

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 8-K/A  
(Amendment No. 1)  
CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
COMMISSION FILE NUMBER 0-19687



Date of Report (Date of earliest event reported): January 4, 2019

**Synalloy Corporation**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation)

**57-0426694**

(IRS Employer Identification No.)

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

(Address of principal executive offices)

**23060**

(Zip Code)

**(864) 822-3260**

(Registrant's telephone number, including area code)

**INAPPLICABLE**

(Exact name of registrant as specified in its charter)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 or Rule 12b-2 of the Securities Exchange Act of 1934. Emerging growth company

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

## EXPLANATORY NOTE

This Form 8-K/A is being filed as an amendment to the Current Report on Form 8-K filed on January 4, 2019 (the "Original 8-K") solely for the purpose of providing the financial statements and pro forma financial information required by Regulation S-X with respect to ASTI Acquisition, LLC's (now American Stainless Tubing, LLC), a North Carolina limited liability company ("ASTI") and a subsidiary of Synalloy Corporation, a Delaware corporation ("Synalloy"), purchase of American Stainless Tubing, Inc.'s (now HLM Legacy Group, Inc.), a North Carolina corporation ("American Stainless"), ornamental stainless steel tubing operations in Statesville and Troutman, North Carolina. This Form 8-K/A does not amend or modify the Original Form 8-K in any other respect.

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

### ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS

#### (a) *Financial Statements of Business Acquired*

The following audited financial statements of American Stainless Tubing, Inc. (with independent auditors' report thereon) are attached hereto as Exhibit 99.1 and incorporated by reference herein:

- Balance Sheet as of December 31, 2018.
- Statement of Operations for the year ended December 31, 2018.
- Statement of Changes in Stockholders' Equity for the year ended December 31, 2018.
- Statement of Cash Flows for the year ended December 31, 2018.
- Notes to Financial Statements.

#### (b) *Pro Forma Financial Information*

The following unaudited pro forma financial information of Synalloy is attached hereto as Exhibit 99.2 and incorporated by reference herein:

- Unaudited Pro Forma Condensed Combined Consolidated Balance Sheet as of December 31, 2018.
- Unaudited Pro Forma Condensed Combined Consolidated Statement of Operations for the year ended December 31, 2018.
- Notes to Unaudited Pro Forma Condensed Combined Consolidated Financial Statements.

#### (c) *Exhibits*

The following are filed as exhibits to this Current Report on Form 8-K/A:

| <u>Exhibit No.</u> | <u>Description of Exhibit</u>  |
|--------------------|--|
| 23.1               | Consent of Keiter, Stephens, Hurst, Gary & Shreaves, P.C.  |
| 99.1               | Audited financial statements of American Stainless Tubing, Inc. for the year ended December 31, 2018 |
| 99.2               | Unaudited pro forma financial information of Synalloy Corporation                                    |

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**SIGNATURES**

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

**SYNALLOY CORPORATION**

By: /S/ DENNIS M. LOUGHRAN

Dennis M. Loughran

Chief Financial Officer and Principal Accounting Officer

Dated: March 18, 2019

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## EXHIBIT INDEX

| <u>Exhibit No.</u>   | <u>Name</u>  |
|----------------------|--|
| <a href="#">23.1</a> | <a href="#">Consent of Keiter, Stephens, Hurst, Gary &amp; Shreaves, P.C.</a>  |
| <a href="#">99.1</a> | <a href="#">Audited financial statements of American Stainless Tubing, Inc. for the year ended December 31, 2018</a> |
| <a href="#">99.2</a> | <a href="#">Unaudited pro forma financial information of Synalloy Corporation</a>                                    |

CONSENT OF INDEPENDENT ACCOUNTANTS

Consent of Keiter

We consent to the incorporation by reference in Registration Statements No. 333-204850 on Form S-3 and No. 333-188937 on Form S-8 of our report dated March 18, 2019, relating to the financial statements of American Stainless Tubing, Inc. appearing in this Current Report (Amendment No. 1) on Form 8-K/A dated March 18, 2019.

/s/ Keiter

March 18, 2019

Glen Allen, Virginia

**American Stainless Tubing, Inc.**  
**Financial Statements**  
**Year Ended December 31, 2018**

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**American Stainless Tubing, Inc.**  
**Financial Statements**  
**December 31, 2018**

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## Report of Independent Accountants

To the Board of Directors and Stockholders  
Synalloy Corporation

### Report on the Financial Statements

We have audited the accompanying financial statements of American Stainless Tubing, Inc., which comprise the balance sheet as of December 31, 2018, and the related statements of operations, shareholders' equity, and cash flows for the year ended December 31, 2018, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Stainless Tubing, Inc. as of December 31, 2018, and the results of its operations and its cash flows for the year ended December 31, 2018 in accordance with accounting principles generally accepted in the United States of America.

/s/ Keiter

March 18, 2019  
Glen Allen, Virginia



**American Stainless Tubing, Inc.**  
**Financial Statements**  
**Balance Sheet**  
**December 31, 2018**

|   |           | <b>2018</b>       |
|---|-----------|-------------------|
| <b>Current Assets:</b>  |           |                   |
| Cash and cash equivalents   | \$        | 4,351,523         |
| Accounts receivable, net  |           | 3,584,366         |
| Inventories, net  |           | 5,255,657         |
| <b>Total Current Assets</b>   |           | <b>13,191,546</b> |
| Property and equipment, net   |           | 3,645,653         |
| Goodwill  |           | 1,574,834         |
| <b>Total Assets</b>   | <b>\$</b> | <b>18,412,033</b> |
| <b>Current Liabilities:</b>   |           |                   |
| Accounts payable and other current liabilities                        | \$        | 1,480,406         |
| Accrued expenses  |           | 66,640            |
| <b>Total Current Liabilities</b>                                      |           | <b>1,547,046</b>  |
| <b>Shareholders' Equity</b>   |           |                   |
| Common stock - authorized 10,000 shares; issued and outstanding 5,700 |           | 5,700             |
| Additional paid-in capital  |           | 2,261,800         |
| Retained earnings   |           | 14,597,487        |
| <b>Total Shareholders' Equity</b>                                     |           | <b>16,864,987</b> |
| <b>Total Liabilities and Shareholders' Equity</b>                     | <b>\$</b> | <b>18,412,033</b> |

See accompanying notes to financial statements

**American Stainless Tubing, Inc.**  
**Financial Statements**  
**Statement of Operations**  
**For the Year Ended December 31, 2018**

|   | <u>2018</u>                |
|---|----------------------------|
| Sales   | \$ 35,892,772              |
| Cost of sales                                 | <u>28,255,232</u>          |
| Gross profit                                  | 7,637,540                  |
| Selling, general and administrative expense   | <u>2,557,479</u>           |
| Income from operations                        | 5,080,061                  |
| Other (income) and expense                    |                            |
| Loss on sale of property, plant and equipment | 70,060                     |
| Interest Expense                              | 24,676                     |
| Interest Income                               | <u>(40,197)</u>            |
| Income before income taxes                    | 5,025,522                  |
| Provision for income taxes                    | <u>—</u>                   |
| <b>Net income</b>                             | <b><u>\$ 5,025,522</u></b> |

See accompanying notes to financial statements

**American Stainless Tubing, Inc.**  
**Financial Statements**  
**Statement of Shareholders' Equity**  
**For the Year Ended December 31, 2018**

|                                  | <u>2018</u>                 |
|----------------------------------|-----------------------------|
| <b>Balance December 31, 2017</b> | <b>\$ 12,809,656</b>        |
| Net Income                       | 5,025,522                   |
| Distributions                    | (3,237,691)                 |
| <b>Balance December 31, 2018</b> | <b>\$ <u>14,597,487</u></b> |

See accompanying notes to the financial statements

**American Stainless Tubing, Inc.**  
**Financial Statements**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2018**

|   | <b>2018</b>         |
|---|---------------------|
| <b>Cash flows from operating activities:</b>                                  |                     |
| Net income  | \$ 5,025,522        |
| Adjustments to reconcile net income to net cash used in operating activities: |                     |
| Depreciation  | 297,263             |
| Loss on disposal of fixed assets  | 70,060              |
| Changes in operating assets and liabilities:                                  |                     |
| Accounts receivable   | (622,242)           |
| Inventories, net  | 72,440              |
| Employee loans  | (1,535)             |
| Customer deposits   | 26,709              |
| Accounts payable and other accrued liabilities                                | (125,005)           |
| <b>Net cash provided by operating activities</b>                              | <b>4,743,212</b>    |
| <b>Cash flows from investing activities:</b>                                  |                     |
| Sale of property, plant, and equipment  | 8,000               |
| Acquisition of property, plant, and equipment                                 | (892,397)           |
| <b>Net cash used by investing activities</b>                                  | <b>(884,397)</b>    |
| <b>Cash flows from financing activities:</b>                                  |                     |
| Payments on long-term debt  | (1,075,887)         |
| Stockholder distributions   | (3,237,691)         |
| <b>Net cash used by financing activities</b>                                  | <b>(4,313,578)</b>  |
| <b>Net decrease</b>   | <b>(454,763)</b>    |
| <b>Cash, at beginning of year</b>   | <b>4,806,286</b>    |
| <b>Cash, at end of year</b>   | <b>\$ 4,351,523</b> |
| <b>Supplemental disclosure of cash flow information</b>                       |                     |
| Cash paid during the year for interest  | \$ 27,285           |

See accompanying notes to the financial statements

**American Stainless Tubing, Inc.**  
**Financial Statements**  
**Notes to Financial Statements**  
**Year Ended December 31, 2018**

**Note 1. Organization, Business and Summary of Significant Accounting Policies**

Nature of Operations

American Stainless Tubing, Inc. (the Company) was incorporated February 3, 1994 pursuant to the laws of North Carolina to engage in the manufacture of stainless steel tubing. The Company has two plant facilities located in Statesville and Troutman, North Carolina. The Statesville facility became operational in 1994 and the Troutman facility in June 2003. The Company primarily manufactures for the marine, transportation, and metal fabrication industries. The Company's primary market is the United States.

Cash

For purposes of the statement of cash flows, cash includes amounts on hand and amounts on deposit at federal institutions. The Company has no other assets which are considered cash equivalents. The Company occasionally will have amounts on deposit at financial institutions that exceed or are not covered by the \$250,000 FDIC insurance limit. The Company believes there is no significant risk with respect to these deposits.

Trade Accounts Receivable

Trade accounts receivable are stated at the amount management expects to collect from outstanding balances. The Company maintains an allowance for doubtful accounts based on factors surrounding the credit risk of specific customers, historical trends, and other information. Management closely monitors outstanding balances and writes off, as of year-end, all balances that are considered uncollectable. Credit losses, when realized, have been within the range of the Company's expectations and, historically, have not been significant. Management will write off any balance that remains after it has exhausted all reasonable collection efforts and concludes that additional collection efforts are not cost-justified.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method. The Company evaluates inventory levels and obsolete or slow-moving items on a periodic basis and records valuation allowances as considered necessary. Production labor and overhead cost are capitalized into inventory considering production activity and capacity.

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Expenditures for maintenance and repairs which do not significantly extend useful lives of assets are charged to earnings whereas additions and betterments are capitalized. Gains and losses on disposition are reflected in current operations. Depreciation of fixed assets is provided over the estimated useful lives of the respective assets using straight-line methods. Depreciation charged to expense for the year ended December 31, 2018 was \$297,263.

Intangibles

Intangibles are composed solely of goodwill. Goodwill is reviewed annually for impairment in accordance with Accounting Standards Codification 350, Intangibles - Goodwill and Other.

Revenue and Cost Recognition

Revenues are recognized when control of the promised goods or services is transferred to customers upon shipment, in an amount that reflects the consideration expected to be entitled to in exchange for those goods or services. Substantially all of the Company's revenues are derived from contracts with customers where performance obligations are satisfied at a point-in-time when revenue and related costs are recognized.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. Actual results could differ from those estimates.

Capital Structure

Shares of common stock represent voting shares, and stockholder distributions are paid at the discretion of the Board of Directors. There are certain restrictions related to the transfer or sale of shares of the Company.

**American Stainless Tubing, Inc.**  
**Financial Statements**  
**Notes to Financial Statements**  
**Year Ended December 31, 2018**

Shipping and Handling Costs

The Company's policy is to classify shipping and handling costs as part of cost of goods sold in the statements of income.

Advertising

The Company expenses advertising costs as incurred. Advertising expense amounted to \$11,900 for the year ended December 31, 2018.

**Note 2. Inventories**

Inventories as of December 31, 2018 consisted of the following:

|                          | <b>December 31, 2018</b> |                         |
|--------------------------|--------------------------|-------------------------|
| Raw materials            | \$                       | <u>2,715,180</u>        |
| Finished goods           |                          | <u>2,690,477</u>        |
|                          |                          | <u>5,405,657</u>        |
| Less: inventory reserves |                          | <u>150,000</u>          |
| <b>Inventories, net</b>  | <b>\$</b>                | <b><u>5,255,657</u></b> |

Annually, management evaluates the potential for inventory loss obsolescence and adjusts the allowance to reflect the potential for losses that could occur.

The above inventories were pledged as collateral on the note payable/long-term debt until its payoff on December 20, 2018.

**Note 3. Property, Plant, and Equipment**

Property, plant, and equipment at December 31, 2018 consists of the following:

|   | <u>Estimated Useful Life</u> | <u>December 31, 2018</u> |                         |
|---|------------------------------|--------------------------|-------------------------|
| Land  | —                            | \$                       | <u>715,470</u>          |
| Building & Land improvements                | 15 to 40 years               |                          | <u>926,149</u>          |
| Buildings                                   | 30 years                     |                          | <u>2,859,658</u>        |
| Equipment                                   | 5 to 10 years                |                          | <u>9,219,030</u>        |
| Property, plant, and equipment (gross)      |                              |                          | <u>13,720,307</u>       |
| Less: accumulated depreciation              |                              |                          | <u>10,074,654</u>       |
| <b>Property, plant, and equipment (net)</b> |                              | <b>\$</b>                | <b><u>3,645,653</u></b> |

The above fixed assets were pledged as collateral on the note payable/long-term debt until its payoff on December 20, 2018.

**Note 4. Long-term Debt**

During 2018, the Company had a note payable to PNC Bank NA, payable in monthly installments of \$32,931.94, including principal and interest at 2.91 percent, secured by all accounts receivable, inventories, equipment, and real property, due and payable in full on November 3, 2020. The Company paid the note off early in full on December 20, 2018.

**Note 5. Income Taxes**

The Company has elected to be taxed as an S corporation under the provisions of the Internal Revenue Code since its inception. Under those provisions, the Company does not pay corporate income taxes on its taxable income. Instead, the stockholders are liable for individual income taxes on their proportionate share of the Company's taxable income. Therefore, the accompanying financial statements contain no provision for income taxes. The state of North Carolina does impose a corporate level franchise tax on S Corporations. The franchise taxes paid have been included in tax expense for 2018, which is a component of selling, general, and administrative expenses in the accompanying statement of operations.

Management has considered uncertain tax positions and has determined that, in management's opinion, none exist that materially impact the financial statements or related disclosures. The Company files income tax returns in the U.S. federal jurisdiction and various state and local jurisdictions. The U.S. federal income tax returns prior to calendar year 2015 are closed. U.S. state jurisdictions have statutes of limitations that generally range from three to five years.

**Note 6. Retirement Benefit Plan**

The Company sponsors a 401(k) plan to which it contributes 50 percent of the employees' contributions up to two percent of each employee's annual salary. Matching contributions made by the Company for the year ended December 31, 2018 was \$71,744.

**Note 7. Significant Concentrations**

The principal raw material required for the Company's manufacturing operations is flat rolled stainless steel, all of which the Company purchases from three vendors. The prices for stainless steel are subject to price fluctuations. Management monitors the prices of steel closely and adjusts their prices accordingly. The Company believes there is no significant risk with respect to the raw materials.

**Note 8. Subsequent Events**

The Company's management has evaluated subsequent events through March 18, 2019, the date the financial statements were available to be issued. On January 1, 2019, The Company ceased operations and the operating assets of the Company were sold to ASTI Acquisition, LLC and the Company's real estate was sold to Store Capital. It was concluded that no additional subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

## INTRODUCTION

On January 1, 2019, Synalloy Corporation's (the "Company") wholly-owned subsidiary, ASTI Acquisition, LLC, a North Carolina limited liability company ("ASTI"), completed the purchase of substantially all of American Stainless Tubing, Inc.'s, a North Carolina corporation ("American Stainless"), assets and operations in Statesville and Troutman, North Carolina. The purchase price for the all-cash acquisition was approximately \$22,736,854, subject to a post-closing working capital adjustment. American Stainless will also receive quarterly earn-out payments for a period of three years following closing. Pursuant to the asset purchase agreement between ASTI and American Stainless, earn-out payments will equate to six and one-half percent (6.5 percent) of ASTI's revenue over the three-year earn-out period. Synalloy funded the acquisition with a new five-year \$20,000,000 term note and a draw against its recently increased \$100,000,000 asset based line of credit, both with Synalloy's current lender, Branch Banking and Trust Company.

The unaudited pro forma condensed combined consolidated balance sheet as of December 31, 2018 combines the historical consolidated balance sheet of the Company and American Stainless as of that date to illustrate the estimated effect of the acquisition on the Company's financial statements as if it had occurred on January 1, 2018. The unaudited pro forma condensed combined consolidated statements of operations combines the historical consolidated statements of operations of the Company and American Stainless for the year ended December 31, 2018. The unaudited pro forma condensed combined consolidated financial statements are based on certain estimates and assumptions made with respect to the combined operations of the Company and American Stainless, which we believe are reasonable. The unaudited pro forma condensed combined consolidated statements of operations are presented for illustrative purposes only and do not purport to be indicative of the results of operations of the Company or American Stainless that actually would have been achieved had the acquisition of American Stainless been completed on the assumed dates, or to project the Company's results of operations for any future date or period. The unaudited pro forma condensed combined consolidated statements of operations give pro forma effect to the acquisition as if it had occurred on the first day of the financial period presented.

The transaction is being accounted for using the acquisition method of accounting for business combinations. 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 and liabilities assumed. Accordingly, the allocation of the consideration transferred in the unaudited pro forma condensed combined consolidated financial statements is preliminary and will be adjusted upon completion of the final valuation of the assets acquired and liabilities assumed. Such adjustments could be significant. The final valuation is expected to be completed as soon as practicable but no later than twelve months after the closing date of the acquisition. The unaudited condensed combined consolidated pro forma statements of operations do not include the costs that the Company may incur to integrate American Stainless, and these costs may be material.

The historical consolidated financial statements of the Company have been adjusted in the unaudited pro forma condensed combined consolidated financial statements to give effect to pro forma events that are (i) directly attributable to the acquisition, (ii) factually supportable, and (iii) expected to continually impact the combined results of the Company and American Stainless. The unaudited pro forma condensed combined consolidated financial statements should be read in conjunction with the accompanying notes to the unaudited pro forma condensed combined consolidated financial statements. In addition, the unaudited pro forma condensed combined consolidated financial statements were derived from, and should be read in conjunction with, the information included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

The historical condensed combined financial information regarding American Stainless that is included in this report has been prepared by and is the responsibility of the Company. In addition, we are in the process of reviewing American Stainless' financial statement classifications for conformity with the Company's classifications. As a result of this review, it may be necessary to make additional reclassifications to the consolidated information on a prospective basis.

The statements contained in these notes that are not historical facts are forward-looking statements that involve risks and uncertainties. We wish to caution the reader that these forward-looking statements, such as our expectations for future sales results or future expense changes compared with previous periods, are only predictions. These forward-looking statements may be generally identified by the use of forward-looking words and phrases such as "will," "intends," "may," "believes," "anticipates," "should" and "expects," and are based on our current expectations or beliefs concerning future events that involve risks and uncertainties. Actual events or results may differ materially as a result of risks and uncertainties as described in "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2018, other risks referenced in our Securities and Exchange Commission filings, or other unanticipated risks. We disclaim any obligation to update publicly any forward-looking statement, whether as a result of new information, future events or otherwise.



Synalloy Corporation and Subsidiaries  
Unaudited Pro Forma Condensed Combined Consolidated Balance Sheet

|  | December 31, 2018     |                      | Pro Forma            |      | Total                 |
|--|-----------------------|----------------------|----------------------|------|-----------------------|
|  | Synalloy              | American Stainless   | Adjustments          |      |                       |
| <b>Assets</b>                                      |                       |                      |                      |      |                       |
| <i>Current assets</i>                              |                       |                      |                      |      |                       |
| Cash and cash equivalents                          | \$ 2,220,272          | \$ 4,351,523         | \$ (4,351,523)       | (16) | \$ 2,220,272          |
| Accounts receivable, net                           | 41,065,251            | 3,584,366            | (50,445)             | (13) | 44,599,172            |
| Inventories, net                                   | 114,201,386           | 5,255,657            | (1,003,180)          | (11) | 118,453,863           |
| Prepaid expenses and other current assets          | 9,983,416             | —                    | 605,613              | (14) | 10,589,029            |
| Total current assets                               | 167,470,325           | 13,191,546           | (4,799,535)          |      | 175,862,336           |
| Property, plant & equipment, net                   | 40,924,455            | 3,645,653            | (1,755,653)          | (11) | 42,814,455            |
| Goodwill   | 9,799,992             | 1,574,834            | 15,251,511           | (7)  | 26,626,337            |
| Intangible asset, net                              | 9,696,112             | —                    | 1,312,500            | (7)  | 11,008,612            |
| Deferred charges, net and other non-current assets | 507,962               | —                    | —                    |      | 507,962               |
| <b>Total assets</b>                                | <b>\$ 228,398,846</b> | <b>\$ 18,412,033</b> | <b>\$ 10,008,823</b> |      | <b>\$ 256,819,702</b> |
| <b>Liabilities and shareholders' equity</b>        |                       |                      |                      |      |                       |
| <i>Current liabilities</i>                         |                       |                      |                      |      |                       |
| Accounts payable                                   | 25,073,698            | 1,480,406            | (50,444)             | (13) | 26,503,660            |
| Accrued expenses                                   | 12,163,686            | 66,640               | 2,530,022            | (4)  | 15,223,131            |
|  |                       |                      | 462,783              | (10) |                       |
| Total current liabilities                          | 37,237,384            | 1,547,046            | 2,942,361            |      | 41,726,791            |
| Long-term debt                                     | 76,405,458            | —                    | 20,207,464           | (5)  | 96,612,922            |
| Long-term contingent consideration                 | 4,702,562             | —                    | 2,092,512            | (4)  | 6,795,074             |
| Deferred income taxes                              | 252,988               | —                    | —                    |      | 252,988               |
| Long-term deferred gain, sale-leaseback            | 5,599,077             | —                    | —                    |      | 5,599,077             |
| Other long-term liabilities                        | 1,717,291             | —                    | —                    |      | 1,717,291             |
| <i>Shareholders' equity</i>                        |                       |                      |                      |      |                       |
| Common stock                                       | 10,300,000            | 5,700                | (5,700)              | (2)  | 10,300,000            |
| Capital in excess of par value                     | 36,520,840            | 2,261,800            | (2,261,800)          | (2)  | 36,520,840            |
| Retained earnings                                  | 68,965,410            | 14,597,487           | (14,597,487)         | (2)  | 70,596,883            |
|  |                       |                      | 1,631,473            | (15) |                       |
| Less cost of common stock in treasury              | (13,302,164)          | —                    | —                    |      | (13,302,164)          |
| Total shareholders' equity                         | 102,484,086           | 16,864,987           | (15,233,514)         |      | 104,115,559           |
| <i>Commitments and contingencies</i>               |                       |                      |                      |      |                       |
| <b>Total liabilities and shareholders' equity</b>  | <b>\$ 228,398,846</b> | <b>\$ 18,412,033</b> | <b>\$ 10,008,823</b> |      | <b>\$ 256,819,702</b> |

See accompanying notes to unaudited pro forma condensed combined consolidated financial statements.

Synalloy Corporation and Subsidiaries  
Unaudited Pro Forma Condensed Combined Consolidated Statement of Operations

|   | For the Years Ended  |                       |                               |                      |
|---|----------------------|-----------------------|-------------------------------|----------------------|
|   | December 31, 2018    |                       | Pro Forma                     |                      |
|   | Synalloy             | American<br>Stainless | Adjustments                   | Total                |
| Net sales                                     | \$ 280,841,419       | \$ 35,892,772         | \$ —                          | \$ 316,734,191       |
| Cost of goods sold                            | 229,604,080          | 28,255,232            | 485,797 (1)<br>46,187 (3)     | 258,391,296          |
| Gross profit                                  | 51,237,339           | 7,637,540             | (531,984)                     | 58,342,895           |
| Selling and administrative expense            | 27,691,874           | 2,557,479             | 187,500 (8)<br>1,147,000 (11) | 31,583,853           |
| Acquisition related costs                     | 1,211,797            | —                     | (174,727) (9)                 | 1,037,070            |
| Earn-out adjustments                          | 1,430,682            | —                     | 262,479 (4)                   | 1,693,161            |
| (Gain) loss on sale-leaseback                 | (334,273)            | —                     | —                             | (334,273)            |
| Operating income                              | 21,237,259           | 5,080,061             | (1,954,236)                   | 24,363,084           |
| Other (income) and expense                    |                      |                       |                               |                      |
| Interest expense                              | 2,210,506            | 24,676                | 813,218 (6)                   | 3,048,400            |
| Change in fair value of interest rate swap    | (19,484)             | —                     | —                             | (19,484)             |
| Other, net                                    | 2,572,598            | 29,863                | —                             | 2,602,461            |
| Income before income taxes                    | 16,473,639           | 5,025,522             | (2,767,454)                   | 18,731,707           |
| Provision for income taxes                    | 3,376,210            | —                     | 462,783 (10)                  | 3,838,993            |
| <b>Net income</b>                             | <b>\$ 13,097,429</b> | <b>\$ 5,025,522</b>   | <b>\$ (3,230,237) (12)</b>    | <b>\$ 14,892,714</b> |
| Net income per common share:                  |                      |                       |                               |                      |
| Basic   | \$ 1.49              |                       |                               | \$ 1.69              |
| Diluted                                       | \$ 1.48              |                       |                               | \$ 1.68              |
| Weighted average shares outstanding:          |                      |                       |                               |                      |
| Basic   | 8,806,079            |                       |                               | 8,806,079            |
| Dilutive effect from stock options and grants | 71,530               |                       |                               | 71,530               |
| Diluted                                       | 8,877,609            |                       |                               | 8,877,609            |

See accompanying notes to unaudited pro forma condensed combined consolidated financial statements.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED FINANCIAL STATEMENTS

The purchase price for the acquisition was \$22,736,854. The seller will also receive quarterly earn-out payments for a period of three years following closing. Earn-out payouts will equate to 6.5 percent of ASTI's revenue over the three-year earn-out period.

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

Sources of Funds:

|  |                      |
|--|----------------------|
| Borrowings from revolving line of credit and term note | \$ 22,736,854        |
| Total sources of funds                                 | <u>\$ 22,736,854</u> |

Uses of Funds:

|                                   |                      |
|-----------------------------------|----------------------|
| Acquisition of American Stainless | \$ 22,736,854        |
| Total uses of funds               | <u>\$ 22,736,854</u> |

The total consideration transferred is allocated to American Stainless' net tangible and identifiable intangible assets based on their fair value as of January 1, 2019 for purposes of the pro forma condensed combined consolidated financial statements. These amounts are subject to change based on the results of the final valuations of assets acquired and liabilities assumed, which are expected to be completed within the twelve months following the acquisition. The excess of the consideration transferred over the fair value of the net tangible and identifiable intangible assets is reflected as goodwill. The preliminary allocation of the total consideration paid to the fair value of the assets acquired and liabilities assumed as of January 1, 2019 is as follows:

|  |                      |
|--|----------------------|
| Accounts Receivable  | \$ 3,533,921         |
| Inventories  | 5,399,477            |
| Production and maintenance supplies (included in other current assets) | 605,613              |
| Equipment  | 2,100,000            |
| Customer list intangible   | 1,500,000            |
| Goodwill   | 16,826,345           |
| Earn-out liability   | (5,731,900)          |
| Other liabilities assumed  | (1,496,602)          |
|  | <u>\$ 22,736,854</u> |

**Pro Forma Adjustments and Assumptions**

- (1) Represents additional lease expense associated with the building and land lease in Troutman and Statesville, North Carolina
- (2) Represents the elimination of American Stainless' historical accounts that will not recur in purchase accounting
- (3) Represents additional depreciation expense as a result of adjusting the equipment to fair value
- (4) Represents the contingent consideration liability to sellers and resultant projected adjustments
- (5) Represents the additional borrowings associated with the acquisition of American Stainless and resulting operational activities
- (6) Represents additional interest expense associated with the additional borrowings
- (7) Represents the recognition of goodwill and customer list intangible associated with the acquisition
- (8) Represents amortization of customer list intangible
- (9) Represents the elimination of Synalloy's acquisition costs
- (10) Represents adjustment of income tax expense/payable based upon American Stainless' addition to the consolidated Synalloy tax provision calculation
- (11) Represents the adjustment to fair value for the inventory and equipment purchased, as well as an adjustment for property not purchased
- (12) Represents impact on net income as a result of pro forma adjustments recognized
- (13) Represents the difference between American Stainless' reported accounts receivable/payable and accounts receivable/payable actually purchased
- (14) Represents the reclassification of supplies inventory to align with the Company's current classification
- (15) Represents the impact on retained earnings as a result of pro forma adjustments recognized
- (16) Represents the elimination of assets that were not assumed as part of the acquisition

**Reclassifications**

Certain American Stainless accounts for the year ended December 31, 2018 have been reclassified to conform to the Company's presentation in the accompanying pro forma condensed combined consolidated statements of operations. These reclassifications had no material effect on previously reported results of operations or invested equity.