessee shall immediately notify Lessor in writing upon Lessee obtaining actual knowledge of (i) any Releases or Threatened Releases in, on, under or from any of the Properties other than in Permitted Amounts, or migrating towards any of the Properties; (ii) any non-compliance with any Environmental Laws related in any way to any of the Properties; (iii) any actual or potential Environmental Lien or activity use limitation; (iv) any required or proposed Remediation of environmental conditions relating to any of the Properties required by applicable Governmental Authorities; and (v) any written or oral notice or other communication of which Lessee becomes aware from any source whatsoever (including but not limited to a Governmental Authority) relating in any way to Hazardous Materials, Regulated Substances or above or below ground storage tanks, or Remediation thereof at or on any of the Properties, other than in Permitted Amounts, possible liability of any Person relating to any of the Properties pursuant to any Environmental Law, other environmental conditions in connection with any of the Properties, or any actual or potential administrative or judicial proceedings in connection with anything referred to in this Section. Lessee shall, upon Lessor's written request, deliver to Lessor a certificate stating that Lessee is and has been in full compliance with all of the environmental representations, warranties and covenants in this Lease.

(c) **Remediation.** Lessee shall, at its sole cost and expense, and without limiting any other provision of this Lease, effectuate any Remediation required by any Governmental Authority of any condition (including, but not limited to, a Release or Threatened Release) in, on, under or from the Properties and take any other reasonable action deemed necessary by any Governmental Authority for protection of human health or the environment. Should Lessee fail to undertake any required Remediation in accordance with the preceding sentence, Lessor, after written notice to Lessee and Lessee's failure to immediately

undertake such Remediation, shall be permitted to complete such Remediation, and all Costs incurred in connection therewith shall be paid by Lessee. Any Cost so paid by Lessor, together with interest at the Default Rate, shall be deemed to be Additional Rental hereunder and shall be immediately due from Lessee to Lessor.

(d) **Indemnification.** LESSEE SHALL, AT ITS SOLE COST AND EXPENSE, PROTECT, DEFEND, INDEMNIFY, RELEASE AND HOLD HARMLESS EACH OF THE INDEMNIFIED PARTIES FROM AND AGAINST ANY AND ALL LOSSES, INCLUDING, BUT NOT LIMITED TO, ALL COSTS OF REMEDIATION (WHETHER OR NOT PERFORMED VOLUNTARILY), ARISING OUT OF OR IN ANY WAY RELATING TO ANY ENVIRONMENTAL LAWS, HAZARDOUS MATERIALS, REGULATED SUBSTANCES, ABOVE OR BELOW GROUND STORAGE TANKS, OR OTHER ENVIRONMENTAL MATTERS CONCERNING THE PROPERTIES, EXCLUDING LOSSES SUFFERED BY AN INDEMNIFIED PARTY ARISING OUT OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF SUCH INDEMNIFIED PARTY. IT IS EXPRESSLY UNDERSTOOD AND AGREED THAT LESSEE'S OBLIGATIONS UNDER THIS SECTION SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION OF THIS LEASE FOR ANY REASON.

(e) **Right of Entry.** In the event that Lessor has a reasonable basis to believe that a Release or a violation of any Environmental Law has occurred, Lessor and any other Person designated by Lessor, including but not limited to any receiver, any representative of a Governmental Authority, and any environmental consultant, shall have the right, but not the obligation, to enter upon the Properties during business hours with reasonable prior notice to assess any and all aspects of the environmental condition of any Property and its use, including but not limited to conducting any environmental assessment or audit (the scope of which shall be determined in Lessor's sole and absolute discretion) and taking samples of soil, groundwater or other water, air, or building materials, and conducting other invasive testing; provided, however, that such entry does not unreasonably interfere with Lessee's operations or impose any risk on persons on the Properties. Lessee shall cooperate with and provide access to Lessor and any other Person designated by Lessor. Any such assessment or investigation shall be at Lessee's sole cost and expense.

(f) **Environmental Insurance.** Throughout the Lease Term, Lessor shall have the right, at its sole cost and expense, to maintain an Environmental Policy with respect to the Properties. Upon expiration of an Environmental Policy, Lessee shall reasonably cooperate with Lessor in connection with Lessor's renewal or replacement of such Environmental Policy and allow for any necessary environmental investigations of the Properties.

(g) **Survival.** The obligations of Lessee and the rights and remedies of Lessor under this Section 8.03 shall survive the termination, expiration and/or release of this Lease for a period of two (2) years.

ARTICLE IX ADDITIONAL COVENANTS

Section 9.01. Performance at Lessee's Expense. Lessee acknowledges and confirms that Lessor may impose reasonable administrative, processing or servicing fees (not to exceed the amount of \$5,000 per instance), and collect its reasonable and actual attorneys' fees, costs and expenses in connection with (a) any extension, renewal, modification, amendment and termination of this Lease requested by Lessee; (b) any release or substitution of Properties requested by Lessee; (c) the procurement of consents, waivers and approvals with respect to the Properties or any matter related to this Lease requested by Lessee; (d) the review of any assignment or sublease or proposed assignment or sublease or the preparation or review of any subordination or non-disturbance agreement requested by Lessee; (e) the collection, maintenance and/or disbursement of reserves created under this Lease or the other Transaction Documents (following

an Event of Default); and (f) inspections required to make certain determinations under this Lease or the other Transaction Documents following Lessor's reasonable belief of a breach under this Lease or any other Transaction Documents.

Section 9.02. Inspection. Lessor and its authorized representatives shall have the right, at all reasonable times and upon giving reasonable (at least 24 hours) prior notice (except in the event of an emergency, in which case no prior notice shall be required), to enter the Properties or any part thereof and inspect the same; provided, however, that such inspections shall not unreasonably interfere with the business of Lessee or impose any risk on any people or property at the Properties. Lessee hereby waives any claim for damages for any injury or inconvenience to or interference with Lessee's business, any loss of occupancy or quiet enjoyment of the Properties and any other loss occasioned by such entry, but, subject to Section 10.01, excluding damages arising as a result of the gross negligence or willful misconduct of Lessor.

Section 9.03. Financial Information.

(a) **Financial Statements.** Within forty five (45) days after the end of each fiscal quarter and within one hundred twenty (120) days after the end of each fiscal year of Lessee and Lessee Reporting Entities, Lessee shall deliver to Lessor (i) complete consolidated financial statements that consolidate Lessee and Lessee Reporting Entities, including a balance sheet, profit and loss statement, statement of stockholders' equity and statement of cash flows and all other related schedules for the fiscal period then ended, such statements to detail separately interest expense, income taxes, non-cash expenses, non-recurring expenses, operating lease expense and current portion of long-term debt – capital leases; (ii) income statements for the business at each of the Properties; and (iii) the supplemental financial information set forth on Schedule 9.03. All such financial statements shall be prepared in accordance with GAAP, and shall be certified to be accurate and complete by an officer or director of each Lessee Reporting Entity. In the event that Lessee's business at the Properties is ordinarily consolidated with other business for financial statements purposes, a separate profit and loss statement shall be provided showing separately the sales, profits and losses pertaining to each Property with interest expense, income taxes, non-cash expenses, non-recurring expenses and operating lease expense (rent), with the basis for allocation of overhead or other charges being clearly set forth in accordance with Schedule 9.03. The financial statements delivered to Lessor need not be audited, but Lessee shall deliver to Lessor copies of any audited financial statements of the Lessee Reporting Entities which may be prepared, as soon as they are available.

(b) **Other Information.** Notwithstanding any provision contained herein, upon request at any time, Lessee will provide to Lessor, at no additional cost or expense to Lessee, any and all financial information and/or financial statements of Lessee Reporting Entities (and in the form or forms) as reasonably requested by Lessor including, but not limited to, as requested by Lessor in connection with Lessor's filings with or disclosures to the Securities and Exchange Commission or other Governmental Authority.

Section 9.04. OFAC Laws. Upon receipt of notice or upon actual knowledge thereof, Lessee shall immediately notify Lessor in writing if any Person owning (directly or indirectly) any interest in any of the Lessee Entities, or any director, officer, shareholder, member, manager or partner of any of such holders is a Person whose property or interests are subject to being blocked under any of the OFAC Laws, or is otherwise in violation of any of the OFAC Laws, or is under investigation by any Governmental Authority for, or has been charged with, or convicted of, drug trafficking, terrorist-related activities or any violation of the Anti-Money Laundering Laws, has been assessed civil penalties under these or related Laws, or has had funds seized or forfeited in an action under these or related Laws; *provided, however*, that the covenant in this Section 9.04 shall not apply to any Person to the extent such Person's interest is in or through a U.S. Publicly Traded Entity.

Section 9.05. Estoppel Certificate. At any time, and from time to time, Lessee shall, promptly and in no event later than ten (10) Business Days after a request from Lessor or any Lender or mortgagee

of Lessor, execute, acknowledge and deliver to Lessor or such Lender or mortgagee, as the case may be, a certificate in the form supplied by Lessor, certifying: (a) that Lessee has accepted the Properties; (b) that this Lease is in full force and effect and has not been modified (or if modified, setting forth all modifications), or, if this Lease is not in full force and effect, the certificate shall so specify the reasons therefor; (c) the commencement and expiration dates of the Lease Term; (d) the date to which the Rentals have been paid under this Lease and the amount thereof then payable; (e) whether there are then any existing defaults by Lessor in the performance of its obligations under this Lease, and, if there are any such defaults, specifying the nature and extent thereof; (f) that no notice has been received by Lessee of any default under this Lease which has not been cured, except as to defaults specified in the certificate; (g) the capacity of the Person executing such certificate, and that such Person is duly authorized to execute the same on behalf of Lessee; (h) that neither Lessor nor any Lender or mortgagee has actual involvement in the management or control of decision making related to the operational aspects or the day-to-day operation of the Properties, including any handling or disposal of Hazardous Materials or Regulated Substances; and (i) any other information reasonably requested by Lessor or any Lender or mortgagee, as the case may be. If Lessee shall fail or refuse to sign a certificate in accordance with the provisions of this Section within ten (10) days following a request by Lessor, Lessee irrevocably constitutes and appoints Lessor as its attorney-in-fact to execute and deliver the certificate to any such third party, it being stipulated that such power of attorney is coupled with an interest and is irrevocable and binding.

ARTICLE X

RELEASE AND INDEMNIFICATION

Section 10.01. Release and Indemnification. LESSEE AGREES TO USE AND OCCUPY THE PROPERTIES AT ITS OWN RISK AND HEREBY RELEASES LESSOR AND LESSOR'S AGENTS AND EMPLOYEES FROM ALL CLAIMS FOR ANY DAMAGE OR INJURY TO THE FULL EXTENT PERMITTED BY LAW. LESSEE AGREES THAT LESSOR SHALL NOT BE RESPONSIBLE OR LIABLE TO LESSEE OR LESSEE'S EMPLOYEES, AGENTS, CUSTOMERS, LICENSEES OR INVITEES FOR BODILY INJURY, PERSONAL INJURY OR PROPERTY DAMAGE OCCASIONED BY THE ACTS OR OMISSIONS OF ANY OTHER LESSEE OR ANY OTHER PERSON. LESSEE AGREES THAT ANY EMPLOYEE OR AGENT TO WHOM THE PROPERTIES OR ANY PART THEREOF SHALL BE ENTRUSTED BY OR ON BEHALF OF LESSEE SHALL BE ACTING AS LESSEE'S AGENT WITH RESPECT TO THE PROPERTIES OR ANY PART THEREOF, AND NEITHER LESSOR NOR LESSOR'S AGENTS, EMPLOYEES OR CONTRACTORS SHALL BE LIABLE FOR ANY LOSS OF OR DAMAGE TO THE PROPERTIES OR ANY PART THEREOF UNLESS CAUSED BY THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF LESSOR OR LESSOR'S AGENTS, EMPLOYEES OR CONTRACTORS. LESSEE SHALL INDEMNIFY, PROTECT, DEFEND AND HOLD HARMLESS EACH OF THE INDEMNIFIED PARTIES FROM AND AGAINST ANY AND ALL LOSSES (EXCLUDING LOSSES SUFFERED BY AN INDEMNIFIED PARTY ARISING OUT OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF SUCH INDEMNIFIED PARTY; PROVIDED, HOWEVER, THAT THE TERM "GROSS NEGLIGENCE" SHALL NOT INCLUDE GROSS NEGLIGENCE IMPUTED AS A MATTER OF LAW TO ANY OF THE INDEMNIFIED PARTIES SOLELY BY REASON OF LESSOR'S INTEREST IN ANY PROPERTY OR LESSOR'S FAILURE TO ACT IN RESPECT OF MATTERS WHICH ARE OR WERE THE OBLIGATION OF LESSEE UNDER THIS LEASE) CAUSED BY, INCURRED OR RESULTING FROM LESSEE'S OPERATIONS OR BY LESSEE'S USE AND OCCUPANCY OF THE PROPERTIES, WHETHER RELATING TO ITS ORIGINAL DESIGN OR CONSTRUCTION, LATENT DEFECTS, ALTERATION, MAINTENANCE, USE BY LESSEE OR ANY PERSON THEREON, SUPERVISION OR OTHERWISE, OR FROM ANY BREACH OF, DEFAULT UNDER, OR FAILURE TO PERFORM, ANY TERM OR PROVISION OF THIS LEASE BY LESSEE, ITS OFFICERS, EMPLOYEES, AGENTS OR OTHER PERSONS. IT IS EXPRESSLY UNDERSTOOD AND AGREED THAT LESSEE'S OBLIGATIONS UNDER THIS SECTION SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION OF THIS LEASE FOR ANY REASON WHATSOEVER.

ARTICLE XI

CONDEMNATION AND CASUALTY

Section 11.01. Notification. Lessee shall promptly give Lessor written notice of (a) any Condemnation of any of the Properties, (b) the commencement of any proceedings or negotiations which might result in a Condemnation of any of the Properties, and (c) any Casualty to any of the Properties or any part thereof. Such notice shall provide a general description of the nature and extent of such Condemnation, proceedings, negotiations or Casualty, and shall include copies of any documents or notices received in connection therewith. Thereafter, Lessee shall promptly send Lessor copies of all notices, correspondence and pleadings relating to any such Condemnation, proceedings, negotiations or Casualty.

Section 11.02. Total Condemnation. In the event of a Condemnation of all or substantially all of any of the Properties, and if as a result of such Condemnation: (i) access to the Property to and from the publicly dedicated roads adjacent to the Property as of the Effective Date is permanently and materially impaired such that Lessee no longer has access to such dedicated road; (ii) there is insufficient parking to operate the Property as a Permitted Facility under applicable Laws; or (iii) the Condemnation includes a portion of the building such that the remaining portion is unsuitable for use as a Permitted Facility, as determined by Lessee in the exercise of good faith business judgment (and Lessee provides to Lessor an officer's certificate executed by an officer of Lessee certifying to the same) (each such event, a "Total Condemnation"), then, in such event:

(a) **Termination of Lease.** On the date of the Total Condemnation, all obligations of either party hereunder with respect to the applicable Property shall cease and the Base Annual Rental shall be reduced as set forth in Section 11.03(c) below; *provided, however*, that Lessee's obligations to the Indemnified Parties under any indemnification provisions of this Lease with respect to such Property and Lessee's obligation to pay Rental and all other Monetary Obligations (whether payable to Lessor or a third party) accruing under this Lease with respect to such Property prior to the date of termination shall survive such termination. If the date of such Total Condemnation is other than the first day of a month, the Base Monthly Rental for the month in which such Total Condemnation occurs shall be apportioned based on the date of the Total Condemnation.

(b) **Net Award.** Subject to Section 11.07 below, Lessor shall be entitled to receive the entire Net Award in connection with a Total Condemnation without deduction for any estate vested in Lessee by this Lease, and Lessee hereby expressly assigns to Lessor all of its right, title and interest in and to every such Net Award and agrees that Lessee shall not be entitled to any Net Award or other payment for the value of Lessee's leasehold interest in this Lease.

Section 11.03. Partial Condemnation or Casualty. In the event of a Condemnation which is not a Total Condemnation (each such event, a "Partial Condemnation"), or in the event of a Casualty:

(a) **Net Awards.** All Net Awards shall be paid to Lessor.

(b) **Continuance of Lease.** This Lease shall continue in full force and effect upon the following terms:

(i) All Rental and other Monetary Obligations due under this Lease shall continue unabated.

(ii) Lessee shall promptly commence and diligently prosecute restoration of such Property to the same condition, as nearly as practicable, as prior to such Partial Condemnation or Casualty as approved by Lessor. Subject to the terms and provisions of the Mortgages and upon the written

request of Lessee (accompanied by evidence reasonably satisfactory to Lessor that such amount has been paid or is due and payable and is properly part of such costs, and that Lessee has complied with the terms of Section 7.02 in connection with the restoration), Lessor shall promptly make available in installments, subject to reasonable conditions for disbursement imposed by Lessor, an amount up to but not exceeding the amount of any Net Award received by Lessor with respect to such Partial Condemnation or Casualty. Prior to the disbursement of any portion of the Net Award with respect to a Casualty, Lessee shall provide evidence reasonably satisfactory to Lessor of the payment of restoration expenses by Lessee up to the amount of the insurance deductible applicable to such Casualty. Lessor shall be entitled to keep any portion of the Net Award which may be in excess of the cost of restoration, and Lessee shall bear all additional Costs of such restoration in excess of the Net Award.

(c) **Right to Termination.** Notwithstanding any other provision to the contrary contained in this Article XI, in the event that, as a result of a Casualty in the last year of the Lease Term, Lessee shall reasonably estimate in the exercise of good faith business judgment that the applicable Property cannot be used for the same purpose and substantially with the same utility as before such Casualty (and Lessee provides to Lessor an officer's certificate executed by an officer of Lessee certifying to the same), then, subject to the terms and conditions set forth in this subsection (c), Lessee shall have the right, exercisable by written notice given to Lessor no later than thirty (30) days following such Casualty, to terminate this Lease with respect to such damaged Property (and in connection with such termination, the Base Annual Rental shall be reduced as set forth in Section 11.03() below). If Lessee elects to terminate, this Lease shall terminate with respect to such Property as of the last day of the month during which such thirty (30) day period expired. Lessee shall vacate and surrender such Property by such termination date, in accordance with the provisions of this Lease, and all obligations of either party hereunder with respect to such Property shall cease as of the date of termination; provided, however, Lessee's obligations to the Indemnified Parties under any indemnification provisions of this Lease with respect to such Property and Lessee's obligations to pay Rental and all other Monetary Obligations (whether payable to Lessor or a third party) accruing under this Lease with respect to such Property prior to the date of termination shall survive such termination subject to, and in accordance with, the terms hereof. In such event, Lessor may retain all Net Awards related to the Casualty, and Lessee shall immediately pay Lessor an amount equal to the insurance deductible applicable to any Casualty.

(d) **Rental.** Upon removal of a Property pursuant to Section 11.02 or Section 11.03, the Base Annual Rental shall be reduced by an amount equal to the Lease Rate multiplied by the Net Award.

Section 11.04. Temporary Taking. In the event of a Condemnation of all or any part of any Property for a temporary use (a "Temporary Taking"), this Lease shall remain in full force and effect without any reduction of Base Annual Rental, Additional Rental or any other Monetary Obligation payable hereunder. Except as provided below, Lessee shall be entitled to the entire Net Award for a Temporary Taking, unless the period of occupation and use by the condemning authorities shall extend beyond the date of expiration of this Lease, in which event the Net Award made for such Temporary Taking shall be apportioned between Lessor and Lessee as of the date of such expiration. At the termination of any such Temporary Taking, Lessee will, at its own cost and expense and pursuant to the provisions of Section 7.02, promptly commence and complete restoration of such Property.

Section 11.05. Adjustment of Losses. Any loss under any property damage insurance required to be maintained by Lessee shall be adjusted by Lessor and Lessee. Any Net Award relating to a Total Condemnation or a Partial Condemnation shall be adjusted by Lessor or, at Lessor's election, Lessee. Notwithstanding the foregoing or any other provisions of this Section 11.05 to the contrary, if at the time of any Condemnation or any Casualty or at any time thereafter an Event of Default shall have occurred and be continuing, Lessor is hereby authorized and empowered but shall not be obligated, in the name and on behalf of Lessee and otherwise, to file and prosecute Lessee's claim, if any, for a Net Award on account of such Condemnation or such Casualty and to collect such Net Award and apply the same to the curing of

such Event of Default and any other then existing Event of Default under this Lease and/or to the payment of any amounts owed by Lessee to Lessor under this Lease, in such order, priority and proportions as Lessor in its discretion shall deem proper.

Section 11.06. Lessee Obligation in Event of Casualty. During all periods of time following a Casualty, Lessee shall take reasonable steps to ensure that the affected Property is secure and does not pose any risk of harm to any adjoining property and Persons (including owners or occupants of such adjoining property).

Section 11.07. Lessee Awards and Payments. Notwithstanding any provision contained in this Article XI, Lessee shall be entitled to claim and receive any award or payment from the condemning authority expressly granted for the taking of any personal property owned by Lessee, any insurance proceeds with respect to any personal property owned by Lessee, the interruption of its business and moving expenses (subject, however, to the provisions of Section 6.03(a)(iv) above), but only if such claim or award does not adversely affect or interfere with the prosecution of Lessor's claim for the Condemnation or Casualty, or otherwise reduce the amount recoverable by Lessor for the Condemnation or Casualty.

ARTICLE XII

DEFAULT, CONDITIONAL LIMITATIONS, REMEDIES AND MEASURE OF DAMAGES

Section 12.01. Event of Default. Each of the following shall be an event of default by Lessee under this Lease (each, an "Event of Default"):

(a) if any representation or warranty of Lessee set forth in this Lease is false in any material respect when made, or if Lessee renders any materially false statement or account when made;

(b) if any Rental or other Monetary Obligation due under this Lease is not paid when due if such failure continues for more than three (3) Business Days after written notice from Lessor; provided, however, Lessor shall only be required to provide such notice twice in any twelve (12) month period; *provided, however*, any delay in the payment of Rental as a result of a technical error in the wiring and/or automated clearinghouse process shall not constitute an Event of Default hereunder so long as the same is corrected within one (1) Business Day of the date Lessee receives notice thereof;

(c) if Lessee fails to pay, prior to delinquency, any taxes, assessments or other charges the failure of which to pay will result in the imposition of a lien against any of the Properties;

(d) if Lessee vacates or abandons any Property;

(e) if there is an Insolvency Event affecting Lessee;

(f) if Lessee fails to observe or perform any of the other covenants, conditions or obligations of Lessee in this Lease; *provided, however*, if any such failure does not involve the payment of any Monetary Obligation, is not willful or intentional, does not place any Property or any rights or property of Lessor in immediate jeopardy, and is within the reasonable power of Lessee to promptly cure, all as determined by Lessor in its reasonable discretion, then such failure shall not constitute an Event of Default hereunder, unless otherwise expressly provided herein, unless and until Lessor shall have given Lessee notice thereof and a period of thirty (30) days shall have elapsed, during which period Lessee may correct or cure such failure, upon failure of which an Event of Default shall be deemed to have occurred hereunder without further notice or demand of any kind being required. If such failure cannot reasonably be cured within such thirty (30) day period, as determined by Lessor in its reasonable discretion, and Lessee is diligently

pursuing a cure of such failure, then Lessee shall have a reasonable period to cure such failure beyond such thirty (30)-day period, which shall in no event exceed ninety (90) days after receiving notice of such failure from Lessor. If Lessee shall fail to correct or cure such failure within such ninety (90)-day period, an Event of Default shall be deemed to have occurred hereunder without further notice or demand of any kind being required;

(g) if a final, nonappealable judgment is rendered by a court against Lessee which has a Material Adverse Effect, and is not discharged or provision made for such discharge within ninety (90) days from the date of entry thereof;

(h) if Lessee shall be liquidated or dissolved or shall begin proceedings towards its liquidation or dissolution;

(i) if the estate or interest of Lessee in any of the Properties shall be levied upon or attached in any proceeding and such estate or interest is about to be sold or transferred or such process shall not be vacated or discharged within ninety (90) days after it is made; or

(j) if there is an "Event of Default" or other breach or default by Lessee under any of the other Transaction Documents or any Other Agreement, after the passage of all applicable notice and cure or grace periods; *provided, however*, in the event that this Lease has been the subject of a Securitization and any Other Agreement has not been the subject of the same Securitization or any series relating to such Securitization, an "Event of Default" under such Other Agreement shall not constitute an Event of Default under this Lease.

Section 12.02. Remedies. Upon the occurrence of an Event of Default, with or without notice or demand, except as otherwise expressly provided herein or such other notice as may be required by statute and cannot be waived by Lessee, Lessor shall be entitled to exercise, at its option, concurrently, successively, or in any combination, all remedies available at Law or in equity, including, without limitation, any one or more of the following:

(a) to terminate this Lease, whereupon Lessee's right to possession of the Properties shall cease and this Lease, except as to Lessee's liability, shall be terminated;

(b) to the extent not prohibited by applicable Law, to (i) re-enter and take possession of the Properties (or any part thereof), any or all personal property or fixtures of Lessee upon the Properties and, to the extent permissible, permits and other rights or privileges of Lessee pertaining to the use and operation of the Properties, and (ii) expel Lessee and those claiming under or through Lessee, without being deemed guilty in any manner of trespass or becoming liable for any loss or damage resulting therefrom, without resort to legal or judicial process, procedure or action. No notice from Lessor hereunder or under a forcible entry and detainer statute or similar Law shall constitute an election by Lessor to terminate this Lease unless such notice specifically so states. If Lessee shall, after default, voluntarily give up possession of the Properties to Lessor, deliver to Lessor or its agents the keys to the Properties, or both, such actions shall be deemed to be in compliance with Lessor's rights and the acceptance thereof by Lessor or its agents shall not be deemed to constitute a termination of the Lease. Lessor reserves the right following any re-entry and/or reletting to exercise its right to terminate this Lease by giving Lessee written notice thereof, in which event this Lease will terminate;

(c) to relet the Properties or any part thereof for such term or terms (including a term which extends beyond the original Lease Term), at such rentals and upon such other terms as Lessor, in its sole discretion, may determine, with all proceeds received from such reletting being applied to the Rental and other Monetary Obligations due from Lessee in such order as Lessor may, in its sole discretion, determine, which other Monetary Obligations include, without limitation, all reasonable and actual repossession costs,

brokerage commissions, attorneys' fees and expenses, alteration, remodeling and repair costs and expenses of preparing for such reletting. Except to the extent required by applicable Law, Lessor shall have no obligation to relet the Properties or any part thereof and shall in no event be liable for refusal or failure to relet the Properties or any part thereof, or, in the event of any such reletting, for refusal or failure to collect any rent due upon such reletting, and no such refusal or failure shall operate to relieve Lessee of any liability under this Lease or otherwise to affect any such liability. Lessor reserves the right following any re-entry and/or reletting to exercise its right to terminate this Lease by giving Lessee written notice thereof, in which event this Lease will terminate as specified in said notice;

(d) to recover from Lessee all Costs paid or incurred by Lessor as a result of such breach, regardless of whether or not legal proceedings are actually commenced;

(e) to immediately or at any time thereafter, and with or without notice, at Lessor's sole option but without any obligation to do so, correct such breach or default and charge Lessee all Costs incurred by Lessor therein. Any sum or sums so paid by Lessor, together with interest at the Default Rate, shall be deemed to be Additional Rental hereunder and shall be immediately due from Lessee to Lessor. Any such acts by Lessor in correcting Lessee's breaches or defaults hereunder shall not be deemed to cure said breaches or defaults or constitute any waiver of Lessor's right to exercise any or all remedies set forth herein;

(f) to immediately or at any time thereafter, and with or without notice, except as required herein, set off any money of Lessee held by Lessor under this Lease or any other Transaction Document or any Other Agreement against any sum owing by Lessee hereunder;

(g) Without limiting the generality of the foregoing or limiting in any way the rights of Lessor under this Lease or otherwise under applicable Laws, at any time after the occurrence, and during the continuance, of an Event of Default, Lessor shall be entitled to apply for and seek the appointment of a receiver under and subject to applicable Law by a court of competent jurisdiction (by ex parte motion for appointment without notice) in any action taken by Lessor to enforce its rights and remedies hereunder in order to protect and preserve Lessor's interest under this Lease or in the Properties and the Personalty; and/or

(h) to seek any equitable relief available to Lessor, including, without limitation, the right of specific performance.

Section 12.03. Cumulative Remedies. All powers and remedies given by Section 12.02 to Lessor, subject to applicable Law, shall be cumulative and not exclusive of one another or of any other right or remedy or of any other powers and remedies available to Lessor under this Lease, by judicial proceedings or otherwise, to enforce the performance or observance of the covenants and agreements of Lessee contained in this Lease, and no delay or omission of Lessor to exercise any right or power accruing upon the occurrence of any Event of Default shall impair any other or subsequent Event of Default or impair any rights or remedies consequent thereto. Every power and remedy given by this Section or by Law to Lessor may be exercised from time to time, and as often as may be deemed expedient, by Lessor, subject at all times to Lessor's right in its sole judgment to discontinue any work commenced by Lessor or change any course of action undertaken by Lessor.

Section 12.04. Lessee Waiver. Lessee hereby expressly waives, for itself and all Persons claiming by, through and under Lessee, including creditors of all kinds, (a) any right and privilege which Lessee has under any present or future Legal Requirements to redeem the Properties or to have a continuance of this Lease for the Lease Term after termination of Lessee's right of occupancy by order or judgment of any court or by any legal process or writ, or under the terms of this Lease; (b) the benefits of any present or future Legal Requirement that exempts property from liability for debt or for distress for rent; (c) any present or future Legal Requirement relating to notice or delay in levy of execution in case of eviction of a tenant for

nonpayment of rent; and (d) any benefits and lien rights which may arise pursuant to any present or future Legal Requirement.

ARTICLE XIII

MORTGAGE, SUBORDINATION AND ATTORNMEN

Section 13.01. No Liens. Lessor's interest in this Lease and/or the Properties shall not be subordinate to any liens or encumbrances placed upon the Properties by or resulting from any act of Lessee, and nothing herein contained shall be construed to require such subordination by Lessor. NOTICE IS HEREBY GIVEN THAT LESSEE IS NOT AUTHORIZED TO PLACE OR ALLOW TO BE PLACED ANY LIEN, MORTGAGE, DEED OF TRUST, DEED TO SECURE DEBT, SECURITY INTEREST OR ENCUMBRANCE OF ANY KIND UPON ALL OR ANY PART OF THE PROPERTIES OR LESSEE'S LEASEHOLD INTEREST THEREIN, AND ANY SUCH PURPORTED TRANSACTION SHALL BE VOID.

Section 13.02. Subordination. This Lease at all times shall automatically be subordinate to the lien of any and all ground leases and Mortgages now or hereafter placed upon any of the Properties by Lessor, and Lessee covenants and agrees to execute and deliver, upon demand, such further instruments subordinating this Lease to the lien of any or all such ground leases and Mortgages as shall be desired by Lessor, or any present or proposed mortgagees under trust deeds, upon the condition that Lessee shall have the right to remain in possession of the Properties under the terms of this Lease, notwithstanding any default in any or all such ground leases or Mortgages, or after the foreclosure of any such Mortgages, so long as no Event of Default shall have occurred and be continuing.

Section 13.03. Attornment. In the event any purchaser or assignee of any Lender at a foreclosure sale acquires title to any of the Properties, or in the event that any Lender or any purchaser or assignee otherwise succeeds to the rights of Lessor as landlord under this Lease, Lessee shall attorn to Lender or such purchaser or assignee, as the case may be (a "Successor Lessor"), and recognize the Successor Lessor as lessor under this Lease as long as Successor Lessor recognizes Lessee's rights hereunder and does not disturb Lessee, and, subject to the provisions of this Article XIII, this Lease shall continue in full force and effect as a direct lease between the Successor Lessor and Lessee, provided that the Successor Lessor shall only be liable for any obligations of Lessor under this Lease which accrue after the date that such Successor Lessor acquires title. The foregoing provision shall be self-operative and effective without the execution of any further instruments.

Section 13.04. Execution of Additional Documents. Although the provisions in this Article XIII shall be self-operative and no future instrument of subordination shall be required, upon request by Lessor, Lessee shall execute and deliver such additional reasonable instruments as may be reasonably required for such purposes.

Section 13.05. Notice to Lender. Lessee shall give written notice to any Lender having a recorded lien upon any of the Properties or any part thereof of which Lessee has been notified of any breach or default by Lessor of any of its obligations under this Lease and give such Lender at least sixty (60) days beyond any notice period to which Lessor might be entitled to cure such default before Lessee may exercise any remedy with respect thereto.

ARTICLE XIV

ASSIGNMENT

Section 14.01. Assignment by Lessor. As a material inducement to Lessor's willingness to enter into the transactions contemplated by this Lease (the "Transaction") and the other Transaction Documents,

Lessee hereby agrees that Lessor may, from time to time and at any time and without the consent of Lessee, 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: (a) the sale, assignment, grant, conveyance, transfer, financing, re-financing, purchase or re-acquisition of all, less than all or any portion of the Properties, this Lease or any other Transaction Document, Lessor's right, title and interest in this Lease or any other Transaction Document, the servicing rights with respect to any of the foregoing, or participations in any of the foregoing; or (b) a Securitization and related transactions. Without in any way limiting the foregoing, the parties acknowledge and agree that Lessor, in its sole discretion, may assign this Lease or any interest herein to another Person in order to maintain Lessor's or any of its Affiliates' status as a REIT. In the event of any such sale or assignment other than a security assignment, Lessee shall attorn to such purchaser or assignee (so long as Lessor and such purchaser or assignee notify Lessee in writing of such transfer and such purchaser or assignee expressly assumes in writing the obligations of Lessor hereunder from and after the date of such assignment). At the request of Lessor, Lessee will execute such documents confirming the sale, assignment or other transfer and such other agreements as Lessor may reasonably request, provided that the same do not increase the liabilities and obligations of Lessee hereunder and include Successor Lessor's express assumption of all Lessor's obligations hereunder. Lessor shall be relieved, from and after the date of such transfer or conveyance, of liability for the performance of any obligation of Lessor contained herein, except for obligations or liabilities accrued prior to such assignment or sale.

Section 14.02. No Assignment by Lessee.

(a) Lessee acknowledges that Lessor has relied both on the business experience and creditworthiness of Lessee and upon the particular purposes for which Lessee intends to use the Properties in entering into this Lease. Subject to Section 14.02(b), Lessee shall not assign, transfer, convey, pledge or mortgage this Lease or any interest herein or any interest in Lessee, whether by operation of Law or otherwise, without the prior written consent of Lessor, which may not be unreasonably conditioned, delayed or withheld. At the time of any assignment of this Lease which is approved by Lessor, the assignee shall assume all of the obligations of Lessee under this Lease pursuant to a written assumption agreement in form and substance reasonably acceptable to Lessor. Such assignment of this Lease pursuant to this Section 14.02 shall not relieve Lessee of its obligations respecting this Lease unless otherwise agreed to by Lessor, which shall not be unreasonably conditioned, delayed or withheld. Any assignment, transfer, conveyance, pledge or mortgage in violation of this Section 14.02 shall be voidable at the sole option of Lessor. Any consent to an assignment given by Lessor hereunder shall not be deemed a consent to any subsequent assignment. Lessor shall review and provide approval or reasons for withholding approval of an assignment within fifteen (15) days of Lessee's request for approval.

(b) Notwithstanding anything to the contrary contained in Section 14.02(a) above and provided that no Event of Default has occurred and is continuing and provided further that any assignee agrees to assume all of Lessee's obligations under this Lease and reaffirms all the representations and warranties contained herein, a Lessee entity shall have the right to assign or otherwise transfer its interest in, to and under this Lease without Lessor's consent to (i) an Affiliate of Lessee, or (ii) any entity which purchases or otherwise acquires all or substantially all of the assets or equity interest of such Lessee entity in a bona fide sale for fair market value. In no event shall Lessee shall be released from liability under this Lease without the prior written consent of Lessor.

Section 14.03. No Sale of Assets. Without the prior written consent of Lessor, Lessee shall not sell all or substantially all of Lessee's assets such that Lessee can no longer operate its business at the Properties, except in connection with an assumption of this Lease pursuant to Section 14.02(b) above. Any sale of Lessee's assets in violation of this Section 14.03, shall be voidable at the sole option of Lessor. Any consent to a sale of Lessee's assets given by Lessor hereunder shall not be deemed a consent to any subsequent sale of Lessee's assets.

Section 14.04. Subletting. Provided no Event of Default has occurred and is continuing, Lessee shall have the right to sublease any or all of the Properties; provided, however, (i) the term of any such sublease shall not extend beyond the Lease Term; (ii) the sublease shall be for no use other than a Permitted Facility; (iii) the sublease shall be subject and subordinate to this Lease and shall not contain any terms inconsistent with this Lease; (iv) Lessee shall at all times remain fully and primarily liable under this Lease; (v) the rent due under such sublease shall be fixed rent and shall not be based on the net profits of the sublessee; and (vi) the sublease is approved by Lessor, which approval shall not be unreasonably withheld, conditioned or delayed (each, a "Sublease"). As security for the payment and performance by Lessee of its obligations under this Lease, Lessee hereby assigns, transfers, sets over and grants to Lessor, a security interest in any and all of Lessee's right, title and interest, powers, privileges and other benefits as landlord under the Subleases, including, without limitation: (i) rent and proceeds thereof; (ii) the right to enter upon, take possession of and use any and all property subleased or granted by Lessee under the Subleases; (iii) the right to make all waivers and agreements, to give all notices, consents and releases, to take all action upon the happening of any default giving rise to a right in favor of Lessee under the Subleases; and (iv) the right to do any and all other things whatsoever which Lessee is or may become entitled to do under the Subleases. Upon the occurrence of and during the continuance of an Event of Default hereunder, Lessee agrees that, at the option of Lessor and in addition to such other rights and remedies as may be afforded to Lessor under this Lease, Lessor shall have the right, without giving notice to or obtaining the consent of Lessee, to exercise, enforce or avail itself of any of the rights, powers, privileges, authorizations or benefits assigned and transferred to Lessor pursuant to this Section 14.04, including, without limitation, the right to collect all amounts due under the Subleases. From and after the occurrence of an Event of Default, Lessee does hereby irrevocably appoint Lessor as Lessee's true and lawful attorney, with full power (in the name of Lessee or otherwise) to ask, require, demand, receive and give acquittance for every payment under or arising out of the Subleases to which Lessee is or may become entitled. Lessee declares that this appointment is coupled with an interest and shall be irrevocable by Lessee. Lessee further agrees to execute any and all other instruments deemed reasonably necessary by Lessor to further the intent of the foregoing assignment and to vest Lessor in the Subleases. Notwithstanding any provision contained in this Section 14.04, (i) Lessor shall not be obligated to perform or discharge any obligation, duty or liability under the Subleases by reason of the foregoing assignment; and (ii) Lessor shall not be liable or responsible for, and Lessee agrees to indemnify and hold Lessor harmless from and against any liability, loss, cost or damage, claim or demand against Lessor arising, directly or indirectly, from or related to the Subleases.

ARTICLE XV

NOTICES

Section 15.01. Notices. All notices, demands, designations, certificates, requests, offers, consents, approvals, appointments and other instruments given pursuant to this Lease shall be in writing and given by any one of the following: (a) hand delivery; (b) express overnight delivery service; (c) certified or registered mail, return receipt requested; or (d) email transmission, 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) 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; or (iv) transmission, if delivered by email transmission. Notices shall be provided to the parties and addresses (or electronic mail addresses) specified below:

If to Lessee: Synalloy Corporation
4510 Cox Road, Suite 201
Richmond, VA 23060
Attention: Craig Bram
Email: cbram@synalloy.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 Lessor: STORE Master Funding XII, 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.

ARTICLE XVI

RIGHT OF FIRST REFUSAL

Section 16.01. Offer. Subject to the terms and conditions set forth in this Article XVI, if Lessor desires to sell any Property and receives a bona fide written offer from a third party which offer is in all respects acceptable to Lessor, Lessor shall deliver a complete copy of such bona fide third party offer to Lessee ("Third Party Offer"). Within fifteen (15) days of Lessee's receipt of such Third Party Offer from Lessor, and a written statement of Lessor's desire to sell the Property in accordance with such Third Party Offer, Lessee shall have the right to deliver an offer to Lessor ("Purchase Offer") to purchase Lessor's interest in any such Property for the amount of the bona fide third party offer to purchase such Property (the "Subject Purchase Price"). Lessee shall complete such purchase, subject to the satisfaction of each of the terms and conditions set forth in Section 16.02 below.

Section 16.02. Conditions Precedent.

(a) The purchase of Lessor's interest in a Property pursuant to Section 16.01 shall be subject to the fulfillment of all of the following terms and conditions: (1) no monetary Event of Default shall have occurred and be continuing under this Lease or other Transaction Documents; (2) Lessee shall have paid to Lessor the Subject Purchase Price, together with all Rental and other Monetary Obligations then due and payable under this Lease as of the date of the closing of such purchase; (3) in addition to payment of

the Subject Purchase Price, Lessee shall have satisfied its obligations under Section 16.03 below; and (4) the date of the closing of such purchase shall occur on the next scheduled Base Monthly Rental payment date that is at least thirty (30) days following Lessor's receipt of Lessee's written notice of its exercise of its right to purchase the Property pursuant to Section 16.01.

(b) On the date of the closing of the purchase of a Property pursuant to this Section (the "Purchase Closing Date"), subject to satisfaction of the foregoing conditions: (1) this Lease shall be deemed terminated with respect to the Property and the Base Annual Rental shall be reduced by an amount equal to the Lease Rate multiplied by the Subject Purchase Price; *provided, however*, such termination shall not limit Lessee's obligations to Lessor under any indemnification provisions of this Lease and Lessee's obligations to pay any Monetary Obligations (whether payable to Lessor or a third party) accruing under this Lease with respect to such Property prior to the Purchase Closing Date shall survive the termination of this Lease; and (2) Lessor shall convey such Property to Lessee "as is" by special warranty deed, subject to all matters of record (except for any consensual liens granted by Lessor other than those granted by Lessor at the request of Lessee), and without representation or warranty.

Section 16.03. Costs. Lessee shall be solely responsible for the payment of all Costs resulting from any proposed purchase pursuant to this Article XVI, regardless of whether the purchase is consummated, including, without limitation, to the extent applicable, the cost of title insurance and endorsements, including, survey charges, stamp taxes, mortgage taxes, transfer taxes and fees, escrow and recording fees, taxes imposed on Lessor as a result of such purchase, the attorneys' fees of Lessee and the reasonable attorneys' fees and expenses of counsel to Lessor.

Section 16.04. Termination of Right. NOTWITHSTANDING ANYTHING TO THE CONTRARY, LESSEE'S RIGHTS UNDER THIS ARTICLE XVI SHALL TERMINATE AND BE NULL AND VOID AND OF NO FURTHER FORCE AND EFFECT IF (i) LESSEE FAILS TO EXERCISE THE RIGHT GRANTED PURSUANT TO THIS ARTICLE, AND THE SALE TO THE THIRD PARTY PURCHASER IS CONSUMMATED; (ii) THIS LEASE TERMINATES OR THE LEASE TERM EXPIRES; OR (iii) THE PROPERTY IS SOLD OR TRANSFERRED PURSUANT TO THE EXERCISE OF A PRIVATE POWER OF SALE OR JUDICIAL FORECLOSURE OR ACCEPTANCE OF A DEED IN LIEU THEREOF. IN ANY SUCH EVENT, LESSEE SHALL EXECUTE A QUITCLAIM DEED AND SUCH OTHER DOCUMENTS AS LESSOR SHALL REASONABLY REQUEST EVIDENCING THE TERMINATION OF ITS RIGHT UNDER THIS ARTICLE XVI.

Section 16.05. Attornment. If Lessee does not deliver its Purchase Offer to purchase the Property and the Property is transferred to a third party purchaser, Lessee will attorn to any third party purchaser as Lessor so long as such third party purchaser and Lessor notify Lessee in writing of such transfer. At the request of Lessor, Lessee will execute such documents confirming the agreement referred to above and such other agreements as Lessor may reasonably request, provided that such agreements do not increase the liabilities and obligations of Lessee hereunder.

Section 16.06. Exclusions. The provisions of this Article XVI shall not apply to or prohibit (i) any mortgages or other hypothecation of Lessor's interest in the Property; (ii) any sale of the Property pursuant to a private power of sale under or judicial foreclosure of any mortgage or other security instrument or device to which Lessor's interest in the Property is now or hereafter subject; (iii) any transfer of Lessor's interest in the Property to a mortgagee or other holder of a security interest therein or their designees by deed in lieu of foreclosure; (iv) any transfer of the Property to any governmental or quasi-governmental agency with power of Condemnation; (v) any transfer of the Property to any Affiliate of Lessor; (vi) any transfers of interests in Lessor by any member, shareholder, partner or other owner to any other member, shareholder, partner or other owner; and (vii) any transfers to any Person to whom Lessor sells all or substantially all of its assets.

ARTICLE XVII

MISCELLANEOUS

Section 17.01. Force Majeure. Any prevention, delay or stoppage due to strikes, lockouts, acts of God, enemy or hostile governmental action, civil commotion, fire or other casualty beyond the control of the party obligated to perform (each, a "Force Majeure Event") shall excuse the performance by such party for a period equal to any such prevention, delay or stoppage, expressly excluding, however, the obligations imposed upon Lessee with respect to Rental and other Monetary Obligations to be paid hereunder.

Section 17.02. No Merger. There shall be no merger of this Lease nor of the leasehold estate created by this Lease with the fee estate in or ownership of any of the Properties by reason of the fact that the same person, corporation, firm or other entity may acquire or hold or own, directly or indirectly, (a) this Lease or the leasehold estate created by this Lease or any interest in this Lease or in such leasehold estate, and (b) the fee estate or ownership of any of the Properties or any interest in such fee estate or ownership. No such merger shall occur unless and until all persons, corporations, firms and other entities having any interest in (i) this Lease or the leasehold estate created by this Lease, and (ii) the fee estate in or ownership of the Properties or any part thereof sought to be merged shall join in a written instrument effecting such merger and shall duly record the same.

Section 17.03. Interpretation. Lessor and Lessee acknowledge and warrant to each other that each has been represented by independent counsel and has executed this Lease after being fully advised by said counsel as to its effect and significance. This Lease 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. Whenever in this Lease any words of obligation or duty are used, such words or expressions shall have the same force and effect as though made in the form of a covenant.

Section 17.04. Characterization. The following expressions of intent, representations, warranties, covenants, agreements, stipulations and waivers are a material inducement to Lessor entering into this Lease:

(a) Lessor and Lessee intend that (i) this Lease constitutes an unseverable, unitary and single lease of all, but not less than all, of the Properties, and, if at any time this Lease covers other real property in addition to the Properties, neither this Lease, nor Lessee's obligations or rights hereunder may be allocated or otherwise divided among such properties by Lessee; (ii) this Lease is a "true lease," is not a financing lease, capital lease, mortgage, equitable mortgage, deed of trust, trust agreement, security agreement or other financing or trust arrangement, and the economic realities of this Lease are those of a true lease; and (iii) the business relationship created by this Lease and any related documents is solely that of a long-term commercial lease between Lessor and Lessee, the Lease has been entered into by both parties in reliance upon the economic and legal bargains contained herein, and none of the agreements contained herein is intended, nor shall the same be deemed or construed, to create a partnership (*de facto* or *de jure*) between Lessor and Lessee, to make them joint venturers, to make Lessee an agent, legal representative, partner, subsidiary or employee of Lessor, nor to make Lessor in any way responsible for the debts, obligations or losses of Lessee.

(b) Lessor and Lessee covenant and agree that: (i) each intends to treat this Lease as an operating lease pursuant to Statement of Financial Accounting Standards No. 13, as amended, and as a true lease for state Law reporting purposes and for federal income tax purposes; (ii) each party 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 17.04; (iii) with respect to the Properties, the Lease Term is less than seventy-five percent (75%) of the estimated remaining economic life of the Properties; and (iv) the Base Annual Rental is the fair market value for the use of the Properties and was agreed to by Lessor and Lessee on that basis, and the execution and delivery of, and the performance by Lessee of its obligations under, this Lease do not constitute a transfer of all or any part of the Properties.

(c) Lessee waives any claim or defense based upon the characterization of this Lease as anything other than a true lease and as a master lease of all of the Properties. Lessee stipulates and agrees (i) not to challenge the validity, enforceability or characterization of the lease of the Properties as a true lease and/or as a single, unitary, unseverable instrument pertaining to the lease of all, but not less than all, of the Properties; and (ii) not to assert or take or omit to take any action inconsistent with the agreements and understandings set forth in this Section 17.04.

Section 17.05. Disclosures.

(a) **Securities Act or Exchange Act.** The parties agree that, notwithstanding any provision contained in this Lease, 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 or the Exchange Act.

(b) **Lessor Advertising and Related Publications.** Upon receipt of Lessee's prior consent, Lessor may use Lessee's name, trademarks, logos, pictures of stores and signage, and basic Transaction information (collectively "Lessee's Information") solely in connection with Lessor's sales, advertising, and press release materials, including on Lessor's website.

(c) **Public Disclosures.** Except as required by Law, Lessee shall not make any public disclosure, including press releases or any form of media release, of this Lease Agreement or any transactions relating hereto without the prior written consent of Lessor.

Section 17.06. Attorneys' Fees. In the event of any judicial or other adversarial proceeding concerning this Lease, to the extent permitted by Law, 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 17.07. Memoranda of Lease. Concurrently with the execution of this Lease, Lessor and Lessee are executing Lessor's standard form memorandum of lease in recordable form, indicating the names and addresses of Lessor and Lessee, a description of the Properties, the Lease Term, but omitting Rentals and such other terms of this Lease as Lessor may not desire to disclose to the public. Further, upon Lessor's request, Lessee agrees to execute and acknowledge a termination of lease and/or quitclaim deed in recordable form to be held by Lessor until the expiration or sooner termination of the Lease Term; *provided, however*, if Lessee shall fail or refuse to sign such a document in accordance with the provisions of this Section within ten (10) days following a request by Lessor, Lessee irrevocably constitutes and appoints Lessor as its attorney-in-fact to execute and record such document, it being stipulated that such power of attorney is coupled with an interest and is irrevocable and binding.

Section 17.08. No Brokerage. LESSOR AND LESSEE REPRESENT AND WARRANT TO EACH OTHER THAT THEY HAVE HAD NO CONVERSATION OR NEGOTIATIONS WITH ANY BROKER CONCERNING THE LEASING OF THE PROPERTIES. EACH OF LESSOR AND LESSEE AGREES TO PROTECT, INDEMNIFY, SAVE AND KEEP HARMLESS THE OTHER, AGAINST AND FROM ALL LIABILITIES, CLAIMS, LOSSES, COSTS, DAMAGES AND EXPENSES, INCLUDING ATTORNEYS' FEES, ARISING OUT OF, RESULTING FROM OR IN CONNECTION WITH THEIR BREACH OF THE FOREGOING WARRANTY AND REPRESENTATION.

Section 17.09. Waiver of Jury Trial and Certain Damages. LESSOR AND LESSEE HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT EITHER MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY AND ALL ISSUES PRESENTED IN ANY ACTION, PROCEEDING, CLAIM OR COUNTERCLAIM BROUGHT BY EITHER OF THE PARTIES HERETO AGAINST THE OTHER OR ITS SUCCESSORS WITH RESPECT TO ANY MATTER ARISING OUT OF OR IN CONNECTION WITH THIS LEASE, THE RELATIONSHIP OF LESSOR AND LESSEE, LESSEE'S USE OR OCCUPANCY OF THE PROPERTIES, AND/OR ANY CLAIM FOR INJURY OR DAMAGE, OR ANY EMERGENCY OR STATUTORY REMEDY. THIS WAIVER BY THE PARTIES HERETO OF ANY RIGHT EITHER MAY HAVE TO A TRIAL BY JURY HAS BEEN NEGOTIATED AND IS AN ESSENTIAL ASPECT OF THEIR BARGAIN. FURTHERMORE, LESSOR AND LESSEE HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT EITHER MAY HAVE TO SEEK PUNITIVE, CONSEQUENTIAL, SPECIAL AND INDIRECT DAMAGES FROM THE OTHER PARTY AND ANY OF THE AFFILIATES, OFFICERS, DIRECTORS, MEMBERS, MANAGERS OR EMPLOYEES OF LESSOR OR LESSEE, AS APPLICABLE, OR ANY OF THEIR SUCCESSORS WITH RESPECT TO ANY AND ALL ISSUES PRESENTED IN ANY ACTION, PROCEEDING, CLAIM OR COUNTERCLAIM BROUGHT WITH RESPECT TO ANY MATTER ARISING OUT OF OR IN CONNECTION WITH THIS LEASE OR ANY DOCUMENT CONTEMPLATED HEREIN OR RELATED HERETO. THE WAIVER BY LESSOR AND LESSEE OF ANY RIGHT EITHER MAY HAVE TO SEEK PUNITIVE, CONSEQUENTIAL, SPECIAL AND INDIRECT DAMAGES HAS BEEN NEGOTIATED BY THE PARTIES HERETO AND IS AN ESSENTIAL ASPECT OF THEIR BARGAIN.

Section 17.10. Securitizations. As a material inducement to Lessor's willingness to enter into the Transactions contemplated by this Lease and the other Transaction Documents, Lessee hereby acknowledges and agrees that Lessor may, from time to time and at any time (a) advertise, issue press releases, send direct mail or otherwise disclose information regarding the Transaction for marketing purposes; and (b) (i) act or permit another Person to act as sponsor, settler, transferor or depositor of, or a holder of interests in, one or more Persons or other arrangements formed pursuant to a trust agreement, indenture, pooling agreement, participation agreement, sale and servicing agreement, limited liability company agreement, partnership agreement, articles of incorporation or similar agreement or document; and (ii) permit one or more of such Persons or arrangements to offer and sell stock, certificates, bonds, notes, other evidences of indebtedness or securities that are directly or indirectly secured, collateralized or otherwise backed by or represent a direct or indirect interest in whole or in part in any of the assets, rights or properties described in Section 14.01 of this Lease, in one or more Persons or arrangements holding such assets, rights or properties, or any of them (collectively, the "Securities"), whether any such Securities are privately or publicly offered and sold, or rated or unrated (any combination of which actions and transactions described in both clauses (i) and (ii) in this paragraph, whether proposed or completed, are referred to in this Lease as a "Securitization"). Lessee shall cooperate fully with Lessor and any Affected Party with respect to all reasonable requests and due diligence procedures and use reasonable efforts to facilitate such Securitization, provided that such cooperation shall be at no additional cost or expense to Lessee so long as Lessee is not otherwise required to provide such information to Lessor pursuant to the other provisions of this Lease.

Section 17.11. State-Specific Provisions. The provisions and/or remedies which are set forth on the attached Exhibit D shall be deemed a part of and included within the terms and conditions of this Lease.

Section 17.12. Time is of the Essence; Computation. Time is of the essence with respect to each and every provision of this Lease. If any deadline provided herein falls on a non-Business Day, such deadline shall be extended to the next day that is a Business Day.

Section 17.13. Waiver and Amendment. No provision of this Lease 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. No acceptance by

Lessor of an amount less than the Rental and other Monetary Obligations stipulated to be due under this Lease shall be deemed to be other than a payment on account of the earliest such Rental or other Monetary Obligations then due or in arrears nor shall any endorsement or statement on any check or letter accompanying any such payment be deemed a waiver of Lessor's right to collect any unpaid amounts or an accord and satisfaction.

Section 17.14. Successors Bound. Except as otherwise specifically provided herein, the terms, covenants and conditions contained in this Lease shall bind and inure to the benefit of the respective heirs, successors, executors, administrators and assigns of each of the parties hereto.

Section 17.15. Captions. Captions are used throughout this Lease for convenience of reference only and shall not be considered in any manner in the construction or interpretation hereof.

Section 17.16. Other Documents. Each of the parties agrees to sign such other and further documents as may be necessary or appropriate to carry out the intentions expressed in this Lease.

Section 17.17. Entire Agreement. This Lease and any other instruments or agreements referred to herein, constitute the entire agreement between the parties with respect to the subject matter hereof, and there are no other representations, warranties or agreements except as herein provided.

Section 17.18. Forum Selection; Jurisdiction; Venue; Choice of Law. For purposes of any action or proceeding arising out of this Lease, the parties hereto expressly submit to the jurisdiction of all federal and state courts located in the state or states where the Properties are located. Lessee consents that it may be served with any process or paper by registered mail or by personal service within or without the state or states where the Properties are located subject to governing Law. Furthermore, Lessee 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. This Lease 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 17.19. Counterparts. This Lease may be executed in one or more counterparts, each of which shall be deemed an original. Furthermore, the undersigned agree that transmission of this Lease via e-mail in a ".pdf" or other electronic format shall be deemed transmission of the original Lease for all purposes.

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

IN WITNESS WHEREOF, Lessor and Lessee have entered into this Lease as of the date first above written.

LESSOR:

STORE MASTER FUNDING XII, LLC, a Delaware limited liability company

By: __

Printed Name: __

Title: __

STATE OF _____)
) ss.
COUNTY OF _____)

Before me, the undersigned, a Notary Public of the State and County aforesaid, personally appeared _____, with whom I am personally acquainted (or proved to me to be on the basis of satisfactory evidence), and who, upon oath, acknowledged himself/herself to be the _____ of **STORE MASTER FUNDING XII, LLC**, a Delaware limited liability company, the within named Lessor, and that he/she as such officer, being authorized so to do, executed the within instrument for the purposes therein contained, by signing the name of _____ by himself/herself as such officer.

WITNESS my hand and Official Seal at office, this _____ day of September, 2016.

—

Notary Public

My Commission Expires _____

4830-1362-4631.5
STORE/Synalloy
Master Lease Agreement
6 Properties in OH, SC, TN and TX
File No. 7210/02-475

4830-1362-4631.5
STORE/Synalloy
Master Lease Agreement
6 Properties in OH, SC, TN and TX
File No. 7210/02-475

IN WITNESS WHEREOF, Lessor and Lessee have entered into this Lease as of the date first above written.

LESSEE:

SYNALLOY CORPORATION, a Delaware corporation

By: __

Name: Craig C. Bram

Title: Chief Executive Officer

STATE OF _____)
) ss.
COUNTY OF _____)

Before me, the undersigned, a Notary Public of the State and County aforesaid, personally appeared Craig C. Bram, with whom I am personally acquainted (or proved to me to be on the basis of satisfactory evidence), and who, upon oath, acknowledged himself/herself to be the CEO of **SYNALLOY CORPORATION**, a Delaware corporation, the within named Lessee, and that he/she as such officer, being authorized so to do, executed the within instrument for the purposes therein contained, by signing the name of Craig C. Bram by himself/herself as such officer.

WITNESS my hand and Official Seal at office, this _____ day of September, 2016.

—

Notary Public

My Commission Expires _____

4830-1362-4631.5
STORE/Synalloy
Master Lease Agreement
6 Properties in OH, SC, TN and TX
File No. 7210/02-475

EXHIBITS

Exhibit A: Defined Terms

Exhibit B: Legal Descriptions and Street Addresses of the Properties

Exhibit C: Authorization Agreement – Pre-Arranged Payments

Exhibit D: State-Specific Provisions

Schedule 9.03 Supplemental Financial Information

4830-1362-4631.5
STORE/Synalloy
Master Lease Agreement
6 Properties in OH, SC, TN and TX
File No. 7210/02-475

EXHIBIT A
DEFINED TERMS

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

"Additional Rental" has the meaning set forth in Section 4.03.

"Adjustment Date" has the meaning set forth in Section 1.07.

"Affected Party" means each direct or indirect participant or investor in a proposed or completed Securitization, including, without limitation, any prospective owner, any rating agency or any party to any agreement executed in connection with the Securitization.

"Affiliate" 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 the ownership of voting securities or otherwise.

"Anti-Money Laundering Laws" means all applicable Laws, regulations and government guidance on the prevention and detection of money laundering, including, without limitation, (a) 18 U.S.C. §§ 1956 and 1957; and (b) the Bank Secrecy Act, 31 U.S.C. §§ 5311 et seq., and its implementing regulations, 31 CFR Part 103.

"Base Annual Rental" has the meaning set forth in Section 1.05.

"Base Monthly Rental" means an amount equal to 1/12 of the applicable Base Annual Rental.

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

"Casualty" means any loss of or damage to any property included within or related to the Properties or arising from an adjoining property caused by an Act of God, fire, flood or other catastrophe.

"Code" means the Internal Revenue Code of 1986, as the same may be amended from time to time.

"Condemnation" means a Taking and/or a Requisition.

"Costs" means all reasonable costs and expenses incurred by a Person, including, without limitation, reasonable attorneys' fees and expenses, court costs, expert witness fees, costs of tests and analyses, travel and accommodation expenses, deposition and trial transcripts, copies and other similar costs and fees, brokerage fees, escrow fees, title insurance premiums, appraisal fees, stamp taxes, recording fees and transfer taxes or fees, as the circumstances require.

"*Default Rate*" means 12% per annum or the highest rate permitted by Law, whichever is less.

"*Effective Date*" has the meaning set forth in the introductory paragraph of this Lease.

"*Environmental Insurer*" means such environmental insurance company as Lessor shall select in its reasonable discretion.

"*Environmental Laws*" means federal, state and local Laws, ordinances, common law requirements and regulations and standards, rules, policies and other governmental requirements, administrative rulings and court judgments and decrees having the effect of Law in effect now or in the future and including all amendments, that relate to Hazardous Materials, Regulated Substances, USTs, and/or the protection of human health or the environment, or relating to liability for or Costs of Remediation or prevention of Releases, and apply to Lessee and/or the Properties.

"*Environmental Liens*" means any liens and other encumbrances imposed pursuant to any Environmental Law.

"*Environmental Policy*" means a pollution legal liability insurance policy issued by Environmental Insurer to Lessor and Lessor's lender, which Environmental Policy shall be in form and substance satisfactory to Lessor and shall be in amounts of not less than \$3,000,000.00 per occurrence and \$10,000,000.00 annual aggregate for losses caused by known and unknown pollution conditions that arise from the operations of the tenant at the Properties, their contractors, or their sub-contractors, with coverage to include: (a) bodily injury or death, (b) property damage, including physical injury to or destruction of tangible property, (c) clean-up costs, and (d) defense, including costs, charges and expenses incurred in the investigation, adjustment or defense of claims for damages.

"*Event of Default*" has the meaning set forth in Section 12.01.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

"*Extension Option*" has the meaning set forth in Section 3.02.

"*Extension Term*" has the meaning set forth in Section 3.02.

"*Force Majeure Event*" has the meaning set forth in Section 17.01.

"*GAAP*" means generally accepted accounting principles, consistently applied from period to period.

"*Governmental Authority*" means any governmental authority, agency, department, commission, bureau, board, instrumentality, court or quasi-governmental authority of the United States, any state or any political subdivision thereof with authority to adopt, modify, amend, interpret, give effect to or enforce any federal, state and local Laws, statutes, ordinances, rules or regulations, including common law, or to issue court orders.

"*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, or Environmental 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. § 5101, 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.

"*Indemnified Parties*" means Lessor and its members, managers, officers, directors, shareholders, partners, employees, agents, servants, representatives, contractors, subcontractors, affiliates, subsidiaries, participants, successors and assigns, including, but not limited to, any successors by merger, consolidation or acquisition of all or a substantial portion of the assets and business of Lessor.

"*Initial Term*" has the meaning set forth in Section 3.01.

"*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 bankrupt or insolvent; (ii) seeking liquidation, dissolution, 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 Person, either such proceeding shall remain undismissed for a period of one hundred twenty (120) days or any of the actions sought in such proceeding shall occur; or (c) any Person taking any corporate action to authorize any of the actions set forth above in this definition.

"*Insurance Premiums*" has the meaning in Section 6.04.

"*Law(s)*" means any constitution, statute, rule of law, code, ordinance, order, judgment, decree, injunction, rule, regulation, policy, requirement or administrative or judicial determination, even if unforeseen or extraordinary, of every duly constituted Governmental Authority, court or agency, now or hereafter enacted or in effect.

"*Lease Rate*" means a percentage equal to (a) the then-current Base Monthly Rental multiplied by twelve (12), divided by (b) the aggregate purchase price of all of the Properties paid by Lessor (or Lessor's predecessor-in-interest).

"Lease Term" has the meaning described in Section 3.01.

"Legal Requirements" means the requirements of all present and future Laws (including, without limitation, Environmental Laws and Laws relating to accessibility to, usability by, and discrimination against, disabled individuals), all judicial and administrative interpretations thereof, including any judicial order, consent, decree or judgment, and all covenants, restrictions and conditions now or hereafter of record which may be applicable to Lessee or to any of the Properties, or to the use, manner of use, occupancy, possession, operation, maintenance, alteration, repair or restoration of any of the Properties, even if compliance therewith necessitates structural changes or improvements or results in interference with the use or enjoyment of any of the Properties.

"Lender" means any lender in connection with any loan secured by Lessor's interest in any or all of the Properties, and any servicer of any loan secured by Lessor's interest in any or all of the Properties.

"Lessee Entity" or "Lessee Entities" means individually or collectively, as the context may require, Lessee and all Affiliates thereof.

"Lessee Reporting Entities" means Lessee.

"Lessee's Information" has the meaning set forth in Section 17.05(b).

"Lessor Entity" or "Lessor Entities" means individually or collectively, as the context may require, Lessor and all Affiliates of Lessor.

"Losses" means any and all claims, suits, liabilities (including, without limitation, strict liabilities), actions, proceedings, obligations, debts, damages, losses, Costs, diminutions in value, fines, penalties, interest, charges, fees, judgments, awards, amounts paid in settlement and damages of whatever kind or nature, inclusive of bodily injury and property damage to third parties (including, without limitation, attorneys' fees and other Costs of defense).

"Material Adverse Effect" means a material adverse effect on (a) any Property, including without limitation, the operation of any Property as a Permitted Facility and/or the value of any Property; (b) the contemplated business, condition, worth or operations of any Lessee Entity; (c) Lessee's ability to perform its obligations under this Lease; or (d) Lessor's interests in any of the Properties, this Lease or the other Transaction Documents.

"Monetary Obligations" means all Rental and all other sums payable or reimbursable by Lessee under this Lease to Lessor, to any third party on behalf of Lessor, or to any Indemnified Party.

"Mortgages" means, collectively, the mortgages, deeds of trust or deeds to secure debt, assignments of rents and leases, security agreements and fixture filings executed by Lessor for the benefit of Lender with respect to any or all of the Properties, as such instruments may be amended, modified, restated or supplemented from time to time and any and all replacements or substitutions.

"Net Award" means (a) the entire award payable with respect to a Property by reason of a Condemnation whether pursuant to a judgment or by agreement or otherwise; or (b) the entire proceeds of any insurance required under Section 6.03 payable with respect to a Property, as the case may be, and in either case, less any Costs incurred by Lessor in collecting such award or proceeds.

"OFAC Laws" means Executive Order 13224 issued by the President of the United States, and all regulations promulgated thereunder, including, without limitation, the Terrorism Sanctions Regulations (31 CFR Part 595), the Terrorism List Governments Sanctions Regulations (31 CFR Part 596), the Foreign Terrorist Organizations Sanctions Regulations (31 CFR Part 597), and the Cuban Assets Control Regulations (31 CFR Part 515), and all other present and future federal, state and local Laws, ordinances, regulations, policies, lists (including, without limitation, the Specially Designated Nationals and Blocked Persons List) and any other requirements of any Governmental Authority (including without limitation, the U.S. Department of the Treasury Office of Foreign Assets Control) addressing, relating to, or attempting to eliminate, terrorist acts and acts of war, each as supplemented, amended or modified from time to time after the Effective Date, and the present and future rules, regulations and guidance documents promulgated under any of the foregoing, or under similar Laws, ordinances, regulations, policies or requirements of other states or localities.

"Other Agreements" means, collectively, all agreements and instruments now or hereafter entered into between, among or by (a) any of the Lessee Entities and, or for the benefit of, (b) any of the Lessor Entities, including, without limitation, leases, promissory notes and guaranties, but excluding this Lease and all other Transaction Documents.

"Partial Condemnation" has the meaning set forth in Section 11.03.

"Permitted Amounts" shall mean, with respect to any given level of Hazardous Materials or Regulated Substances, that level or quantity of Hazardous Materials or Regulated Substances in any form or combination of forms which does not constitute a violation of any Environmental Laws and is customarily employed in, or associated with, similar businesses located in the state or states where the Properties are located.

"Permitted Facility" or *"Permitted Facilities"* means Industrial / Manufacturing facility, all related purposes such as ingress, egress and parking, and uses incidental thereto.

"Person" means any individual, partnership, corporation, limited liability company, trust, unincorporated organization, Governmental Authority or any other form of entity.

"Personalty" means any and all "goods" (excluding "inventory," and including, without limitation, all "equipment," "fixtures," appliances and furniture (as "goods," "inventory," "equipment" and "fixtures" are defined in the applicable Uniform Commercial Code then in effect in the applicable jurisdiction)) from time to time situated on or used in connection with any of the Properties, whether now owned or held or hereafter arising or acquired, together with all replacements and substitutions therefore and all cash and non-cash proceeds (including insurance proceeds and any title and UCC insurance proceeds) and products thereof, and, in the case of tangible collateral, together with all additions, attachments, accessions, parts, equipment and repairs now or hereafter attached or affixed thereto or used in connection therewith.

"Price Index" means the Consumer Price Index which is designated for the applicable month of determination as the United States City Average for All Urban Consumers, All Items, Not Seasonally Adjusted, with a base period equaling 100 in 1982 - 1984, as published by the United States Department of Labor's Bureau of Labor Statistics or any successor agency. In the event that the Price Index ceases to be published, its successor index measuring cost of living as published by the same Governmental Authority which published the Price Index shall be substituted and any necessary reasonable adjustments shall be made by Lessor and Lessee in order to carry out the intent of Section 4.02. In the event there is no successor index measuring cost of living, Lessor shall reasonably select an alternative price index measuring cost of living that will constitute a reasonable substitute for the Price Index.

"Property" or "Properties" means those parcels of real estate legally described on Exhibit B attached hereto, all rights, privileges, and appurtenances associated therewith, and all buildings, fixtures and other improvements now or hereafter located on such real estate (whether or not affixed to such real estate).

"Real Estate Taxes" has the meaning set forth in Section 6.04.

"Regulated Substances" means "petroleum" and "petroleum-based substances" or any similar terms described or defined in any of the Environmental Laws and any applicable federal, state, county or local Laws applicable to or regulating USTs.

"REIT" means a real estate investment trust as defined under Section 856 of the Code.

"Release" means any presence, release, deposit, discharge, emission, leaking, spilling, seeping, migrating, injecting, pumping, pouring, emptying, escaping, dumping, disposing or other movement of Hazardous Materials, Regulated Substances or USTs.

"Remediation" means any response, remedial, removal, or corrective action, any activity to cleanup, detoxify, decontaminate, contain or otherwise remediate any Hazardous Materials, Regulated Substances or USTs, any actions to prevent, cure or mitigate any Release, any action to comply with any Environmental Laws or with any permits issued pursuant thereto, any inspection, investigation, study, monitoring, assessment, audit, sampling and testing, laboratory or other analysis, or any evaluation relating to any Hazardous Materials, Regulated Substances or USTs.

"Rental" means, collectively, the Base Annual Rental and the Additional Rental.

"Rental Adjustment" means an amount equal to the lesser of (a) 2% of the Base Annual Rental in effect immediately prior to the applicable Adjustment Date, or (b) 1.25 multiplied by the product of (i) the percentage change between the Price Index for the month which is two months prior to the Effective Date or the Price Index used for the immediately preceding Adjustment Date, as applicable, and the Price Index for the month which is two months prior to the applicable Adjustment Date; and (ii) the then current Base Annual Rental.

"Requisition" means any temporary requisition or confiscation of the use or occupancy of any of the Properties by any Governmental Authority, civil or military, whether pursuant to an agreement with such Governmental Authority in settlement of or under threat of any such requisition or confiscation, or otherwise.

"Reserve" has the meaning in Section 6.04.

"Securities" has the meaning set forth in Section 17.10.

"Securities Act" means of the Securities Act of 1933, as amended.

"Securitization" has the meaning set forth in Section 17.10.

"Sublease" has the meaning set forth in Section 14.04.

"Successor Lessor" has the meaning set forth in Section 13.03.

"Taking" means (a) any taking or damaging of all or a portion of the Properties (i) in or by condemnation or other eminent domain proceedings pursuant to any Law, general or special; or (ii) by reason of any agreement with any Governmental Authority condemnor in settlement of or under threat of any such condemnation or other eminent domain proceeding; or (b) any de facto condemnation. The Taking shall be considered to have taken place as of the later of the date actual physical possession is taken by the condemnor, or the date on which the right to compensation and damages accrues under the Law applicable to the Properties.

"Temporary Taking" has the meaning set forth in Section 11.04.

"Threatened Release" means a substantial likelihood of a Release which requires action to prevent or mitigate damage to the soil, surface waters, groundwaters, land, stream sediments, surface or subsurface strata, ambient air or any other environmental medium comprising or surrounding any Property which may result from such Release.

"Total Condemnation" has the meaning set forth in Section 11.02.

"Transaction" has the meaning set forth in Section 14.01.

"Transaction Documents" means this Lease, and all documents related thereto.

"U.S. Publicly Traded Entity" means an entity whose securities are listed on a national securities exchange or quoted on an automated quotation system in the United States or a wholly-owned subsidiary of such an entity.

"USTs" means any one or combination of tanks and associated product piping systems used in connection with storage, dispensing and general use of Regulated Substances.

EXHIBIT B

**LEGAL DESCRIPTIONS AND
STREET ADDRESSES OF THE PROPERTIES**

Street Addresses:

390 Bristol Metals Rd, Bristol, TN 37620

3830/3838 Majestic St., Houston, TX 77026

3600 Union St., Mineral Ridge, OH 44440

1701 N. US Highway 385, Andrews, TX 79714

4325/4285 Old Tasso Rd, Cleveland, TN 37312

300 International Blvd, Fountain Inn, SC 29644

Legal Descriptions:

Address: 390 Bristol Metals Road, Bristol, Tennessee 37620

Legal Description:

LAND IN SULLIVAN COUNTY, TENNESSEE, DESCRIBED AS FOLLOWS:

TRACT 1:

PARCEL 1: [WELDING ADDITION]

BEING A TRACT OF GROUND APPROXIMATELY 75 FEET BY 216 FEET (16,200 SQUARE FEET, MORE OR LESS) WHICH IS ADJACENT TO THE MAIN MANUFACTURING PLAT OF BRISTOL METALS, LLC UPON WHICH IS TO BE CONSTRUCTED A BUILDING OR ADDITION TO BE KNOWN AS THE WELDING ADDITION.

PARCEL 2: [HYDRO-TEST ADDITION]

BEING A TRACT OF GROUND APPROXIMATELY 62 FEET AND 9 INCHES BY 75 FEET AND 1 INCH (4,711 SQUARE FEET, MORE OR LESS) WHICH IS ADJACENT TO THE MAIN MANUFACTURING PLANT OF BRISTOL METALS, LLC UPON WHICH IS TO BE CONSTRUCTED A BUILDING OR ADDITION TO BE KNOWN AS THE HYDRO-TEST ADDITION.

PARCEL 3: [X-RAY ADDITION]

B-1

BEING A TRACT OF GROUND APPROXIMATELY 32 FEET BY 97.5 FEET (3,120 SQUARE FEET, MORE OR LESS) WHICH IS NEAR THE MAIN MANUFACTURING PLANT OF BRISTOL METALS, LLC UPON WHICH IS TO BE CONSTRUCTED A BUILDING OR ADDITION TO BE KNOWN AS THE X-RAY ADDITION.

PARCEL 4: [FURNACE ADDITION]

BEING A TRACT OF GROUND APPROXIMATELY 63 FEET BY 75 FEET (4,725 SQUARE FEET, MORE OR LESS) WHICH IS ADJACENT TO THE MANUFACTURING PLANT OF BRISTOL METALS, LLC UPON WHICH IS CONSTRUCTED AN ADDITION TO BE KNOWN AS THE FURNACE ADDITION.

PARCEL 5: [REPAIR BUILDING]

BEING A TRACT OF GROUND APPROXIMATELY 65 FEET BY 150 FEET (9,750 SQUARE FEET, MORE OR LESS) WHICH IS ADJACENT TO THE QUALITY CONTROL BUILDING NEAR THE MAIN MANUFACTURING PLANT OF BRISTOL METALS, LLC UPON WHICH IS TO BE CONSTRUCTED A BUILDING OR ADDITION TO BE KNOWN AS THE REPAIR BUILDING.

BEING THE SAME PROPERTY CONVEYED TO BRISTOL METALS, LLC BY QUITCLAIM DEED FROM THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF BRISTOL TENNESSEE OF RECORD IN BOOK 3019, PAGE 2483, REGISTER'S OFFICE FOR SULLIVAN COUNTY, TENNESSEE.

TRACT 2:

PARCEL 1:

BEGINNING AT AN IRON AT THE POINT OF INTERSECTION OF THE NORTH LINE OF A 20-FOOT LANE WITH THE EAST LINE OF A 15-FOOT LANE, SAID LANES BEING THE PROPERTY OF GUSSIE M. RADER; THENCE WITH THE EAST LINE OF GUSSIE M. RADER'S 15-FOOT LANE (PARALLEL TO AND 42 FEET EASTERLY FROM THE CENTER OF THE SOUTHERN RAILWAY COMPANY MAIN LINE TRACT) N 44°30'30" E 793.83 FEET TO A POINT IN THE LINE AT THE POINT OF INTERSECTION OF THE SOUTH LINE OF A PROPOSED 50-FOOT ROAD, SAID POINT BEING THE END OF POINT OF THE PROPOSED ROAD; THENCE WITH THE SOUTH LINE OF THE PROPOSED 50-FOOT ROAD, S 65° 42' 30" E 1062.64 FEET TO A POINT IN THE LINE; THENCE BY A NEW LINE S 23°44' W 765.25 FEET TO AN IRON IN THE LINE OF GUSSIE H. RADER; THENCE WITH GUSSIE M. RADER'S LINE, N 65°42'30" W 301.64 FEET TO AN IRON, CORNER TO GUSSIE M. RADER AND FRANK SHARRETT, BEING ALSO THE EAST END OF THE SOUTH LINE OF THE 20- FOOT LANE OF GUSSIE M. RADER; THENCE CROSSING THE END OF GUSSIE M. RADER'S LANE, N 24°17'30" E 20.00 FEET TO AN IRON, THE EAST END OF THE NORTH LINE OF THE LANE; THENCE WITH THE NORTH LINE OF THE LANE, N 65°42'30" 1042.72 FEET TO THE POINT OF BEGINNING, AND CONTAINING 20.721 ACRES, MORE OR LESS, AS IS MORE PARTICULARLY SHOWN BY MAP OF CHARLES D. CLARK, CIVIL ENGINEER OF BRISTOL, VIRGINIA, DATED FEBRUARY 12, 1980, TO WHICH REFERENCE IS HERE MADE, AND WHICH IS MADE A PART HEREOF.

B-2

PARCEL 2:

BEGINNING AT AN IRON PIN LOCATED ON THE PROPERTY LINE OF GUSSIE M. RADER, WHICH POINT IS THE NORTHEAST CORNER OF THE PROPERTY HEREBY CONVEYED; THENCE WITH THE RADER PROPERTY LINE S 20° 44' 50" W 766.68 FEET TO A PLANTED ROCK; THENCE WITH THE SAID RADER PROPERTY LINE N 65° 42' 30" W 260 FEET TO A POINT, CORNER TO OTHER PROPERTY OF BRISTOL METALS, INC; THENCE WITH THE PROPERTY LINE OF BRISTOL METALS, INC., N 24°00' E 480 FEET TO A POINT;

THENCE WITH THE SAME S 66°00' E 182.56 FEET TO A POINT; AND N 20°44'50"E284.84 FEET TO A POINT LOCATED ON THE SOUTHERLY SIDE OF A 50-FOOT ROAD RIGHT-OF-WAY; THENCE WITH THE SOUTHERLY SIDE OF SAID RIGHT-OF-WAY, S 65° 42'30" E 50.10 FEET TO THE POINT OF BEGINNING; CONTAINING 3.05 ACRES, AND BEING SHOWN AS TRACT 5A ON THE PLAT PREPARED BY CLARK & ASSOCIATES, DATED JANUARY 27, 1982.

BEING THE SAME PROPERTY CONVEYED TO BRISTOL METALS, L.P. BY QUITCLAIM DEED FROM SYNALLOY CORPORATION OF RECORD IN BOOK 682, PAGE 142, REGISTER'S OFFICE FOR SULLIVAN COUNTY, TENNESSEE. THE SAID BRISTOL METALS, L.P. IS NOW KNOWN AS BRISTOL METALS, LLC.

INCLUDED IN THE FOREGOING DESCRIPTION OF TRACT 2, BUT EXPRESSLY EXCLUDED THEREFROM, IS PROPERTY CONVEYED TO THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF BRISTOL, TENNESSEE, BY DEED OF RECORD IN BOOK 747, PAGE 180, SAID REGISTER'S OFFICE.

TRACT 3:

PARCEL 1:

BEGINNING AT AN IRON PIN AT A LANE IN THE CHARTERED RAIL-ROAD RIGHT-OF-WAY; THENCE WITH THE LANE, S 41 DEGREES 07 MINUTES 56 SECONDS W A DISTANCE OF 254.68 FEET TO AN IRON PIN WITH CAP; THENCE LEAVING THE 200 FOOT CHARTERED RAIL-ROAD RIGHT-OF-WAY, S 68 DEGREE 58 MINUTES 38 SECONDS E A DISTANCE OF 1139.07 FEET TO AN IRON PIN WITH CAP; THENCE N 18 DEGREE 45 MINUTES 02 SECONDS E A DISTANCE OF 220.96 FEET TO AN IRON PIN WITH CAP; THENCE N 21 DEGREE 04 MINUTES 03 SECONDS E A DISTANCE OF 20.00 FEET TO AN IRON PIN; THENCE N 69 DEGREE 04 MINUTES 01 SECONDS W A DISTANCE OF 1042.77 FEET TO AN IRON PIN; WHICH IS THE POINT OF BEGINNING, HAVING AN AREA OF 261,665 SQUARE FEET, 6.007 ACRES, AND SHOWN AS PART OF PARCEL 1 ON MAP OF RECORD IN THE REGISTER'S OFFICE FOR SULLIVAN COUNTY AT BLOUNTVILLE, TENNESSEE, IN PLAT BOOK 9, PAGE 167; AND BEING PART OF THE PROPERTY CONVEYED TO SULLIVAN COUNTY ECONOMIC DEVELOPMENT PARTNERSHIP BY DEED OF RECORD IN SAID REGISTER'S OFFICE IN DEED BOOK 702, PAGE 536. (PART OF MAP 053, PARCEL 092.00)

PARCEL 2:

B-3

BEGINNING AT AN IRON PIN WITH CAP ON THE NEW BRISTOL METALS, L.P. AND SULLIVAN COUNTY ECONOMIC DEVELOPMENT PARTNERSHIP LINE; THENCE WITH THE AFORE MENTIONED NEW LINE THE FOLLOWING CALLS: THENCE N51 DEGREES 27 MINUTES 42 SECONDS E A DISTANCE OF 89.72 FEET TO AN IRON PIN WITH CAP; THENCE WITH A CURVE TURNING TO THE LEFT WITH AN ARC LENGTH OF 229.80 FEET, WITH A RADIUS OF 470.00 FEET, WITH A CHORD BEARING OF N 37 DEGREES 27 MINUTES 16 SECONDS E, WITH A CHORD LENGTH OF 227.52 FEET TO AN IRON PIN CAP, THENCE N23 DEGREE 26 MINUTES 50 SECONDS E A DISTANCE OF 713.11 FEET TO AN IRON PIN WITH CAP; THENCE WITH A CURVE TURNING TO THE RIGHT WITH AN ARC LENGTH OF 318.96 FEET, WITH A RADIUS OF 746.20 FEET, WITH A CHORD BEARING OF N 35 DEGREES 41 MINUTES 34 SECONDS E, WITH CHORD LENGTH OF 316.54 FEET TO A NEW CORNER, THENCE WITH THE OLD LINE OF SULLIVAN COUNTY ECONOMIC DEVELOPMENT PARTNERSHIP TO BRISTOL METALS, L.P., N64 DEGREES 35 MINUTES 09 SECONDS W A DISTANCE OF 7.92 FEET TO AN IRON REFERENCE PIN WITH CAP ON THE OLD LINE; THENCE FROM THE AFOREMENTIONED NEW CORNER, N 64 DEGREES 35 MINUTES 09 SECONDS W A DISTANCE OF 422.98 FEET TO A 1/2" IRON REBAR AT A PLANTED STONE; THENCE S 17 DEGREES 25 MINUTES 48 SECONDS W A DISTANCE OF 1126.28 FEET TO THE OLD CORNER OF BRISTOL METALS, L.P. AND SULLIVAN COUNTY ECONOMIC DEVELOPMENT PARTNERSHIP; THENCE N 69 DEGREES 04 MINUTES 44 SECONDS W A DISTANCE OF 1021.09 FEET TO AN IRON PIN WITH CAP; THENCE S 18 DEGREES 45 MINUTES 02 SECONDS W A DISTANCE OF 220.96 FEET TO AN IRON PIN WITH THE CAP; THENCE WITH THE NEW LINE OF SULLIVAN COUNTY ECONOMIC DEVELOPMENT PARTNERSHIP TO BRISTOL METALS, L.P., S 68 DEGREES 58 MINUTES 38 SECONDS E A DISTANCE OF 1143.34 FEET TO AN IRON PIN WITH CAP; WHICH IS THE POINT OF BEGINNING, HAVING AN AREA OF 603,156 SQUARE FEET, 13.847 ACRES, AND SHOWN AS PART OF PARCEL 4 AS SHOWN ON MAP OF RECORD IN THE REGISTER'S OFFICE FOR SULLIVAN COUNTY AT BLOUNTVILLE, TENNESSEE, IN PLAT BOOK 9, PAGE 167; AND BEING PART OF THE PROPERTY CONVEYED TO SULLIVAN COUNTY ECONOMIC DEVELOPMENT PARTNERSHIP BY DEED OF RECORD IN SAID REGISTER'S OFFICE IN DEED BOOK 669, PAGE 457. (PART OF MAP 054, PARCEL 007.10)

BEING THE SAME PROPERTY CONVEYED TO BRISTOL METALS, LLC BY WARRANTY DEED FROM SULLIVAN COUNTY ECONOMIC DEVELOPMENT PARTNERSHIP OF RECORD IN BOOK 753, PAGE 101, REGISTER'S OFFICE FOR SULLIVAN COUNTY, TENNESSEE.

TRACT 4:

BEING A CERTAIN PARCEL OF LAND, CONSISTING OF APPROXIMATELY 49.31 ACRES WHICH IS DESIGNATED AND SHOWN AS PARCEL 13.00 ON TAX MAP 54 IN THE OFFICE OF THE PROPERTY ASSESSOR FOR SULLIVAN COUNTY AT BLOUNTVILLE, TENNESSEE, AND BEING ALL OF THE REMAINING PROPERTY OWNED BY GRANTOR WHICH WAS CONVEYED BY DEEDS WHICH ARE RECORDED IN THE REGISTER'S OFFICE FOR SULLIVAN COUNTY AT BRISTOL, TENNESSEE IN DEED BOOK 126, PAGE 107, AND IN DEED BOOK 126, PAGE 183.

BEING THE SAME PROPERTY CONVEYED TO BRISTOL METALS, L.P. BY QUITCLAIM FROM BRISTOL METALS, INC. OF RECORD IN BOOK 383, PAGE 114, REGISTER'S OFFICE FOR

B-4

SULLIVAN COUNTY, TENNESSEE. THE SAID BRISTOL METALS, L.P. IS NOW KNOWN AS BRISTOL METALS, LLC.

THE ABOVE FEE TRACTS BEING THE SAME AS THAT PROPERTY AS SHOWN ON ALTA/NSPS LAND TITLE SURVEY PREPARED BY BRYAN SHIRLEY UNDER SUPERVISION OF AMERICAN NATIONAL, DATED SEPTEMBER 26, 2016, JOB NO. 201608751-1, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT AN IRON PIN WITH CAP ON THE BRISTOL METALS, L.P. AND SULLIVAN COUNTY ECONOMIC DEVELOPMENT PARTNERSHIP LINE; THENCE WITH THE SULLIVAN COUNTY ECONOMIC DEVELOPMENT PARTNERSHIP TO BRISTOL METALS, L.P. LINE N68°55'46"W 2282.54' TO AN IRON PIN AT A LANE IN THE CHARTERED RAIL-ROAD RIGHT OF WAY; THENCE WITH THE LANE N41°10'48"E 254.68' TO AN IRON PIN WITH CAP; THENCE CONTINUE ALONG SAID LANE N41°11'52"E 794.14' TO THE SOUTH LINE OF A 50' RIGHT OF WAY; THENCE RUN ALONG SAID RIGHT OF WAY THE FOLLOWING COURSES AND DISTANCES: S69°01'09"E 1062.64', THENCE S69°02'43"E 629.92', THENCE S68°58'40"E 50.10' TO THE BOUNDARY OF TAX MAP ID 054-013.00 AS SHOWN ON PLAT OF SURVEY BY TONY F. HOLBROOK FILED FOR RECORD JULY 27 2009 IN BOOK 0012, PAGE 0046 IN THE REGISTER OF DEEDS FOR SULLIVAN COUNTY, THENCE RUN ALONG THE BOUNDARY OF SAID TAX MAP ID NO. THE FOLLOWING COURSES AND DISTANCES: N17°28'40"E 48.90', THENCE N68°55'46"W 1225.19' TO THE VARIABLE RIGHT OF WAY OF BRISTOL METALS ROAD; THENCE CONTINUING ALONG THE BOUNDARY OF SAID TAX MAP ID NO. RUNNING ALONG SAID RIGHT OF WAY THE FOLLOWING COURSES AND DISTANCES: N09°32'34"E 70.00', THENCE WITH A CURVE TURNING TO THE RIGHT HAVING A RADIUS OF 506.83', AND AN ARC LENGTH OF 379.87', WITH A CHORD BEARING OF N 51°31'23" E, AND A CHORD LENGTH OF 371.04', THENCE N73°01'14"E 326.90', THENCE WITH A CURVE TURNING TO THE RIGHT HAVING A RADIUS OF 256.48', AND AN ARC LENGTH OF 119.46', WITH A CHORD BEARING OF S78°08'01"E, AND A CHORD LENGTH OF 118.38', THENCE S64°47'25"E 917.25', THENCE WITH A CURVE TURNING TO THE RIGHT HAVING A RADIUS OF 328.10', AND AN ARC LENGTH OF 153.54', WITH A CHORD BEARING OF S51°23'04"E, AND A CHORD LENGTH OF 152.14', THENCE S37°58'41"E 107.18' TO THE WEST RIGHT OF WAY OF PARTNERSHIP PARK ROAD; THENCE CONTINUING ALONG THE BOUNDARY OF SAID TAX MAP ID NO. RUNNING ALONG SAID RIGHT OF WAY THE FOLLOWING COURSES AND DISTANCES: S07°01'19"W 28.28', THENCE S52°01'19"W 105.58', THENCE WITH A CURVE TURNING TO THE LEFT HAVING A RADIUS OF 746.20', AND AN ARC LENGTH OF 52.56', WITH A CHORD BEARING OF S50°00'15"W, AND A CHORD LENGTH OF 52.55',

THENCE WITH A COMPOUND CURVE TURNING TO THE LEFT HAVING A RADIUS OF 746.20', AND AN ARC LENGTH OF 318.96', WITH A CHORD BEARING OF S35°44'26"W, AND A CHORD LENGTH OF 316.54',

THENCE S23°29'42"W 713.11' TO THE TERMINUS OF THE RIGHT OF WAY OF SAID RIGHT OF WAY; THENCE CONTINUING ALONG THE BOUNDARY OF SAID TAX MAP ID NO. RUNNING WITH A CURVE TURNING TO THE RIGHT HAVING A RADIUS OF 470.00', WITH AN ARC LENGTH OF 229.80', WITH A CHORD BEARING OF S37°30'08"W, AND A CHORD LENGTH OF 227.52', THENCE S51°26'22"W 89.65' TO THE POINT OF BEGINNING, AND CONTAINING 70.05 ACRES, MORE OR LESS.

B-5

4830-1362-4631.5
STORE/Synalloy
Master Lease Agreement
6 Properties in OH, SC, TN and TX
File No. 7210/02-475

INCLUDED IN THE FOREGOING DESCRIPTION, BUT EXPRESSLY EXCLUDED THEREFROM, IS PROPERTY CONVEYED TO THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF BRISTOL, TENNESSEE, BY DEED OF RECORD IN BOOK 747, PAGE 180, SAID REGISTER'S OFFICE.

TRACT 5:

Easement for ingress and egress as granted in document of record in Book 193, Page 668, in the Register's Office of Sullivan County, Tennessee.

TRACT 6:

Right of way easement as granted in document of record in Book 208, Page 74, Register's Office of Sullivan County, Tennessee.

Address: 3830/3838 Majestic Street, Houston, Texas 77026

Legal Description:

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF Harris, STATE OF TX, AND IS DESCRIBED AS FOLLOWS:

9.9666 ACRES OF LAND, LYING AND BEING SITUATED IN THE HARRIS AND WILSON TWO LEAGUE GRANT, ABSTRACT 92, HARRIS COUNTY, TEXAS AND BEING THE SAME PROPERTY DESCRIBED IN DEED RECORDED IN VOLUME 5999, PAGE 513, DEED RECORDS OF HARRIS COUNTY, TEXAS; SAID 9.9666 ACRES OF LAND BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

BEGINNING AT A 5/8" IRON ROD IN THE EASTERLY LINE OF MAJESTIC BOULEVARD, BASED ON 100 FEET IN WIDTH, SAME MARKING THE SOUTHWESTERLY CORNER OF BLOCK 10 OF LIBERTY GARDENS SUBDIVISION ACCORDING TO PLAT THEREOF RECORDED IN VOLUME 1163, PAGE 39, DEED RECORDS OF HARRIS COUNTY, TEXAS;

THENCE N 89°16' E, ALONG THE SOUTHERLY LINE OF THE SAID BLOCK 10, A DISTANCE OF 169.11 FEET TO A 5/8" IRON ROD FOR ITS SOUTHEASTERLY CORNER;

THENCE N 0°16' E, ALONG THE EASTERLY LINE OF THE SAID BLOCK 10, A DISTANCE OF 253.52 FEET TO A 5/8" IRON ROD FOR CORNER;

THENCE N 89° 37' E, A DISTANCE OF 435.60 FEET TO A 2" STEEL FENCE CORNER POST FOR CORNER;

THENCE S 0° 07' E, A DISTANCE OF 610.70 FEET TO A 3/4" IRON ROD IN THE NORTHERLY LINE OF THE T. & N. O. RAILROAD RIGHT OF WAY;

B-6

THENCE S 64° 08' W, ALONG SAID RAILROAD RIGHT OF WAY, 474.80 FEET TO A ¾" IRON ROD FOR CORNER;

THENCE, IN A SOUTHWESTERLY DIRECTION ALONG A CURVE TO THE RIGHT HAVING A CENTRAL ANGLE OF 12° 27' 59" AND A RADIUS OF 458.37 FEET FOR A DISTANCE OF 99.73 FEET, THE LONG CHORD OF SAID CURVE BEARING S 23° 14' W 99.45 FEET TO A ¾" IRON ROD;

THENCE IN A SOUTHWESTERLY DIRECTION, ALONG A CURVE TO THE LEFT HAVING A CENTRAL ANGLE OF 25° 03' 54" AND A RADIUS OF 458.37 FEET FOR A DISTANCE OF 200.52 FEET TO THE LONG CHORD OF SAID CURVE BEARING S 18° 09' W, 199.10 FEET TO A ¾" IRON ROD FOR CORNER;

THENCE N 89° 29' W, 60.55 FEET TO A ¾" IRON ROD IN THE AFORE-MENTIONED EASTERLY LINE OF MAJESTIC BOULEVARD;

THENCE N 1° 14' W, ALONG THE EASTERLY LINE OF MAJESTIC BOULEVARD 839.50 FEET TO THE POINT OR PLACE OF BEGINNING AND CONTAINING AS AFORESAID 9.9666 ACRES OF LAND.

SAVE AND EXCEPT THAT TRACT OR PARCEL OF LAND CONVEYED TO FRIEDMAN INDUSTRIES, INCORPORATED, A TEXAS CORPORATION BY WARRANTY DEED FILE FOR RECORD JUNE 13, 1989 UNDER COUNTY CLERK'S FILE NUMBER M195697, OFFICIAL RECORDS, HARRIS COUNTY, TEXAS.

Address: 3600 Union Street, Mineral Ridge, Ohio 44440

Legal Description:

Situated in the Township of Weathersfield, County of Trumbull and State of Ohio, and known as being Lot No. 2 in the James R. Sabatine Plat No. 1, a subdivision of part of the Original Mineral Ridge Out Lot No. 103, as recorded in Volume 50, Page 63 of Trumbull County Record of Maps.

Parcel No : 21-901103

Commonly known as: Union Street, Mineral Ridge, Ohio 44440

TOGETHER WITH easements for ingress/egress, access and storm sewer as granted and more fully set forth in Easement Agreement recorded June 25, 2001 in Instrument #200106250023338, Trumbull County Records.

Address: 1701 North US 385, Andrews, Texas 79714

Legal Description:

B-7

Tracts 4, 5, 6, 7, 8, 9, 10, 11, 12 and 13, Andrews Industrial Subdivision, a subdivision out of the E/2 of Section 16, Block A-45, P.S.L., Andrews County, Texas according to the map or plat thereof recorded in Volume 3, Page 36, Plat Records of Andrews County, Texas.

Address: 4325/4285 Old Tasso Road NE, Cleveland, Tennessee 37312

Legal Description:

TRACT I
LAND IN THE FOURTH CIVIL DISTRICT OF BRADLEY COUNTY, CITY OF CLEVELAND, TENNESSEE, DESCRIBED AS FOLLOWS:

BEING LOT TWO (2), HABITAT TASSO, AS SHOWN BY PLAT OF RECORD IN PLAT BOOK 29, PAGE 55, REGISTER'S OFFICE FOR BRADLEY COUNTY, TENNESSEE, TO WHICH PLAT REFERENCE IS MADE FOR A MORE DETAILED DESCRIPTION OF SAID LOT.

BEING THE SAME PROPERTY CONVEYED TO MANUFACTURERS CHEMICALS, LLC, A TENNESSEE LIMITED LIABILITY COMPANY FROM LYNN JONES BY WARRANTY DEED OF RECORD IN BOOK 2338, PAGE 483, IN THE REGISTER'S OFFICE FOR BRADLEY COUNTY, TENNESSEE.

TRACT II

INTENTIONALLY DELETED

TRACT III

LAND IN BRADLEY COUNTY TENNESSEE AND BEING KNOWN AS LOT 1 ON THE FINAL PLAT OF OLD TASSO ROAD PROPERTIES OF RECORD IN PLAT BOOK 25, PAGE 122, IN THE REGISTER'S OFFICE FOR BRADLEY COUNTY, TO WHICH PLAT REFERENCE IS HEREBY MADE FOR A MORE COMPLETE AND ACCURATE DESCRIPTION.

BEING PROPERTY CONVEYED TO MANUFACTURER'S SOAP & CHEMICAL COMPANY, A TENNESSEE CORPORATION BY DEEDS OF RECORD IN DEED BOOK 331, PAGE 20, DEED BOOK 352, PAGE 696, RECORD BOOK 2054, PAGE 96 AND RECORD BOOK 2056, PAGE 82, IN THE REGISTER'S OFFICE FOR BRADLEY COUNTY, TENNESSEE.

Address: 300 International Boulevard, Fountain Inn, South Carolina 29644

Legal Description:

ALL THAT CERTAIN PIECE, PARCEL OR TRACT OF LAND, CONTAINING 16.93 ACRES, MORE OR LESS, SITUATE, LYING AND BEING ON THE WESTERN SIDE OF INTERNATIONAL BOULEVARD, IN THE COUNTY OF LAURENS, STATE OF SOUTH CAROLINA, AS SHOWN ON A PLAT ENTITLED "BOUNDARY SURVEY FOR LPC OF S.C., INC.", PREPARED BY THOMAS

B-8

4830-1362-4631.5
STORE/Synalloy
Master Lease Agreement
6 Properties in OH, SC, TN and TX
File No. 7210/02-475

P. DOWLING, RLS, DATED OCTOBER 10, 1996, LAST REVISED DECEMBER 12, 1996, AND RECORDED IN THE ROD OFFICE FOR LAURENS COUNTY, SOUTH CAROLINA, IN PLAT BOOK A-152 AT PAGES 7 AND 8, REFERENCE TO WHICH IS HEREBY CRAVED FOR A METES AND BOUNDS DESCRIPTION THEREOF.

B-9

4830-1362-4631.5
STORE/Synalloy
Master Lease Agreement
6 Properties in OH, SC, TN and TX
File No. 7210/02-475

EXHIBIT C

FORM OF AUTHORIZATION AGREEMENT – PRE-ARRANGED PAYMENTS

PRE-ARRANGED PAYMENTS

Reference Number ___
I (We) (Tenant) authorize / _____ \, (Servicer) to initiate entries identified below as required. Tenant further authorizes the bank below to post such entries to the identified checking account beginning with the payment draft date of ___ / ___ / _____. A minimum of thirty (30) days advance notice is required to process first payment by ACH.

Bank Name _____ Branch _____
City _____ State _____ Zip _____

*****Transit - ABA Account Number Information**

ACCOUNT TYPE*** Please specify checking or savings account (C/S) _____

PLEASE FILL IN BANK INFORMATION CAREFULLY
ATTACH VOIDED CHECK FOR ACCOUNT VERIFICATION

Automatic debits will be made on the payment due date established by the relevant lease documents, or the next subsequent business day if such date is not a business day. This authority may be terminated upon thirty days prior written notification from the Tenant to the servicer. Tenant has the right to stop payment of any entry by notification to the bank prior to the scheduled debit date. If an erroneous entry is initiated by the servicer to the Tenant's account, Tenant shall have the right to have the amount of such entry reversed by the bank. To initiate a reversal, the Tenant must notify the bank in writing that an error has occurred and request a reversal. Such notice must be within 15 calendar days after the Tenant receives the statement of account or other written notice from the bank identifying the error. Tenant hereby authorizes the servicer to impose a \$60.00 returned item processing fee, subject to change, via ACH debit against the above-referenced account of the Tenant if a non-sufficient funds or stop payment item is charged against the servicer's account.

Tenant Tax Identification

Name(s) _____ Number _____

Date _____

Print Authorized Name

Authorized Signature

Print Authorized Name

Authorized Signature

Contact Phone Number _____ Fax Number _____

Email Address: _____

Return Original to: / _____ \
Attn: / _____ \
/ _____ \
/ _____ \
Fax
Number: / _____ \

EXHIBIT D

STATE-SPECIFIC PROVISIONS

OHIO:

Upon receipt of Lessor's invoice, Lessee shall pay its *pro rata* share of the installment of taxes for which Lessee is responsible pursuant to Section 6.01(a) (Taxes) which were a lien during the Lease Term but are due and payable following the expiration of this Lease.

Notwithstanding Section 7.02 (Alterations and Improvements), prior to commencing any alterations to the Properties, Lessee shall prepare, record, serve and post a Notice of Commencement in compliance with Ohio Revised Code Section 1311.04. Upon completion of such improvements, Lessee shall prepare and record a termination of the Notice of Commencement. Copies of all Notices of Commencement and terminations shall be delivered to Lessor within seven (7) days of recording.

TEXAS:

1. Lessor and Lessee are knowledgeable and experienced in commercial transactions and agree that the provisions of this Lease for determining charges, amounts and additional rent payable by Lessee are commercially reasonable and valid even though such methods may not state a precise mathematical formula for determining such charges. **ACCORDINGLY, LESSEE VOLUNTARILY AND KNOWINGLY WAIVES ALL RIGHTS AND BENEFITS OF LESSEE UNDER SECTION 93.012 OF THE TEXAS PROPERTY CODE.**

2. To the extent not prohibited by applicable Law, Lessee hereby waives any statutory lien it may have against Lessor or its assets, including without limitation, the Properties and any Personalty.

3. Lessee hereby waives, for itself and all persons or entities claiming by, through, and under Lessee, including creditors of all kinds, (a) any right and privilege which Lessee has under any present or future constitution, statute, or rule of law to redeem the Properties or to have a continuance of this Lease for the Lease Term after termination of Lessee's right of occupancy by order or judgment of any court or by any legal process or writ, or under the terms of this Lease; (b) the benefits of any present or future constitution, statute or rule of law that exempts property from liability for debt or for distress for rent; (c) any provision of law relating to notice or delay in levy of execution in case of eviction of a Lessee for nonpayment of rent; and (d) any benefits and lien rights which may arise pursuant to Section 91.004 of the Texas Property Code. In any event, Lessor and Lessee hereby acknowledge and agree that no lien or set-off rights of Lessee shall arise or attach under any circumstances until Lessee shall have obtained a final, binding and nonappealable judgment in its favor from a court of competent jurisdiction.

4. THIS LEASE AND ALL THE OTHER DOCUMENTS EXECUTED IN CONNECTION HEREWITH EMBODY THE FINAL, ENTIRE AGREEMENT OF LESSOR AND LESSEE AND

D-1

SUPERSEDE ANY AND ALL PRIOR COMMITMENTS, AGREEMENTS, REPRESENTATIONS AND UNDERSTANDINGS, WHETHER WRITTEN OR ORAL, RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF AND MAY NOT BE CONTRADICTED OR VARIED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSIONS OF LESSOR AND LESSEE. THERE ARE NO ORAL AGREEMENTS BETWEEN LESSOR AND LESSEE.

4830-1362-4631.5
STORE/Synalloy
Master Lease Agreement
6 Properties in OH, SC, TN and TX
File No. 7210/02-475

SCHEDULE 9.03

SUPPLEMENTAL FINANCIAL INFORMATION

Lessee shall deliver the following information in connection with delivery of the corporate financial statements required in Section 9.03 of the Lease.

Corporate Financial Reporting Certificate

Company:

For the Qtr or FYE ending _____

of months represented _____

Number of units operating at the end of reporting period _____

EBITDAR Calculation:

Net Income _____

Plus: Interest Expense _____

Plus: Taxes _____

Plus: Depreciation & Amortization _____

Plus: Operating Lease Expense _____

Plus: Any non-recurring expenses (please clarify below) _____

Plus: Any other non-cash expenses (please clarify below) _____

EBITDAR _____

Items required to be broken out of Balance Sheet:

Current Portion of Long-Term Debt _____

Current Portion of any Capital Leases _____

Senior Third-Party Debt Balances _____

Subordinate/Related Party Debt Balances _____

Explanations of non-recurring and non-cash items:

--

Lessee shall deliver the following information in connection with delivery of the unit-level financial statements required in Section 9.03 of the Lease.

STORE Capital Unit-Level Financial Reporting Certificate

Unit ID:	1	2	3
For the Qtr or FYE ending	_____	_____	_____
# of months represented	_____	_____	_____

Store-Level pre-corporate overhead EBITDAR Calculation:

Store-Level Net Income	_____	_____	_____
Plus: Interest Expense	_____	_____	_____
Plus: Taxes	_____	_____	_____
Plus: Depreciation & Amortization	_____	_____	_____
Plus: Property Rent Expense (base rent + any % rent)	_____	_____	_____
Plus: Any corporate overhead allocations to the unit	_____	_____	_____
Plus: Any non-recurring expenses (please clarify below)	_____	_____	_____
Plus: Any other non-cash expenses (please clarify below)	_____	_____	_____
EBITDAR	_____	_____	_____

Items required to be broken out on unit-level profit and loss statement:

Cost Goods Sold	_____	_____	_____
Labor Expenses	_____	_____	_____

Explanations of non-recurring and non-cash items:

ASSET PURCHASE AGREEMENT

BY AND BETWEEN

BRISTOL METALS, LLC

AND

MARCEGAGLIA USA, INC.

DATED AS OF DECEMBER 9, 2016

ASSET PURCHASE AGREEMENT

ASSET PURCHASE AGREEMENT (“Agreement”), dated as of December 9, 2016, by and between Bristol Metals, LLC, a Tennessee limited liability company (the “Buyer”), and Marcegaglia USA, Inc., a Pennsylvania corporation (the “Seller”). Seller and Buyer may each be referred to herein individually as a “Party” and together as the “Parties”.

WHEREAS, Seller is in the business of manufacturing and selling welded stainless steel pipe and tube in North America which business expressly excludes stainless steel squares, rectangles and rounds tubes manufactured specifically for an ornamental or automotive application (the “Business”).

WHEREAS, Buyer desires to purchase and assume, and Seller desires to sell and assign, or cause to be sold and assigned, the Specified Assets (as defined herein) and the Specified Liabilities (as defined herein), upon the terms and conditions hereinafter set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties and agreements hereinafter set forth herein, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the Parties hereto agree as follows:

SECTION 1. DEFINED TERMS

Certain defined terms used in this Agreement and not specifically defined in context shall have their respective meanings contained in Exhibit 1 attached hereto, the provisions of which are hereby incorporated into and made a part of this Agreement by reference.

SECTION 2. THE TRANSACTION

2.1 Sale and Purchase of Specified Assets. On the Closing Date, effective to the fullest extent possible at 11:59 p.m. Eastern Time, subject to the other terms and conditions of this Agreement, Seller shall sell, transfer, assign and convey to Buyer, and Buyer shall purchase, all right, title and interest in and to all of the Specified Assets free and clear of any Encumbrances.

2.1.1 Specified Assets. The “Specified Assets” means substantially all of the assets owned or held by Seller and used in the Business, including but not limited to those assets set forth below, but excluding the Excluded Assets:

2.1.1.1 All of Seller’s usable and saleable raw materials inventory and usable supplies inventory owned by Seller on Closing Date listed on Schedule 2.1.1.1, which schedule shall be agreed upon and delivered at Closing by and between the Parties (collectively, the “Inventory”).

2.1.1.2 All of Seller’s fixed assets, equipment, computers, fixtures and furniture including, but not limited to, the items listed on Schedule 2.1.1.2 hereto (the “Equipment”);

2.1.1.3 All of Seller’s current, former and prospective customer lists and customer sales files relating to the Business (the “Customer Lists”).

2.1.1.4 Copies of all of Seller’s employment and personnel records relating to Transferred Employees, and all books and records relating or pertaining to the Business, including all sales records and similar data, to the extent transferrable by law (collectively, the “Records”).

2.1.1.5 The Intellectual Property held, used or owned by Seller, other than that listed under Section 2.1.2.3.

2.1.1.6 All licenses and permits, to the extent transferrable and not related to the Seller Ongoing Operation, used by Seller and necessary to conduct the Business as it is currently being conducted, including any Environmental Permits and those listed on Schedule 2.1.1.6 (the "Licenses and Permits"), which schedule Seller shall deliver at or before Closing.

2.1.1.7 All other tangible and intangible properties which historically have been used or held for use in connection with the Business including, without limitation, all goodwill related to the Business excluding (i) assets sold or disposed of since that date in the ordinary course of business and (ii) assets which are included in the Excluded Assets.

2.1.2 Excluded Assets. Notwithstanding any provision to the contrary in this Agreement, nothing in this Agreement shall constitute or be construed as requiring Seller to sell, assign, convey, transfer or deliver, and Buyer shall not be entitled to purchase, assume or acquire, any right, title or interest in, to or under any property, asset, business, operation or division of Seller, or any Affiliate thereof, not set forth in Section 2.1.1, including the following assets and properties which are hereby excluded from the definition of Specified Assets (collectively, the "Excluded Assets"):

2.1.2.1 All cash, cash equivalents, bank deposits, and prepaid expenses, including such as relate to any Excluded Assets or the operation of the Specified Assets prior to the Closing Date, and any income, sales, payroll or other Tax receivables with respect to periods prior to the Closing Date (in each case, whether held by Seller or any third party).

2.1.2.2 All of Seller's finished goods inventory owned by Seller on Closing Date listed on Schedule 2.1.2.2, which schedule shall be agreed upon and delivered at Closing by and between the Parties.

2.1.2.3 All of Seller's intellectual property rights and interests associated with its name, "Marcegaglia USA, Inc.", and any derivations thereof using the name "Marcegaglia".

2.1.2.4 All Tax refunds or credits, which refunds or credits are with respect to periods prior to the Closing Date, whether directly or indirectly, regardless of when actually paid.

2.1.2.5 The minute books, stock transfer books, corporate seal, Tax Returns and other corporate records of Seller and its respective successors and assigns.

2.1.2.6 All real estate owned by Seller, including, but not limited to, the real property located at 1001 E. Waterfront Drive, Munhall, Pennsylvania 15120 (the "Facility").

2.1.2.7 All of Seller's rights and interests in its purchase orders and contracts.

2.1.2.8 The Trade Accounts Receivable accrued by Seller prior to Closing.

2.1.2.9 The two high frequency mills and all other equipment associated solely with the Seller Ongoing Operation including relative tooling and supplies, the cranes, Mill 3 and Mill 4, the Drever furnace and the other miscellaneous equipment, associated solely with the Seller Ongoing Operation, dismantled, obsolete and not in use (i.e. those under the "big top") and the other equipment listed on Schedule 2.1.2.9.

2.1.3 Specified Liabilities. At the Closing, Buyer will not assume any of the liabilities, obligations or debt of Seller except the following explicitly listed liabilities and then only to the extent solely related to the Specified Assets (the "Specified Liabilities"):

2.1.3.1 The Transferred Employees' accrued vacation and sick leave accrued through the Closing Date listed on Schedule 2.1.3.1 which schedule shall be delivered at Closing by the Seller.

2.1.3.2 The outstanding purchase orders (i) for stainless steel products with customers that have not begun production as of the Closing and (ii) for raw material with suppliers (other than those related to the Seller Ongoing Operation) that Seller and Buyer shall identify in agreement between them before Closing. Such purchase orders with customers and suppliers will be listed on Schedule 2.1.3.2 to be agreed upon and exchanged between the Parties at Closing.

2.1.3.3 The trade accounts payable listed on Schedule 2.1.3.3, which schedule shall be delivered and agreed upon at Closing.

2.1.3.4 The verbal manufacturers' representative agreement with Excel Metals Inc.

2.1.4 No Other Liabilities. Except as otherwise set forth in this Agreement, Buyer shall not assume or be obligated to pay, perform or otherwise discharge any liabilities of Seller other than as specifically included in the Specified Liabilities. All such liabilities not being assumed by Buyer pursuant to Section 2.1.3 are referred to herein as the "Excluded Liabilities."

SECTION 3. PURCHASE PRICE, ALLOCATION AND EARN OUT

3.1 Purchase Price.

3.1.1 Purchase Price. The aggregate purchase price for the Specified Assets (the "Purchase Price") shall be payable from Buyer to Seller at Closing via wire transfer of immediately available funds, and calculated as follows:

3.1.1.1 The replacement value of Seller's Inventory, as determined pursuant to Section 3.1.3;

3.1.1.2 Five Hundred Thousand Dollars (\$500,000) as consideration for the restrictive covenants set forth in Section 8.2 hereof; and

3.1.1.3 Eight Million Dollars (\$8,000,000) for the Equipment and the remaining Specified Assets.

3.1.2 Deposit. Upon execution of this Agreement, Buyer shall deposit Three Million Dollars (\$3,000,000) with the Escrow Agent (the "Deposit") and shall enter into an escrow agreement with the Escrow Agent and the Seller, the form of which is attached hereto as Exhibit A (the "Escrow Agreement"), to regulate the payment of the Deposit by the Escrow Agent in accordance with the principles agreed hereunder. At Closing, the Parties agree that the Escrow Agent shall pay the Deposit to Seller as a credit against the Purchase Price.

3.1.3 Inventory. The Parties agree to take a physical observation and counting of the Inventory prior to the Closing, but no more than seven (7) days before the Closing. Using the agreed upon count after the physical inventory, the Parties shall determine the replacement value of the Inventory, as of the date of the physical inventory count, based on the average of the relevant raw material and supplies purchase prices of the last four weeks before Closing Date, and if there is no purchase over the last four weeks, on the basis of the most recent price list issued by the relevant suppliers and that shall be the amount paid by Buyer to Seller at Closing for the Inventory. Between the execution of this Agreement and the Closing Date, Seller shall keep Buyer fully informed and involved in any negotiation for the purchase of raw material.

3.2 Allocation of Purchase Price. Buyer and Seller agree that the Purchase Price will be allocated to the Specified Assets and the restrictive covenants for all purposes (including Tax and financial accounting purposes) as set forth on Schedule 3.2, which schedule shall be agreed upon and delivered at Closing by and between the Parties. The allocation of the Purchase Price is intended to comply with the requirements of Section 1060 of the Internal Revenue Code. Buyer and Seller shall file Internal Revenue Service Form 8594, Asset Acquisition Statement under Section 1060 of the Internal Revenue Code, with their respective income tax returns (including amended returns and claims

for refund) for the taxable year that includes the date of Closing and information reports in a manner consistent with such allocation. Buyer and Seller agree to satisfy all of the reporting requirements of Section 1060 of the Internal Revenue Code.

3.3 Earn Out Payments.

3.3.1 As additional consideration for the Specified Assets, Buyer shall pay to Seller with respect to each Calculation Period within the Earn Out Period an amount (each, an "Earn Out Payment") equal to: three percent (3%) of all Revenue generated by Buyer from the amount, if any, of small diameter stainless steel pipe and tube (outside diameter of ten inches or less) sold in excess of 3.25 million pounds quarterly, excluding sales of Seller's finished goods inventory post-Closing; provided that, the Parties shall review the Earn Out Payments annually (each fourth Calculation Period during the Earn Out Period), and if necessary, adjust up or down the final quarterly Earn Out Payment for each year during the Earn Out Period to make certain the aggregate of the Earn Out Payments for each year during the Earn Out Period is equal to three percent (3%) of all Revenue generated by Buyer from the amount, if any, of small diameter stainless steel pipe and tube (outside diameter of ten inches or less) sold in excess of 13.0 million pounds annually. Notwithstanding the foregoing, if at the end of the Earn Out Period, Buyer has paid Seller Earn Out Payments totaling less than \$3,000,000, in the aggregate, then Buyer shall pay Seller a "true-up" payment equal to the difference between \$3,000,000 and the aggregate of the Earn Out Payments previously paid to Seller.

3.3.2 Procedures Applicable to Determination of the Earn Out Payments.

3.3.2.1 On or before the date which is twenty (20) days after the last day of each Calculation Period (each such date, an "Earn Out Calculation Delivery Date"), Buyer shall prepare and deliver to Seller a written statement (in each case, an "Earn Out Calculation Statement") setting forth in reasonable detail its determination of Revenue for the applicable Calculation Period and its calculation of the resulting Earn Out Payment (in each case, an "Earn Out Calculation").

3.3.2.2 Seller shall have twenty (20) days after receipt of the Earn Out Calculation Statement for each Calculation Period (in each case, the "Review Period") to review the Earn Out Calculation Statement and the Earn Out Calculation set forth therein. During the Review Period, Seller and its Representatives shall have the right to inspect the Company's books and records during normal business hours at the Company's offices, upon reasonable prior notice and solely for purposes reasonably related to the determinations of Revenue and the resulting Earn Out Payment. Prior to the expiration of the Review Period, Seller may object to the Earn Out Calculation set forth in the Earn Out Calculation Statement for the applicable Calculation Period by delivering a written notice of objection (an "Earn Out Calculation Objection Notice") to Buyer. Any Earn Out Calculation Objection Notice shall specify the items in the applicable Earn Out Calculation disputed by Seller and shall describe in reasonable detail the basis for such objection, as well as the amount in dispute. If Seller fails to deliver an Earn Out Calculation Objection Notice to Buyer prior to the expiration of the Review Period, then the Earn Out Calculation set forth in the Earn Out Calculation Statement shall be final and binding on the parties hereto, and the Earn Out Payment shall be immediately due and payable. If Seller timely delivers an Earn Out Calculation Objection Notice, Buyer and Seller shall negotiate in good faith to resolve the disputed items and agree upon the resulting amount of the Revenue and the Earn Out Payment for the applicable Calculation Period. If Buyer and Seller are unable to reach agreement within thirty (30) days after such an Earn Out Calculation Objection Notice has been given, all unresolved disputed items shall be promptly referred to the Independent Accountants. The Independent Accountants shall be directed to render a written report on the unresolved disputed items with respect to the applicable Earn Out Calculation as promptly as practicable, but in no event greater than thirty (30) days after such submission to the Independent Accountants, and to resolve only those unresolved disputed items set forth in the Earn Out Calculation Objection Notice. If unresolved disputed items are submitted to the Independent Accountants, Buyer and Seller shall each furnish to the Independent Accountants such work papers, schedules and other documents and information relating to the unresolved disputed items as the Independent Accountants may reasonably request. The Independent Accountants shall resolve the disputed items based solely on the applicable definitions and other terms in this Agreement and the presentations by Buyer and Seller, and not by independent review. The resolution of the dispute and the calculation of Revenue that is the subject of the applicable Earn Out Calculation Objection Notice by the Independent Accountants shall be final and binding on the parties hereto. The fees and expenses

of the Independent Accountants shall be borne by Seller and Buyer in proportion to the amounts by which their respective calculations of Revenue differ from Revenue as finally determined by the Independent Accountants.

3.3.3 Independence of Earn Out Payments. Except as otherwise stated herein, Buyer's obligation to pay each of the Earn Out Payments to Seller in accordance with Section 3.3 is an independent obligation of Buyer and is not otherwise conditioned or contingent upon the satisfaction of any conditions precedent to any preceding or subsequent Earn Out Payment and the obligation to pay an Earn Out Payment to Seller shall not obligate Buyer to pay any preceding or subsequent Earn Out Payment. For the avoidance of doubt and by way of example, if the conditions precedent to the payment of the Earn Out Payment for the first Calculation Period are not satisfied, but the conditions precedent to the payment of the Earn Out Payment for the second Calculation Period are satisfied, then Buyer would be obligated to pay such Earn Out Payment for the second Calculation Period for which the corresponding conditions precedent have been satisfied, and not the Earn Out Payment for the first Calculation Period.

3.3.4 Timing of Payment of Earn Out Payments. Subject to Section 3.3.2, any Earn Out Payment that Buyer is required to pay pursuant to Section 3.3.1 hereof shall be paid in full no later than five (5) Business Days following the date upon which the determination of Revenue for the applicable Calculation Period becomes final and binding upon the Parties (including any final resolution of any dispute raised by Seller in an Earn Out Calculation Objection Notice). Buyer shall pay to Seller the applicable Earn Out Payment in cash by wire transfer of immediately available funds.

3.3.5 Post-closing Operation of the Company. Subject to the terms of this Agreement and the other Transaction Documents, subsequent to the Closing, Buyer shall have sole discretion with regard to all matters relating to the operation of the Company; *provided, that* Buyer shall not, directly or indirectly, take any actions in bad faith that would have the purpose of avoiding or reducing any of the Earn Out Payments hereunder.

3.3.6 Right of Set-off. Buyer shall have the right to withhold and set off against any amount otherwise due to be paid pursuant to this Section 3.3 the amount of any Losses to which any Buyer Indemnified Party may be entitled under Section 9 of this Agreement.

3.3.7 No Security. The Parties hereto understand and agree that (i) the contingent rights to receive any Earn Out Payment shall not be represented by any form of certificate or other instrument, are not transferable, except by operation of Laws relating to descent and distribution, divorce and community property, and do not constitute an equity or ownership interest in Buyer or any of its affiliates, (ii) Seller shall not have any rights as a security holder of Buyer or any of its affiliates as a result of Seller's contingent right to receive any Earn Out Payment hereunder, and (iii) no interest is payable with respect to any Earn Out Payment.

SECTION 4. CLOSING

4.1 Closing /Closing Date. The closing (the "Closing") shall take place at the offices of LeClairRyan, A Professional Corporation, 919 E. Main Street, 24th Floor, Richmond, Virginia 23219 at 10:30 a.m. local time on the date mutually agreed to the Parties, but no later than February 28, 2017 (the "Closing Date"). The Closing and all of the transactions contemplated by this Agreement shall be deemed to have occurred simultaneously and become effective as of 11:59 p.m. Eastern Time on the Closing Date.

4.2 Deliveries of Seller. At or prior to the Closing, Seller shall execute and/or deliver the following items:

4.2.1 A Bill of Sale in a form agreed to by the Parties;

4.2.2 An Assignment and Assumption Agreement in a form agreed to by the Parties;

4.2.3 A copy of the resolutions of the Board of Directors and the shareholder(s) of Seller authorizing the execution, delivery and performance of this Agreement and the transactions contemplated hereunder;

4.2.4 Copies of the Consents and approvals of all Persons which Seller is required to obtain in order to transfer the Specified Assets to Buyer and to consummate the transactions contemplated by this Agreement;

4.2.5 Evidence, in substance and form reasonably satisfactory to Buyer, that the Specified Assets are being transferred to Buyer free and clear of Encumbrances;

4.2.6 The Facility Lease;

4.2.7 The Services Agreement;

4.2.8 The Disclosure Schedules, updated, as necessary, as of the Closing Date;

4.2.9 The certificate required by Section 7.8.1.4; and

4.2.10 Such additional documents as Buyer may reasonably request.

4.3 Deliveries of Buyer. At or prior to the Closing, Buyer shall execute and/or deliver the following items:

4.3.1 The Purchase Price by wire transfer of immediately available funds pursuant to a wire direction letter provided by Seller to Buyer;

4.3.2 An Assignment and Assumption Agreement in a form agreed to by the Parties;

4.3.3 A copy of the resolutions of the Board of Directors of Buyer authorizing the execution, delivery and performance of this Agreement and the transactions contemplated hereunder;

4.3.4 The Facility Lease;

4.3.5 The Services Agreement;

4.3.6 The certificate required by Section 7.8.2.4; and

4.3.7 Such additional documents as Seller may reasonably request.

SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE SELLER

Seller represents and warrants to Buyer and covenants with Buyer, as set forth below in this Section 5.

5.1 Organization. Seller is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of its incorporation. Seller possesses the full corporate power and authority to enter into and perform its obligations under this Agreement and to consummate the transactions contemplated hereby. Seller is qualified or registered in all jurisdictions in which property owned, leased or operated by it or the nature of the business conducted by it makes such qualification necessary.

5.2 Authority; Non-Contravention.

5.2.1 Seller has the right, power and authority to enter into and to perform its obligations under this Agreement, and the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby by Seller has been duly authorized by all necessary corporate action on the part of Seller. This Agreement constitutes a legal, valid and binding agreement of Seller and is enforceable against Seller in accordance

with its terms, subject as to enforceability, to bankruptcy, insolvency, fraudulent transfer, moratorium, reorganization and other similar laws affecting creditors' rights generally.

5.2.2 Except as set forth on Schedule 5.2.2, neither the execution, delivery and performance of this Agreement nor the consummation or performance of any of the transactions contemplated hereby by Seller will directly or indirectly (with or without notice or lapse of time):

5.2.2.1 contravene, conflict with or result in a violation of (a) any of the provisions of the articles or certificates of formation, bylaws, shareholders agreements, or other organizational documents of Seller or (b) any resolution adopted by the Board of Directors of Seller;

5.2.2.2 contravene, conflict with or result in a violation or breach of, or result in a material default under, any provision of, any agreement, contract or other instrument of which Seller is a party or by which the Specified Assets are bound or subject;

5.2.2.3 violate any Law or regulation, or any Judgment, order or decree of any court, Governmental Body, commission, agency or arbitrator, applicable to Seller, any of the Specified Assets or the Business; or,

5.2.2.4 result in the creation of any Encumbrance on the Specified Assets.

5.2.3 Except as set forth on Schedule 5.2.3, Seller neither is nor will be required to make any filing with or give any notice to, or obtain any Consent from, any Person in connection with the execution and delivery of this Agreement, or the consummation or performance of any of the transactions contemplated hereby.

5.3 Title to Specified Assets. Except as set forth on Schedule 5.3, Seller has good and valid title to all of the Specified Assets and has the right to transfer all rights, title and interest in such Specified Assets, free and clear of any Encumbrance.

5.4 Legal Proceedings. There are no Proceedings pending or, to the Knowledge of Seller, threatened, in each case, that relate to the Specified Assets. Seller is not subject to any outstanding order, decree or ruling issued by any Governmental Body that relates to the Specified Assets.

5.5 Brokerage Fees. No broker, finder or investment banker is entitled to any fee or commission from Seller for services rendered on behalf of Seller in connection with the transactions contemplated by this Agreement.

5.6 Compliance with Laws. Seller has operated and is operating the Business in material compliance with all Laws and regulations, federal, state, provincial or local, domestic or foreign applicable to Seller, the Specified Assets or the Business.

5.7 Assumed Purchase Orders and Contracts. Each purchase order, contract and lease (the "Assumed Contracts") listed on Schedules 2.1.3.2 or 2.1.3.3 or listed in Section 2.1.3.4 is valid and in full force and effect and, to the Knowledge of the Seller, there is no basis on which an Assumed Contract will cease to be in full force and effect. Seller has complied in all material respects with its obligations under all of the Assumed Contracts and no event has occurred or condition exists which constitutes or can reasonably be expected to constitute a material breach of any such Assumed Contract by the Seller or any other party thereto.

5.8 Intellectual Property. Seller owns, or has the right to use, all of its Intellectual Property. No consents of any Person are required for Buyer to use the Intellectual Property which Seller does not own but has the right to use immediately after the Closing. There is no claim pending or, to the Knowledge of Seller, threatened against Seller alleging that its use of any Intellectual Property infringes upon the rights of any Person and, to the Knowledge of Seller, no Person is infringing upon the rights of Seller in its Intellectual Property. Complete copies of all documents pursuant to which Seller has acquired the right to use its Intellectual Property, or has licensed or otherwise permitted any other Person to use any of such Intellectual Property, have been delivered to Buyer.

5.9 Intentionally Omitted.

5.10 Tax Matters.

5.10.1 Seller has properly prepared and filed, in a timely manner, all Tax Returns, reports, related information and declarations (collectively, “Returns”) related to the Business and required of Seller by applicable Law and has paid or made provision for the payment of all Taxes related to the Business which have or may become due and no extension of time for filing any Return is presently in effect. Except as set forth in Schedule 5.10, Seller has not received any assessment for unpaid Taxes, with respect to the Business, nor has agreed to any extension of time for the assessment of any federal, state, local, provincial, municipal or foreign Taxes related to the Business for any period. Adequate provisions have been made for the payment of all current Taxes related to the Business. There are no liens on the Specified Assets as a result of any Tax liabilities, except for Taxes not yet due and payable.

5.10.2 Seller is not a party to any Proceeding by any Taxing Authority. There are no pending or threatened Proceedings by any Taxing Authority. Seller is not a “foreign person” as that term is used in the Treasury Regulations Section 1.1445-2.

5.11 Product Warranty. Each product sold or delivered by the Business before Closing and Seller’s finished goods inventory to be sold after Closing pursuant to Section 8.8 hereof have been sold and delivered in conformity with all applicable contractual commitments, Laws and all express warranties, and, Seller has no liability for replacement or repair thereof or other damages in connection therewith. No product sold or delivered by the Business, including Seller’s finished goods inventory to be sold after Closing pursuant to Section 8.8, is subject to any guaranty, warranty or other indemnity beyond Seller’s applicable standard terms and conditions of sale, a copy of which has been provided to Buyer before Closing.

5.12 Product Liability. To the Knowledge of Seller, Seller has no liability arising out of any injury to individuals or property as a result of the ownership, possession or use of any product sold or delivered by the Business prior to the Closing.

5.13 Labor and Employment Matters. Schedule 5.13 sets forth a complete and correct list of each employment agreement, severance agreement, deferred compensation agreement or similar arrangements to which Seller is a party or by which it is obligated. Seller has not agreed to pay any of its employees any bonus consideration based on the successful closing of the transactions contemplated under this Agreement. Except as set forth on Schedule 5.13, Seller is not a party to any collective bargaining agreement or similar arrangement with a labor organization, union or work council representing any of its employees. Seller is and has been in full compliance with the terms of all agreements listed on Schedule 5.13. Except as set forth on Schedule 5.13, since January 1, 2013 there has not been, nor, to Seller’s Knowledge, has there been any threat of, any strike, slowdown, work stoppage, lockout, concerted refusal to work overtime or other similar labor activity or dispute affecting the Seller or the Business. There are no material controversies, claims or grievances pending, or, to the Knowledge of Seller, threatened between Seller and any of its employees. Seller is and has been in compliance with all applicable Laws pertaining to employment and employment practices, including all Laws relating to labor relations, equal employment opportunities, fair employment practices, employment discrimination, harassment, retaliation, reasonable accommodation, disability rights or benefits, immigration, wages, hours, overtime compensation, child labor, hiring, promotion and termination of employees, working conditions, meal and break periods, privacy, health and safety, workers’ compensation, leaves of absence and unemployment insurance. Except as set forth on Schedule 5.13, there are no claims against Seller pending, or to Seller’s Knowledge, threatened to be brought or filed, by or with any Governmental Body or arbitrator in connection with the employment of any current or former applicant, employee, consultant, volunteer, intern or independent contractor of Seller, including, without limitation, any claim relating to unfair labor practices, employment discrimination, harassment, retaliation, equal pay, wage and hours or any other employment related matter arising under applicable Laws. Seller has not taken any action prior to the date hereof that would trigger the WARN Act with respect to Seller.

5.14 Licenses and Permits. Schedule 2.1.1.6 lists all Licenses and Permits required to conduct the Business as it is presently being conducted. All such Licenses and Permits are in full force and effect and, except as set forth on Schedule 2.1.1.6, all of which are assignable. Seller has operated the Business in compliance in all material respects

with all of the terms and conditions set forth in such Licenses and Permits. No notice of any violation of any such License or Permit has been received by Seller since January 1, 2016, or, to the Knowledge of Seller, recorded or published, and no proceeding is pending, or, to the Knowledge of Seller, threatened, to revoke any of them. No approval of or filing with a Governmental Body is required in order to consummate the transactions hereunder.

5.15 Financial Statements. Seller has delivered, or as of the Closing Date will have delivered, to Buyer the following financial statements and notes, true and correct copies of which are attached as Schedule 5.15 to this Agreement (collectively, the "Financial Statements"): (a) balance sheets of Seller as of each of December 31, 2014 and December 31, 2015, and the corresponding profit and loss statements of Seller for each of the calendar years ending December 31, 2014 and December 31, 2015; and (b) the balance sheet of Seller as of September 30, 2016, and the corresponding profit and loss statement of Seller as of September 30, 2016.

5.16 Employee Benefit Plans. Except as set forth in Schedule 5.16, Seller maintains no Employee Plans. All Employee Plans listed in Schedule 5.16 are in compliance in all material respects with the requirements prescribed by applicable statutes, orders, governmental rules and regulations, and Seller has complied in all material respects with all applicable laws and regulations in the establishment and administration of the Employee Plans. Seller has performed all obligations required to be performed by it under the Employee Plans, and Seller is not in any respect in material violation of, any of the Employee Plans. All payments which are due for each Employee Plan have been timely paid, and all payments for any period ending on or before the Closing Date which are not yet due have been timely paid or accrued. No action, suit, proceeding, hearing or investigation (other than routine claims for benefits) is pending or threatened with respect to any Employee Plan.

5.17 Environmental Matters.

5.17.1 The operation of the Business and the Specified Assets have been and currently are in compliance in all material respects with the Environmental Permits and Environmental Laws. To the Knowledge of the Seller, there has been no Release or threat of Release of any Hazardous Substances (requiring investigation, assessment, remediation or monitoring under any Environmental Laws) in, on, under, or from any real property owned, leased or used in connection with the ownership or operation of the Business or the Specified Assets. Seller has not received any written or, to Seller's Knowledge oral, notice from any governmental authority or any third party alleging any non-compliance with or any potential liability under any Environmental Law or Environmental Permit relating to the Business or the Specified Assets.

5.17.2 To the Knowledge of the Seller, no underground storage tanks are located in, on or under any real property owned, leased or used in connection with the ownership or operation of the Business or the Specified Assets. Any aboveground storage tanks used to store Hazardous Substances in or on any real property owned, leased or used in connection with the ownership or operation of the Business or the Specified Assets are in compliance in all material respects with all Environmental Laws.

5.17.3 To the Knowledge of Seller, there is not currently and never has been any material mold, fungal or other microbial growth in or on any of the real property owned, leased or used in connection with the ownership or operation of the Business, or conditions that could reasonably be expected to result in material mold, fungal or microbial growth (e.g. material problems with the heating, ventilation and air conditioning system, water leaks or building materials known to be conducive to material mold, fungal or microbial growth), that could reasonably be expected to result in material liability or material costs or expenses to remediate the mold, fungal or microbial growth or to remedy the conditions that could reasonably be expected to result in such material growth.

5.18 Full Disclosure. None of the representations and warranties made in this Section 5 contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

SECTION 6. REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller and covenants with Seller, as set forth below in this Section 6.

6.1 Organization. Buyer is a limited liability company duly organized, validly existing and in good standing under the laws of its jurisdiction of organization. Buyer possesses the full limited liability company power and authority to enter into and perform its obligations under this Agreement and to consummate the transactions contemplated hereby.

6.2 Authority; Non-Contravention. Buyer has the right, power and authority to enter into and to perform its obligations under this Agreement, and the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby by Buyer has been duly authorized by all necessary corporate action by its board of directors. Buyer's execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby: (a) does not constitute a violation of or default under its charter or bylaws; (b) does not constitute a default or breach (immediately or after the giving of notice, passage of time or both) under any contract to which Buyer is a party or by which Buyer is bound; (c) do not constitute a violation of any Law or Judgment that is applicable to it or to its businesses or assets, or to the transactions contemplated by this Agreement; and (d) do not require the Consent of any Person. This Agreement constitutes a legal, valid and binding agreement of Buyer and is enforceable against Buyer in accordance with its terms, subject as to enforceability, to bankruptcy, insolvency, fraudulent transfer, moratorium, reorganization and other similar laws affecting creditors' rights generally.

6.3 Brokerage Fees. No broker, finder or investment banker is entitled to any fee or commission from Buyer for services rendered on behalf of Buyer in connection with the transactions contemplated by this Agreement.

6.4 Solvency. At and immediately after the Closing, the Buyer will be solvent and capable of meeting its obligations as they become due, and will have assets exceeding its liabilities and a reasonable amount of capital for the conduct of its business.

6.5 Full Disclosure. None of the representations and warranties made in this Section 6 contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

SECTION 7. PRE-CLOSING COVENANTS; TERMINATION

7.1 Conduct of Business Prior to the Closing. From the date hereof until the Closing, except as otherwise provided in this Agreement or consented to in writing by Buyer (in its sole discretion), Seller shall (a) conduct the Business in the ordinary course of business consistent with past practice and (b) use reasonable best efforts to maintain and preserve intact the Specified Assets. From the date hereof until Closing, but only to the extent such communications comply with and do not violate any applicable anti-trust Laws, Seller shall consult and review with Buyer regarding all potential purchase orders with customers and suppliers before such purchase orders become effective to aid the Parties in determining which of these purchase orders will be listed on Schedule 2.1.3.2 at Closing.

7.2 Access to Information. From the date hereof until the Closing, Seller shall (a) afford Buyer and its representatives, upon reasonable prior written notice, full and free access to and the right to inspect all of the properties, assets, books, records, contracts and other documents related to the Business and the Specified Assets, and (b) furnish Buyer and its representatives with such financial, operating and other data and information related to the Business as Buyer or any of its representatives may reasonably request.

7.3 No Solicitation of Other Bids. So long as this Agreement has not been properly terminated, Seller shall not, nor shall Seller permit or authorize any of its respective representatives or affiliates to, directly or indirectly, (a) encourage, solicit, initiate, facilitate or continue inquiries regarding the direct or indirect disposition, whether by sale, merger or otherwise, of all or any portion of the Business or the Specified Assets (an "Acquisition Proposal"), (b) enter into discussions or negotiations with, or provide any information to, any Person concerning a possible Acquisition Proposal, or (c) enter into any agreements or other instruments (whether or not binding) regarding an Acquisition Proposal.

7.4 Notification of Certain Events. From the date hereof until the Closing, Seller shall promptly notify Buyer in writing of any fact, circumstance, event or action, the existence, occurrence or taking of which (a) has had, or could reasonably be expected to have, individually or in the aggregate, a material adverse effect on the Business or the Specified Assets, (b) has resulted in, or could reasonably be expected to result in, any representations or warranties made by Seller hereunder not being true and correct or (c) has resulted in, or could reasonably be expected to result in, the failure of any of the conditions set forth in Section 7.8 to be satisfied. Buyer's receipt of information pursuant to this Section 7.4 shall not operate as a waiver or otherwise affect any representations, warranty or agreement given or made by Seller in this Agreement.

7.5 Union Contract. Prior to Closing, Seller and Buyer will utilize best efforts to negotiate with the labor organization representing Seller's union employees and reach an agreement allowing the assignment of the Collective Bargaining Agreement between Seller and United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union AFL-CIO, CLC on behalf of Local Union 5852-22 (the "Union") dated October 1, 2013, as amended (the "Union Contract"), from Seller to Buyer, with terms reasonably acceptable to Buyer in its sole discretion. The Parties acknowledge that assignment of the Union Contract from Seller to Buyer is Buyer's preference. Alternatively, Buyer may agree, in its sole discretion, to enter into a new collective bargaining agreement with the Union, which new agreement would terminate the current Union Contract with Seller, so long as the financial terms of such new agreement are similar to or the same as the proposed assignment of the Union Contract. Whichever contractual method is agreed upon, the Buyer Benefit Plans anticipated by Schedule 8.2.1 shall be substituted for Seller's like plans.

7.6 Finished Goods Inventory. From the date hereof through the Closing Date, Seller will complete, as far as reasonably possible with the aim not to impair the continuity of the Business, all work-in-process and move all products into finished goods.

7.7 Accomplishment of Closing Conditions. From the date hereof until the Closing, each Party shall use reasonable best efforts to take such actions as are necessary to expeditiously satisfy the closing conditions set forth in Section 7.8 hereof.

7.8 Conditions to Closing.

7.8.1 The obligations of Buyer to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or Buyer's waiver of each of the following conditions:

7.8.1.1 The representations and warranties of Seller contained in Section 5.1 through 5.3 shall be true and correct in all respects as of the Closing Date with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, which shall be true and correct in all respects as of that specified date).

7.8.1.2 Seller shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by this Agreement to be performed or complied with by it prior to or on the Closing Date, including, but not limited to the deliveries contemplated by Section 4.2.

7.8.1.3 No Legal Proceeding shall have been commenced against Seller or Buyer, which would prevent the Closing. No injunction or restraining order shall have been issued by any Governmental Body, and be in effect, which restrains or prohibits any transaction contemplated hereby.

7.8.1.4 Buyer shall have received a certificate, dated the Closing Date and signed by a duly authorized officer of Seller, that each of the conditions set forth in Section 7.8.1.1 and Section 7.8.1.2 have been satisfied.

7.8.1.5 Buyer has received advice from its counsel, reasonably satisfactory to Buyer in its sole discretion, that the transaction contemplated by this Agreement shall not require regulatory anti-trust approval, or

if such regulatory approval is required, the Parties have obtained all such anti-trust approvals or the applicable waiting periods have expired.

7.8.1.6 Buyer shall be satisfied, in its sole discretion, that the Union Contract has been assigned from Seller to Buyer or that a new collective bargaining agreement has been entered into between Buyer and the Union, whichever method is chosen, on financial terms reasonably acceptable to Buyer.

7.8.1.7 No Material Adverse Change shall have occurred with respect to the Business or the Specified Assets.

7.8.2 The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or Seller's waiver of each of the following conditions:

7.8.2.1 The representations and warranties of Buyer contained in Section 6.1 and 6.2 shall be true and correct in all respects as of the Closing Date with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, which shall be true and correct in all respects as of that specified date).

7.8.2.2 Buyer shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by this Agreement to be performed or complied with by it prior to or on the Closing Date, including, but not limited to the deliveries contemplated by Section 4.3.

7.8.2.3 No Legal Proceeding shall have been commenced against Seller or Buyer, which would prevent the Closing. No injunction or restraining order shall have been issued by any Governmental Body, and be in effect, which restrains or prohibits any transaction contemplated hereby.

7.8.2.4 Seller shall have received a certificate, dated the Closing Date and signed by a duly authorized officer of Buyer, that each of the conditions set forth in Section 7.8.2.1 and Section 7.8.2.2 have been satisfied.

7.9 Termination.

7.9.1 Termination Generally. This Agreement may be terminated at any time prior to the Closing:

7.9.1.1 By the mutual and written consent of the Parties hereto;

7.9.1.2 By Seller by written notice to Buyer if: (i) Seller is not then in material breach of any provision of this Agreement and there has been a breach, inaccuracy in or failure to perform any representation, warranty, covenant or agreement made by Buyer pursuant to this Agreement that would give rise to the failure of any of the conditions specified in Section 7.8.2, or (ii) any of the conditions set forth in Section 7.8.2 shall not have been, or likely will not be, fulfilled by February 28, 2017, unless such failure shall be due to the failure of Seller to perform or comply with any of the covenants, agreements or conditions hereof to be performed or complied with by it prior to the Closing.

7.9.1.3 By Buyer by written notice to Seller if: (i) Buyer is not then in material breach of any provision of this Agreement and there has been a breach, inaccuracy in or failure to perform any representation, warranty, covenant or agreement made by Seller pursuant to this Agreement that would give rise to the failure of any of the conditions specified in Section 7.8.1, or (ii) any of the conditions set forth in Section 7.8.1 shall not have been, or likely will not be, fulfilled by February 28, 2017, unless such failure shall be due to the failure of Buyer to perform or comply with any of the covenants, agreements or conditions hereof to be performed or complied with by it prior to the Closing.

7.9.2 Effect of Termination. In the event of the termination of this Agreement in accordance with Sections 7.9.1.1 (unless otherwise agreed in writing between the Parties in the mutually termination agreement), 7.9.1.2(ii), or 7.9.1.3, the Deposit shall be immediately returned to Buyer and this Agreement shall forthwith become void

and there shall be no liability on the part of any party hereto except: (a) as set forth in this Section 7.9 and Section 10 hereof; and (b) that nothing herein shall relieve any party hereto from liability for any willful breach of any provision hereof. However, in the event of the termination of this Agreement in accordance with Sections 7.9.1.2(i), the Deposit shall be paid to Seller and this Agreement shall forthwith become void and there shall be no liability on the part of any party hereto except: (a) as set forth in this Section 7.9 and Section 10 hereof; and (b) that nothing herein shall relieve any party hereto from liability for any willful breach of any provision hereof.

SECTION 8. POST-CLOSING COVENANTS

8.1 Post-Closing Cooperation of the Parties; Further Assurances. From and after the Closing Date: (a) Seller shall cooperate with Buyer to transfer to Buyer the full title, control and enjoyment of the Specified Assets; (b) Seller shall promptly deliver to Buyer all correspondence, papers, documents and other items and materials received by it or found to be in its possession which pertain to the Specified Assets; and (c) Seller shall cooperate with Buyer and its auditors with respect to requests for financial information relating to the Business prior to Closing, which financial information may be required to be reviewed, audited and publicly reported, pursuant to GAAP and/or applicable Law. In furtherance of the foregoing, Buyer shall promptly take all actions and do all things necessary in order for Buyer to take physical possession of the Specified Assets which constitute tangible personal property. Seller shall provide Buyer with access, upon reasonable prior notice from Buyer, to the Specified Assets to permit Buyer to comply with its obligations hereunder. At any time and from time to time after the Closing Date, at Buyer's request and without further consideration, Seller shall execute and deliver all such further agreements, certificates, instruments and documents and perform such further actions as Buyer may reasonably request, in order to fully consummate the transactions contemplated by this Agreement and fully carry out the purposes and intent of this Agreement.

8.2 Employees.

8.2.1 Employees Generally. Schedule 8.2.1 contains a list of all employees of Seller employed in the Business and sets forth for each the following: (i) name, (ii) title or position, (iii) hire date, (iv) current annual compensation, (v) commission, bonus or incentive based compensation, and (vi) general description of Seller's fringe benefits and accrued vacation and sick leave policies. The Parties agree that Schedule 8.2.1 shall be updated and delivered with information current as of the Closing Date, with the addition of specific vacation and sick leave accrual information for each employee as of the Closing Date. Except as set forth below, and save as otherwise agreed between the Parties at the end of the negotiation with the Union (as provided under Section 7.5 above), at Closing, the employment by Seller of all such employees shall be terminated. Buyer shall offer employment to all employees of the Business upon such terms and with any such employee benefit plan (collectively, "Buyer Benefit Plans") as Buyer determines; provided that three to five individuals, to be identified by Seller before Closing (collectively, "Seller's Employees"), shall remain Seller employees to manage, supervise and oversee the Seller Ongoing Operation post-Closing. The employees who elect to become employees of Buyer are referred to as "Transferred Employees." Unless otherwise required by applicable Law or otherwise prohibited by the Buyer Benefit Plans, Transferred Employees shall be eligible for Buyer Benefit Plans effective as of the commencement date of each employee's employment with Buyer and, unless otherwise required by applicable Law or otherwise prohibited by such Buyer Benefit Plan, Buyer shall recognize all service of the Transferred Employees with Seller, as if such service were with Buyer, for vesting, eligibility and accrual purposes. Additionally, Buyer shall assume liability for the Transferred Employees' vacation and sick leave accrued by Seller prior to Closing. Buyer agrees and acknowledges that it will be responsible for providing or continuing group health plan continuation coverage under Section 4980B of the Internal Revenue Code and Sections 601 through 609 of ERISA ("COBRA") to all "M&A qualified beneficiaries" as required by COBRA and Treasury Regulation Section 54.4980B-9.

8.2.2 Union Employees. For the avoidance of doubt, Buyer shall not assume any liability with respect to Seller's union employees' pension liability.

8.3 Non-Competition, Non-Solicitation Confidentiality Covenants of Seller.

8.3.1 Confidentiality.

8.3.1.1. Seller has had access to, and familiarity with, the Proprietary and Confidential Information, which is known only to the shareholders, officers, directors of the Seller or other employees, former employees, consultants or others in a confidential information relationship with the Seller. Without the prior written consent of Buyer, Seller hereby covenants and agrees that from and after the date hereof, Seller shall not disclose to any other Person or use in any manner any Proprietary and Confidential Information; provided, however, that Seller may disclose or use any such Proprietary and Confidential Information (i) as it becomes generally available to the public other than through a breach of this Agreement by Seller or any of its Affiliates and representatives, (ii) as it becomes available to Seller on a non-confidential basis from a source other than any other party hereto or such other party's Affiliates or representatives, provided that such source is not bound by a confidentiality agreement or other obligations of secrecy, (iii) as may be required in any report, statement or testimony required to be submitted to any Governmental Body having or claiming to have jurisdiction over Seller, or as may be otherwise required by applicable Law, or as may be required in response to any summons or subpoena or in connection with any litigation, (iv) as may be required to obtain any governmental approval or consent required in order to consummate the transactions contemplated by this Agreement, (v) as may be necessary to establish Seller's rights under this Agreement or (vi) as may be consented to in writing by Buyer or as may be necessary in Seller's performance of duties on behalf of Buyer following the date hereof; provided, further that in the case of clauses (iii) and (iv) above, Seller will promptly notify Buyer and, to the extent practicable, provide Buyer a reasonable opportunity to prevent public disclosure of such Proprietary and Confidential Information prior to use or disclosure thereof. Seller acknowledges responsibility for disclosures caused by Seller and any of its respective Affiliates and representatives.

8.3.1.2. For purposes of this Agreement, "Proprietary and Confidential Information" means any information of the Business that is not generally known to the public or to the Seller's competitors in the industry, is used in the Business, and gives the Business an advantage over businesses that do not know the information. "Proprietary and Confidential Information" includes know-how, trade secrets, client lists, supplier lists, referral source lists, computer software or data of any sort developed or compiled by the Seller, algorithms, source or other computer code, requirements and specifications, procedures, security practices, regulatory compliance information, personnel matters, drawings, specifications, instructions, methods, processes, techniques, formulae, costs, profits or margin information, markets, sales, pricing policies, operational methods, plans for future development, data drawings, samples, processes, products, the financial condition, results of operations, business, properties, assets, liabilities, or future prospects of the Seller with respect to the Business.

8.3.2 Non-competition and Non-solicitation Covenants. In consideration of the purchase by Buyer of the Specified Assets, Seller shall not, and shall cause its Affiliates, directors, officers and shareholders not to, during the Non-Compete Period and within the Territory, in any manner, directly or indirectly or by assisting any other Person, (i) own, control, manage, engage in, fund, finance or be a consultant for any business competitive with the Business, except that the ownership of Seller of not more than three percent of the shares of stock of any corporation having a class of equity securities actively traded on a national securities exchange or on NASDAQ shall not be deemed to violate the prohibitions of this paragraph, (ii) knowingly sell or distribute in the Territory stainless steel pipe and tube, regardless of where the pipe and tube is manufactured, except as a partner of Buyer or one of its Affiliates, including selling to third parties that Seller knows ultimately distribute these product lines into the Territory, (iii) recruit, solicit, induce or hire (except as a result of a general advertisement), or attempt to recruit, solicit, induce or hire, any of the Transferred Employees or employees of Buyer (or any of its Affiliates) to terminate their employment with, or otherwise cease their relationship with, Buyer (or any of its Affiliates), or (iv) solicit, divert, reduce or otherwise modify or attempt to solicit, divert, reduce or otherwise modify, the business of the clients, suppliers, licensors, licensees, franchisees, customers, accounts or business relations, or prospective clients, suppliers, licensors, licensees, franchisees, customers, accounts or business relations, of the Business. Notwithstanding the foregoing, these restrictive Non-Competition and Non-Solicitation covenants shall not restrict Seller or its Affiliates from selling products into North America that Buyer and its Affiliates do not currently offer, including, but not limited to, any product manufactured and sold by Seller Ongoing Operation .

8.3.3 In the event a judicial or arbitral determination is made that any provision of this Section 8.3 constitutes an unreasonable or otherwise unenforceable restriction against Seller, provisions of this Section 8.3 shall be rendered void only to the extent that such judicial or arbitral determination finds such provisions to be unreasonable

or otherwise unenforceable with respect to Seller. In this regard, any judicial authority construing this Agreement shall be empowered to sever any portion of the Territory, any prohibited business activity or any time period from the coverage of this Section 8.3 and to apply the provisions of this Section 8.3 to the remaining portion of the Territory, the remaining business activities and the remaining time period not so severed by such judicial or arbitral authority. If any restriction set forth in this Section 8.3 is found by any court of competent jurisdiction or arbitration panel to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it is the intent of the Parties hereto that it extend only over the maximum period of time, range of activities or geographic area as to which it may be enforceable.

8.3.4 The restrictions contained in this Section 8.3 are necessary for the protection of the business and goodwill of Buyer and are considered by Seller to be reasonable for such purpose. Seller expressly acknowledges the value of the consideration received in connection with this Section 8.3, agrees that any breach of this Section 8.3 will cause Buyer substantial and irrevocable damage and therefore, in the event of any such breach, in addition to such other remedies which may be available at law or equity, Buyer shall have the right to seek specific performance and injunctive relief.

8.4 Taxes.

8.4.1 To the extent any sales, use, value-added, gross receipts, excise, registration, stamp duty, transfer or other similar taxes or governmental fees ("Transfer Taxes") are imposed or levied by reason of, in connection with or attributable to this Agreement and the transactions contemplated hereby, such Transfer Taxes shall be borne by Buyer. The Parties shall cooperate with each other to the extent reasonably requested and legally permitted to minimize any such Transfer Taxes. The Party required by law to file a Tax Return, if any, with respect to such Transfer Taxes shall do so within the time period prescribed by law.

8.4.2 Seller and Buyer shall cooperate fully, as and to the extent reasonably requested by the other Party, in connection with any Tax proceeding relating to the Specified Assets or the transactions contemplated by this Agreement. Such cooperation shall include the retention and (upon the other Party's request) the provision of records and information which are reasonably relevant to any Tax audit, litigation or other Proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Seller agrees to retain all books and records with respect to Tax matters pertinent to the Specified Assets relating to any taxable period beginning before the Closing Date until the longer of (x) sixty (60) days after the expiration of the statute of limitations of the respective taxable periods or (y) six years, and to abide by all record retention agreements entered into with any Taxing Authority to the extent related to the Specified Assets or the Business.

8.4.3 Bulk Sales Law. The Parties hereto waive compliance with the provisions of any "bulk sales laws" or similar Laws of any state or other jurisdiction which may be applicable to the transactions contemplated hereby or that may otherwise be applicable with respect to the sale of any or all of the Specified Assets to Buyer.

8.5 Public Announcements. Shortly after the date of this Agreement, Buyer, or an Affiliate of Buyer, will issue a Form 8-K (including press release), Form 8-K/A and other securities filings (collectively, the "Filings") referencing the execution of this Agreement, the parties hereto and other material terms. Except in such Filings and other subsequent filings that may be required by securities Law, neither Seller nor Buyer shall disclose to any Person, other than an Affiliate of such Party, the financial or other terms of this Agreement without the prior written consent of the other Party, unless required to do so by a Governmental Body or Law or in accordance with the terms hereof. Notwithstanding the foregoing or anything else to the contrary in this Agreement, the Parties hereto (and each employee, representative or other agent of a Party) may disclose to any and all Persons the Tax treatment and Tax structure of the transactions contemplated by this Agreement and all materials of any kind that are provided to the Parties relating to such Tax treatment and Tax structure.

8.6 Assignment of Warranties. At Closing, Seller shall assign all supplier/manufacturer warranties regarding the Specified Assets to Buyer, including, but not limited to, any such warranties on the Equipment and raw material Inventory.

8.7 Facility Lease.

8.7.1 At Closing, Seller and Buyer shall enter into a facility lease, the form of which is attached hereto as Exhibit B (the "Facility Lease"), for the Facility.

8.7.2 At the conclusion of the Facility Lease term, Buyer will be responsible for moving or disposing of all of the Specified Assets at the Facility, with the exception of the pickling equipment. Buyer shall pay the cost to disassemble the pickling equipment and dispose of the waste. However, Seller and its affiliates will retain all environmental liabilities associated with the pickling operation both before and after Closing, unless caused by gross negligence or wilful misconduct of the Buyer during the occupancy of the Facility.

8.8 Operations Post-Closing.

8.8.1 At Closing, Seller and Buyer shall enter into a Services Agreement, the form of which is attached hereto as Exhibit C (the "Services Agreement"), which shall detail, among other things, the agreements set forth in this Section 8.8.

8.8.2 Seller's Finished Goods Inventory. After Closing, Seller's finished goods inventory will be stored, free of charge, at the Facility. For Seller's custom-made finished goods inventory at Closing, Seller's Employees will sell those goods to the end customer at the pre-Closing agreed upon price negotiated between Seller and the customer and Seller will pay to Buyer a handling charge as detailed in the Services Agreement. For Seller's stock/commodity finished goods inventory (the overwhelming majority of which is ten inches or less in outside diameter), Buyer will sell all of this inventory for the best possible commercially available price - which in any case shall not be lower than the price received by Buyer (or any of its Affiliates) for the sale of its products in the same range - as supervised by Seller's Employees on-site, alternating sales of Buyer's like products, on a one for one basis, until all of Seller's stock/commodity finished goods inventory is sold, with the goal to sell the entire pre-Closing finished goods inventory stock within one (1) year of Closing. The relevant sales proceeds (for Seller's pre-Closing inventory), less the applicable handling fee, shall be paid by the relevant customers directly to Seller's bank account and Seller will pay thereafter to Buyer a handling charge as detailed in the Services Agreement.

8.8.3 Obsolete and Scrap Inventory. Obsolete and scrap inventory generated before Closing will be sold off by Seller's Employees in a manner similar to Seller's pre-Closing custom-made finished goods inventory, with the proceeds paid directly to Seller, who will thereafter pay to Buyer a handling charge detailed in the Services Agreement. Seller's Employees will also be responsible for selling off any galvanized scrap material generated before and after Closing, with Seller receiving the proceeds and thereafter paying to Buyer a handling charge as detailed in the Services Agreement. The relevant sales proceeds, less the applicable handling fee, shall be paid by the relevant customers directly to Seller's bank account. For the avoidance of confusion, obsolete and scrap stainless inventory generated after Closing will be sold off by Buyer, and Buyer will retain those proceeds.

8.8.4 Seller's Employees. Seller's Employees on-site will provide oversight to the processes described in this Section 8.8 to provide assurances that Seller is receiving payments when Buyer has carried out the relevant sale and that Buyer is receiving the best available prices for stock/commodity inventory. The Parties shall meet every quarter in order to monitor the sales process and, if necessary, plan how to progress.

8.8.5 Seller Ongoing Operation Post-Closing. Following Closing, Seller will be responsible for purchasing all galvanized raw material and supplies, the sale of galvanized finished goods and the repairs and upkeep on the high frequency mills and their associated equipment. As it will not be possible to break out the galvanized equipment for insurance and property tax purposes, Buyer will pay for these expenses for all of the equipment owned by Buyer and associated with the Seller Ongoing Operation and charge Seller its pro-rata share, which Seller shall

reimburse upon demand. All Transferred Employees performing work on the Seller Ongoing Operation (union production and maintenance personnel) will be billed monthly to Seller at a fully loaded rate per hour that includes all fringe benefits, overtime, payroll taxes, cost of workers' compensation coverage, etc. Seller shall pay such invoices immediately. Buyer will not charge Seller any fee or mark-up on these costs. Buyer will be responsible for paying all utility bills during the Facility Lease term and will invoice Seller an agreed upon share of monthly utilities for the Seller Ongoing Operation.

8.8.6 Buyer's Right to use certain Excluded Assets Post-Closing. Following Closing and until the expiry of the Facility Lease, Buyer shall have the right to use one (1) forklift and up to two (2) maintenance milling machines amongst those listed under Schedule 2.1.2.9 (the "Loaned Equipment") which will remain in the ownership of the Seller and will continue to be also used by the Seller in connection with the Seller Ongoing Operation. The Parties shall use their best efforts to share in good faith the use of the Loaned Equipment on the basis of their actual production needs. Buyer acknowledges and agrees that, notwithstanding anything else to the contrary in this Agreement, Seller does not provide any representation or warranty as to the status or conditions or operation of the Loaned Equipment, nor undertakes any obligation to repair, maintain or replace the Loaned Equipment, or to indemnify the Buyer for any damage suffered if the Loaned Equipment should cease to be usable or operating.

8.9 Product Warranty Claims. If, following the Closing, Buyer receives a claim from any of its customers or any of the former customers of Seller that any of the Specified Assets or any other goods manufactured or sold by Seller prior to the Closing contain or suffer from any non-compliance with the terms or specifications of the purchase order or contract or makes any other warranty claim and, that as a result thereof, said customer has elected to either (i) reject the goods manufactured or sold by Seller, or (ii) claim a full or partial credit for the cost of such goods against any amounts owed to Buyer, then Buyer promptly shall notify Seller of such claim. Upon receipt of such notification, Seller shall have ten (10) days in which to determine whether to accept or reject each product warranty claim. If a product warranty claim is rejected by the Seller on commercially reasonable grounds, then Buyer may resolve such product warranty claim in any manner that Buyer deems necessary and appropriate under the circumstances and, to the extent that the relevant customer should obtain a valid and enforceable order from a competent court confirming that the claim is grounded and ordering Buyer to pay the customer to satisfy such product warranty, then Buyer may seek to recover its reasonable costs and expenses from Seller under and pursuant to the terms of Section 8 of this Agreement. If Seller elects to accept any product warranty claims made by customers following the Closing, Seller shall assist Buyer in the resolution of such product warranty claims as more particularly described below. Seller may elect to either (x) pay the customer for the product plus freight in exchange for returned product, if any, or (y) request that Buyer repair, remanufacture or replace the product and reimburse Buyer for Buyer's actual costs (including depreciation costs, if any, and freight) in remanufacturing, repairing or replacing the product, less a credit for the amount of returned product based upon market value. In such a case, the Parties shall act in good faith to reach an agreement on the amount due by the Seller and the Seller shall make any such agreed reimbursement to Buyer within five (5) business days following the date of the agreement.

SECTION 9. INDEMNIFICATION

9.1 Indemnification.

9.1.1 From and after the Closing Date, Seller shall indemnify, defend and hold harmless Buyer and each of its Affiliates and their respective directors, officers, employees, agents and representatives (each a "Buyer Indemnified Party") from and against any and all claims, demands or suits (by any Person), losses, liabilities, damages, payments, costs and expenses (including, the costs and expenses of any and all actions, suits, Proceedings, assessments, judgments, settlements and compromises relating thereto and reasonable attorneys' fees and reasonable disbursements in connection therewith) (each, an "Indemnifiable Loss"), asserted against or suffered by any Buyer Indemnified Party relating to, resulting from or arising out of (i) any breach by Seller of any covenant or agreement of Seller contained in this Agreement, (ii) any breach by Seller of any of the representations and warranties contained in Section 5 hereof, (iii) any Excluded Liability, including without limitation, the Union Contract (before Closing) and the Union's pension liability, (iv) the operation by Seller of the Business (which in this instance includes the Seller Ongoing Operation) or

its ownership, use or operation of the Specified Assets prior to the Closing, (v) Seller's Employees, (vi) any and all environmental liabilities associated with the pickling operation, the Facility and the areas hosting the Equipment in the Specified Assets and arisen either before and after Closing, unless such environmental liabilities have been caused by gross negligence or willful misconduct of the Buyer (or any of its Affiliate) in the occupancy of the Facility post-Closing, and (vii) the operation of the Seller Ongoing Operation and its related assets at the Facility after Closing.

9.1.2 From and after the Closing Date, Buyer shall indemnify, defend and hold harmless Seller and each of its Affiliates and their respective directors, officers, employees, agents and representatives (each a "Seller Indemnified Party") from and against any and all Indemnifiable Losses asserted against or suffered by any Seller Indemnified Party relating to, resulting from or arising out of (i) any breach by Buyer of any covenant or agreement of Buyer contained in this Agreement, (ii) any breach by Buyer of any of the representations and warranties contained in Section 6 hereof, (iii) the Specified Liabilities, and (iv) the operation by Buyer of the ownership, use or operation of the Specified Assets after the Closing.

9.1.3 Except for the right to seek specific performance, which right or remedy shall not be affected or diminished hereby, the rights and remedies of Seller and Buyer under this Section 9 are exclusive and in lieu of such rights and remedies as Seller and Buyer may have under this Agreement, under applicable Law or in equity or otherwise for any breach of representation, breach of warranty or failure to fulfill any agreement or covenant hereunder on the part of any Party hereto (whether willful, intentional or otherwise), except in the event of fraud.

9.1.4 Notwithstanding anything to the contrary herein, no Person (including an Indemnitee) shall be entitled to recover from any other Person (including any Party required to provide indemnification under this Agreement (an "Indemnifying Party")) any amount in excess of the actual damages, court costs and reasonable attorneys' fees and disbursements suffered by such Party. In furtherance of the foregoing, Buyer and Seller hereby irrevocably waive any right to recover punitive, indirect, special, exemplary and consequential damages, including damages for lost profits, arising in connection with or with respect to this Agreement (other than with respect to indemnification for a Third Party Claim).

9.1.5 Any indemnity payment under this Agreement will be treated as an adjustment to the Purchase Price, unless otherwise provided by law.

9.1.6 Notwithstanding the foregoing provisions of this Section 9, neither Seller nor Buyer shall be liable under Sections 9.1.1(ii) or 9.1.2(ii) unless and until the aggregate amount of liability thereunder exceeds \$25,000 (the "Basket"), in which event the Indemnitee shall be entitled to indemnification thereunder only for the amount such liability exceeds the Basket, provided, however, that the total amount recoverable pursuant to Sections 9.1.1(ii) or 9.1.2(ii) shall not exceed \$1,500,000 (the "Indemnity Limit"); provided further, however, that the Basket and the Indemnity Limit shall not apply in the event of (i) fraud or intentional misconduct, (ii) a breach by Seller of the representations and warranties set forth in Sections 5.1, 5.2, 5.3, 5.10, 5.12, 5.16 and 5.17 or (iii) a breach by Buyer of the representations and warranties set forth in Sections 6.1, 6.2 and 6.3.

9.1.7 All of the representations and warranties contained in this Agreement shall survive the Closing and continue in full force and effect until eighteen (18) months after the Closing Date, except that (i) the representations and warranties contained in Sections 5.1, 5.2, 5.3, 5.10, 5.12, 5.16, 5.17, 6.1, 6.2 and 6.3 shall survive until the expiration of the applicable statute of limitations, at which time they shall lapse and (ii) any representation or warranty as to which an Indemnifiable Loss shall have been asserted in writing during the applicable survival period (which writing shall state with reasonable specificity the nature and amount of such Indemnifiable Loss) shall continue in effect with respect to such Indemnifiable Loss until such Indemnifiable Loss shall have been finally resolved or settled, provided that notice of the inaccuracy or breach or potential inaccuracy or breach thereof or other claim giving rise to such right or potential right of indemnity shall have been given to the Party against whom such indemnity may be sought prior to such time. The covenants and agreements contained in this Agreement shall remain in effect until the expiration of such covenants and agreements pursuant to their express terms.

9.1.8 Defense of Claims. If any Indemnitee receives notice of the assertion of any claim or of the commencement of any claim, action, or Proceeding made or brought by any Person who is not a Party to this

Agreement or any Affiliate of a Party to this Agreement (a "Third Party Claim") with respect to which indemnification is to be sought from an Indemnifying Party, the following terms and provisions shall apply:

9.1.8.1 The Indemnitee shall give written notice to the Indemnifying Party of any Third Party Claim which might give rise to a claim for indemnification, which notice shall state the nature and basis of the assertion and the amount thereof, to the extent known, provided, however, that no delay on the part of the Indemnitee in giving notice shall relieve the Indemnifying Party of any obligation to indemnify unless (and then solely to the extent that) the Indemnifying Party is prejudiced by such delay and then only to the extent so prejudiced.

9.1.8.2 If any Third Party Claim is brought against an Indemnitee with respect to which the Indemnifying Party may have an obligation to indemnify, the Third Party Claim shall be defended by the Indemnifying Party and such defense shall include all proceedings and appeals which counsel for the Indemnitee shall deem reasonably appropriate.

9.1.8.3 Notwithstanding the provisions of the previous subsection, until the Indemnifying Party shall have assumed the defense of any such Third Party Claim, the defense shall be handled by the Indemnitee. Furthermore, (i) if the Indemnitee shall have reasonably concluded that there are likely to be defenses available to the Indemnitee that are different from or in addition to those available to the Indemnifying Party; (ii) if the Indemnifying Party fails to provide the Indemnitee with evidence reasonably acceptable to the Indemnitee that the Indemnifying Party has sufficient financial resources to defend and fulfill its indemnification obligation with respect to the Third Party Claims; (iii) if the Third Party Claim involves other than money damages and seeks injunctive or other equitable relief; (iv) the Third Party Claim involves a customer, competitor or a supplier of the Business; or (v) if a judgment against the Indemnitee will, in the good faith opinion of the Indemnitee, establish a custom or precedent which will be adverse to the best interests of its continuing business, the Indemnifying Party shall not be entitled to assume the defense of the Third Party Claim and the defense shall be handled by the Indemnitee. If the defense of the Third Party Claim is handled by the Indemnitee under the provisions of this subsection, the Indemnifying Party shall pay all legal and other expenses reasonably incurred by the Indemnitee in conducting such defense. Notwithstanding the foregoing, any product warranty claims pursuant to Section 8.9 that also trigger indemnification obligations under this Section 9 shall be defended utilizing a joint defense between Seller and Buyer, with Seller, as the Indemnifying Party, paying all costs of such joint defense.

9.1.8.4 In any Third Party Claim defended by the Indemnifying Party (i) the Indemnitee shall have the right to be represented by advisory counsel and accountants, at its own expense, (ii) the Indemnifying Party shall keep the Indemnitee fully informed as to the status of such Third Party Claim at all stages thereof, whether or not the Indemnitee is represented by its own counsel, (iii) the Indemnifying Party shall make available to the Indemnitee, and its attorneys, accountants and other representatives, all books and records of the Indemnifying Party relating to such Third Party Claim and (iv) the parties shall render to each other such assistance as may be reasonably required in order to ensure the proper and adequate defense of the Third Party Claim.

9.1.8.5 In any Third Party Claim, the party defending the same shall not make any settlement of any claim without the prior written consent of the other party, which consent shall not be unreasonably withheld, delayed or conditioned. Without limiting the generality of the foregoing, it shall not be deemed unreasonable to withhold consent to a settlement involving injunctive or other equitable relief against the Indemnitee or its assets, employees or business, or relief which the Indemnitee reasonably believes could establish a custom or precedent which will be adverse to the best interests of its continuing business.

SECTION 10. OTHER PROVISIONS

10.1 Fees and Expenses. Except with respect to indemnification claims which shall be governed by Section 9, Buyer shall pay all of the fees and expenses incurred by Buyer, and Seller shall pay all of the fees and expenses incurred by Seller, in negotiating and preparing this Agreement (and all other agreements and documents executed in connection herewith or therewith) and in consummating the transactions contemplated hereby.

10.2 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given on the day when delivered personally or by facsimile transmission (with confirmation), on the next Business Day when delivered to a nationally recognized overnight courier or five (5) Business Days after deposited as registered or certified mail (return receipt requested), in each case, postage prepaid, addressed to the recipient Party at its address or facsimile number specified below (or at such other address or facsimile address for a Party as shall be specified by like notice; provided that notices of a change of address or facsimile number shall be effective only upon receipt thereof):

If to Buyer, to:

Bristol Metals, LLC
c/o Synalloy Corporation
4510 Cox Road, Suite 201
Glen Allen, Virginia 23060
Attention: Craig Bram, CEO
Telephone: (804) 822-3261
Facsimile: (804) 822-3270

With copies to:

LeClairRyan, A Professional Corporation
Riverfront Plaza, East Tower
919 East Main Street
Richmond, Virginia 23219
Attention: John C. Selbach, Esq.
Telephone: (804) 343-4388
Facsimile: (804) 916-7288

If to Seller, to:

Marcegaglia USA, Inc.
c/o Marcegaglia Specialties Spa
Via Bresciani, 16
46040 Gazoldo degli Ippoliti, MN - Italy
Attn: Antonio Marcegaglia, Chairman and CEO
Telephone: +39 0376 685430
Fax: +39 0379 657901

With copies to:

Marcegaglia Specialties Spa
Via Bresciani, 16
46040 Gazoldo degli Ippoliti, MN - Italy
Attn: Avv. Elisa Scihanick, Corporate General Counsel
Telephone: +39 0376 685432
Fax: +39 0379 685656

10.3 Entire Understanding. This Agreement, together with the Exhibits and Schedules hereto, between Buyer and Seller, states the entire understanding between the Parties with respect to the subject matter hereof, and supersedes all prior oral and written communications and agreements, and all contemporaneous oral communications and agreements, with respect to the subject matter hereof. The Agreements and the Exhibits and Schedules hereto may be amended at any time prior to Closing provided that any such amendment is approved in writing by each of the Parties.

10.4 Assignment. This Agreement shall bind, benefit, and be enforceable by and against Buyer and the Seller and their respective successors and assigns. No Party shall in any manner assign any of its rights or obligations under this Agreement without the express prior written consent of the other Party.

10.5 Waivers. Except as otherwise expressly provided herein, no waiver with respect to this Agreement shall be enforceable unless in writing and signed by the Party against whom enforcement is sought. Except as otherwise expressly provided herein, no failure to exercise, delay in exercising, or single or partial exercise of any right, power or remedy by any Party, and no course of dealing between or among any of the Parties, shall constitute a waiver of, or shall preclude any other or further exercise of, any right, power or remedy.

10.6 Severability. If any provision of this Agreement is construed to be invalid, illegal or unenforceable, then the remaining provisions hereof shall not be affected thereby and shall be enforceable without regard thereto.

10.7 Offset. Neither Party shall have the right of offset under this Agreement.

10.8 Counterparts. This Agreement may be executed in any number of counterparts, including by facsimile, each of which when so executed and delivered shall be an original hereof, and it shall not be necessary in making proof of this Agreement to produce or account for more than one counterpart hereof.

10.9 Section Headings. Section and subsection headings in this Agreement are for convenience of reference only, do not constitute a part of this Agreement, and shall not affect its interpretation.

10.10 References. All words used in this Agreement shall be construed to be of such number and gender as the context requires or permits.

10.11 Controlling Law. THIS AGREEMENT IS MADE UNDER, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF DELAWARE APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED SOLELY THEREIN, WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAW.

10.12 Jurisdiction and Process. In any action between or among any of the Parties arising out of this Agreement, any of the agreements contemplated hereby or otherwise, (a) each of the Parties irrevocably consents to the exclusive jurisdiction and venue of the federal and state courts located in the State of Delaware, (b) if any such action is commenced in a state court, then, subject to applicable law, no Party shall object to the removal of such action to any federal court located in the State of Delaware, (c) each of the Parties irrevocably consents to service of process by first class certified mail, return receipt requested, postage prepaid, to the address at which such Party is to receive notice in accordance with Section 10.2, and (d) the substantially prevailing Party shall be entitled to recover their reasonable attorneys' fees, costs, and disbursements from the other Parties (in addition to any other relief which the substantially prevailing Party may be entitled).

10.13 No Third-Party Beneficiaries. No provision of this Agreement is intended to or shall be construed to grant or confer any right to enforce this Agreement, or any remedy for breach of this Agreement, to or upon any Person other than the Parties hereto.

[Signature page follows]

INTENDING TO BE LEGALLY BOUND HEREBY, the Parties have executed or caused to be executed this Asset Purchase Agreement effective as of the day and year first above written.

BRISTOL METALS, LLC

By: _____
Name:
Title:

MARCEGAGLIA USA, INC.

By: _____
Name:
Title:

The undersigned, Marcegaglia Specialties Spa, a company organized under the laws of Italy, hereby unconditionally guarantees the obligations of Marcegaglia USA, Inc. set forth in Sections 5, 8.3 and 9 of this Agreement, subject to the terms and conditions set forth therein.

MARCEGAGLIA SPECIALTIES SPA

By: _____
Name:
Title:

The undersigned, Synalloy Corporation, a Delaware corporation, hereby unconditionally guarantees the obligations of Bristol Metals, LLC set forth in Section 3.3 of this Agreement, subject to the terms and conditions set forth therein.

SYNALLOY CORPORATION

By: _____
Name:
Title:

EXHIBIT 1

DEFINED TERMS

“Acquisition Proposal” shall have the meaning given to such term in Section 7.3 herein.

“Affiliate” of a Person means a Person who, directly or indirectly through one or more subsidiaries, controls or is controlled by, or is under common control with, such Person.

“Agreement” shall have the meaning given to such term in the Introduction herein.

“Assumed Contracts” shall have the meaning given to such term in Section 5.7 herein.

“Basket” shall have the meaning given to such term in Section 9.1.6 herein.

“Business” shall have the meaning given to such term in the Recitals herein.

“Buyer” shall have the meaning given to such term in the Introduction herein.

“Buyer Benefit Plans” shall have the meaning given to such term in Section 8.1.1 herein.

“Buyer Indemnified Party” shall have the meaning given to such term in Section 9.1.1 herein.

“Calculation Period” means each successive three month period during the Earn Out Period, beginning with the first three month period following the Closing Date.

“Closing” shall have the meaning given to such term in Section 4.1 herein.

“Closing Date” shall have the meaning given to such term in Section 4.1 herein.

“Code” means the United States Internal Revenue Code of 1986, as amended.

“Consent” means any consent, approval, order or authorization of, or any declaration, filing or registration with, or any applicable, notice or report to, or any waiver by, or any other action (whether similar or dissimilar to any of the foregoing), of, by or with, any Person, which is necessary in order to take a specified action or actions in a specified manner and/or to achieve a specified result.

“Customer Lists” shall have the meaning given to such term in Section 2.1.1.3 herein.

“Deposit” shall have the meaning given to such term in Section 3.1.2 herein.

“Earn Out Calculation” shall have the meaning given to such term in Section 3.3.2.1 herein.

“Earn Out Calculation Delivery Date” shall have the meaning given to such term in Section 3.3.2.1 herein.

“Earn Out Calculation Objection Notice” shall have the meaning given to such term in Section 3.3.2.2 herein.

“Earn Out Calculation Statement” shall have the meaning given to such term in Section 3.3.2.1 herein.

“Earn Out Payment” shall have the meaning given to such term in Section 3.3.1 herein.

“Earn Out Period” means the four year period following the Closing Date.

“Employee Plan” means any employee benefit plan as defined in Section 3(3) of ERISA which is sponsored by the Seller for employees of the Seller.

“Encumbrance” means any liens, superlien, security interest, pledge, right of first refusal, mortgage, easement, covenant, restriction, reservation, conditional sale, prior assignment, hypothecate or other encumbrance, claim, burden or charge of any nature.

“Entity” means any corporation (including any non-profit corporation), general partnership, limited partnership, limited liability partnership, joint venture, estate, trust, company (including any company limited by shares, limited liability company or joint stock company), firm, society or other enterprise, association, organization or entity.

“Equipment” shall have the meaning given to such term in Section 2.1.1.2 herein.

“Escrow Agent” means LeClairRyan, A Professional Corporation.

“Escrow Agreement” shall have the meaning given to such term in Section 3.1.2 herein.

“Excluded Assets” shall have the meaning given to such term in Section 2.1.2 herein.

“Excluded Liabilities” shall have the meaning given to such term in Section 2.1.4 herein.

“Facility” shall have the meaning given to such term in Section 2.1.2.6 herein.

“Facility Lease” shall have the meaning given to such term in Section 8.6.1 herein.

“Filings” shall have the meaning given to such term in Section 8.4 herein.

“Financial Statements” shall have the meaning given to such term in Section 5.19 herein.

“GAAP” means generally accepted accounting principles under current United States accounting rules and regulations, consistently applied.

“Governmental Body” means any: (a) nation, principality, republic, state, commonwealth, province, territory, county, municipality, district or other jurisdiction of any nature; (b) federal, state, local, provincial, municipal, foreign or other government; (c) governmental or quasi-governmental authority of any nature (including any governmental division, subdivision, department, agency, bureau, branch, office, commission, council, board (including any federal, state, provincial or local board(s) of medicine), instrumentality, officer, official, representative, organization, unit, body or Entity and any court or other tribunal); (d) multi-national organization or body; or (e) individual, Entity or body exercising, or entitled to exercise, any executive, legislative, judicial, administrative, regulatory, policy, military or taxing authority or power of any nature.

"including" means including but not limited to.

“Indemnifiable Loss” shall have the meaning given to such term in Section 9.1.1 herein.

“Indemnifying Party” shall have the meaning given to such term in Section 9.1.4 herein.

“Indemnitee” means a Buyer Indemnified Party or a Seller Indemnified Party, as applicable.

“Indemnity Limit” shall have the meaning given to such term in Section 9.1.6 herein.

“Inventory” shall have the meaning given to such term in Section 2.1.1.1 herein.

“Judgment” means any order, writ, injunction, citation, award, decree, administrative order or agreement or other judgment of any nature of any Governmental Body.

“Knowledge of Seller” and similar phrases means that neither Antonio Marcegaglia, Lorenzo Biagi nor Marco Costi had knowledge that the statement made is incorrect.

“Law” means any provision of any foreign, federal, state, provincial or local law, common law, statute, ordinance, charter, constitution, treaty, code, rule, regulation or guideline.

“Licenses and Permits” shall have the meaning given to such term in Section 2.1.1.6 herein.

“Material Adverse Change” means any event, occurrence, fact, condition or change that is, or could reasonably be expected to become, individually or in the aggregate, materially adverse to (a) the business, results of operations, condition (financial or otherwise) or assets of the Business, (b) the value of the Specified Assets, or (c) the ability of Seller to consummate the transactions contemplated hereby on a timely basis; provided, however, that “Material Adverse Change” shall not include any event, occurrence, fact, condition or change, directly or indirectly, arising out of or attributable to: (i) general economic or political conditions; (ii) conditions generally affecting the industries in which the Business operates; (iii) any changes in financial or securities markets in general; or (iv) acts of war (whether or not declared), armed hostilities or terrorism, or the escalation or worsening thereof.

“Non-Compete Period” shall mean a period of ten (10) years after the Closing Date.

“Party” and “Parties” shall have the meaning given to such terms in the Introduction herein.

“Person” means any individual, Entity or Governmental Body.

“Proceeding” means any demand, claim, suit, action, litigation, investigation, audit, arbitration, administrative hearing or other proceeding of any nature.

“Proprietary and Confidential Information” shall have the meaning given to such term in Section 8.2.1.2 herein.

“Purchase Price” shall have the meaning given to such term in Section 3.1.1 herein.

“Returns” shall have the meaning given to such term in Section 5.12.1 herein.

“Revenue” means, with respect to any Calculation Period, gross sales generated by Buyer of small diameter stainless steel pipe and tube (outside diameter of ten inches or less) determined in accordance with GAAP.

“Review Period” shall have the meaning given to such term in Section 3.3.2.2 herein.

“Seller” shall have the meaning given to such term in the Introduction herein.

“Seller’s Employees” shall have the meaning given to such term in Section 8.1.1 herein.

“Seller Indemnified Party” shall have the meaning given to such term in Section 9.1.2 herein.

“Seller Ongoing Operation” means the galvanized pipe and tube manufacturing business and the stainless steel squares, rectangles and rounds tubes manufacturing business for ornamental or automotive application of Seller operating at the Facility before and after the Closing, as more fully described in the Services Agreement.

“Services Agreement” shall have the meaning given to such term in Section 8.7.1 herein.

“Specified Assets” shall have the meaning given to such term in Section 2.1.1 herein.

“Specified Liabilities” shall have the meaning given to such term in Section 2.1.3 herein.

“Tax” means: (a) any foreign, federal, state, provincial or local income, earnings, profits, gross receipts, franchise, capital stock, net worth, sales, use, value added, occupancy, general property, real property, personal property, intangible property, transfer, fuel, excise, payroll, withholding, unemployment compensation, social security, escheat, unclaimed property, retirement or other tax of any nature; or (b) any deficiency, interest or penalty imposed with respect to any of the foregoing.

“Taxing Authority” shall mean any domestic, foreign, federal, national, state, provincial, county or municipal or other local government, any subdivision, agency, commission or authority thereof, or any quasi-Governmental Body exercising tax regulatory authority.

“Tax Returns” means all federal, state, provincial, local, foreign and other Tax returns and reports, information returns, statements, declarations, estimates, schedules, notices, notifications, forms, elections, certificates or other documents required to be filed or submitted to any Governmental Body with respect to the determination, assessment, collection or payment of any Tax or in connection with the administration, implementation or enforcement of or compliance with any Law relating to any Tax, including any amendments thereto.

“Territory” means the North America.

“Third Party Claim” shall have the meaning given to such term in Section 9.1.8 herein.

“Transfer Taxes” shall have the meaning given to such term in Section 8.3.1 herein.

“Transferred Employees” shall have the meaning given to such term in Section 8.1.1 herein.

“Union” shall have the meaning given to such term in Section 7.5 herein.

“Union Contract” shall have the meaning given to such term in Section 7.5 herein.

EXHIBITS AND SCHEDULES

Exhibit A	—	Form of Escrow Agreement
Exhibit B	—	Form of Facility Lease
Exhibit C	—	Form of Services Agreement
Schedule 2.1.1.1	—	Inventory (at or before Closing)
Schedule 2.1.1.2	—	Equipment
Schedule 2.1.1.6	—	Licenses and Permits (at or before Closing)
Schedule 2.1.2.2	—	Seller's Finished Goods Inventory (at or before Closing)
Schedule 2.1.2.9	—	Seller Ongoing Operation Equipment
Schedule 2.1.3.1	—	Transferred Employees Accrued Leave (at or before Closing)
Schedule 2.1.3.2	—	Assumed Purchase Orders (at or before Closing)
Schedule 2.1.3.3	—	Assumed Trade Accounts Payable (at or before Closing)
Schedule 3.2	—	Allocation Statement (at or before Closing)
Schedule 5.2.2	—	Non-Contravention
Schedule 5.2.3	—	Consents
Schedule 5.3	—	Title to Specified Assets
Schedule 5.10	—	Taxes
Schedule 5.13	—	Labor and Employment Matters
Schedule 5.15	—	Financial Statements
Schedule 5.16	—	Employee Benefit Plans
Schedule 8.2.1	—	Employees

Exhibit A

Form of Escrow Agreement

See attached.

Exhibit B

Form of Facility Lease

See attached.

Exhibit C

Form of Services Agreement

See attached.

**AMENDMENT NO. 1
TO
ASSET PURCHASE AGREEMENT**

This Amendment No. 1 to Asset Purchase Agreement (this "Amendment"), effective as of February 28, 2017, is entered into by and between Marcegaglia USA, Inc., a Pennsylvania corporation ("Seller"), and Bristol Metals, LLC, a Tennessee limited liability company ("Buyer"). Seller and Buyer may each be referred to herein individually as a "Party" and together as the "Parties".

WHEREAS, Seller and Buyer entered into an Asset Purchase Agreement dated December 9, 2016 (the "Agreement"); and

WHEREAS, Seller and Buyer now wish to amend the Agreement as set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties and agreements hereinafter set forth herein, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the Parties hereto agree as follows:

1. Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Agreement.
2. This Amendment shall be effective as of the date first written above.
3. This Amendment is an amendment to the Agreement and confirms additional agreements on the matters set forth below between Seller and Buyer.
4. Section 2.1.1 of the Agreement is hereby amended by adding the following as a new Section 2.1.1.8 at the end of Section 2.1.1:
"2.1.1.8 All of Seller's finished goods inventory owned by Seller on the Closing Date and listed on Schedule 2.1.1.8 (the "Finished Goods Inventory")."
5. Section 2.1.2.2 of the Agreement is hereby deleted in its entirety.
6. Section 2.1.2.9 of the Agreement is hereby deleted in its entirety and replaced with the following:
"2.1.2.9 The two high frequency mills and all other equipment associated solely with the Seller Ongoing Operation including relative tooling and supplies, the cranes, Mill 4, the Drever furnace and the other miscellaneous equipment, associated solely with the Seller Ongoing Operation, dismantled, obsolete and not in use (i.e. those under the "big top") and the other equipment listed on Schedule 2.1.2.9."
7. Section 2.1.3.4 of the Agreement is hereby deleted in its entirety and replaced with the following:
"2.1.3.4 The obligations of Seller set forth in the offer letter from Seller to John P. Woodward dated February 6, 2015."
8. Section 3.1.1.1 of the Agreement is hereby deleted in its entirety and replaced with the following:
"3.1.1.1 Three Million One Hundred Four Thousand One Hundred Twenty Six and 15/100 Dollars (\$3,104,126.15) for Seller's raw Inventory and One Million Five Hundred Forty Eight Thousand Seven Hundred and 56/100 Dollars

(\$1,548,700.56) for Seller's supplies Inventory, both as determined pursuant to Section 3.1.3, plus One Million Eight Hundred Thousand Six Hundred Eighty Six and 10/100 Dollars (\$1,800,686.10) for the Finished Goods Inventory.”

9. Section 3.3.6 of the Agreement is hereby deleted in its entirety.

10. Section 8.8.2 of the Agreement is hereby deleted in its entirety.

11. Exhibit C (Form of Services Agreement) of the Agreement is hereby deleted in its entirety and replaced with the form of the Services Agreement attached hereto as Exhibit 1.

12. The Parties hereby acknowledge and agree that the Schedules to the Agreement, updated as of the Closing Date, are attached hereto as Exhibit 2, except those Schedules that have no update from December 9, 2016, which Schedules shall remain as delivered on December 9, 2016.

13. Seller shall provide Buyer access to its current Internet connectivity at the Facility until the first to occur of (i) Buyer being supplied with adequate Internet connectivity by the local service provider or (ii) ninety (90) days following the Closing. Buyer shall pay for this Internet connectivity as a utility under the Services Agreement.

14. Seller shall not take any action that would cause the revocation of any of the Licenses and Permits by any Governmental Body and shall allow Buyer to operate at the Facility using such Licenses and Permits until the first to occur of (i) all appropriate Governmental Bodies reissue or transfer all required Licenses and Permits to Buyer to operate at the Facility or (ii) ninety (90) days following the Closing. During the time that Buyer is operating the Facility under the terms and conditions of any License or Permit issued to Seller, Buyer shall not cause or allow the operation of the Facility to be in violation of any said License or Permit and Buyer shall indemnify and hold Seller harmless for any action or any failure to act by Buyer that would cause a violation of any license or permit to occur. Said indemnification obligations shall include, but not be limited to, the payment of any fines or penalties to any Governmental Body asserting any such claim against the Seller for the failure, after the Closing, to comply with any license or permit or any violation of any Environmental Law.

15. Except as set forth in this Amendment, the Agreement is hereby ratified and confirmed in all respects and shall continue in full force and effect according to its terms.

16. The Agreement and this Amendment constitute the entire agreement of the parties regarding their subject matter and supersede all prior or contemporaneous agreements or understandings regarding such subject matter.

17. This Amendment may be executed in any number of counterparts and by each of the Parties in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Signatures of the Parties transmitted by electronic means shall be deemed to be their original signatures for all purposes.

[SIGNATURES ON THE NEXT PAGE]

INTENDING TO BE LEGALLY BOUND HEREBY, the Parties have executed or caused to be executed this Amendment No. 1 to Asset Purchase Agreement effective as of the day and year first above written.

BRISTOL METALS, LLC

By: _____
Name:
Title:

MARCEGAGLIA USA, INC.

By: _____
Name:
Title:

Exhibit C

Form of Services Agreement

See attached.

See attached for the complete and final form of the Schedules to the Agreement.

Schedule 2.1.1.1	—	Inventory
Schedule 2.1.1.2	—	Equipment
Schedule 2.1.1.6	—	Licenses and Permits
Schedule 2.1.1.8	—	Finished Goods Inventory
Schedule 2.1.2.9	—	Seller Ongoing Operation Equipment
Schedule 2.1.3.1	—	Transferred Employees Accrued Leave
Schedule 2.1.3.2	—	Assumed Purchase Orders
Schedule 2.1.3.3	—	Assumed Trade Accounts Payable
Schedule 3.2	—	Allocation Statement
Schedule 5.2.2	—	Non-Contravention (no change from December 9, 2016)
Schedule 5.2.3	—	Consents (no change from December 9, 2016)
Schedule 5.3	—	Title to Specified Assets (no change from December 9, 2016)
Schedule 5.10	—	Taxes (no change from December 9, 2016)
Schedule 5.13	—	Labor and Employment Matters (no change from December 9, 2016)
Schedule 5.15	—	Financial Statements (no change from December 9, 2016)
Schedule 5.16	—	Employee Benefit Plans (no change from December 9, 2016)
Schedule 8.2.1	—	Employees (no change from December 9, 2016)

**** (no change from December 9, 2016) means that this Schedule is not attached hereto because there is no change to this Schedule from the version of the Schedules provided as of December 9, 2016**

Schedule 2.1.1.1
Inventory

See attached.

Schedule 2.1.1.2
Equipment

See attached.

All equipment manuals, welding procedures, set-up charts, programming software, blueprints, drawings, and other technical information and data related to the Equipment, and specifically the mills that are included in the Equipment.

Schedule 2.1.1.6
Licenses and Permits

1. NPDES General Permit PAG-03 for storm water associated with Industrial Activities (NPDES Permit No. PAR206160 Authorization No. 737532)
2. Allegheny County Health Department Air Quality Minor Source Operating Permit No. 0626
3. Allegheny County Sanitary Authority Industrial Discharge Permit No. P2-0115
4. United States Environmental Protection Agency RCRA Subtitle C Site Identification No. PAR000036988
5. Pennsylvania Department of Environmental Protection Certificate of Registration, Radiation Producing Machine (Registration No. 50-58992; SF Id. No. 845225)

Schedule 2.1.1.8
Finished Goods Inventory

See attached.

Schedule 2.1.2.9
Seller Ongoing Operation Equipment

SAP Licenses

See attached.

Schedule 2.1.3.1
Transferred Employees Accrued Leave

See attached.

Schedule 2.1.3.2
Assumed Purchase Orders

See attached.

Schedule 2.1.3.3
Assumed Trade Accounts Payable

See attached.

Schedule 3.2
Allocation Statement

Inventory - \$6,453,512.81
Equipment - \$8,000,000.00
Non-Competition Agreement - \$500,000.00

Synalloy Corporation

Exhibit 21 Subsidiaries of the Registrant

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

Synalloy Metals, Inc., a Tennessee corporation

Bristol Metals, LLC, a Tennessee limited liability corporation

Manufacturers Soap and Chemicals Company, a Tennessee corporation

Manufacturers Chemicals, LLC, a Tennessee limited liability corporation

Metchem, Inc., a Delaware corporation

Synalloy Fabrication, LLC, a South Carolina limited liability corporation

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

SynTrans, LLC, a Texas limited liability corporation

CRI Tolling, LLC, a South Carolina limited liability corporation

Specialty Pipe & Tube, Inc., a Delaware corporation

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Synalloy Corporation:

We consent to the incorporation by reference in the registration statement No. 333-204850 on Form S-3 and No. 333-188937 on Form S-8 of Synalloy Corporation of our reports dated March 14, 2017, with respect to the consolidated balance sheets of Synalloy Corporation as of December 31, 2016 and 2015, and the related consolidated statements of operations, shareholders' equity, and cash flows for the fiscal years ended December 31, 2016 and 2015, and the related financial statement schedule, and the effectiveness of internal control over financial reporting as of December 31, 2016, which reports appear in the December 31, 2016 annual report on Form 10-K of Synalloy Corporation.

/s/ KPMG LLP

Richmond, Virginia
March 14, 2017

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
Synalloy Corporation

We consent to the incorporation by reference in the registration statements on Form S-3 (File No. 333-204850) and on the Form S-8 (File No. 333-188937), of our report dated March 17, 2015, with respect to the consolidated financial statements of Synalloy Corporation and subsidiaries for the year ended January 3, 2015 and the related financial statement schedule, which report appears in Synalloy Corporation's 2016 Annual Report on Form 10-K for the year ended December 31, 2016.

/s/ Dixon Hughes Goodman LLP

Charlotte, North Carolina
March 14, 2017

Exhibit 31.1

CERTIFICATIONS

I, Craig C. Bram, certify that:

1. I have reviewed this annual report on Form 10-K of Synalloy Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 14, 2017 /s/ Craig C. Bram
Craig C. Bram
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Dennis M. Loughran, certify that:

1. I have reviewed this annual report on Form 10-K of Synalloy Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 14, 2017 /s/ Dennis M. Loughran
Dennis M. Loughran
Chief Financial Officer

Exhibit 31.3

CERTIFICATIONS

I, Richard D. Sieradzki, certify that:

1. I have reviewed this annual report on Form 10-K of Synalloy Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 14, 2017 /s/ Richard D. Sieradzki
Richard D. Sieradzki
Principal Accounting 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-K of the issuer fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and that information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the issuer.

Date: March 14, 2017 /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