

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

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended September 30, 2020
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period from ____ to ____

COMMISSION FILE NUMBER 0-19687



Synalloy Corporation

(Exact name of registrant as specified in its charter)

<u>Delaware</u> (State or other jurisdiction of incorporation or organization)	<u>57-0426694</u> (I.R.S. Employer Identification No.)
<u>4510 Cox Road, Suite 201, Richmond, Virginia</u> (Address of principal executive offices)	<u>23060</u> (Zip Code)
<u>(804) 822-3260</u> (Registrant's telephone number, including area code)	

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of exchange on which registered</u>
Common Stock, par value \$1.00 per share	SYNL	NASDAQ Global Market

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 every Interactive Data File required to be submitted 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 such files).
Yes No

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

Large accelerated filer	<input type="checkbox"/> Accelerated filer	<input checked="" type="checkbox"/> Non-accelerated filer	<input type="checkbox"/>
Smaller reporting company	<input checked="" type="checkbox"/> Emerging growth company	<input type="checkbox"/>	

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. Yes No

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

The number of shares outstanding of the registrant's common stock as of November 6, 2020 was 9,108,691

Synalloy Corporation
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Part I - Financial Information
Item 1. Financial Statements

SYNALLOY CORPORATION
Condensed Consolidated Balance Sheets
(in thousands, except par value and share data)

	(Unaudited)	
	September 30, 2020	December 31, 2019
Assets		
<i>Current assets</i>		
Cash and cash equivalents	\$ 163	\$ 626
Accounts receivable, net of allowance for credit losses of \$237 and \$70, respectively	33,132	35,074
Inventories, net	89,007	98,186
Prepaid expenses and other current assets	13,453	13,229
Total current assets	135,755	147,115
Property, plant and equipment, net	36,331	40,690
Right-of-use assets, operating leases, net	32,090	35,772
Goodwill	6,810	17,558
Intangible assets, net	12,131	15,714
Deferred income taxes	1,327	—
Deferred charges, net	271	348
Total assets	\$ 224,715	\$ 257,197
Liabilities and Shareholders' Equity		
<i>Current liabilities</i>		
Accounts payable	\$ 19,514	\$ 21,150
Accrued expenses and other current liabilities	6,718	6,037
Current portion of long-term debt	4,000	4,000
Current portion of earn-out liability	3,959	5,576
Current portion of operating lease liabilities	835	3,562
Current portion of finance lease liabilities	26	253
Total current liabilities	35,052	40,578
Long-term debt	67,343	71,554
Long-term portion of earn-out liability	994	3,578
Deferred income taxes	—	790
Long-term portion of operating lease liabilities	33,000	33,723
Long-term portion of finance lease liabilities	41	336
Other long-term liabilities	92	127
Total non-current liabilities	101,470	110,108
<i>Commitments and contingencies – See Note 11</i>		
<i>Shareholders' equity</i>		
Common stock, par value \$1 per share; authorized 24,000,000 shares; issued 10,300,000 shares	10,300	10,300
Capital in excess of par value	37,664	37,407
Retained earnings	51,428	70,552
	99,392	118,259
Less cost of common stock in treasury - 1,191,309 and 1,257,784 shares, respectively	11,199	11,748
Total shareholders' equity	88,193	106,511
Total liabilities and shareholders' equity	\$ 224,715	\$ 257,197

Note: The condensed consolidated balance sheet at December 31, 2019 has been derived from the audited consolidated financial statements at that date. See accompanying notes to condensed consolidated financial statements.

SYNALLOY CORPORATION
Condensed Consolidated Statements of Operations (Unaudited)
(in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net sales	\$ 59,266	\$ 73,640	\$ 200,099	\$ 237,222
Cost of sales	54,271	66,352	183,592	213,412
Gross profit	4,995	7,288	16,507	23,810
Selling, general and administrative expense	6,275	8,361	21,088	24,920
Acquisition costs and other	656	90	803	438
Proxy contest costs	207	—	3,105	—
Earn-out adjustments	(146)	(1,242)	(969)	(1,643)
Asset impairments	—	—	6,079	—
Goodwill impairment	10,748	—	10,748	—
Gain on lease modification	(171)	—	(171)	—
Operating (loss) income	(12,574)	79	(24,176)	95
Other expense (income)				
Interest expense	452	944	1,703	2,977
Change in fair value of interest rate swaps	(16)	21	65	145
Other, net	59	180	(1,244)	(224)
Loss before income taxes	(13,069)	(1,066)	(24,700)	(2,803)
Income tax benefit	(2,530)	(112)	(6,026)	(660)
Net loss	\$ (10,539)	\$ (954)	\$ (18,674)	\$ (2,143)
Net loss per common share:				
Basic	\$ (1.16)	\$ (0.11)	\$ (2.06)	\$ (0.24)
Diluted	\$ (1.16)	\$ (0.11)	\$ (2.06)	\$ (0.24)
Weighted average shares outstanding:				
Basic	9,105	8,995	9,079	8,969
Dilutive effect from stock options and grants	—	—	—	—
Diluted	9,105	8,995	9,079	8,969

See accompanying notes to condensed consolidated financial statements

SYNALLOY CORPORATION
Condensed Consolidated Statement of Cash Flows (Unaudited)
(in thousands)

	Nine Months Ended September 30,	
	2020	2019
Operating activities		
Net loss	\$ (18,674)	\$ (2,143)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation expense	5,752	5,806
Amortization expense	2,324	2,614
Asset impairments	6,079	—
Goodwill impairment	10,748	—
Amortization of debt issuance costs	129	120
Unrealized (gain) loss on equity securities	(208)	282
Deferred income taxes	(2,116)	(561)
Proceeds from business interruption insurance	1,040	—
Loss (gain) on sale of equity securities	38	(474)
Earn-out adjustments	(969)	(1,643)
Payments on earn-out liabilities in excess of acquisition date fair value	(292)	(448)
Provision for losses on accounts receivable	53	(92)
Provision for losses on inventories	874	1,392
Loss on sale of property, plant and equipment	237	(50)
Non-cash lease expense	385	432
Non-cash lease termination loss	24	—
Gain on lease modification	(171)	—
Change in fair value of interest rate swap	65	145
Issuance of treasury stock for director fees	405	304
Stock-based compensation expense	1,036	1,760
Changes in operating assets and liabilities:		
Accounts receivable	1,438	2,779
Inventories	4,593	12,169
Other assets and liabilities	(1,902)	(1,035)
Accounts payable	(1,636)	(909)
Accrued expenses	681	(1,258)
Accrued income taxes	(3,963)	(1,263)
Net cash provided by operating activities	5,970	17,927
Investing activities		
Purchases of property, plant and equipment	(2,824)	(2,841)
Proceeds from sale of property, plant and equipment	102	189
Proceeds from sale of equity securities	4,430	1,091
Purchase of equity securities	—	(543)
Acquisition of ASTI	—	(21,895)
Net cash provided by (used in) investing activities	1,708	(23,999)
Financing activities		
Borrowings (repayments) from line of credit	(1,210)	(10,630)
Borrowings from term loan	—	20,000
Payments on long-term debt	(3,000)	(2,667)
Principal payments on finance lease obligations	(101)	(101)
Payments for finance lease terminations	(204)	—
Payments on earn-out liabilities	(2,939)	(2,497)
Repurchase of common stock	(635)	—
Payments for deferred financing costs	(52)	—
Net cash (used in) provided by financing activities	(8,141)	4,105
Decrease in cash and cash equivalents	(463)	(1,967)
Cash and cash equivalents at beginning of period	626	2,220
Cash and cash equivalents at end of period	\$ 163	\$ 253
Supplemental disclosure		
Cash paid for:		
Interest	\$ 1,573	\$ 2,780
Income taxes	\$ 16	\$ 1,174

See accompanying notes to condensed consolidated financial statements

SYNALLOY CORPORATION
Condensed Consolidated Statement of Shareholders' Equity (Unaudited)
(in thousands)

	Three Months Ended September 30, 2020				
	Common Stock	Capital in Excess of Par Value	Retained Earnings	Cost of Common Stock in Treasury	Total
Balance at June 30, 2020	\$ 10,300	\$ 37,465	\$ 61,967	\$ (11,675)	\$ 98,057
Net loss	—	—	(10,539)	—	(10,539)
Issuance of 50,652 shares of common stock from treasury	—	(71)	—	476	405
Stock-based compensation	—	270	—	—	270
Balance at September 30, 2020	<u>\$ 10,300</u>	<u>\$ 37,664</u>	<u>\$ 51,428</u>	<u>\$ (11,199)</u>	<u>\$ 88,193</u>

	Nine Months Ended September 30, 2020				
	Common Stock	Capital in Excess of Par Value	Retained Earnings	Cost of Common Stock in Treasury	Total
Balance at December 31, 2019	\$ 10,300	\$ 37,407	\$ 70,552	\$ (11,748)	\$ 106,511
Net loss	—	—	(18,674)	—	(18,674)
Cumulative adjustment due to adoption of ASC 326	—	—	(450)	—	(450)
Issuance of 126,092 shares of common stock from treasury	—	(779)	—	1,184	405
Stock-based compensation	—	1,036	—	—	1,036
Purchase of common stock	—	—	—	(635)	(635)
Balance at September 30, 2020	<u>\$ 10,300</u>	<u>\$ 37,664</u>	<u>\$ 51,428</u>	<u>\$ (11,199)</u>	<u>\$ 88,193</u>

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See accompanying notes to condensed consolidated financial statements.

Synalloy Corporation
Condensed Consolidated Statement of Shareholders' Equity (Unaudited)
Continued

	Three Months Ended September 30, 2019				
	Common Stock	Capital in Excess of Par Value	Retained Earnings	Cost of Common Stock in Treasury	Total
Balance at June 30, 2019	\$ 10,300	\$ 36,565	\$ 72,399	\$ (12,190)	\$ 107,074
Net loss	—	—	(954)	—	(954)
Stock-based compensation	—	908	—	—	908
Balance at September 30, 2019	\$ 10,300	\$ 37,473	\$ 71,445	\$ (12,190)	\$ 107,028

	Nine Months Ended September 30, 2019				
	Common Stock	Capital in Excess of Par Value	Retained Earnings	Cost of Common Stock in Treasury	Total
Balance at December 31, 2018	\$ 10,300	\$ 36,521	\$ 68,965	\$ (13,302)	\$ 102,484
Net loss	—	—	(2,143)	—	(2,143)
Cumulative adjustment due to adoption of ASC 842	—	—	4,623	—	4,623
Issuance of 118,430 shares of common stock from treasury	—	(808)	—	1,112	304
Stock-based compensation	—	1,760	—	—	1,760
Balance at September 30, 2019	\$ 10,300	\$ 37,473	\$ 71,445	\$ (12,190)	\$ 107,028

See accompanying notes to condensed consolidated financial statements.

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

Note 1: Basis of Presentation

Basis of Financial Statement Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included as required by Regulation S-X, Rule 10-01.

These interim unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto in the Synalloy Corporation (the Company) Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (the Annual Report). The financial results for the interim periods may not be indicative of the financial results for the entire fiscal year.

Reclassifications

Certain prior period amounts have been reclassified to conform to current period presentation.

Recently Issued Accounting Standards - Adopted

On January 1, 2020, the Company adopted ASU No. 2018-13 *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. The updated guidance removes disclosure requirements pertaining to the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, the policy for timing of transfers between levels, and the valuation processes for Level 3 fair value measurements. In addition, the amendment clarifies that the measurement uncertainty disclosure is to communicate information about uncertainty in measurement as of the reporting date. The guidance also adds disclosure requirements for changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 measurements held at the end of the reporting period as well as the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. The adoption of this standard by the Company did not have a material impact on the unaudited condensed consolidated financial statements or footnote disclosures. See Note 2 for further discussion on the Company's fair value measurements.

On January 1, 2020, the Company adopted ASU No. 2017-04 *Intangibles - Goodwill and Other: Simplifying the Test for Goodwill Impairment*. The updated guidance eliminated step two of the goodwill impairment test and specifies that goodwill impairment should be measured by comparing the fair value of a reporting unit with its carrying amount. Additionally, the amount of goodwill allocated to a reporting unit with a zero or negative carrying amount of net assets should be disclosed. The adoption of this standard by the Company did not have a material impact on the unaudited condensed consolidated financial statements.

On January 1, 2020, the Company adopted ASU No. 2016-13 *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The updated guidance amends the current accounting guidance and requires the measurement of all expected losses based on historical experience, current conditions, and reasonable and supportable forecasts rather than the incurred loss model which reflects losses that are probable. Entities are required to apply these changes through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The Company evaluated its financial instruments and determined that its trade accounts receivable are subject to the new current expected credit loss model. Based upon the application of the new current expected credit loss model, on January 1, 2020, we recorded a cumulative effect adjustment of \$0.4 million to Retained Earnings. The adoption of this standard by the Company did not have a material impact on the unaudited condensed consolidated statement of operations or cash flows.

On September 30, 2020, the Company early adopted ASU No. 2019-12 *"Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes."* This ASU removes certain exceptions related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period, and the recognition of deferred tax liabilities for outside basis differences as well as adds guidance to reduce complexity in certain areas, including recognizing deferred taxes for goodwill and allocating taxes to members of a consolidated group. The most significant impact to the Company is the removal of a limit on the tax benefit recognized on pre-tax losses in interim periods. The adoption of this standard by the Company did not have a material effect on the unaudited condensed consolidated financial statements or footnote disclosures.

Recently Issued Accounting Standards - Not Yet Adopted

Recent accounting pronouncements pending adoption, other than those stated above, are not expected to have a material impact on the Company.

Note 2: Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. To measure fair value, we use a three-tier valuation hierarchy based upon observable and non-observable inputs:

Level 1 - Unadjusted quoted prices that are available in active markets for identical assets or liabilities at the measurement date.

Level 2 - Significant other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly, including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in non-active markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 - Significant unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using model-based techniques, including option pricing models, discounted cash flow models, probability weighted models, and Monte Carlo simulations.

The Company's financial instruments include cash and cash equivalents, accounts receivable, derivative instruments, accounts payable, earn-out liabilities, a revolving line of credit, a term loan, and equity securities investments.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The fair value hierarchy requires the use of observable market data when available. In instances where the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability.

Level 1: Equity securities

During the three and nine months ended September 30, 2020, the Company sold 494,074 and 1.2 million shares, respectively, of its equity securities investments, resulting in a realized loss of \$69,375 and \$37,954, respectively.

For the three months ended September 30, 2020, the Company recorded no net unrealized gains or losses on investments in equity securities. For the nine months ended September 30, 2020, the Company recorded net unrealized gains of \$0.2 million on the investments in equity securities held, which is included in "Other expense (income)" on the accompanying unaudited condensed consolidated statements of operations.

The Company held no equity securities as of September 30, 2020. The fair value of equity securities held by the Company as of December 31, 2019 was \$3.3 million and is included in "Prepaid expenses and other current assets" on the accompanying condensed consolidated balance sheets.

Level 2: Derivative Instruments

The Company has one interest rate swap contract, which is classified as a Level 2 financial instrument as it is not actively traded and is valued using pricing models that use observable market inputs. The fair value of the contract was a liability of \$0.1 million at September 30, 2020 and an asset of \$6,088 at December 31, 2019, respectively. The interest rate swap was priced using discounted cash flow techniques. Changes in its fair value were recorded to other expense (income) with corresponding offsetting entries to "Prepaid expenses and other current assets" or "Accrued Expenses", as appropriate. Significant inputs to the discounted cash flow model include projected future cash flows based on projected one-month LIBOR and the average margin for companies with similar credit ratings and similar maturities.

Level 3: Contingent consideration (earn-out) liabilities

The fair value of contingent consideration ("earn-out") liabilities resulting from the 2017 MUSA-Stainless acquisition, 2018 MUSA-Galvanized acquisition, and 2019 American Stainless acquisition are classified as Level 3. Each quarter-end, the Company re-evaluates its assumptions for all earn-out liabilities and adjusts to reflect the updated fair values. Changes in the estimated fair value of the earn-out liabilities are reflected in operating income in the periods in which they are identified. Changes in the fair value of the earn-out liabilities may materially impact and cause volatility in the Company's operating results. The significant unobservable inputs used in the fair value measurement of the Company's contingent consideration (earn-out) liabilities are the discount rate, timing of the estimated payouts, and future revenue projections. Significant increases (decreases) in any of those inputs would not have resulted in a material difference in the fair value measurement of the earn-out liabilities for the three and nine months ended September 30, 2020.

The following table presents a summary of changes in fair value of the Company's Level 3 earn-out liabilities measured on a recurring basis for the nine months ended September 30, 2020:

<i>(in thousands)</i>	<u>MUSA-Stainless</u>	<u>MUSA-Galvanized</u>	<u>American Stainless</u>	<u>Total</u>
Balance at December 31, 2019	\$ 2,403	\$ 1,782	\$ 4,969	\$ 9,154
Earn-out payments during the period	(1,263)	(488)	(1,480)	(3,231)
Changes in fair value during the period	(415)	(38)	(516)	(969)
Balance at September 30, 2020	<u>\$ 725</u>	<u>\$ 1,256</u>	<u>\$ 2,973</u>	<u>\$ 4,954</u>

For the three and nine months ended September 30, 2020, the Company had no unrealized gains or losses included in other comprehensive income for recurring Level 3 fair value instruments.

Quantitative Information about Significant Unobservable Inputs Used in Level 3 Fair Value Measurements

The following table summarizes the significant unobservable inputs in the fair value measurement of our contingent consideration (earn-out) liabilities as of September 30, 2020:

Instrument	Fair Value September 30, 2020	Principal Valuation Technique	Significant Unobservable Inputs	Range	Weighted Average
Contingent consideration (earn-out) liabilities	\$4,954	Probability Weighted Expected Return	Discount rate	-	5%
			Timing of estimated payouts	2020 - 2022	-
			Future revenue projections	\$5.5M - 12.3M	\$9.5M

The weighted average discount rate was calculated by applying an equal weighting to each contingent consideration's (earn-out liabilities) discount rate. The weighted average future revenue projection was calculated by applying an equal weighting of probabilities to each forecasted scenario within the valuation models to determine the probability weighted sales applicable to the contingent consideration (earn-out liabilities).

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

During the three and nine months ended September 30, 2020, the Company's only significant assets or liabilities measured at fair value on a non-recurring basis subsequent to their initial recognition were certain long-lived assets and goodwill.

Synalloy Corporation
Notes to Condensed Consolidated Financial Statements (Unaudited)

The Company reviews the carrying amounts of long-lived assets whenever certain events or changes in circumstances indicate that the carrying amounts may not be recoverable. With input from executive management, the Company's accounting and finance personnel that organizationally report to the chief financial officer, assess performance quarterly against historical patterns, projections of future profitability, and whether it is more likely than not that the assets will be disposed of significantly prior to the end of their estimated useful life for evidence of possible impairment. An impairment loss is recognized when the carrying amount of the asset (disposal) group is not recoverable and exceeds fair value. The Company estimates the fair values of assets subject to long-lived asset impairment based on the Company's own judgments about the assumptions market participants would use in pricing the assets and observable market data, when available. The Company classifies these fair value measurements as Level 3.

During the quarter ended June 30, 2020, due to the continued curtailment of operations related to the COVID-19 pandemic, inventory of Palmer was written down to its net realizable value of \$2.1 million and certain long-lived assets of Palmer, including tangible and intangible assets, were written down to their estimated fair value of \$1.7 million, resulting in asset impairment charges of \$6.1 million.

The Company evaluates goodwill for impairment annually and earlier if an event or other circumstances indicates that we may not recover the carrying value of the asset. During the third quarter of 2020, the Company determined potential indicators of impairment within the Welded Pipe & Tube reporting unit included in the Metals Segment existed. As a result of the goodwill impairment evaluation, it was concluded that the estimated fair value of the Welded Pipe and Tube reporting unit was below its carrying value by 9.7% resulting in a goodwill impairment charge of \$10.7 million for the quarter ended September 30, 2020. See *Note 5 - Goodwill and Intangible Assets* for additional details. The Company classifies these fair value measurements as Level 3.

Fair Value of Financial Instruments

For short-term instruments, other than those required to be reported at fair value on a recurring and non-recurring basis and for which additional disclosures are included above, 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 September 30, 2020 and December 31, 2019, the carrying amounts for cash and cash equivalents, accounts receivable, accounts payable, the Company's revolving line of credit, which is based on a variable interest rate, and term loan approximate their fair value.

Note 3: Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by either specific identification or weighted average methods. The components of inventories are as follows:

<i>(in thousands)</i>	September 30, 2020	December 31, 2019
Raw materials	\$ 39,843	\$ 42,896
Work-in-process	20,780	17,616
Finished goods	29,964	38,422
	\$ 90,587	\$ 98,934
Less inventory reserves	\$ 1,580	\$ 748
Inventories, net	\$ 89,007	\$ 98,186

Note 4: Property, Plant and Equipment

Property, plant and equipment consist of the following:

<i>(in thousands)</i>	September 30, 2020	December 31, 2019
Land	63	63
Leaschold improvements	2,866	1,921
Buildings	84	214
Machinery, fixtures and equipment	100,097	100,300
Construction-in-progress	2,456	2,999
	105,566	105,497
Less accumulated depreciation and amortization	69,235	64,807
Property, plant and equipment, net	<u>36,331</u>	<u>40,690</u>

Note 5: Goodwill and Intangible Assets

During the second quarter of 2020, the Company determined potential indicators of impairment within the Welded Pipe & Tube reporting unit included in the Metals Segment, with an associated goodwill balance of \$16.2 million, existed. Continued deterioration in macroeconomic conditions, continued risks within the stainless steel industrial business, reporting unit operating losses and a decline in the reporting unit's net sales compared to forecast, collectively, indicated that the reporting unit had experienced a triggering event. As a result, the Company quantitatively evaluated the Welded Pipe & Tube reporting unit for impairment. Fair value of the reporting unit was determined using an income approach. Determining the fair value of the reporting unit and allocation of that fair value to individual assets and liabilities within the reporting unit to determine the implied fair value of the goodwill is judgmental in nature and requires the use of significant management estimates and assumptions. These estimates and assumptions include the discount rate, terminal growth rate, tax rate, projected capital expenditures, and overall operational forecasts, including sales growth, gross margins, and operating margins. Any changes in the judgments, estimates, or assumptions could produce significantly different results. As a result of the goodwill impairment evaluation, it was concluded that the estimated fair value of the Welded Pipe and Tube reporting unit was greater than its carrying value by 1.7% and, as such, no goodwill impairment was necessary in the quarter ended June 30, 2020.

During the third quarter of 2020, the Company determined potential indicators of impairment within the Welded Pipe & Tube reporting unit included in the Metals Segment, with an associated goodwill balance of \$16.2 million, existed. Continued declines in the Company's stock price, reporting unit operating losses, and continued declines in the reporting unit's net sales compared to forecast, collectively, indicated that the reporting unit had experienced a triggering event and the need to perform another quantitative interim evaluation of goodwill. As a result, the Company quantitatively evaluated the Welded Pipe & Tube reporting unit for impairment. Fair value of the reporting unit was determined using a combination of an income approach and a market-based approach with equal weighting applied to each approach. The income approach utilized the estimated discounted cash flows expected to be generated by the reporting unit's assets while the market-based approach utilized comparable company information. Determining the fair value of the reporting unit and allocation of that fair value to individual assets and liabilities within the reporting unit to determine the implied fair value of the goodwill is judgmental in nature and requires the use of significant management estimates and assumptions. These estimates and assumptions include the discount rate, terminal growth rate, tax rate, projected capital expenditures, and overall operational forecasts, including sales growth, gross margins, and operating margins. Any changes in the judgments, estimates, or assumptions could produce significantly different results. As a result of the goodwill impairment evaluation, it was concluded that the estimated fair value of the Welded Pipe and Tube reporting unit was below its carrying value by 9.7% resulting in a goodwill impairment charge of \$10.7 million for the quarter ended September 30, 2020.

The carrying amounts of goodwill are as follows:

<i>(in thousands)</i>	Metals Segment	Chemicals Segment
Balance at December 31, 2019	\$ 16,203	\$ 1,355
Impairment charges	(10,748)	—
Balance at September 30, 2020	<u>\$ 5,455</u>	<u>\$ 1,355</u>

Synalloy Corporation
Notes to Condensed Consolidated Financial Statements (Unaudited)

During the second quarter of 2020, due to the continued curtailment of operations related to the COVID-19 pandemic and managements decision to pursue a sale and exit of the Palmer business, the intangible customer list related to Palmer was written down to its estimated fair market value of zero, resulting in an impairment charge of \$1.3 million, which is included in "Asset impairments" on the accompanying unaudited condensed consolidated statements of operations.

The balance of intangible assets subject to amortization are as follows:

<i>(in thousands)</i>	September 30, 2020	December 31, 2019
Intangible assets, gross	\$ 30,866	\$ 32,126
Accumulated amortization of intangible assets	(18,735)	(16,412)
Intangible assets, net	<u>\$ 12,131</u>	<u>\$ 15,714</u>

Estimated amortization expense related to intangible assets for the next five years are as follows (in thousands):

Remainder of 2020	\$ 705
2021	2,721
2022	2,501
2023	1,050
2024	952
2025	855
Thereafter	3,347

Note 6: Long-term Debt

Long-term debt consists of the following:

<i>(in thousands)</i>	September 30, 2020	December 31, 2019
\$100 million Revolving line of credit, due December 20, 2021	\$ 58,010	\$ 59,221
\$20 million Term loan, due February 1, 2024	\$ 13,333	\$ 16,333
	<u>\$ 71,343</u>	<u>\$ 75,554</u>

On December 20, 2018, the Company amended its Credit Agreement with its bank to refinance and increase its Line of Credit (the "Line") from \$0,000,000 to \$100,000,000 and to create a new 5-year term loan in the principal amount of \$20,000,000 (the "Term Loan"). The Term Loan was used to finance the purchase of substantially all of the assets of American Stainless (see Note 13). The Term Loan's maturity date is February 1, 2024 and shall be repaid in 60 consecutive monthly installments. Interest on the Term Loan is calculated using the One Month LIBOR Rate (as defined in the Credit Agreement), plus 1.90 percent. The Line will be used for working capital needs and as a source for funding future acquisitions. The maturity date of the Line has been extended to December 20, 2021. Interest on the Line remains unchanged and is calculated using the One Month LIBOR Rate, plus 1.65%. Borrowings under the Line are limited to an amount equal to a Borrowing Base calculation that includes eligible accounts receivable and inventory. As of September 30, 2020, the Company had \$7.5 million of remaining available capacity under the Line.

Pursuant to the Credit Agreement, the Company is subject to certain covenants including maintaining a minimum fixed charge coverage ratio of not less than 1.25, maintaining a minimum tangible net worth of not less than \$60.0 million, and a limitation on the Company's maximum amount of capital expenditures per year, which is in line with currently projected needs.

The Company notified its bank of a technical default of the fixed charge coverage ratio in its Credit Agreement at the quarter ended June 30, 2020. To address the technical default, the Company entered into two amendments to its Credit Agreement with its bank subsequent to the end of the second quarter. On July 31, 2020, the Company entered into the Third Amendment to the Third Amended and Restated Loan Agreement (the "Third Amendment") with its bank. The Third Amendment amended the definition of the fixed charge coverage ratio to include the proxy contest costs in the numerator of the ratio calculation. Additionally, on August 13, 2020, the Company entered into the Fourth Amendment to the Third Amended and Restated Loan Agreement (the "Fourth Amendment") with its bank. The Fourth Amendment amended the definition of the fixed charge

coverage ratio to include the lesser of the actual non-cash asset impairment charge related to Palmer, or \$6.0 million in the numerator of the ratio calculation. The amendments are effective for the quarter ended June 30, 2020 and the directly following three quarters after June 30, 2020.

The Company notified its bank of a technical default of the fixed charge coverage ratio in its Credit Agreement at the quarter ended September 30, 2020. To address the technical default, the Company entered into an amendment to its Credit Agreement with its bank subsequent to the end of the third quarter. On October 23, 2020, the Company entered into the Fifth Amendment to the Third Amended and Restated Loan Agreement (the "Fifth Amendment") with its bank. The Fifth Amendment amended the definition of the fixed charge coverage ratio to include in the numerator (i) the calculation of losses from the suspended operations of Palmer in the amount of \$1,560,000, which is effective for the quarter ended June 30, 2020 and for the directly following three quarters after June 30, 2020, (ii) the calculation of losses from the suspended operations of Palmer in the amount of \$740,000, which is effective for the quarter ended September 30, 2020 and for the directly following three quarters after September 30, 2020, and (iii) the extraordinary expenses related to the investigation of a whistleblower complaint in the amount of \$636,000, which is effective for the quarter ended September 30, 2020 and for the directly following three quarters after September 30, 2020.

At September 30, 2020, the Company had a minimum fixed charge coverage ratio of 1.47 and a minimum tangible net worth of \$67.7 million.

Note 7: Stock-Based Compensation

Stock-based compensation expense for the three and nine months ended September 30, 2020 was \$0.3 million and \$1.0 million, respectively. Stock-based compensation expense for the three and nine months ended September 30, 2019 was \$0.9 million and \$1.8 million, respectively.

Stock Options

During the three and nine months ended September 30, 2020 and September 30, 2019, no stock options were exercised by officers or employees of the Company.

2011 Long-Term Incentive Stock Option Plan

On February 5, 2020 the Compensation & Long-Term Incentive Committee of the Company's Board of Directors ("Compensation Committee") approved stock option grants under the 2011 Long-Term Incentive Stock Option Plan ("the 2011 Plan"). Options for a total of 123,500 shares, with an exercise price of \$12.995 per share, were granted under the 2011 Plan to certain management employees of the Company. The stock options will vest in 33 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. Except for death, disability, or qualifying retirement, any portion of the grant that has not vested will be forfeited upon termination of employment. The Company may terminate any portion of the grant that has not vested upon an employee's failure to comply with all conditions of the award or the 2011 Plan. Shares representing grants that have not yet vested will be held in escrow by the Company. An employee will not be entitled to any voting rights with respect to any shares not yet vested, and the shares are not transferable. The per share weighted-average fair value of this stock option grant was \$4.53. The Black-Scholes model for this grant was based on a risk-free interest rate of 1.66 percent, an expected life of ten years, an expected volatility of 35.1 percent and a dividend yield of 1.79 percent.

On June 30, 2020 the Compensation Committee approved stock option grants under the 2011 Plan. Options for a total of 20,000 shares, with an exercise price of \$7.329 per share, were granted under the 2011 Plan to certain management employees of the Company. The stock options will vest in 33 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. Except for death, disability, or qualifying retirement, any portion of the grant that has not vested will be forfeited upon termination of employment. The Company may terminate any portion of the grant that has not vested upon an employee's failure to comply with all conditions of the award or the 2011 Plan. Shares representing grants that have not yet vested will be held in escrow by the Company. An employee will not be entitled to any voting rights with respect to any shares not yet vested, and the shares are not transferable. The per share weighted-average fair value of this stock option grant was \$2.59. The Black-Scholes model for this grant was based on a risk-free interest rate of 0.64 percent, an expected life of ten years, an expected volatility of 38.7 percent and a dividend yield of 1.89 percent.

Restricted Stock Awards

2015 Stock Awards Plan

On February 5, 2020, the Compensation Committee approved stock grants under the Company's 2015 Stock Awards Plan (the "Plan") to certain management employees of the Company where 45,418 shares with a market price of \$12.995 per share were granted under the Plan. The stock awards vest in either 20 percent or 33 percent increments annually on a cumulative basis, beginning one year after the date of grant. In order for the awards to vest, the employee must be in the continuous employment of the Company since the date of the award. Except for death, disability, or qualifying retirement, 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 Plan. An employee is not entitled to any voting rights with respect to any shares not yet vested, and the shares are not transferable.

Performance-Based Restricted Stock Awards

In 2017, the Compensation Committee granted performance restricted stock awards ("2017 Performance Based Incentive Award") to officers and certain key management-level employees. The 2017 Performance Based Incentive Award vested three years from the grant date based on continuous service, with the number of shares earned (0 percent to 150 percent of the target award) depending on the extent to which the Company achieved certain financial performance targets measured over the period from January 1, 2017 to December 31, 2019. On February 5, 2020, the Compensation Committee approved the vesting of the 2017 Performance Based Incentive Award for a total of 28,481 restricted shares at a grant date market price of \$12.30.

On February 5, 2020, the Compensation Committee approved performance-based restricted stock awards to certain management employees of the Company where 36,647 shares with a market price of \$12.995 per share were granted under the Plan. The Company's performance-based restricted stock awards are classified as equity and contain performance and service conditions that must be satisfied for an employee to earn the right to benefit from the award. The performance condition is based on the achievement of the Company's Adjusted EBITDA targets. The fair value of the performance-based restricted stock awards are determined based on the closing market price of our stock on the date of grant. In general, 0 percent to 150 percent of the Company's performance-based restricted stock awards vest at the end of a three year service period from the date of grant based upon achievement of the performance condition specified. Except for death, disability, or qualifying retirement, 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. An employee is not entitled to any voting rights with respect to any shares not yet vested, and the shares are not transferable.

Note 8: Loss Per Share

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
<i>(in thousands, except per share data)</i>				
Numerator:				
Net loss	(10,539)	(954)	(18,674)	(2,143)
Denominator:				
Denominator for basic earnings per share - weighted average shares	9,105	8,995	9,079	8,969
Effect of dilutive securities:				
Employee stock options and stock grants	—	—	—	—
Denominator for diluted earnings per share - weighted average shares	9,105	8,995	9,079	8,969
Net loss per share:				
Basic	\$ (1.16)	\$ (0.11)	\$ (2.06)	\$ (0.24)
Diluted	\$ (1.16)	\$ (0.11)	\$ (2.06)	\$ (0.24)

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 0.3 million and 0.2 million shares of common stock that were anti-dilutive for the three and nine months ended September 30, 2020, respectively. The Company had no shares of common stock that were anti-dilutive for the three and nine months ended September 30, 2019, respectively.

Note 9: Income Taxes

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax of multiple state jurisdictions. The Company is no longer subject to U.S. federal examinations for years before 2015 or state examinations for years before 2014. During the first nine months of 2020 and 2019, the Company did not identify nor reserve for any unrecognized tax benefits.

Our income tax provision and overall effective tax rates for the periods presented are as follows:

<i>(in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Income tax benefit	\$ (2,530)	\$ (112)	\$ (6,026)	\$ (660)
Effective income tax rate	19.4 %	10.6 %	24.4 %	23.6 %

The effective tax rate was 19.4% and 10.6% for the three months ended September 30, 2020 and 2019, respectively. The September 30, 2020 effective tax rate was approximately equal to the U.S. statutory rate of 21.0%. The September 30, 2019 effective tax rate was lower than the statutory rate of 21.0% due to state taxes, net of the federal benefit, and discrete tax benefits on our stock compensation plan.

The effective tax rate was 24.4% and 23.6% for the nine months ended September 30, 2020 and 2019, respectively. The September 30, 2020 effective tax rate was higher than the statutory rate of 21.0% due to discrete tax benefits over the costs associated with our public proxy contest, asset impairments at our Palmer facility, goodwill impairment over our Metals Segment and benefits from our stock compensation plan. Additionally, we recognized estimated tax benefits associated with the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") which was signed into law on March 27, 2020. The CARES Act includes various income and payroll tax provisions, notably enabling the Company to carry back net operating losses and recover taxes paid in prior years. The September 30, 2019 effective tax rate was approximately equal to the U.S. statutory tax rate of 21%.

Note 10: Leases

On September 10, 2020, Store Master Funding XII, LLC, a Delaware limited liability company ("Store") and the Company's sale-leaseback partner, closed on a transaction pursuant to which Store sold to a third party approximately 12.5 acres of unimproved land and immaterial improvements located at Synalloy's facility in Munhall, Pennsylvania. Synalloy subleases the Munhall facility to Bristol Metals, LLC.

As a result of the sale, on September 10, 2020, Synalloy and Store entered into a Third Amended and Restated Master Lease Agreement (the "Master Lease") to reduce Synalloy's rent at the Munhall facility pursuant to the terms and conditions of the Second Amended and Restated Master Lease Agreement between the parties dated January 2, 2019. The Master Lease amendment was determined to be a lease modification that qualified for a change of accounting on the existing lease and not a separate contract. Upon modification of the Master Lease Agreement, the right-of-use asset and operating lease liability were remeasured using an incremental borrowing rate determined on the date of modification. As such, the Company recognized a reduction in the right-of-use asset and operating lease liability related to the Master Lease of \$3.2 million and \$3.4 million, respectively, and recognized a gain on the modification of \$0.2 million, which is reported within operating expenses on the unaudited condensed consolidated statement of operations.

Balance Sheet Presentation

Operating and finance lease amounts included in the unaudited condensed consolidated balance sheet are as follows (in thousands):

Classification	Financial Statement Line Item	September 30, 2020
Assets	Right-of-use assets, operating leases	\$ 32,090
Assets	Property, plant and equipment	65
Current liabilities	Current portion of lease liabilities, operating leases	835
Current liabilities	Current portion of lease liabilities, finance leases	26
Non-current liabilities	Non-current portion of lease liabilities, operating leases	33,000
Non-current liabilities	Non-current portion of lease liabilities, finance leases	41

Total Lease Cost

Individual components of the total lease cost incurred by the Company are as follows:

<i>(in thousands)</i>	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2020
Operating lease cost	\$ 1,032	\$ 3,101
Finance lease cost:		
Amortization of right-of-use assets	9	84
Interest on finance lease liabilities	—	24
Total lease cost	<u>\$ 1,041</u>	<u>\$ 3,209</u>

Reduction in carrying amounts of right-of-use assets held under finance leases is included in depreciation expense. Minimum rental payments under operating leases are recognized on a straight-line method over the term of the lease including any periods of free rent and are included in selling, general, and administrative expense on the unaudited condensed consolidated statement of operations.

Maturity of Leases

The amounts of undiscounted future minimum lease payments under leases as of September 30, 2020 are as follows:

<i>(in thousands)</i>	Operating	Finance
Remainder of 2020	\$ 899	\$ 9
2021	3,610	22
2022	3,665	15
2023	3,699	15
2024	3,549	8
Thereafter	47,159	—
Total undiscounted minimum future lease payments	<u>62,581</u>	<u>69</u>
Imputed Interest	28,746	2
Present value of lease liabilities	<u>\$ 33,835</u>	<u>\$ 67</u>

Lease Term and Discount Rate

	September 30, 2020
Weighted-average remaining lease term	
Operating Leases	15.70 years
Finance Leases	2.91 years
Weighted-average discount rate	
Operating Leases	8.33 %
Finance Leases	2.56 %

During the three and nine months ended September 30, 2020, no right-of-use assets were recognized in exchange for new operating lease liabilities.

Note 11: Commitments and Contingencies

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

Management is not currently aware of any asserted or unasserted matters which could have a material effect on the financial condition or results of operations of the Company.

Note 12: Industry Segments

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

<i>(in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net sales				
Metals Segment	\$ 47,079	\$ 60,121	\$ 159,761	\$ 195,728
Specialty Chemicals Segment	12,187	13,519	40,338	41,494
	\$ 59,266	\$ 73,640	\$ 200,099	\$ 237,222
Operating (loss) income				
Metals Segment	\$ (11,563)	\$ 450	\$ (19,784)	\$ 3,125
Specialty Chemicals Segment	1,061	846	3,508	2,387
Unallocated corporate expenses	1,526	2,369	5,132	6,622
Acquisition related costs and other	656	90	803	438
Proxy contest costs	207	—	3,105	—
Earn-out adjustments	(146)	(1,242)	(969)	(1,643)
Gain on lease modification	(171)	—	(171)	—
Operating (loss) income	(12,574)	79	(24,176)	95
Interest expense	452	944	1,703	2,977
Change in fair value of interest rate swap	(16)	21	65	145
Other (income) expense, net	59	180	(1,244)	(224)
Loss before income taxes	\$ (13,069)	\$ (1,066)	\$ (24,700)	\$ (2,803)

<i>(in thousands)</i>	As of	
	September 30, 2020	December 31, 2019
Identifiable assets		
Metals Segment	\$ 157,974	\$ 186,758
Specialty Chemicals Segment	25,004	25,428
Corporate	41,737	45,011
	\$ 224,715	\$ 257,197

Note 13: Acquisitions

Acquisition of the Assets and Operations of American Stainless Tubing, Inc.

On January 1, 2019, the Company's wholly-owned subsidiary, ASTI Acquisition, LLC (now American Stainless Tubing, LLC) ("ASTI"), completed the acquisition of substantially all of the assets of American Stainless Tubing, Inc. ("American Stainless"). The purchase price for the all-cash acquisition was \$21.9 million, subject to a post-closing working capital adjustment. The Company funded the acquisition with a new five-year \$20 million term note and a draw against its asset-based line of credit (see Note 6).

The transaction is 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. During the third quarter of 2019, the Company finalized the purchase price allocation for the American Stainless acquisition.

Synalloy Corporation
Notes to Condensed Consolidated Financial Statements (Unaudited)

The excess of the consideration transferred over the fair value of the net tangible and identifiable intangible assets is reflected as goodwill. Goodwill consists of manufacturing cost synergies expected from combining American Stainless' production capabilities with the Metals Segment current operations. All of the goodwill recognized was assigned to the Company's Metals Segment and is expected to be deductible for income tax purposes.

American Stainless will 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. In determining the appropriate discount rate to apply to the contingent payments, the risk associated with the functional form of the earn-out, and the credit risk associated with the payment of the earn-out were all considered. The fair value of the contingent consideration was estimated by applying the probability weighted expected return method using management's estimates of pounds to be shipped and future price per unit.

During the second quarter of 2019, management identified circumstances that existed on the date of acquisition and as a result, revised the purchase price allocation of certain acquired assets and liabilities as allowable during the measurement period.

The following table shows the initial estimate of value and revisions made during 2019:

<i>(in thousands)</i>	Initial estimate	Revisions	Final
Inventories	\$ 5,564	\$ —	\$ 5,564
Accounts receivable	3,534	—	3,534
Other current assets - production and maintenance supplies	605	—	605
Property, plant and equipment	2,793	—	2,793
Customer list intangible	10,000	(496)	9,504
Goodwill	7,044	714	7,758
Contingent consideration (earn-out liability)	(6,148)	(218)	(6,366)
Accounts payable	(1,400)	—	(1,400)
Other liabilities	(97)	—	(97)
	<u>\$ 21,895</u>	<u>\$ —</u>	<u>\$ 21,895</u>

ASTI's results of operations are reflected in the Company's Condensed Consolidated Statements of Operations as follows:

<i>(in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net sales	\$ 8,020	\$ 8,469	\$ 22,920	\$ 26,539
Income before taxes	\$ (4,233)	\$ 902	\$ (2,515)	\$ 2,001

Note 14: Shareholders' Equity

Stock Repurchase Program

On February 21, 2019, the Board of Directors authorized a stock repurchase program for up to 850,000 shares of its outstanding common stock over 24 months. The shares will be purchased from time to time at prevailing market prices, through open market or privately negotiated transactions, depending on market conditions. Under the program, the purchases will be funded from available working capital, and the repurchased shares will be returned to the status of authorized, but unissued shares of common stock or held in treasury. There is no guarantee as to the exact number of shares that will be repurchased by the Company, and the Company may discontinue purchases at any time that management determines additional purchases are not warranted.

During the three months ended September 30, 2020, the Company purchased no shares under the stock repurchase program. During the nine months ended September 30, 2020, the Company purchased 59,617 shares under the stock repurchase program at an average price of approximately \$0.65 per share for an aggregate amount of \$0.6 million.

During the three and nine months ended September 30, 2019, the Company purchased no shares under the stock repurchase program.

As of September 30, 2020, the Company has 790,383 shares of its share repurchase authorization remaining.

Shareholder Rights Plan

On March 31, 2020, the Board of Directors unanimously authorized the adoption of a limited duration shareholder rights plan expiring on March 31, 2021 and an ownership trigger threshold of 15%. In connection with the shareholder rights plan, the Board of Directors authorized and declared a dividend of one right (each, a "Right") for each outstanding share of the Company's common stock, par value \$1.00 per share ("Common Stock") to stockholders of record at the close of business on April 10, 2020 (the "Record Date"). The complete terms of the Rights are set forth in a Rights Agreement dated March 31, 2020 (the "Rights Agreement"), by and between the Company and American Stock Transfer & Trust Company, LLC, as rights agent. The Rights will become exercisable only if a person or group acquires beneficial ownership of 15% or more of the Company's outstanding Common Stock or announces a tender or exchange offer that would result in beneficial ownership of 15% or more of the Company's Common Stock. Each Right would entitle the holder to purchase from the Company one half of one share of Common Stock at a purchase price of \$22.50 per right, subject to adjustments (equivalent to \$45.00 for each whole share of Common Stock).

On June 27, 2020, the Company entered into Amendment 1 to the Rights Agreement (the "Amendment"). The Amendment terminated the Rights Agreement by accelerating the expiration of the Rights to June 28, 2020. At the time of the termination of the Rights Agreement, all of the Rights, which were distributed to holders of the Company's common stock, par value, \$1.00, pursuant to the Rights Agreement, expired.

Note 15: Revenues

Revenues are recognized when control of the promised goods is transferred to our customers or when a service is rendered, in an amount that reflects the consideration we are to receive in exchange for those goods or services.

The following table presents the Company's revenues, disaggregated by product group. Substantially all of the Company's revenues are derived from contracts with customers where performance obligations are satisfied at a point-in-time.

<i>(in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Fiberglass and steel liquid storage tanks and separation equipment	538	5,552	4,994	25,628
Heavy wall seamless carbon steel pipe and tube	5,436	7,963	18,408	23,252
Stainless steel pipe and tube	37,231	40,993	120,265	128,299
Galvanized pipe and tube	3,875	5,613	16,094	18,549
Specialty chemicals	12,186	13,519	40,338	41,494
Net sales	\$ 59,266	\$ 73,640	\$ 200,099	\$ 237,222

Arrangements with Multiple Performance Obligations

Our contracts with customers may include multiple performance obligations. For such arrangements, revenue for each performance obligation is based on its stand-alone selling price and revenue is recognized as each performance obligation is satisfied. The Company generally determines stand-alone selling prices based on the prices charged to customers using the adjusted market assessment approach or expected cost plus margin.

Note 16: Proxy Contest and Related Costs

During the six months ended June 30, 2020, the Company engaged in a proxy contest with Privet Fund Management, LLC ("Privet") and UPG Enterprises, LLC ("UPG"), which parties acted as a group during the proxy contest. At the Company's Annual Meeting of Shareholders held on June 30, 2020 (the "Annual Meeting"), the Company's independent shareholders voted the Company's proxy card, resulting in five (of eight) incumbent Board members being re-elected to the Board of Directors. Due to cumulative voting, a unique voting method permitted by the Company's Certificate of Incorporation, Privet and UPG were able to cumulate their group-owned shares to elect three (of eight) new directors at the Annual Meeting.

During the three and nine months ended September 30, 2020, total costs incurred by the Company relating to the proxy contest were \$0.2 million and \$3.1 million, respectively.

Note 17: Subsequent Events

The Company notified its bank of a technical default of the fixed charge coverage ratio in its Credit Agreement at the quarter ended September 30, 2020. To address the technical default, the Company entered into an amendment to its Credit Agreement with its bank subsequent to the end of the third quarter. On October 23, 2020, the Company entered into the Fifth Amendment to the Third Amended and Restated Loan Agreement (the "Fifth Amendment") with its bank. The Fifth Amendment amended the definition of the fixed charge coverage ratio to include in the numerator (i) the calculation of losses from the suspended operations of Palmer in the amount of \$1,560,000, which is effective for the quarter ended June 30, 2020 and for the directly following three quarters after June 30, 2020, (ii) the calculation of losses from the suspended operations of Palmer in the amount of \$740,000, which is effective for the quarter ended September 30, 2020 and for the directly following three quarters after September 30, 2020, and (iii) the extraordinary expenses related to the investigation of a whistleblower complaint in the amount of \$636,000, which is effective for the quarter ended September 30, 2020 and for the directly following three quarters after September 30, 2020.

On October 27, 2020, the Company announced the retirement of Craig C. Bram, the Company's President and Chief Executive Officer and member of the Company's Board of Directors, effective November 9, 2020. On October 27, 2020, the Company announced the appointment of Christopher G. Hutter, a member of the Company's Board of Directors, as interim President and Chief Executive Officer, effective November 9, 2020.

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

This discussion and analysis summarizes the significant factors affecting our consolidated operating results, liquidity, and capital resources during the three and nine months ended September 30, 2020, and September 30, 2019, respectively. This discussion and analysis should be read in conjunction with the consolidated financial statements and notes to the consolidated financial statements that are included in our Annual Report on Form 10-K for the year ended December 31, 2019 (the Annual Report), as well as the condensed consolidated financial statements (unaudited) and notes to the condensed consolidated financial statements (unaudited) contained in this report. Unless otherwise specified, all comparisons made are to the corresponding period of 2019. This discussion and analysis is presented in five sections:

- Business Overview
- Results of Operations and Non-GAAP Financial Measures
- Liquidity and Capital Resources
- Off-Balance Sheet Arrangements and Contractual Obligations
- Significant Accounting Policies and Estimates

Business Overview

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. The Company's executive office is located at 4510 Cox Road, Suite 201, Richmond, Virginia 23060. Unless indicated otherwise, the terms "Synalloy", "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 Welded Pipe & Tube Operations, a unit that includes Bristol Metals, LLC ("BRISMET") and American Stainless Tubing, LLC ("ASTI"), which began operations effective January 1, 2019 pursuant to the American Stainless acquisition (see Note 13 to the Condensed Consolidated Financial Statements), Palmer of Texas Tanks, Inc. ("Palmer"), and Specialty Pipe & Tube, Inc. ("Specialty"). Welded Pipe & Tube Operations manufactures stainless steel, galvanized, ornamental stainless steel tubing, and other alloy pipe and tube. Palmer manufactures liquid storage solutions and separation equipment. 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, automotive & commercial transportation, appliance, architectural, 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.

COVID-19 Update

We are closely monitoring the impact of the outbreak of COVID-19 on all aspects of our business, including the impacts to our customers, employees and supply chain. We are an essential business and remain open in all locations, adhering to the health guidelines to operate safely provided by our government officials and the U.S. Centers for Disease Control and Prevention. Throughout the COVID-19 pandemic, our first priority has been to safeguard the health of our employees. This includes restricting outside personnel and visitors as well as requiring a face covering when a visitor is on-site, creating space between work areas for employees, providing ample PPE and cleaning supplies in our offices and manufacturing plants, restricting travel, and having formal policies for mitigation in the event of cases of illness.

Through the third quarter of 2020, COVID-19 has had an adverse effect on our reported results and operations. The Company has seen wide ranging impacts partially attributable to COVID-19 that have included:

- A \$10.7 million non-cash goodwill impairment charge related to our Metals Segment;
- Continued curtailment of operations at our Palmer facility that has resulted in \$3.6 million of operating losses through the third quarter of 2020 and \$6.1 million of asset impairments related to that business; and,
- Technical defaults of our debt covenants in the second and third quarter of 2020 and the need to obtain waivers for compliance.

There remains significant uncertainty concerning the magnitude of the impact and the duration of the COVID-19 pandemic. We believe that, at a minimum, customer demand in the COVID-19 environment will continue to be lower in the fourth quarter of 2020 in comparison to the prior year fourth quarter and the manufacturing sector will continue to face challenges over the next several quarters. Given that, we are unable to predict the ultimate impact it may have on our business, future operations, financial position or cash flows. The extent that our operations will continue to be impacted by the COVID-19 pandemic will depend on future developments, which are highly uncertain and cannot be accurately predicted, including the severity of the outbreak and continued actions by government authorities to contain and treat the outbreak. See Part II - Item 1A, "Risk Factors," included herein for updates to our risk factors regarding risks associated with the COVID-19 pandemic.

Goodwill Impairment Review

During the second quarter of 2020, as described in *Note 5 - Goodwill and Intangible Assets*, we tested our goodwill for impairment. The Company determined potential indicators of impairment within the Welded Pipe & Tube reporting unit included in the Metals Segment, with an associated goodwill balance of \$16.2 million, existed. Continued deterioration in macroeconomic conditions, continued risks within the stainless steel industrial business, reporting unit operating losses and a decline in the reporting unit's net sales compared to forecast, collectively, indicated that the reporting unit had experienced a triggering event. As a result, the Company quantitatively evaluated the Welded Pipe & Tube reporting unit for impairment. Fair value of the reporting unit was determined using an income approach. Determining the fair value of the reporting unit and allocation of that fair value to individual assets and liabilities within the reporting unit to determine the implied fair value of the goodwill is judgmental in nature and requires the use of significant management estimates and assumptions. These estimates and assumptions include the discount rate, terminal growth rate, tax rate, projected capital expenditures, and overall operational forecasts, including sales growth, gross margins, and operating margins. Any changes in the judgments, estimates, or assumptions could produce significantly different results. We corroborated the reasonableness of the estimated reporting unit fair value by reconciling to our enterprise value and market capitalization. As a result of the goodwill impairment evaluation, it was concluded that the estimated fair value of the Welded Pipe and Tube reporting unit was greater than its carrying value by 1.7% and, as such, no goodwill impairment was necessary in the quarter ended June 30, 2020.

During the third quarter of 2020, as described in *Note 5 - Goodwill and Intangible Assets*, we tested our goodwill for impairment. The Company determined potential indicators of impairment within the Welded Pipe & Tube reporting unit included in the Metals Segment, with an associated goodwill balance of \$16.2 million, existed. Continued declines in the Company's stock price, reporting unit operating losses, and continued declines in the reporting unit's net sales compared to forecast, collectively, indicated that the reporting unit had experienced a triggering event and the need to perform another quantitative interim evaluation of goodwill. As a result, the Company quantitatively evaluated the Welded Pipe & Tube reporting unit for impairment. Fair value of the reporting unit was determined using a combination of an income approach and a market-based approach with equal weighting applied to each approach. The income approach utilized the estimated discounted cash flows expected to be generated by the reporting units assets while the market-based approach utilized comparable company information. Determining the fair value of the reporting unit and allocation of that fair value to individual assets and liabilities within the reporting unit to determine the implied fair value of the goodwill is judgmental in nature and requires the use of significant management estimates and assumptions. These estimates and assumptions include the discount rate, terminal growth rate, tax rate, projected capital expenditures, and overall operational forecasts, including sales growth, gross margins, and operating margins. Any changes in the judgments, estimates, or assumptions could produce significantly different results. As a result of the goodwill impairment evaluation, it was concluded that the estimated fair value of the Welded Pipe and Tube reporting unit was below its carrying value by 9.7% resulting in a goodwill impairment charge of \$10.7 million for the quarter ended September 30, 2020.

We do consider the remainder of our Welded Pipe & Tube reporting unit's goodwill to be at risk and changes in our future operating results, cash flows, share price, market capitalization, or discount rate used when conducting future goodwill impairment tests could affect the estimated fair values of our reporting unit and may result in a goodwill impairment charge in the future. For example, we estimate that a 95 basis point increase in the discount rate would result in an additional goodwill impairment charge of approximately \$5.5 million and the remaining goodwill attributable to the Metals Segment to be impaired.

Results of Operations

Consolidated Performance Summary

Consolidated net sales for the third quarter of 2020 were \$59.3 million representing a decrease of \$14.4 million or 19.5% when compared to net sales for the third quarter of 2019. Net sales for the first nine months of 2020 were \$200.1 million representing a decrease of \$37.1 million or 15.6% when compared to the first nine months of 2019. The decrease in sales for the third quarter and first nine months of 2020 was driven by our Metals Segment, which had a decrease of \$13.0 million over the third quarter of 2019 and a decrease of \$36.0 million over the first nine months of 2019.

For the third quarter of 2020, the Company recorded a net loss of \$10.5 million, or \$1.16 diluted loss per share, compared to a net loss of \$1.0 million, or \$0.11 diluted loss per share for the third quarter of 2019. The third quarter of 2020 was negatively impacted by:

- Non-cash goodwill impairment in our Metals Segment of \$10.7 million;
- Operating losses at Palmer totaling \$0.9 million;
- Inventory price change losses which, on a pre-tax basis, totaled \$1.6 million;
- Proxy contest costs of \$0.2 million related to the Company's proxy contest and election of directors at the 2020 Annual Meeting of Shareholders; and
- Costs related to the hotline investigation regarding the accounting for Palmer and other matters \$0.7 million, found within acquisition costs and other.

For the first nine months of 2020, the Company recorded a net loss of \$18.7 million, or \$2.06 diluted loss per share, compared to a net loss of \$2.1 million, or \$0.24 diluted loss per share for the first nine months of 2019. The first nine months of 2020 were negatively impacted by:

- Non-cash goodwill impairment in our Metals Segment of \$10.7 million;
- Operating losses at Palmer totaling \$3.6 million and \$6.1 million in non-cash, pre-tax asset impairment charges;
- Inventory price change losses, which on a pre-tax basis totaled \$5.5 million, compared to a \$5.7 million loss for the first nine months of 2019;
- Proxy contest costs of \$3.1 million related to the Company's proxy contest and election of directors at the 2020 Annual Meeting of Shareholders; and
- Costs related to the hotline investigation regarding the accounting for Palmer and other matters of \$0.7 million, found within acquisition costs and other.

The third quarter of 2020 consolidated gross profit decreased 31.5% to \$5.0 million, or 8.4% of sales, compared to \$7.3 million, or 9.9% of sales in the third quarter of 2019. For the first nine months of 2020, consolidated gross profit decreased 30.7% to \$16.5 million, or 8.2% of sales, from \$23.8 million, or 10.0% of sales in the first nine months of 2019. The decrease in dollars and percentage of sales were attributable to the Metals Segment as discussed below.

Consolidated selling, general, and administrative expense for the third quarter of 2020 decreased by \$2.1 million to \$6.3 million or 10.6% of sales compared to \$8.4 million, or 11.4% of sales in the second quarter of 2019. For first nine months of 2020, consolidated selling, general, and administrative expenses decreased \$3.8 million, or 15.4%, to \$21.1 million compared to \$24.9 million in the first nine months of 2019. The most significant decreases for the third quarter and first nine months of 2020 compared the same period in the prior year resulted from salaries and benefits (\$0.8 million lower in the third quarter and \$1.8 million lower in the first nine months); travel expenses (\$0.3 million lower in the third quarter and \$0.7 million lower in the first nine months); stock compensation expense (\$0.6 million lower in the third quarter and \$0.7 million lower in the first nine months); and amortization expense (\$0.2 million lower in the third quarter and \$0.3 million lower in the first nine months).

Metals Segment

The Metals Segment's net sales for the third quarter of 2020 totaled \$47.1 million, a decrease of \$13.0 million or 21.7% from the third quarter of 2019. Net sales for the first nine months of 2020 totaled \$159.8 million, a decrease of \$36.0 million or 18.4% from the first nine months of 2019.

Net sales decrease for the third quarter of 2020 compared to the third quarter of 2019 is summarized as follows:

<i>(\$ in thousands)</i>	\$	%	Average selling price ⁽¹⁾	Units shipped
Fiberglass and steel liquid storage tanks and separation equipment	\$ (5,014)	(90.3)%	(76.7)%	(61.8)%
Heavy wall seamless carbon steel pipe and tube	(2,527)	(31.7)%	(7.8)%	(26.1)%
Stainless steel pipe and tube	(3,762)	(9.2)%	6.3%	(13.9)%
Galvanized pipe and tube	(1,738)	(31.0)%	(6.9)%	(24.1)%
Total decrease	\$ (13,041)			

¹⁾ Average price decreases for the third quarter of 2020 as compared to the third quarter of 2019 primarily relate to the following:

- Fiberglass and steel liquid storage tanks and separation equipment - decline due to curtailment of operations and effects of COVID-19 on oil and gas industry and Permian Basin;
- Heavy wall seamless carbon steel pipe and tube - decline based on lower mix of energy based sales and lower mill pricing;
- Stainless steel pipe and tube - pass through of input and cost changes related to - 304 Alloy surcharges increase of approximately 3% and a more favorable product mix; and,
- Galvanized pipe and tube - primarily decline in indexed pricing

Net sales decrease for the first nine months of 2020 compared to the first nine months of 2019 is summarized as follows:

<i>(\$ in thousands)</i>	\$	%	Average selling price ⁽¹⁾	Units shipped
Fiberglass and steel liquid storage tanks and separation equipment	\$ (20,634)	(80.5)%	(30.5)%	(72.4)%
Heavy wall seamless carbon steel pipe and tube	(4,844)	(20.8)%	(9.1)%	(12.8)%
Stainless steel pipe and tube	(8,034)	(6.3)%	(2.0)%	(4.1)%
Galvanized pipe and tube	(2,455)	(13.2)%	(7.8)%	(5.1)%
Total decrease	\$ (35,967)			

¹⁾ Average price decreases for the first nine months of 2020 as compared to the first nine months of 2019 primarily relate to the following:

- Fiberglass and steel liquid storage tanks and separation equipment - decline due to curtailment of operations and effects of COVID-19 on oil and gas industry and Permian Basin;
- Heavy wall seamless carbon steel pipe and tube - decline based on lower mix of energy based sales and lower mill pricing;
- Stainless steel pipe and tube - pass through of input and cost changes related to - 304 Alloy surcharges decrease of approximately 1% and a slightly less favorable product mix; and,
- Galvanized pipe and tube - primarily decline in indexed pricing

The Metals Segment's operating loss increased \$12.0 million, or 2,672.1%, to \$11.6 million for the third quarter of 2020 compared to income of \$0.4 million for the third quarter of 2019. Operating loss for the first nine months of 2020 increased \$22.9 million, or 733.1%, to \$19.8 million from income of \$3.1 million in the first nine months of 2019. As mentioned above, the first nine months of 2020 were negatively impacted by a non-cash goodwill impairment charge of \$10.7 million as well as \$6.1 million in non-cash asset impairment charges related to Palmer.

Current quarter operating results were also affected by nickel prices and resulting surcharges for 304 and 316 alloys. The third quarter of 2020 proved to be a much more unfavorable environment than the third quarter of 2019, with net metal pricing losses of \$1.6 million, compared to last year's \$0.6 million in metal pricing losses. Third quarter 2020 surcharges on 304 alloy were approximately 2.7% higher than third quarter 2019 levels and 2020 surcharges on 316 alloy were 10.3% lower than the third quarter of 2019.

Selling, general, and administrative expense decreased 20.6% to \$4.0 million for the third quarter of 2020 compared to \$5.0 million in the third quarter of 2019. For the first nine months of 2020, selling, general, and administrative expenses decreased \$1.8 million, or 11.4%, to \$13.7 million from \$15.4 million for the first nine months of 2019. The most significant decreases for the third quarter and first nine months of 2020 compared the same periods in the prior year resulted from salaries and benefits (\$0.5 million lower in the third quarter and \$1.5 million lower in the first nine months); travel expenses (\$0.2 million lower in the third quarter and \$0.4 million lower in the first nine months); and amortization expense (\$0.2 million lower in the third quarter and \$0.3 million lower in the first nine months).

Specialty Chemicals Segment

Net sales for the Specialty Chemicals Segment in the third quarter of 2020 totaled \$12.2 million, representing a \$1.3 million, or 9.9%, decrease from the third quarter of 2019. Net sales for the first nine months of 2020 totaled \$40.3 million, representing a \$1.2 million, or 2.8%, decrease from the first nine months of 2019. Pounds shipped in the third quarter of 2020 were down 2.0% over the third quarter of 2019, with average selling prices declining 8.5%. Pounds for the first nine months of 2020 were down 2.4%, with average selling prices decreasing 0.6%.

The U.S. specialty chemical industry continues to face significant downturns in demand due to weak industrial and manufacturing activities related to the COVID-19 pandemic. However, during the first nine months of 2020, the Specialty Chemicals Segment was able to demonstrate relative strength in sales by increasing production of hand sanitizer and cleaning aids to offset reduced production into the oil and gas industry. Additionally, the Specialty Chemicals Segment's cost cutting efforts have generated a decrease in selling, general and administrative costs of \$0.2 million and \$0.6 million for the third quarter and first nine months of 2020, respectively. These cost cutting measures have allowed the Specialty Chemicals Segment to generate increased profits on lower sales volume.

Operating income for the Specialty Chemicals Segment for the third quarter of 2020 was \$1.1 million, an increase of \$0.2 million, or 25.4%, from the third quarter of 2019. Operating income for the first nine months of 2020 was \$3.5 million, an increase of \$1.1 million, or 47.0%, from the first nine months of 2019.

Selling, general, and administrative expense decreased \$0.2 million, or 20.3%, to \$0.9 million for the third quarter of 2020 compared to the third quarter of 2019. For the first nine months of 2020, selling, general, and administrative expenses decreased \$0.6 million, or 19.1%, to \$2.7 million from \$3.3 million for the first nine months of 2019. The most significant decreases for the third quarter and first nine months of 2020 compared to the same periods in the prior year resulted from salaries and benefits (\$0.2 million lower for the third quarter and \$0.5 million lower in the first nine months).

Other Items

Unallocated corporate expenses for the third quarter of 2020 decreased \$0.9 million, or 35.6%, to \$1.5 million (2.6 percent of sales) compared to \$2.4 million (3.2 percent of sales) for the same period in the prior year comparative period. For first nine months of 2020, unallocated corporate expenses decreased \$1.5 million, or 22.5%, to \$5.1 million from \$6.6 million for the first nine months of 2019. The third quarter and first nine months decreases resulted primarily from lower professional fees, stock compensation expense and travel expenses in the period.

Interest expense was \$0.5 million and \$0.9 million for the third quarter of 2020 and 2019, respectively. The decrease was related to lower average debt outstanding in the third quarter of 2020 compared to the third quarter of 2019.

The effective tax rate was 19.4% and 10.6% for the three months ended September 30, 2020 and 2019, respectively. The September 30, 2020 effective tax rate was approximately equal to the U.S. statutory rate of 21.0%.

The effective tax rate was 24.4% and 23.6% for the nine months ended September 30, 2020 and 2019, respectively. The September 30, 2020 effective tax rate was higher than the statutory rate of 21.0% due to discrete tax benefits over the costs associated with our public proxy contest, asset impairments at our Palmer facility, goodwill impairment over our Metals Segment and benefits from our stock compensation plan. Additionally, we recognized estimated tax benefits associated with the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") which was signed into law on March 27, 2020. The CARES Act includes various income and payroll tax provisions, notably enabling the Company to carry back net operating losses and recover taxes paid in prior years. The September 30, 2019 effective tax rate was approximately equal to the U.S. statutory tax rate of 21%.

The Company's cash balance decreased \$0.4 million to \$0.2 million as of September 30, 2020 compared to \$0.6 million at December 31, 2019. Fluctuations affecting cash flows during the nine months ended September 30, 2020 were comprised of the following:

- a) Net inventories decreased \$9.2 million at September 30, 2020 when compared to December 31, 2019, mainly due to efforts to balance inventory with projected business levels and the write-down of inventory related to the Palmer business in the second quarter. Inventory turns increased from 1.62 turns at December 31, 2019, calculated on a three-month average basis, to 1.75 turns at September 30, 2020;
- b) Accounts payable decreased \$1.6 million as of September 30, 2020 as compared to December 31, 2019, primarily due to the reduction of payables at the curtailed Palmer operations. Accounts payable days outstanding were approximately 32 days at September 30, 2020 compared to 36 days at December 31, 2019. Accounts payable days outstanding using a three-month average basis was approximately 38 days at September 30, 2020;
- c) Net accounts receivable decreased \$1.9 million at September 30, 2020 as compared to December 31, 2019, due primarily to the reduction of receivables at the curtailed Palmer operations. Days sales outstanding, calculated using a nine-month average basis, was 47 days outstanding at September 30, 2020 and 51 days at December 31, 2019, respectively. Days sales outstanding using a three-month average basis was approximately 54 days at September 30, 2020;
- d) Capital expenditures for the first nine months of 2020 were \$2.8 million; and
- e) The Company paid \$3.2 million during the first nine months of 2020 related to the earn-out liabilities from the 2019 American Stainless, 2018 MUSA-Galvanized and 2017 MUSA-Stainless acquisitions.

Non-GAAP Financial Measures

To supplement our consolidated financial statements, which are prepared and presented in accordance with accounting principles generally accepted in the United States ("GAAP"), we use the following non-GAAP financial measures: EBITDA, Adjusted EBITDA, Adjusted Net (Loss) Income, and Adjusted Diluted (Loss) Earnings Per Share. Management believes that these non-GAAP measures provide additional useful information to allow readers to compare the financial results between periods. Non-GAAP measures should not be considered as an alternative to any measure of performance or financial condition as promulgated under GAAP, and investors should consider the Company's performance and financial condition as reported under GAAP and all other relevant information when assessing the performance or financial condition of the Company. Non-GAAP measures have limitations as analytical tools, and investors should not consider them in isolation or as a substitute for analysis of the Company's results or financial condition as reported under GAAP.

EBITDA and Adjusted EBITDA

We define "EBITDA" as earnings before discontinued operations, interest (including change in fair value of interest rate swap), income taxes, depreciation and amortization. We define "Adjusted EBITDA" as EBITDA further adjusted for the impact of non-cash and other items we do not consider in our evaluation of ongoing performance. These items include: discontinued operations, goodwill impairment, asset impairment, gain on lease modification, interest (including change in fair value of interest rate swap), income taxes, depreciation, amortization, stock option / grant costs, non-cash lease cost, acquisition costs, proxy contest costs, shelf registration costs, earn-out adjustments, gain on excess death benefit, realized and unrealized (gains) and losses on investments in equity securities, casualty insurance gain, all (gains) losses associated with a Sale-Leaseback, retention costs and other adjustments from net income. We caution investors amounts presented in accordance with our definitions of EBITDA and Adjusted EBITDA may not be comparable to similar measures disclosed by other companies because not all companies calculate EBITDA and Adjusted EBITDA in the same manner. We present EBITDA and Adjusted EBITDA because we consider them to be important supplemental measures of our performance and investors' understanding of our performance is enhanced by including these non-GAAP financial measures as a reasonable basis for comparing our ongoing results of operations.

Consolidated EBITDA and Adjusted EBITDA are as follows:

(\$ in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Consolidated				
Net loss	\$ (10,539)	\$ (954)	\$ (18,674)	\$ (2,143)
Adjustments:				
Interest expense	452	944	1,703	2,977
Change in fair value of interest rate swap	(16)	21	65	145
Income taxes	(2,530)	(112)	(6,026)	(660)
Depreciation	1,805	1,858	5,752	5,690
Amortization	705	871	2,324	2,614
EBITDA	(10,123)	2,628	(14,856)	8,623
Acquisition costs and other	656	90	807	1,763
Proxy contest costs	207	—	3,105	—
Shelf registration costs	—	—	—	10
Earn-out adjustments	(146)	(1,242)	(969)	(1,643)
Loss/(gain) on investments in equity securities	69	180	(170)	(193)
Asset impairments	—	—	6,079	—
Goodwill impairment	10,748	—	10,748	—
Gain on lease modification	(171)	—	(171)	—
Stock-based compensation	270	908	1,036	1,760
Non-cash lease expense	130	144	386	432
Retention expense	—	51	235	181
Adjusted EBITDA	\$ 1,640	\$ 2,759	\$ 6,230	\$ 10,933
% sales	2.8 %	3.7 %	3.1 %	4.6 %

Metals Segment EBITDA and Adjusted EBITDA are as follows:

(\$ in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Metals Segment				
Net (loss) income	\$ (11,417)	\$ 1,671	\$ (17,798)	\$ 4,658
Adjustments:				
Interest expense	—	20	11	64
Depreciation	1,387	1,461	4,457	4,476
Amortization	705	872	2,324	2,614
EBITDA	(9,325)	4,024	(11,006)	11,812
Acquisition costs and other	—	1	3	1,371
Earn-out adjustments	(146)	(1,242)	(969)	(1,643)
Asset impairments	—	—	6,079	—
Goodwill impairment	10,748	—	10,748	—
Stock-based compensation	78	195	249	405
Retention expense	—	26	—	106
Metals Segment Adjusted EBITDA	\$ 1,355	\$ 3,004	\$ 5,104	\$ 12,051
% of segment sales	2.9 %	5.0 %	3.2 %	6.2 %

Specialty Chemicals Segment EBITDA and Adjusted EBITDA are as follows:

(\$ in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Chemicals Segment				
Net income	\$ 1,061	\$ 846	\$ 3,521	\$ 2,386
Adjustments:				
Interest expense	—	—	9	1
Depreciation	378	355	1,170	1,094
EBITDA	1,439	1,201	4,700	3,481
Stock-based compensation	59	108	178	204
Specialty Chemicals Segment Adjusted EBITDA	\$ 1,498	\$ 1,309	\$ 4,878	\$ 3,685
% of segment sales	12.3 %	9.7 %	12.1 %	8.9 %

Adjusted Net (Loss) Income and Adjusted Diluted (Loss) Earnings per Share

Adjusted Net (Loss) Income and Adjusted Diluted (Loss) Earnings per Share are non-GAAP measures and exclude discontinued operations, goodwill impairment, asset impairment, gain on lease modification, stock option / grant costs, non-cash lease costs, acquisition costs, proxy contest costs, shelf registration costs, earn-out adjustments, gain on excess death benefit, realized and unrealized (gains) and losses on investments in equity securities, casualty insurance gain, all (gains) losses associated with a Sale-Leaseback, and retention costs from net income. They also utilize a constant effective tax rate to reflect tax neutral results. Adjusted net (loss) income and adjusted diluted (loss) earnings per share should not be considered an alternative to, or a more meaningful indicator of, the Company's net (loss) income or diluted (loss) earnings per share as prepared in accordance with GAAP. The Company's methods of determining this non-GAAP financial measure may differ from the method used by other companies for this or similar non-GAAP financial measures. Accordingly, these non-GAAP measures may not be comparable to the measures used by other companies.

The reconciliation of net (loss) income and (loss) earnings per share to adjusted net (loss) income and adjusted (loss) earnings per share is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
<i>(Amounts in thousands, except per share data)</i>				
Loss before taxes	\$ (13,069)	\$ (1,066)	\$ (24,700)	\$ (2,803)
Adjustments:				
Acquisition costs and other	656	90	807	1,763
Proxy contest costs	207	—	3,105	—
Shelf registration costs	—	—	—	10
Earn-out adjustments	(146)	(1,242)	(969)	(1,643)
Loss/(gain) on investments in equity securities	69	180	(170)	(193)
Asset impairments	—	—	6,079	—
Goodwill impairment	10,748	—	10,748	—
Gain on lease modification	(171)	—	(171)	—
Stock-based compensation	270	908	1,036	1,760
Non-cash lease expense	130	144	386	432
Retention expense	—	51	235	181
Adjusted loss before income taxes	(1,306)	(935)	(3,614)	(493)
(Benefit) for income taxes at 21%	(274)	(196)	(759)	(104)
Adjusted net loss	\$ (1,032)	\$ (739)	\$ (2,855)	\$ (389)
Average shares outstanding, as reported				
Basic	9,105	8,995	9,079	8,969
Diluted	9,105	8,995	9,079	8,969
Adjusted net loss per common share				
Basic	\$ (0.11)	\$ (0.08)	\$ (0.31)	\$ (0.04)
Diluted	\$ (0.11)	\$ (0.08)	\$ (0.31)	\$ (0.04)

Liquidity and Capital Resources

Summary

We closely manage our liquidity and capital resources. Our liquidity requirements depend on key variables, including level of investment required to support our business strategies, the performance of our business, capital expenditures, credit facilities and working capital management. Capital expenditures and share repurchases are a component of our cash flow and capital

management strategy which we can adjust in response to economic and other changes in our business environment. We have a disciplined approach to capital allocation focusing on priorities that support our business and growth.

Cash Flows

Cash flows from total operations were as follows (\$ in thousands):

	Nine Months Ended September 30,	
	2020	2019
Total cash (used in) provided by:		
Operating activities	\$ 5,970	\$ 17,927
Investing activities	1,708	(23,999)
Financing activities	(8,141)	4,105
Net increase (decrease) in cash and cash equivalents	<u>\$ (463)</u>	<u>\$ (1,967)</u>

Operating Activities

The decrease in cash provided by operating activities for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 was primarily driven by a net loss of \$18.7 million for the first nine months of 2020 compared to a net loss of \$2.1 million for the first nine months of 2019, changes in working capital, driven by decreases in accounts receivable, which increased operating cash flows for the first nine months of 2020 by \$1.4 million, compared to an increase of \$2.8 million in the first nine months of 2019, decreases in inventory which increased operating cash flows \$4.6 million in the first nine months of 2020, compared to an increase of \$12.2 million in the first nine months of 2019 and accrued income taxes, which decreased operating cash flow \$4.0 million for the first nine months of 2020, compared to a decrease of \$1.3 million in the first nine months of 2020. These were partially offset by changes in accounts payable, which decreased operating cash flows \$1.6 million in the first nine months of 2020 compared to an increase of \$0.9 million in the first nine months of 2019 and \$1.0 million in proceeds received from the Company's business interruption insurance related to the heavy wall press outage in 2019.

Investing Activities

Net cash provided by investing activities primarily consists of transactions related to capital expenditures, equity transactions, and acquisitions. The increase in cash provided by investing activities for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 was primarily due to a decrease in cash outflows related to the American Stainless acquisition in the prior year and an increase in proceeds from the sale of equity securities in the current year over the prior year.

Financing Activities

Net cash used in financing activities primarily consists of transactions related to our long-term debt. The increase in cash used in financing activities for the nine months ended September 30, 2020 compared to cash provided by financing activities for the nine months ended September 30, 2019 was primarily due to borrowings from the Term Loan related to the American Stainless acquisition in the prior year not in the current year.

Sources of Liquidity

Funds generated by operating activities, available cash and cash equivalents and our credit facilities are our most significant sources of liquidity. We believe our sources of liquidity will be sufficient to fund operations, debt obligations, and anticipated capital expenditures over the next 12 months.

We have a \$100 million asset-backed revolving Line with a maturity date of December 21, 2021 and a \$20 million Term Loan with a maturity date of February 1, 2024. As of September 30, 2020, the Company had \$71.3 million of total borrowings outstanding with its lender. That total is down \$4.2 million from the balance at December 31, 2019. As of September 30, 2020, the Company had \$7.5 million of remaining available capacity under its Line. See Note 6, *Long-term Debt*, in the notes to the unaudited condensed consolidated financial statements for additional information.

The Company is subject to certain covenants including maintaining a minimum fixed charge coverage ratio of not less than 1.25, maintaining a minimum tangible net worth of not less than \$60.0 million, and a limitation on the Company's maximum amount of capital expenditures per year, which is in line with currently projected needs.

The Company notified its bank of a technical default of the fixed charge coverage ratio in its Credit Agreement at the quarter ended June 30, 2020. To address the technical default, the Company entered into two amendments to its Credit Agreement with its bank subsequent to the end of the second quarter. On July 31, 2020, the Company entered into the Third Amendment to the Third Amended and Restated Loan Agreement (the "Third Amendment") with its bank. The Third Amendment amended the definition of the fixed charge coverage ratio to include the proxy contest costs in the numerator of the ratio calculation. The amendment is effective for the quarter ended June 30, 2020 and the directly following three quarters after June 30, 2020. Additionally, on August 13, 2020, the Company entered into the Fourth Amendment to the Third Amended and Restated Loan Agreement (the "Fourth Amendment") with its bank. The Fourth Amendment amended the definition of the fixed charge coverage ratio to include the lesser of the actual non-cash asset impairment charge related to Palmer, or \$6.0 million in the numerator of the ratio calculation. The amendment is effective for the quarter ended June 30, 2020 and the directly following three quarters after June 30, 2020.

The Company notified its bank of a technical default of the fixed charge coverage ratio in its Credit Agreement at the quarter ended September 30, 2020. To address the technical default, the Company entered into an amendment to its Credit Agreement with its bank subsequent to the end of the third quarter. On October 23, 2020, the Company entered into the Fifth Amendment to the Third Amended and Restated Loan Agreement (the "Fifth Amendment") with its bank. The Fifth Amendment amended the definition of the fixed charge coverage ratio to include in the numerator (i) the calculation of losses from the suspended operations of Palmer in the amount of \$1,560,000, which is effective for the quarter ended June 30, 2020 and for the directly following three quarters after June 30, 2020, (ii) the calculation of losses from the suspended operations of Palmer in the amount of \$740,000, which is effective for the quarter ended September 30, 2020 and for the directly following three quarters after September 30, 2020, and (iii) the extraordinary expenses related to the investigation of a whistleblower complaint in the amount of \$636,000, which is effective for the quarter ended September 30, 2020 and for the directly following three quarters after September 30, 2020.

At September 30, 2020, the Company had a minimum fixed charge coverage ratio of 1.47 and a minimum tangible net worth of \$67.7 million.

Stock Repurchases and Dividends

We repurchase common stock and pay dividends pursuant to programs approved by our Board of Directors. The payment of cash dividends is also subject to customary legal and contractual restrictions. Our capital allocation strategy is to first fund operations and investments in growth and then return excess cash over time to shareholders through share repurchases and dividends.

On February 21, 2019, the Board of Directors authorized a stock repurchase program for up to 850,000 shares of its outstanding common stock over 24 months. The shares will be purchased from time to time at prevailing market prices, through open market or privately negotiated transactions, depending on market conditions. Under the program, the purchases will be funded from available working capital, and the repurchased shares will be returned to the status of authorized, but unissued shares of common stock or held in treasury. There is no guarantee as to the exact number of shares that will be repurchased by the Company, and the Company may discontinue purchases at any time that management determines additional purchases are not warranted. As of September 30, 2020, the Company has 790,383 shares of its share repurchase authorization remaining.

Stock repurchase activity was as follows:

	Nine Months Ended September 30,	
	2020	2019
Number of shares repurchased	59,617	—
Average price per share	\$ 10.65	\$ —
Total cost of shares repurchased	\$ 636,940	\$ —

At the end of each fiscal year the Board of Directors reviews the financial performance and capital needed to support future growth to determine the amount of cash dividend, if any, which is appropriate. In 2019, no dividends were declared or paid by the Company.

Other Financial Measures

Our current ratio, calculated as current assets divided by current liabilities, was 3.9 at September 30, 2020 and 3.6 at December 31, 2019.

Our long-term debt to capital, calculated as long-term debt divided by total capital, was 45% at September 30, 2020 and 41% at December 31, 2019.

Our return on average equity, calculated as net income divided by the trailing 12-month average of equity, was (10.8)% at September 30, 2020 and (2.9)% at December 31, 2019, respectively.

Off-Balance Sheet Arrangements and Contractual Obligations

The Company has no off-balance sheet arrangements that are reasonably likely to have a material current or future effect on the Company's financial position, revenues, results of operations, liquidity, or capital expenditures.

There has been no material change in our contractual obligations other than in the ordinary course of business since the end of fiscal 2019. See our Annual Report on Form 10-K for the year ended December 31, 2019, for additional information regarding our contractual obligations.

Significant Accounting Policies and Estimates

We describe our significant accounting policies in Note 1, *Summary of Significant Accounting Policies*, of the Notes to the Consolidated Financial Statements presented in the Annual Report on Form 10-K for the year ended December 31, 2019. We discuss our critical accounting estimates in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, in the Annual Report on Form 10-K for the year ended December 31, 2019. There have been no significant changes in our significant accounting policies or critical accounting estimates since the end of fiscal 2019, except as discussed below.

Credit Losses on Accounts Receivable

The Company maintains an allowance for credit losses on its accounts receivable balances, which represents its best estimate of current expected credit losses over the contractual life of the accounts receivable. Beginning January 1, 2020, when evaluating the adequacy of its allowance for credit losses each reporting period, the Company analyzes accounts receivable balances with similar risk characteristics on a collective basis, considering factors such as the aging of receivables balances, historical loss experience, current information, and future expectations. Each reporting period, the Company reassesses whether any accounts receivable no longer share similar risk characteristics and should instead be evaluated as part of another pool or on an individual basis. Changes to the allowance for credit losses are adjusted through bad debt expense, which is presented within "Selling, general and administrative" operating expenses on the unaudited condensed consolidated statement of operations.

Leases

The Company determines whether an arrangement is a lease at contract inception. For leases in which the Company is the lessee, the Company recognizes a right-of-use asset and corresponding lease liability on the accompanying unaudited condensed consolidated balance sheets equal to the present value of the fixed lease payments over the lease term. Lease with an initial term of 12 months or less are not recorded on the unaudited condensed consolidated balance sheets. Lease liabilities represent an obligation to make lease payments arising from a lease while right-of-use assets represent a right to use an underlying asset during the lease term. As the Company's leases generally do not have an implicit rate, the Company uses its incremental borrowing rate to determine the present value of fixed lease payments based on information available at the lease commencement date. Lease cost is recognized on a straight-line basis over the lease term.

Right-of-use assets and operating lease liabilities are remeasured upon certain modifications to leases using the present value of the remaining lease payments and estimated incremental borrowing rate upon lease modification. The difference between the remeasured right-of-use asset and the operating lease liabilities are recognized as a gain or loss within operating expenses.

The Company reviews any changes to its lease agreements for potential modifications and/or indicators of impairment of the respective right-of-use asset.

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

This quarterly report includes and incorporates by reference "forward-looking statements" within the meaning of the federal securities laws. All statements that are not historical facts are "forward-looking statements." The words "estimate," "project," "intend," "expect," "believe," "should," "anticipate," "hope," "optimistic," "plan," "outlook," "should," "could," "may" and similar expressions identify forward-looking statements. The forward-looking statements are subject to certain risks and uncertainties, including without limitation those identified below, which could cause actual results to differ materially from historical results or those anticipated. Readers are cautioned not to place undue reliance on these forward-looking statements. The following factors could cause actual results to differ materially from historical results or those anticipated: adverse economic conditions; the impact of competitive products and pricing; product demand and acceptance risks; raw material and other increased costs; raw materials availability; employee relations; ability to maintain workforce by hiring trained employees; labor efficiencies; customer delays or difficulties in the production of products; new fracking regulations; a prolonged decrease in 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; negative or unexpected results from tax law changes; 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, risks relating to the impact and spread of COVID-19 and other risks detailed from time-to-time in the Company's SEC filings. The Company assumes no obligation to update the information included in this report.

Item 3. Quantitative and Qualitative Disclosures about Market Risks

Information about the Company's exposure to market risk was disclosed in its Annual Report on Form 10-K for the year ended December 31, 2019, which was filed with the SEC on March 6, 2020. There have been no material quantitative or qualitative changes in market risk exposure since the date of that filing.

Item 4. Controls and Procedures

Changes in Internal Control over Financial Reporting

Other than the actions taken as described below under "Remediation Efforts to Address Material Weakness", there were no changes in the Company's internal control over financial reporting during the third quarter of 2020, which were identified in connection with management's evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act, that have materially affected, or are reasonable likely to materially affect, our internal control over financial reporting.

Remediation Efforts to Address Material Weakness

In response to the material weakness identified in Management's Report on Internal Control Over Financial Reporting as set forth in item 4 "Controls and Procedures" in the Q2 2020 Form 10-Q, the Company, with oversight from the Audit Committee of the Board of Directors, developed a plan to remediate the material weakness at Synalloy. The remediation actions included the following:

- Holding executive coaching and mentoring sessions with select executives to reinforce their responsibility in maintaining effective internal control over financial reporting;
- Initiating activities to identify, evaluate, and align job descriptions with actual job responsibilities;
- Reaffirming communication protocols and refreshing policies related to the transition process for new finance executives and audit committee members;
- Initiating implementation of an independent third-party Ethics and Compliance Hotline service for the receipt and reporting to the Audit Committee.

The Company believes the foregoing efforts will effectively remediate the material weakness described in "Management's Report on Internal Control Over Financial Reporting" in the Q2 2020 Form 10-Q. Because the reliability of the internal control process requires repeatable execution, the successful on-going remediation of the material weakness will require on-going review and evidence of effectiveness prior to concluding that the material weakness is remediated.

PART II

Item 1. Legal Proceedings

It is not unusual for us and our subsidiaries to be involved in various unresolved legal actions, administrative proceedings and claims in the ordinary course of business involving, among other things, product liability, commercial, employment, workers' compensation, and environmental matters. We establish reserves in a manner that is consistent with accounting principles generally accepted in the U.S. for costs associated with such matters when a liability is probable and those costs are capable of being reasonably estimated. We cannot predict with any certainty the outcome of these unresolved legal actions or the range of possible loss or recovery. Based on current information, however, we believe that the eventual outcome of these unresolved legal actions, either individually or in the aggregate, will not have a material adverse effect on our financial position, results of operations or cash flows. There were no material changes in our Legal Proceedings, as discussed in Part I, Item 3 in the Company's Annual Report on Form 10-K for the period ending December 31, 2019.

Item 1A. Risk Factors

There were no material changes in our assessment of risk factors as discussed in Part I, Item 1A in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, except for the addition of the following risk factors:

If we do not successfully manage the transitions associated with the election of three new members of our Board of Directors, the appointment of a new Chairman of the Board, the retirement of our Chief Executive Officer and appointment of a new Chief Executive Officer and a new Chief Financial Officer, it could have an adverse impact on our business operations, including our internal controls over financial reporting, as well as be viewed negatively by our customers and shareholders.

On June 30, 2020, the Company appointed Sally M. Cunningham Senior Vice President and Chief Financial Officer effective June 30, 2020 after the resignation of Dennis M. Loughran. In addition, on July 7, 2020, the Company announced the election of three new members of the Board of Directors at the 2020 Annual Meeting of Shareholders. On July 9, 2020, the Company's Board of Directors elected Henry L. Guy as Chairman of the Board of Directors. On October 27, 2020, the Company announced the retirement of Craig C. Bram, the Company's President and Chief Executive Officer and member of the Company's Board of Directors, effective November 9, 2020. On October 27, 2020, the Company announced the appointment of Christopher G. Hutter, a member of the Company's Board of Directors, as interim President and Chief Executive Officer, effective November 9, 2020. Such leadership transitions can be inherently difficult to manage, and an inadequate transition may cause disruption to our business, including our relationships with customers, suppliers, vendors, and employees. It may also make it more difficult to hire and retain key employees.

An impairment in the carrying value of our fixed assets, intangible assets, or goodwill could adversely affect our financial condition and Consolidated Results of Operations.

Goodwill represents the excess of cost over the fair value of identified net assets of businesses acquired. We review goodwill for impairment annually, or whenever circumstances change in a way which could indicate that impairment may have occurred. Goodwill is tested at the reporting unit level. We identify potential goodwill impairments by comparing the fair value of the reporting unit to its carrying amount, which includes goodwill and other intangible assets. If the carrying amount of the reporting unit exceeds the fair value, an impairment exists. The amount of the impairment is the amount by which the carrying amount exceeds the fair value. A significant amount of judgment is involved in determining if an indication of impairment exists. Factors may include, among others: a significant decline in our expected future cash flows; a sustained, significant decline in our stock price and market capitalization; a significant adverse change in legal factors or in the business climate; unanticipated competition; the testing for recoverability of a significant asset group within a reporting unit; and slower growth rates. Any adverse change in these factors would have a significant impact on the recoverability of these assets and negatively affect our financial condition and consolidated results of operations. We are required to record a non-cash impairment charge if the testing performed indicates that goodwill has been impaired.

We evaluate the useful lives of our fixed assets and intangible assets to determine if they are definite or indefinite-lived. Reaching a determination on useful life requires significant judgments and assumptions regarding the lease term, future effects of obsolescence, demand, competition, other economic factors (such as the stability of the industry, legislative action that results in an uncertain or changing regulatory environment, and expected changes in distribution channels), the level of required maintenance expenditures and the expected lives of other related groups of assets. We cannot accurately predict the amount and timing of any impairment of assets. Should the value of goodwill, fixed assets or intangible assets become impaired, there could be an adverse effect on our financial condition and consolidated results of operations.

Our business, financial condition, results of operations and cash flows may be adversely affected by global public health epidemics and pandemics, including the recent COVID-19 outbreak.

Our business and operations expose us to risks associated with global health epidemics or pandemics, such as the recent outbreak of the coronavirus (COVID-19) which has spread from China to many other countries including the United States. The outbreak has resulted in governments around the world implementing increasingly stringent measures to help the control of the spread of the virus, including quarantines, "shelter in place" and "stay at home" orders, travel restrictions, business curtailments, and school closures among others. The President of the United States has declared the COVID-19 outbreak a national emergency and the Federal Reserve has enacted fiscal and monetary stimulus measures to counteract the impacts of COVID-19.

We are a company operating in a critical infrastructure industry, as defined by the U.S. Department of Homeland Security. Consistent with federal guidelines and with state and local orders to date, we currently continue to operate across our business footprint. Notwithstanding our continued operations, COVID-19 has begun to have and may have additional negative impacts on our operations and customers, which may compress our margins, including as a result of preventative and precautionary measures that we, other businesses, and governments are taking. Any resulting economic downturn could adversely affect the demand for our products and contribute to volatile supply and demand conditions affecting prices and volumes in the markets for our products and raw materials. The continued progression of the outbreak could also negatively impact our business or results of operations through the temporary closure or suspension of manufacturing operations at our operating locations or those of our customers or suppliers.

In addition, the ability of our employees to work may be significantly impacted by individuals contracting or being exposed to COVID-19, and as a result, may impact our production throughout our supply chain and constrict sales channels. Our customers may be directly impacted by business curtailments or weak market conditions and may not be able to fulfill their contractual obligations. Our bank credit agreement requires that we maintain certain financial and other covenants. Events resulting from the effects of the COVID-19 outbreak may negatively affect our ability to comply with these covenants, which could lead us to seek amendment or waivers from our lenders, limit access to or require accelerated repayment of our existing credit facilities, or require us to pursue alternative financing arrangements. We have no assurance that any alternative financing arrangements, if required, could be obtained at acceptable terms to us, or at all, given effects of the financial markets at such time.

The extent to which the COVID-19 outbreak may adversely affect our business depends on future developments, which are highly uncertain and unpredictable, including new information about the severity of the outbreak and the effectiveness of actions to contain or mitigate its effects. As such, the related financial impacts cannot be reasonably estimated at this time.

Our business could be negatively affected as a result of actions of activist shareholders.

From time to time, we may be subject to proposals by shareholders urging us to take certain corporate actions. If activist shareholder activities ensue, our business could be adversely impacted because (i) responding to actions by activist shareholders can be costly and time-consuming, and divert the attention of our management and employees; (ii) perceived uncertainties as to our future direction may result in the loss of potential business opportunities, and may make it more difficult to attract and retain qualified personnel and business partners; and (iii) pursuit of an activist shareholder's agenda may adversely affect our ability to effectively implement our business strategy and create additional value for our shareholders.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
10.1	Third Amended and Restated Master Lease Agreement, dated September 10, 2020, between Registrant and Store Master Funding XII, LLC.
31.1	Rule 13a-14(a)/15d-14(a) Certifications of Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer
32	Certifications Pursuant to 18 U.S.C. Section 1350
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.LAB*	XBRL Taxonomy Extension Label Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase
104	Cover Page Interactive Data File (formatted as Inline XBRL document and included in Exhibit 101*)
	* In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall be deemed "furnished" and not "filed."

SIGNATURES

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

SYNALLOY CORPORATION

(Registrant)

Date: November 9, 2020 By: /s/ Craig C. Bram
Craig C. Bram
President and Chief Executive Officer
(principal executive officer)

Date: November 9, 2020 By: /s/ Sally M. Cunningham
Sally M. Cunningham
Senior Vice President and Chief Financial Officer
(principal accounting officer)

**THIRD AMENDED AND RESTATED
MASTER LEASE AGREEMENT**

THIS THIRD AMENDED AND RESTATED MASTER LEASE AGREEMENT (this "Lease") is made as of September 10, 2020 (the "Effective Date"), by and between **STORE MASTER FUNDING XII, LLC**, a Delaware limited liability company ("Lessor"), whose address is 8377 E. Hartford Drive, Suite 100, 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.

This Lease amends and restates in its entirety that certain Second Amended and Restated Master Lease Agreement dated January 2, 2019 (which amended and restated that certain Amended and Restated Master Lease Agreement dated June 29, 2018, which amended that certain Master Lease Agreement dated September 30, 2016)(collectively, together with any and all amendments thereto (the "Original Lease") by and between Lessor and Lessee. The terms of the Original Lease shall remain in force and effect as to the period ending on 11:59 P.M. prior to the Effective Date hereof. The terms contained in this Lease shall apply to and be effective with respect to the period from and after the Effective Date, without novation, replacement or substitution of the Original Lease, and the leasehold estate of Lessee shall mean the leasehold estate commencing under the Original Lease.

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. Current Base Annual Rental. \$3,255,149.80, 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, 2020 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 remaining term of this Lease ("Initial Term") 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 MONTHTOMONTH 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 abovedescribed 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 noncontributory 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 NonResponsibility," 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 ANTITERRORISM, 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.

(G) Lessee shall, at its sole cost and expense, comply with the terms and provisions of and perform all obligations and covenants set forth in the Consent Order.

(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 noncompliance 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 FOR TWO (2) YEARS PURSUANT TO SUBSECTION 8.03(G) BELOW.

(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 nondisturbance 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 reentry 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 reentry 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 Personality; 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 Attornment

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 selfoperative 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 selfoperative 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, refinancing, purchase or reacquisition 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: Sinalloy Corporation
4510 Cox Road, Suite 201
Richmond, VA 23060
Attention: Craig Bram
Email: cbram@sinalloy.com

With a copy to: Williams Mullen
Attention: Lori H. Schweller, Esq.
321 East Main Street, Suite 400
Charlottesville, VA 22902
434-951-5728 Direct
434-817-0977 Fax
804-248-8700 Mobile
LSchweller@williamsmullen.com

If to Lessor: STORE Master Funding XII, LLC
8377 E. Hartford Drive, Suite 100
Scottsdale, AZ 85255
Attention: Asset Management
Email: customerservice@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

EXCESS LAND

Section 17.01. Option. Lessee shall have a one-time option to give Lessor notice (an "Option Notice") of Lessee's election to purchase all or any portion of that area of the Statesville, NC Property, that is not utilized in connection with the operation of the Permitted Facility at such Property (as generally depicted in Schedule 17.01 attached hereto, in each instance, the "Purchase Option Area") for a price equal to its Fair Market Value. The closing for any such

purchase must occur within one hundred twenty (120) days following Lessor's receipt of an Option Notice, but in no event shall closing occur later than the expiration of the Term. The closing of any purchase pursuant to this Article XVII shall be conditioned upon (i) no Event of Default continuing at the time of the applicable closing, (ii) no Material Adverse Effect on the remainder of such Property stemming from such purchase, including ingress and egress, and (iii) Lessee obtains all necessary approvals from Governmental Authorities to create a legal parcel that may be separately conveyed and leaves Lessor with a legal parcel that may be separately conveyed, as approved by Lessor in its reasonable discretion, which approvals shall be at the sole costs and expense of Lessee. Lessor agrees, assents and covenants to assist in good faith, but at no cost or expense to Lessor, with Lessee's obtaining of all necessary approvals from Government Authorities to create a legal parcel that may be separately conveyed.

Section 17.02. Closing. Upon any exercise of this Option, Lessor and Lessee shall open a new escrow account with a recognized title insurance company selected by Lessor. Such escrow shall be subject to the standard escrow instructions of the escrow agent, to the extent they are not inconsistent herewith. At or before the close of escrow, Lessor shall deliver to the escrow agent its special or limited warranty deed conveying to Lessee all of Lessor's right, title and interest in the applicable portion of the Purchase Option Area free and clear of all liens and encumbrances except liens for taxes and assessments and easements, covenants and restrictions of record which were attached to the applicable portion of the Purchase Option Area as of the date hereof, attached during the term of the Lease through Lessee's action or inaction, as the case may be, have been granted by Lessor in lieu of a taking by the power of eminent domain or the like, or have been approved by Lessee. Lessee shall have the right to accept such title as Lessor can convey or elect not to consummate its exercise of the Option. Notwithstanding the foregoing, Lessor shall cause any mortgage or other monetary lien arising by, through or under Lessor (but not arising by, through or under Lessee or by failure of Lessee to comply with its obligations hereunder) to be released at or prior to closing. Both Lessor and Lessee agree to execute a purchase agreement, escrow instructions and such other instruments as may be necessary or appropriate to consummate the sale of the applicable portion of the Purchase Option Area in the manner and containing the terms herein provided. All Costs incurred in connection with Lessee's exercise of the Option, including, but not limited to, escrow fees, title insurance fees, recording costs or fees, reasonable attorneys' fees (including those of Lessor), costs of any approvals from Governmental Authorities, appraisal fees, stamp taxes and transfer fees shall be borne by Lessee. Lessee shall continue to pay and perform all of its obligations under this Lease until the close of escrow. The purchase price paid by Lessee in exercising this Option shall be paid to Lessor or to such person or entity as Lessor may direct at closing in immediately available funds. The closing date may be extended for a reasonable period of time to permit Lessor to cure title defects or to permit either party to cure any other defects or defaults provided each party is diligently seeking to cure such defect or default and Lessee continues to perform its obligations hereunder. In the case of any mortgage or other monetary lien arising by, through or under Lessor (but not arising by, through or under Lessee), the escrow agent shall first apply the purchase price to the payment of such mortgage or monetary lien, and the balance shall be paid over to Lessor at closing. Upon closing, this Lease shall terminate with respect to the applicable portion of the Purchase Option Area acquired by Lessee and Base Annual Rental shall be reduced by the net proceeds received by Lessor multiplied by a capitalization rate of 8.60%.

Section 17.03. Termination of Option. Notwithstanding anything to the contrary, Lessee's rights under this Article XVII shall terminate and be null and void and of no further force and effect if this Lease terminates or upon Lessee's purchase of the Purchase Option Area. In any such event, Lessee shall execute a quitclaim deed and/or such other documents as Lessor shall reasonably request evidencing the termination of Lessee's right under this Article XVII. Furthermore, in no event may Lessee exercise its rights in this Article XVII more than one time; provided, however, the Purchase Option Area may be comprised of multiple legal parcels.

Section 17.04. No Assignment of Option. Lessee may not sell, assign, transfer, hypothecate or otherwise dispose of the Option granted herein or any interest therein, except in conjunction with a permitted assignment of Lessee's entire interest herein and then only to the assignee thereof. Any attempted assignment of this Option which is contrary to the terms of this Article XVII shall be deemed to be an Event of Default under this Lease and the Option granted herein shall be void. Lessee may designate one or more third parties to acquire title to the Purchase Option Area upon the closing under Section 17.02 above; provided, however, in no event may Lessee receive any funds, payment or fees in excess of the purchase price due to Lessor in connection with such designation.

Section 17.05. No Prohibited Transaction. Notwithstanding the foregoing, the purchase option described in this Article XVII shall be conditioned upon Lessor making a reasonable determination that the sale of any portion of the Purchase Option Area would not cause Lessor to recognize income or gain from a "prohibited transaction" as defined under Section 857(b)(6) of the Internal Revenue Code of 1986, as amended. In the event that Lessor determines that the exercise of the purchase option would cause Lessor to recognize such income or gain in the calendar year in which the applicable Option Notice is delivered, Lessee shall continue to have all rights under this Article XVII and shall have the right to exercise the purchase option in the following calendar year and Lessor shall not have the right to delay closing any further.

Section 17.06. Fair Market Value. For purposes of this Article XVII and determining the "Fair Market Value" of the applicable portion of the Purchase Option Area, Lessor shall, at Lessee's sole expense, retain an independent MAI appraiser to prepare an appraisal of the Fair Market Value of the applicable portion of the Purchase Option Area, including any additions or renovations thereto. In determining the Fair Market Value of the applicable portion of the Purchase Option Area, the appraiser shall utilize the cost, income and sales comparison approaches to value. The average amount which results from the calculation of each of the cost approach, the income approach and the sales comparison approach, all as determined in accordance with the provisions of this subsection, shall constitute the "Fair Market Value" of the Purchase Option Area for purposes of this subsection. If within five (5) days after being notified of the results of such appraisal, Lessee elects to reject that appraisal, then the first appraisal shall become null and void and Lessor shall nominate to Lessee a list of not less than three (3) independent MAI appraisers who are experienced with appraising properties similar to applicable portion of the Purchase Option Area, and Lessee shall select one appraiser. Within five (5) days of such selection, Lessor shall retain such appraiser, at Lessee's sole expense, to prepare an appraisal of the applicable portion of the Purchase Option Area in the same manner described above and the results of such appraisal shall be the "Fair Market Value" of the applicable portion of the Purchase Option Area for purposes of such subsection.

Article XVIII

MISCELLANEOUS

Section 18.01. 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 18.02. 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 18.03. 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 18.04. 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 18.04; (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 18.04.

Section 18.05. 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 18.06. 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 18.07. 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 attorneyin 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 18.08. 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 18.09. 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 18.10. 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 18.11. 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 18.12. 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 18.13. 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 18.14. 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 18.15. 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 18.16. 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 18.17. 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 18.18. 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 18.19. 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, 2020.

Notary Public
My Commission Expires _____

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, 2020.

—

Notary Public
My Commission Expires _____

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

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.

"Consent Order" means that certain Consent Order and Agreement with the Commonwealth of Pennsylvania, Department of Environmental Protection concerning the remediation and reuse of some or all of the Property located in Munhall, PA.

"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, including the Consent Order.

"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.

"Fair Market Value" has the meaning set forth in Section 17.06.

"Force Majeure Event" has the meaning set forth in Section 18.01.

"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 quasigovernmental 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 18.05(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.

"Option Notice" has the meaning set forth in Section 17.01.

"Original Lease" has the meaning set forth in the second introductory paragraph of this Lease.

"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).

“Purchase Option Area” has the meaning set forth in Section 17.01.

“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 Price Index used for the immediately preceding Adjustment Date 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 18.10.

“Securities Act” means of the Securities Act of 1933, as amended.

“Securitization” has the meaning set forth in Section 18.10.

“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 whollyowned 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

100 E. Waterfront Drive, Munhall, PA 15120

123 Morehead Road, Statesville, NC 28677

129 Honeycutt Road, Troutman, NC 28166

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]

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.

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.

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:

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 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.

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;

THENCE S 64° 08' W, ALONG SAID RAILROAD RIGHT OF WAY, 474.80 FEET TO A 3/4" 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 3/4" 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 3/4" IRON ROD FOR CORNER;

THENCE N 89° 29' W, 60.55 FEET TO A 3/4" 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.

BEING ALSO DESCRIBED AS FOLLOWS:

9.8679 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, 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; SAID 9.8679 ACRES OF LAND BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

BEGINNING AT A 3/8" 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°26'14" E, ALONG THE SOUTHERLY LINE OF THE SAID BLOCK 10, A DISTANCE OF 169.11 FEET TO A POINT FOR CORNER WITH A FENCE POST FOR REFERENCE BEARING N 64°24'46"E, 2.14 FEET;

THENCE N 00°26'14" E , ALONG THE EASTERLY LINE OF THE SAID BLOCK 10, A DISTANCE OF 253.52 FEET TO A 1/2" IRON ROD FOUND FOR CORNER;

THENCE N 89°47'14" E, A DISTANCE OF 434.58 FEET TO A POINT FOR CORNER WITH A FENCE POST FOR REFERENCE BEARING N 17°48'22"W, 4.21 FEET;

THENCE S 00°00'12" W, A DISTANCE OF 570.68 FEET TO A POINT FOR CORNER WITH A 5/8" IRON ROD FOUND FOR REFERENCE BEARING S 00°00'12" W, 3.17 FEET;

THENCE S 49°13'11" W, ALONG THE NORTHERLY LINE OF SAID SAVE AND EXCEPT TRACT, A DISTANCE OF 128.86 FEET TO A POINT FOR CORNER IN THE NORTHERLY LINE OF THE T. & N. O. RAILROAD RIGHT OF WAY WITH A FENCE POST FOUND FOR REFERENCE BEARING S 47°32'07" W, 0.22' FEET;

THENCE S 64°09'43" W, ALONG SAID RAILROAD RIGHT OF WAY, 364.02 FEET TO A 3/4" IRON ROD FOR CORNER;

THENCE, IN A SOUTHWESTERLY DIRECTION ALONG A CURVE TO THE RIGHT HAVING A CENTRAL ANGLE OF 12°27'18" AND A RADIUS OF 458.37 FEET FOR A DISTANCE OF 99.64 FEET, THE LONG CHORD OF SAID CURVE BEARING S 23°16'12" W, A DISTANCE OF 99.44 FEET TO A 3/4" IRON ROD;

THENCE IN A SOUTHWESTERLY DIRECTION, ALONG A CURVE TO THE LEFT HAVING A CENTRAL ANGLE OF 25°03'33" AND A RADIUS OF 458.37 FEET FOR A DISTANCE OF 200.47 FEET, THE LONG CHORD OF SAID CURVE BEARING S 18°10'22" W, 198.88 FEET TO A 3/4" IRON ROD FOR CORNER;

THENCE N 89°34'36" W, 61.05 FEET TO A 3/4" IRON ROD IN THE AFORE-MENTIONED EASTERLY LINE OF MAJESTIC BOULEVARD;

THENCE N 1°14'00" W, ALONG THE EASTERLY LINE OF MAJESTIC BOULEVARD 836.77 FEET TO THE POINT OR PLACE OF BEGINNING AND CONTAINING AS AFORESAID 9.8679 ACRES OF LAND.

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:

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.

TOGETHER WITH THE EASEMENT FOR RIGHT-OR-WAY FOR ACCESS TO PROPERTY of record in Book 2394, Page 897, 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 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.

Address: 100 E. Waterfront Drive, Munhall, PA 15120

Legal Description:

LOT 2

LAND SITUATED IN THE BOROUGH OF MUNHALL, COUNTY OF ALLEGHENY, COMMONWEALTH OF PENNSYLVANIA AND BEING LOT 2 IN THE MARCEGAGLIA SUBDIVISION PLAN ON PLAT BOOK VOLUME 306 PAGE 82 IN THE DEPARTMENT OF REAL ESTATE OF ALLEGHENY COUNTY, PENNSYLVANIA, DESCRIBED AS FOLLOWS:

COMMENCING AT A 5/8" IRON ROD FOUND AT THE SOUTHWESTERLY CORNER OF PARCEL "C" AND THE NORTHWESTERLY CORNER OF PARCEL "D" AS SHOWN ON THE HOMESTEAD WORKS PLAN NO. 1 RECORDED IN PLAT BOOK 196, PAGES 26-39, ALSO BEING ALONG THE EASTERLY RIGHT-OF-WAY LINE OF EAST WATERFRONT DRIVE (A 60-FOOT-WIDE PUBLIC RIGHT-OF-WAY:

THENCE THE FOLLOWING FOUR (4) COURSES AND DISTANCE ALONG THE NORTHERLY AND EASTERLY RIGHT-OF-WAY LINE OF SAID EAST WATERFRONT DRIVE:

(1) SOUTH 28°47'44" EAST, A DISTANCE OF 19.77 FEET TO A 5/8" BENT IRON ROD FOUND;

(2) SOUTHERLY ALONG A CURVE TO THE RIGHT, HAVING A RADIUS OF 302.84 FEET, THROUGH A CENTRAL ANGLE OF 30°52'25", AN ARC DISTANCE OF 163.18 FEET, SAID CURVE HAVING A CHORD WITH BEARS SOUTH 13°21'32" EAST, A DISTANCE OF 161.22 FEET TO A 5/8" CAPPED IRON ROD "NCG PS SU075529" FOUND;

(3) SOUTH 02°04'41" WEST, A DISTANCE OF 513.20 FEET TO A 5/8" IRON ROD FOUND;

(4) SOUTHERLY ALONG A CURVE TO THE LEFT, HAVING A RADIUS OF 542.96 FEET, THROUGH A CENTRAL ANGLE OF 70°25'31", AN ARC DISTANCE OF 667.38 FEET, SAID CURVE HAVING A CHORD WITH BEARS SOUTH 33°08'04" EAST, A DISTANCE OF 626.16 FEET TO A 5/8" CAPPED IRON ROD "NCG PS SU075529" SET, BEING THE POINT OF BEGINNING, DESCRIBED AS FOLLOWS:

THENCE NORTH 12°17'39" EAST, THROUGH SAID LANDS OF PARCEL "D", A DISTANCE OF 1128.53 FEET TO A POINT ALONG THE ORDINARY LOW WATER LINE OF THE MONONGAHELA RIVER;

THENCE CONTINUE APPROXIMATELY 1516 FEET ALONG THE SAID ORDINARY LOW WATER LINE, TIE LINE OF SOUTH 43°34'43" EAST, A DISTANCE OF 1515.81 FEET;

THENCE SOUTH 42°36'47" WEST, ALONG THE NORTHWESTERLY LINE OF PARCEL "F-1" AS SHOWN ON SAID HOMESTEAD WORKS PLAN NO. 1, ALSO BEING LAND DESCRIBED IN DEED TO GUARDIAN SELF STORAGE WD IN BOOK 11281, PAGE 641, A DISTANCE OF 54.50 FEET;

THENCE CONTINUING SOUTH 42°36'47" WEST, ALONG THE NORTHWESTERLY LINE OF PARCEL "F" AS SHOWN ON SAID HOMESTEAD WORKS PLAN NO. 1, A DISTANCE OF 58.17 FEET TO A MAG NAIL FOUND;

THENCE THE FOLLOWING FIVE (5) COURSES AND DISTANCE ALONG THE NORTHERLY RIGHT-OF-WAY LINE OF SAID EAST WATERFRONT DRIVE:

(1) WESTERLY ALONG A CURVE TO THE LEFT, HAVING A RADIUS OF 193.70 FEET, THROUGH A CENTRAL ANGLE OF 63°54'37", AN ARC DISTANCE OF 216.06 FEET, SAID CURVE HAVING A CHORD WITH BEARS NORTH 80°40'14" WEST, A DISTANCE OF 205.03 FEET TO A 5/8" BENT IRON ROD FOUND;

(2) SOUTH 67°22'28" WEST, A DISTANCE OF 341.60 FEET TO A POINT;

(3) WESTERLY ALONG A CURVE TO THE RIGHT, HAVING A RADIUS OF 242.84 FEET, THROUGH A CENTRAL ANGLE OF 41°54'29", AN ARC DISTANCE OF 177.62 FEET, SAID CURVE HAVING A CHORD WITH BEARS SOUTH 88°19'42" WEST, A DISTANCE OF 173.69 FEET TO A 5/8" CAPPED IRON ROD "NCG PS SU075529" SET;

(4) NORTH 70°43'02" WEST, A DISTANCE OF 526.17 FEET TO A 5/8" CAPPED IRON ROD "NCG PS SU075529" SET; (5) WESTERLY ALONG A CURVE TO THE RIGHT, HAVING A RADIUS OF 542.96 FEET, THROUGH A CENTRAL ANGLE OF 02°22'13", AN ARC DISTANCE OF 22.46 FEET, SAID CURVE HAVING A CHORD WITH BEARS NORTH 69°31'56" WEST, A DISTANCE OF 22.46 FEET TO A 5/8" CAPPED IRON ROD "NCG PS SU075529" SET AT THE POINT OF BEGINNING AND CONTAINING 19.215 ACRES OR 837,023 SQUARE FEET OF LAND, MORE OR LESS, BUT SUBJECT TO ALL LEGAL HIGHWAYS AND EASEMENT OF RECORD AS DETERMINED BY A SURVEY PERFORMED BY ERIC S. JACKSON, PENNSYLVANIA PROFESSIONAL SURVEYOR NO. SU075529, FOR AND ON BEHALF OF NORTH COAST GEOMATICS IN MAY OF 2018.

Address: 123 Morehead Road, Statesville, NC 28677

Legal Description:

The Land referred to herein below is situated in the County of Iredell, State of North Carolina, and is described as follows:

TRACT A

BEGINNING AT A POINT LOCATED IN STATE ROAD 2527, COMMON CORNER OF T & T COMPANY AND THE NORTHWEST CORNER OF THE CHARLES S. DOCKERY PROPERTY DESCRIBED IN DEED BOOK 840, PAGE 941, IREDELL COUNTY REGISTRY; THENCE WITH THE CENTER OF STATE ROAD NO. 2527, NORTH 01° 35' 48" EAST 981.62 FEET TO A NEW CORNER OF THE T & T COMPANY PROPERTY; THENCE WITH T & T COMPANY'S NEW LINE, SOUTH 88° 24' 28" EAST 444.13 FEET TO A CONCRETE MONUMENT, DWIGHT GOFORTH'S CORNER; THENCE WITH GOFORTH'S LINE, SOUTH 03° 35' 16" WEST 982.30 FEET TO A CONCRETE MONUMENT, DOCKERY'S CORNER; THENCE WITH DOCKERY'S LINE, NORTH 88° 23' 47" WEST 410.0 FEET TO THE POINT AND PLACE OF BEGINNING, CONTAINING 9.6243 ACRES, MORE OR LESS, ALL IN ACCORDANCE WITH A SURVEY BY GERALD V. GRANT, REGISTERED SURVEYOR, DATED 22 FEBRUARY 1994.

TRACT B

TRACT 1:

BEGINNING AT AN EXISTING PK NAIL IN THE CENTERLINE OF MOREHEAD ROAD (SR 2527) THE SOUTHEAST CORNER OF CDSF, LTD. AND THE NORTHEAST CORNER OF TSUMAS FAMILY LIMITED PARTNERSHIP AS DESCRIBED IN DEED BOOK 1334, PAGE 1891, IREDELL COUNTY REGISTRY, SAID NAIL BEING LOCATED SOUTH 01 DEG. 34 MIN. 50 SEC. WEST 930.49 FEET FROM THE POINT OF INTERSECTION OF THE CENTERLINES OF MOREHEAD ROAD (SR 2527) AND SALISBURY HIGHWAY (U.S. HWY. 70), AND SOUTH 88 DEG. 22 MIN. 11 SEC. EAST 30.03 FEET FROM AN EXISTING IRON PIN ON THE WESTERN RIGHT-OF-WAY LINE OF MOREHEAD ROAD (SR 2527); THENCE RUNNING WITH THE CENTERLINE OF MOREHEAD ROAD (SR 2527) SOUTH 01 DEG. 37 MIN. 29

SEC. WEST 1,241.85 FEET TO AN UNMARKED POINT IN THE CENTERLINE OF MOREHEAD ROAD (SR 2527) AND IN THE NORTHERN RIGHT-OF-WAY LINE OF THE PROPOSED U.S. HWY. 70 (PROJECT REFERENCE NO. R-29 11A); THENCE LEAVING THE CENTERLINE OF MOREHEAD ROAD (SR 2527) AND RUNNING THENCE WITH THE NORTHERN RIGHT-OF-WAY LINE OF THE PROPOSED U. S. HWY. 70 AND A CURVE TO THE RIGHT THAT HAS THE FOLLOWING ELEMENTS: CURVE LENGTH: 40.93; RADIUS: 16,328.71; DELTA: 0-08-37; TANGENT: 20.44; CHORD: 40.87; AND COURSE: NORTH 78 DEG. 32 MIN. 50 SEC. WEST TO AN UNMARKED POINT ON THE NORTHERN RIGHT-OF-WAY LINE OF THE PROPOSED U. S. HWY. 70, SAID POINT BEING LOCATED SOUTH 78 DEG. 28 MIN. 32 SEC. EAST 25.40 FEET FROM AN IRON PIN SET AT THE SOUTHWEST CORNER OF A PUBLIC DRAINAGE EASEMENT (PDE) ON THE NORTHERN RIGHT-OF-WAY LINE OF THE PROPOSED U. S. HWY. 70; THENCE CONTINUING WITH THE NORTHERN RIGHT-OF-WAY LINE OF THE PROPOSED U.S. HWY. 70 NORTH 78 DEG. 28 MIN. 32 SEC. WEST 139.01 FEET TO AN IRON PIN SET ON THE NORTHERN RIGHT-OF-WAY LINE OF THE PROPOSED U.S. HWY. 70 IN THE NORTHERN LINE OF P.A.C. REALTY TRUST AS DESCRIBED IN DEED BOOK 720, PAGE 692, IREDELL COUNTY REGISTRY; THENCE LEAVING THE NORTHERN RIGHT-OF-WAY LINE OF THE PROPOSED U. S. HWY. 70 AND RUNNING WITH THE NORTHERN LINES OF P.A.C. REALTY TRUST THE FOLLOWING THREE (3) COURSES AND DISTANCES: {1} NORTH 56 DEG. 55 MIN. 52 SEC. WEST 173.46 FEET TO AN EXISTING IRON PIN; {2} NORTH 32 DEG. 23 MIN. 10 SEC. WEST 193.64 FEET TO AN EXISTING IRON PIN; AND {3} NORTH 26 DEG. 48 MIN. 14 SEC. WEST 417.11 FEET TO AN EXISTING IRON PIN; SAID IRON PIN BEING THE NORTHWEST CORNER OF P.A.C. REALTY TRUST IN THE CENTERLINE OF A 50 FOOT EASEMENT FOR A NORFOLK SOUTHERN RAILROAD SPUR AND IN THE EASTERN LINE OF PURINA MILLS, INC. AS DESCRIBED IN DEED BOOK 882, PAGE 441, IREDELL COUNTY REGISTRY; THENCE RUNNING WITH THE CENTERLINE OF THE 50 FOOT EASEMENT FOR SAID RAILROAD SPUR AND THE EASTERN LINE OF PURINA MILLS, INC., NORTH 01 DEG. 46 MIN. 26 SEC. EAST 188.09 FEET TO AN EXISTING PK NAIL IN THE CENTERLINE OF THE 50 FOOT EASEMENT FOR SAID RAILROAD SPUR AND THE EASTERN LINE OF PURINA MILLS, INC., SAID NAIL BEING THE SOUTHERNMOST CORNER OF CDSF, LTD. AS DESCRIBED IN DEED BOOK 1334, PAGE 1887, IREDELL COUNTY REGISTRY, AND BEING LOCATED SOUTH 01 DEG. 58 MIN. 45 SEC. WEST 286.87 FEET FROM A NAIL IN A BOTTLE CAP, THE SOUTHWEST CORNER OF CDSF, LTD. AS DESCRIBED IN DEED BOOK 1326, PAGE 598, IREDELL COUNTY REGISTRY; THENCE RUNNING WITH THE SOUTHERN LINES OF CDSF, LTD. THE FOLLOWING FOUR (4) COURSES AND DISTANCES: {1} NORTH 31 DEG. 53 MIN. 29 SEC. EAST 332.04 FEET TO AN EXISTING IRON PIN; {2} SOUTH 88 DEG. 29 MIN. 37 SEC. EAST 87.07 FEET TO AN EXISTING IRON PIN; {3} NORTH 01 DEG. 36 MIN. 17 SEC. EAST 114.00 FEET TO AN IRON PIN SET; AND {4} SOUTH 88 DEG. 22 MIN. 11 SEC. EAST 380.00 FEET TO THE POINT AND PLACE OF BEGINNING CONTAINING 13.896 ACRES AND BEING A PORTION OF THE PROPERTY OF THE TSUMAS FAMILY LIMITED PARTNERSHIP AS RECORDED IN DEED BOOK 1053, PAGE 1886, IREDELL COUNTY REGISTRY, AND ALL THE PROPERTY OF THE TSUMAS FAMILY LIMITED PARTNERSHIP AS RECORDED IN DEED BOOK 1334, PAGE 1891, IREDELL COUNTY REGISTRY.

THE ABOVE DESCRIPTION WAS TAKEN FROM A SURVEY BY GERALD V. GRANT & ASSOCIATES, DATED JULY 12, 2002.

LESS AND EXCEPT DEED RECORDED IN BOOK 1370, PAGE 2232 AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT AN EXISTING IRON PIN, THE SOUTHWEST CORNER OF A 0.179 ACRE TRACT ACQUIRED THIS DATE FROM CDSF, LTD., MARKED AS "TRACT 3" ON THE ATTACHED SURVEY, THENCE FROM THE POINT AND PLACE OF BEGINNING AND WITH THE LINE OF AMERICAN STAINLESS TUBING, INC., SOUTH 25 DEG. 23 MIN. 47 SEC. WEST 171.78 FEET TO AN IRON; THENCE SOUTH 13 DEG. 13 MIN. 22 SEC. WEST 228.18 FEET TO AN IRON; SOUTH 12 DEG. 51 MIN. 28 SEC. WEST 142.88 FEET TO AN IRON SET IN THE MARGIN OF THE NORFOLK SOUTHERN RAILROAD SPUR EASEMENT; THENCE NORTH 26 DEG. 48 MIN. 14 SEC. WEST 52.30 FEET TO AN EXISTING IRON PIN LOCATED IN THE CENTERLINE OF THE NORFOLK SOUTHERN RAILROAD SPUR TRACK; THENCE NORTH 01 DEG. 46 MIN. 26 SEC. EAST 188.09 FEET TO AN EXISTING PK NAIL; THENCE, LEAVING THE CENTERLINE OF THE NORFOLK SOUTHERN RAILROAD SPUR, NORTH 31 DEG. 53 MIN. 29 SEC. EAST 332.04 FEET TO THE POINT AND PLACE OF BEGINNING, CONTAINING 0.427 ACRES, MORE OR LESS, ALL IN ACCORDANCE WITH A SURVEY BY GERALD GRANT, PLS, DATED JULY 22, 2002, AND REVISED 8-14-02, A PORTION OF WHICH IS ATTACHED HERETO AND INCORPORATED HEREIN BY REFERENCE, SAID TRACT BEING SHOWN AS "TRACT 2" THEREON.

TRACT 2:

BEGINNING AT AN IRON PIN SET IN THE NORTHWESTERNMOST CORNER OF AMERICAN STAINLESS TUBING, INC.'S PROPERTY DESCRIBED IN DEED BOOK 1358, AT PAGE 2262, IREDELL COUNTY REGISTRY, SAID PIN BEING IN THE CORNER OF CDSF, LTD.'S PROPERTY DESCRIBED IN DEED BOOK 1326, PAGE 598, IREDELL COUNTY REGISTRY; THENCE WITH THE LINE OF CDSF, LTD., NORTH 88 DEG. 22 MIN. 11 SEC. WEST 50.00 FEET TO AN IRON; THENCE CONTINUING WITH CDSF, LTD., SOUTH 19 DEG. 35 MIN. 29 SEC. WEST 120.04 FEET TO AN EXISTING IRON PIN CORNER WITH AMERICAN STAINLESS TUBING, INC.; THENCE WITH THE LINE OF AMERICAN STAINLESS TUBING, INC., SOUTH 88 DEG. 29 MIN. 37 SEC. EAST 87.07 FEET TO AN EXISTING IRON PIN; THENCE CONTINUING WITH THE LINE OF AMERICAN STAINLESS TUBING, NORTH 01 DEG. 36 MIN. 17 SEC. EAST 114.0 FEET TO THE POINT AND PLACE OF BEGINNING, CONTAINING 0.179 ACRE, MORE OR LESS, ALL IN ACCORDANCE WITH A SURVEY BY GERALD V. GRANT, PLS, DATED JULY 22, 2002, A PORTION OF WHICH SURVEY SHOWING SAID TRACT MARKED "TRACT 3" IS ATTACHED HERETO AND INCORPORATED HEREIN BY REFERENCE.

TRACT C

BEGINNING AT A CONCRETE MARKER IN THE LINE OF A. R. MORROW, WHICH SAID MARKER IS SITUATED 341.897 FEET NORTH 05 DEGREES 51 MINUTES 37 SECONDS EAST FROM AN OLD IRON STAKE, CORNER OF A. R. MORROW AND L. GORDON, SAID POINT BEING THE NORTHEASTERN CORNER OF AHK REALTY PROPERTY AS DESCRIBED IN DEED BOOK 648, PAGE 441, IREDELL COUNTY REGISTRY, AND RUNNING THENCE NORTH 05 DEGREES 51 MINUTES 37 SECONDS EAST 400.24 FEET TO A CONCRETE MARKER IN THE LINE OF MORROW, CORNER OF AMERICAN STAINLESS

TUBING, INC.; THENCE WITH AMERICAN STAINLESS TUBING'S LINE, NORTH 86 DEGREES 07 MINUTES 50 SECONDS WEST 410 FEET TO AN IRON STAKE IN THE CENTERLINE OF STATE ROAD NO. 2527 (MOREHEAD ROAD IN SOUTHEAST INDUSTRIAL PARK, AND SAID POINT BEING LOCATED APPROXIMATELY 1643.62 FEET FROM THE POINT OF INTERSECTION OF SAID ROAD WITH THE CENTERLINE OF U. S. HIGHWAY NO. 70); THENCE WITH THE CENTERLINE OF STATE ROAD NO. 2527, SOUTH 3 DEGREES 52 MINUTES 10 SECONDS WEST 400 FEET TO AN IRON STAKE IN THE CENTERLINE OF SAID ROAD; THENCE SOUTH 86 DEGREES 07 MINUTES 50 SECONDS EAST 396.1 FEET TO THE POINT OF BEGINNING, CONTAINING 3.701 ACRES, MORE OR LESS, AND BEING DESCRIBED ACCORDING TO THAT CERTAIN SURVEY PREPARED BY WESLEY E. SPRINKLE, REGISTERED SURVEYOR, DATED SEPTEMBER 17, 1974, AND BEING THE IDENTICAL PROPERTY CONVEYED TO CHARLES S. DOCKERY AND WIFE, JANE S. DOCKERY, BY DEED OF DOYLE L. DUNCAN AND WIFE, MARCELINE E. DUNCAN, DATED FEBRUARY 18, 1992, AND RECORDED IN DEED BOOK 840, AT PAGE 941, IN THE IREDELL COUNTY REGISTRY.

Address: 129 Honeycutt Road, Troutman, NC 28166

Legal Description:

The Land referred to herein below is situated in the County of Iredell, State of North Carolina, and is described as follows:

SITUATED ON STATE PARK ROAD (SR #1321) AND HONEYCUTT ROAD (SR #1322) IN THE STATE OF NORTH CAROLINA, COUNTY OF IREDELL, TOWNSHIP OF FALLSTOWN. THIS DESCRIPTION CONSISTS OF ALL OR A PORTION OF TRACTS 1 - 5 AND TRACT 7 AND TRACT 8 LISTED BELOW. THE TRACT HEREIN DESCRIBED ABUTS TRACT 6 LISTED BELOW. ALL REFERENCES ARE TO DEEDS RECORDED IN THE IREDELL COUNTY REGISTRY: TRACT 1 - BOOK 508, PAGE 3; TRACT 2 - BOOK 508, PAGE 1; TRACT 3 - BOOK 589, PAGE 212; TRACT 4 - BOOK 567, PAGE 378; TRACT 5 - BOOK 663, PAGE 214 (PORTION); TRACT 6 - BOOK 689, PAGE 948 (NONE); TRACT 7 - BOOK 735, PAGE 320 (TRACT 1); AND TRACT 8 - BOOK 735, PAGE 320 (TRACT 2), FURTHER BOUNDED AS FOLLOWS:

BEGINNING AT A POINT IN THE INTERSECTION OF THE CENTERLINE OF STATE PARK ROAD (SR #1321) AND THE CENTERLINE OF HONEYCUTT ROAD (SR #1322), SAID POINT BEING THE SOUTHWEST CORNER OF TRACT 7 AS DESCRIBED IN DEED BOOK 735, PAGE 320 (TRACT 1) IN THE IREDELL COUNTY REGISTRY AND THE NORTHWEST CORNER OF BARRY T. ALLEN, AS DESCRIBED IN DEED BOOK 1232, PAGE 601, IREDELL COUNTY REGISTRY, SAID POINT BEING LOCATED NORTH 23 DEG. 57 MIN. 58 SEC. EAST A DISTANCE OF 196.30 FEET FROM NC GEODETIC SURVEY MONUMENT "LAW" WHICH HAS NC GRID COORDINATES OF NORTH = 704,441.11 AND EAST 1,432,374.38; THENCE WITH THE CENTERLINE OF STATE PARK ROAD THE FOLLOWING THREE COURSES AND DISTANCES: (1) NORTH 24 DEG. 35 MIN. 07 SEC. EAST A DISTANCE OF 142.39 FEET TO A POINT; (2) NORTH 19 DEG. 21 MIN. 20 SEC. EAST A DISTANCE OF 98.87 FEET TO A POINT; AND (3) NORTH 17 DEG. 42 MIN. 08 SEC. EAST A DISTANCE OF 179.98 FEET TO A POINT, SAID POINT BEING THE NORTHWEST CORNER OF TRACT 7 AND THE

SOUTHWEST CORNER OF BARBARA M. NESBIT, AS DESCRIBED IN DEED BOOK 877, PAGE 409, IREDELL COUNTY REGISTRY; SAID POINT BEING LOCATED NORTH 70 DEG. 15 MIN. 30 SEC. WEST A DISTANCE OF 30.00 FEET FROM AN EXISTING IRON PIN ON THE EASTERN RIGHT-OF-WAY LINE OF STATE PARK ROAD; THENCE WITH THE LINE OF BARBARA M. NESBIT, SOUTH 70 DEG. 15 MIN. 30 SEC. EAST A DISTANCE OF 432.60 FEET TO AN EXISTING IRON PIN, THE NORTHEAST CORNER OF TRACT 2 AS DESCRIBED IN DEED BOOK 508, PAGE 1, IREDELL COUNTY REGISTRY, A CORNER OF TRACT 1 AS DESCRIBED IN DEED BOOK 508, PAGE 3, IREDELL COUNTY REGISTRY, AND THE SOUTHEAST CORNER OF BARBARA M. NESBIT; THENCE CONTINUING WITH THE LINE OF BARBARA M. NESBIT, NORTH 35 DEG. 25 MIN. 08 SEC. EAST A DISTANCE OF 110.97 FEET TO AN EXISTING IRON PIN, A CORNER OF TRACT 1, THE NORTHEAST CORNER OF BARBARA M. NESBIT, AND THE SOUTHEAST CORNER OF BARBARA M. NESBIT AS DESCRIBED IN DEED BOOK 960, PAGE 1730, IREDELL COUNTY REGISTRY; THENCE WITH THE LINE OF BARBARA M. NESBIT, NORTH 17 DEG. 36 MIN. 03 SEC. EAST A DISTANCE OF 215.32 FEET TO AN EXISTING IRON PIN, THE NORTHWEST CORNER OF TRACT 1, THE NORTHEAST CORNER OF BARBARA M. NESBIT, THE SOUTHEAST CORNER OF CHARLES L. DONALDSON, JR. AS DESCRIBED IN DEED BOOK 487, PAGE 370, IREDELL COUNTY REGISTRY; AND THE SOUTHWEST CORNER OF TRACT 8 AS DESCRIBED IN DEED BOOK 735, PAGE 320 (TRACT 2) IN THE IREDELL COUNTY REGISTRY; THENCE WITH THE LINE OF CHARLES L. DONALDSON, JR., NORTH 17 DEG. 35 MIN. 43 SEC. EAST A DISTANCE OF 200.06 FEET TO AN EXISTING IRON PIN, THE NORTHEAST CORNER OF CHARLES L. DONALDSON, JR. AND THE SOUTHEAST CORNER OF EDWARD L. BROOKS AS DESCRIBED IN DEED BOOK 980, PAGE 715, IREDELL COUNTY REGISTRY, IN THE LINE OF TRACT 8; THENCE WITH THE LINE OF EDWARD L. BROOKS, NORTH 17 DEG. 08 MIN. 24 SEC. EAST A DISTANCE OF 198.83 FEET TO AN EXISTING IRON PIN, THE NORTHEAST CORNER OF EDWARD L. BROOKS AND THE NORTHWEST CORNER OF TRACT 8 IN THE LINE OF BARBARA M. NESBIT AS DESCRIBED IN DEED BOOK 877, PAGE 409, IREDELL COUNTY REGISTRY; THENCE WITH THE LINE OF BARBARA M. NESBIT, SOUTH 72 DEG. 31 MIN. 29 SEC. EAST A DISTANCE OF 153.26 FEET TO AN EXISTING IRON PIN, THE SOUTHEAST CORNER OF BARBARA M. NESBIT, THE NORTHEAST CORNER OF TRACT 8 IN THE LINE OF TRACT 5 AS DESCRIBED IN DEED BOOK 663, PAGE 214, IREDELL COUNTY REGISTRY, AND A NEW CORNER OF INSILCO CORPORATION (NOW OR FORMERLY); THENCE WITH A NEW LINE OF INSILCO CORPORATION, SOUTH 72 DEG. 31 MIN. 29 SEC. EAST A DISTANCE OF 925.76 FEET TO AN IRON PIN SET, A NEW CORNER OF INSILCO CORPORATION IN THE LINE OF TRACT 6 AS DESCRIBED IN DEED BOOK 689, PAGE 948, IREDELL COUNTY REGISTRY; THENCE WITH THE LINE OF TRACT 6, SOUTH 16 DEG. 16 MIN. 22 SEC. EAST A DISTANCE OF 534.05 FEET TO AN IRON PIN SET, A NEW CORNER OF INSILCO CORPORATION IN THE LINE OF TRACT 6; THENCE WITH A NEW LINE OF INSILCO CORPORATION, SOUTH 67 DEG. 10 MIN. 38 SEC. WEST A DISTANCE OF 221.37 FEET TO AN IRON PIN SET, A NEW CORNER OF INSILCO CORPORATION; THENCE WITH A NEW LINE OF INSILCO CORPORATION, SOUTH 77 DEG. 10 MIN. 52 SEC. WEST A DISTANCE OF 633.10 FEET TO A POINT IN THE CENTERLINE OF HONEYCUTT ROAD (SR #1322), A NEW CORNER OF INSILCO CORPORATION IN THE LINE OF LOUISE H. TROUTMAN AS DESCRIBED IN DEED BOOK 182, PAGE 50, IREDELL COUNTY REGISTRY, SAID POINT BEING LOCATED SOUTH 77 DEG. 10 MIN. 52 SEC. WEST A DISTANCE OF 30.51 FEET FROM AN IRON PIN SET IN THE NORTHERN RIGHT-OF-WAY LINE OF HONEYCUTT

ROAD; THENCE WITH THE LINE OF LOUISE H. TROUTMAN, NORTH 39 DEG. 49 MIN. 33 SEC. WEST A DISTANCE OF 335.66 FEET TO AN EXISTING IRON PIN, THE SOUTHWEST CORNER OF TRACT 4 AS DESCRIBED IN DEED BOOK 567, PAGE 378, IREDELL COUNTY REGISTRY, AND A CORNER OF LOUISE H. TROUTMAN IN THE LINE OF TRACT 3 AS DESCRIBED IN DEED BOOK 589, PAGE 212, IREDELL COUNTY REGISTRY; THENCE CONTINUING WITH THE LINE OF LOUISE H. TROUTMAN, SOUTH 00 DEG. 09 MIN. 32 SEC. WEST A DISTANCE OF 88.94 FEET TO A POINT IN THE CENTERLINE OF HONEYCUTT ROAD, THE SOUTHEAST CORNER OF TRACT 3 AND THE NORTHEAST CORNER OF DOUGLAS E. ROOK AS DESCRIBED IN DEED BOOK 950, PAGE 60, IREDELL COUNTY REGISTRY, A CORNER OF LOUISE H. TROUTMAN; THENCE ALONG THE CENTERLINE OF HONEYCUTT ROAD, THE FOLLOWING COURSES AND DISTANCES: (1) NORTH 81 DEG. 09 MIN. 54 SEC. WEST, A DISTANCE OF 133.62 FEET TO A POINT; (2) SOUTH 79 DEG. 27 MIN. 46 SEC. WEST A DISTANCE OF 347.10 FEET TO A POINT; (3) SOUTH 88 DEG. 10 MIN. 20 SEC. WEST A DISTANCE OF 105.68 FEET TO A POINT; AND (4) NORTH 87 DEG. 29 MIN. 29 SEC. WEST A DISTANCE OF 366.11 FEET TO A POINT, THE POINT AND PLACE OF BEGINNING, CONTAINING WITHIN SAID BOUNDS 26.537 ACRES, OR 1,155,971.55 SQUARE FEET, AND BEING DESCRIBED ACCORDING TO THAT SURVEY PREPARED BY KESTLER SURVEYING DATED 1 JUNE 2001, AND UPDATED ON 11 JULY 2001.

ALSO BEING DESCRIBED ON THE CERTAIN ALTA/NSPS LAND TITLE SURVEY, PREPARED BY BLEW & ASSOCIATES, PA ON BEHALF OF CRESURVEYS, DATED DECEMBER 17, 2018 AND LAST REVISED _____, 2019, JOB NO. 18-4823, AS FOLLOWS:

SITUATED ON STATE PARK ROAD (SR #1321) AND HONEYCUTT ROAD (SR #1322) IN THE STATE OF NORTH CAROLINA, COUNTY OF IREDELL, TOWNSHIP OF FALLSTOWN; THIS DESCRIPTION CONSISTS OF ALL OR A PORTION OF TRACTS 1 - 5 AND TRACT 7 AND TRACT 8 LISTED BELOW; THE TRACT HEREIN DESCRIBED ABUTS TRACT 6 LISTED BELOW. ALL REFERENCES ARE TO DEEDS RECORDED IN THE IREDELL COUNTY REGISTRY: TRACT 1 - BOOK 508, PAGE 3; TRACT 2 - BOOK 508, PAGE 1; TRACT 3 - BOOK 589, PAGE 212; TRACT 4 - BOOK 567, PAGE 378; TRACT 5 - BOOK 663, PAGE 214 (PORTION); TRACT 6 - BOOK 689, PAGE 948 (NONE); TRACT 7 - BOOK 735, PAGE 320 (TRACT 1); AND TRACT 8 - BOOK 735, PAGE 320 (TRACT 2), FURTHER BOUNDED AS FOLLOWS:

BEGINNING AT A POINT IN THE INTERSECTION OF THE CENTERLINE OF STATE PARK ROAD (SR #1321) AND THE CENTERLINE OF HONEYCUTT ROAD (SR #1322), SAID POINT BEING THE SOUTHWEST CORNER OF TRACT 7 AS DESCRIBED IN DEED BOOK 735, PAGE 320 (TRACT 1) IN THE IREDELL COUNTY REGISTRY AS DESCRIBED IN DEED BOOK 1232, PAGE 601, IREDELL COUNTY REGISTRY, SAID POINT BEING LOCATED NORTH 22 DEG. 56 MIN. 00 SEC. EAST A DISTANCE OF 199.40 FEET FROM NC GEODETIC SURVEY MONUMENT "LAW"; THENCE WITH THE CENTERLINE OF STATE PARK ROAD THE FOLLOWING THREE COURSES AND DISTANCES: (1) NORTH 24 DEG. 35 MIN. 07 SEC. EAST A DISTANCE OF 142.39 FEET TO A POINT; (2) NORTH 19 DEG. 21 MIN. 20 SEC. EAST A DISTANCE OF 98.87 FEET TO A POINT; AND (3) NORTH 17 DEG. 42 MIN. 08 SEC. EAST A DISTANCE OF 179.98 FEET TO A POINT, SAID POINT BEING THE NORTHWEST CORNER OF TRACT 7; THENCE, SOUTH 70 DEG. 18 MIN. 19 SEC. EAST A

DISTANCE OF 432.89 FEET TO AN EXISTING 1/2" IRON ROD, THE NORTHEAST CORNER OF TRACT 2 AS DESCRIBED IN DEED BOOK 508, PAGE 1, IREDELL COUNTY REGISTRY, A CORNER OF TRACT 1 AS DESCRIBED IN DEED BOOK 508, PAGE 3; THENCE NORTH 35 DEG. 22 MIN. 25 SEC. EAST A DISTANCE OF 111.04 FEET TO AN EXISTING 1/2" IRON ROD, A CORNER OF TRACT 1, AS DESCRIBED IN DEED BOOK 960, PAGE 1730, IREDELL COUNTY REGISTRY; THENCE NORTH 17 DEG. 32 MIN. 08 SEC. EAST A DISTANCE OF 214.88 FEET TO AN EXISTING IRON ROD, THE NORTHWEST CORNER OF TRACT 1 AS DESCRIBED IN DEED BOOK 487, PAGE 370, IREDELL COUNTY REGISTRY; AND THE SOUTHWEST CORNER OF TRACT 8 AS DESCRIBED IN DEED BOOK 735, PAGE 320 (TRACT 2) IN THE IREDELL COUNTY REGISTRY; THENCE NORTH 17 DEG. 34 MIN. 07 SEC. EAST A DISTANCE OF 200.27 FEET TO AN FOUND 1/2" IRON ROD, IN DEED BOOK 980, PAGE 715, IREDELL COUNTY REGISTRY, IN THE LINE OF TRACT 8; THENCE, NORTH 17 DEG. 04 MIN. 37 SEC. EAST A DISTANCE OF 198.74 FEET TO 1/2" IRON ROD SAID POINT ALSO BEING THE NORTHWEST CORNER OF TRACT 8 AS DESCRIBED IN DEED BOOK 877, PAGE 409, IREDELL COUNTY REGISTRY; THENCE SOUTH 72 DEG. 28 MIN. 47 SEC. EAST A DISTANCE OF 153.57 FEET TO AN EXISTING IRON ROD SAID POINT ALSO BEING THE NORTHEAST CORNER OF TRACT 8 IN THE LINE OF TRACT 5 AS DESCRIBED IN DEED BOOK 663, PAGE 214, IREDELL COUNTY REGISTRY, AND A NEW CORNER OF INSILCO CORPORATION (NOW OR FORMERLY); THENCE WITH A NEW LINE OF INSILCO CORPORATION, SOUTH 72 DEG. 31 MIN. 29 SEC. EAST A DISTANCE OF 925.76 FEET TO A 1/4" CAPPED REBAR WITH A PLS# 3175, A NEW CORNER OF INSILCO CORPORATION IN THE LINE OF TRACT 6 AS DESCRIBED IN DEED BOOK 689, PAGE 948, IREDELL COUNTY REGISTRY; THENCE WITH THE LINE OF TRACT 6, SOUTH 16 DEG. 16 MIN. 22 SEC. EAST A DISTANCE OF 534.05 FEET, TO A NEW CORNER OF INSILCO CORPORATION IN THE LINE OF TRACT 6; THENCE WITH A NEW LINE OF INSILCO CORPORATION, SOUTH 67 DEG. 10 MIN. 38 SEC. WEST A DISTANCE OF 221.37 FEET TO A NEW CORNER OF INSILCO CORPORATION; THENCE WITH A NEW LINE OF INSILCO CORPORATION, SOUTH 77 DEG. 10 MIN. 52 SEC. WEST A DISTANCE OF 633.10 FEET TO A POINT IN THE CENTERLINE OF HONEYCUTT ROAD (SR #1322), A NEW CORNER OF INSILCO CORPORATION AS DESCRIBED IN DEED BOOK 182, PAGE 50, IREDELL COUNTY REGISTRY, SAID POINT BEING LOCATED SOUTH 77 DEG. 10 MIN. 52 SEC. WEST A DISTANCE OF 30.90 FEET FROM AN 1/4" REBAR IN THE NORTHERN RIGHT-OF-WAY LINE OF HONEYCUTT ROAD; THENCE NORTH 39 DEG. 49 MIN. 33 SEC. WEST A DISTANCE OF 335.66 FEET TO THE SOUTHWEST CORNER OF TRACT 4 AS DESCRIBED IN DEED BOOK 567, PAGE 378, IREDELL COUNTY REGISTRY, AND IN THE LINE OF TRACT 3 AS DESCRIBED IN DEED BOOK 589, PAGE 212, IREDELL COUNTY REGISTRY; THENCE SOUTH 00 DEG. 09 MIN. 32 SEC. WEST A DISTANCE OF 88.94 FEET TO A POINT IN THE CENTERLINE OF HONEYCUTT ROAD, THE SOUTHEAST CORNER OF TRACT 3 AS DESCRIBED IN DEED BOOK 950, PAGE 60, IREDELL COUNTY REGISTRY; THENCE ALONG THE CENTERLINE OF HONEYCUTT ROAD, THE FOLLOWING COURSES AND DISTANCES: (1) NORTH 81 DEG. 09 MIN. 54 SEC. WEST, A DISTANCE OF 133.62 FEET; (2) SOUTH 79 DEG. 27 MIN. 46 SEC. WEST A DISTANCE OF 347.10 FEET; (3) SOUTH 88 DEG. 10 MIN. 20 SEC. WEST A DISTANCE OF 105.68 FEET; AND (4) NORTH 87 DEG. 29 MIN. 29 SEC. WEST A DISTANCE OF 366.11 FEET TO THE POINT AND PLACE OF BEGINNING, CONTAINING WITHIN SAID BOUNDS 26.54 ACRES OR 1,156,066.7 SQUARE FEET MORE OR LESS.

EXHIBIT C

FORM OF AUTHORIZATION AGREEMENT – PREARRANGED PAYMENTS

KeyBank Real Estate Capital

11501 Outlook Street, Suite 300
Overland Park, KS 66211
Toll-Free: 888-979-1200

Direct: 913-317-4100

Fax: 877-379-1625



AUTO DRAFT AUTHORIZATION FORM

Client Information

Property Information

Contract Information

Contract#:

Payment Due Date:

The undersigned hereby authorizes STORE Capital Corporation, by its Servicer, to make electronic debit entries for payments and any necessary adjustments involving these entries in the account identified below and authorizes STORE Capital Corporation, by its Servicer, to accept such entries and make any necessary adjustments. Undersigned also authorizes STORE Capital Corporation, or its Servicer, to impose customary returned item processing fees. It is agreed that these entries will be made under the Rules of the National Automated Clearing House Association. You will receive advance notification if the payment amount changes in the future due to a contemplated payment change. This authorization will remain in effect until written notice of termination is delivered to STORE Capital Corporation, or its Servicer, in a timely manner so as to afford STORE Capital Corporation, or its Servicer, an opportunity to act thereon. In no event shall such termination be effective as to entries processed prior to receipt of such notice.

If the payment due date falls on a weekend or holiday, the payment will draft on the succeeding business day.

Account Information

Change to an existing Auto Draft

New Request

Bank Name: _____

Transit Routing #: _____

Account #: _____ Confirm Account #: _____

Bank Account Title: _____

Account Type: Checking Savings

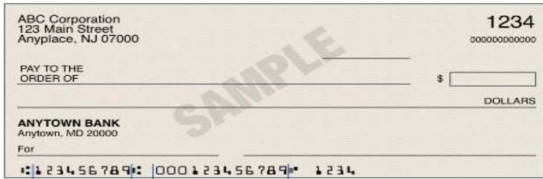
ACH Draft Start Date: _____

Client Email: _____

Client Phone #: _____

Date Form Completed: _____

Signature of Authorizing Party: _____



C-1

4814-7600-1224.2 STORE/Synalloy
3rd A&R Master Lease Agreement
9 Properties in OH, NC, PA, SC, TN and TX
File No. 7210/02-475

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.

NORTH CAROLINA:

All references in the Lease to "attorney's fees" shall be deemed to refer to "reasonable attorney's fees".

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.

PENNSYLVANIA:

Lessor and Lessee agree as follows:

1. The second full paragraph on page 1 of the Lease is revised to read:

“In consideration of the mutual covenants and agreements contained in this Lease, intending to be legally bound, Lessor and Lessee covenant and agree as follows:”

2. The following is added as a new Section 12.05 to the Lease:

12.05 **Proceedings.** In any action of ejectment and/or for Rental, Lessor shall first cause to be filed in such action an affidavit made by it or someone acting for it, setting forth the facts necessary to authorize the entry of judgment, and, if a true copy of this Lease (and of the truth of the copy such affidavit shall be sufficient evidence) be filed in such action, it shall not be necessary to file the original as a warrant of attorney, any rule of Court, custom or practice to the contrary notwithstanding.

3. The following is added as a new Section 12.06 to the Lease:

12.06 **Waiver of Notice to Quit.** Lessee agrees to give up certain legal rights as provided by the Landlord and Tenant Act of 1951, as amended, 68 P.S. § 250.101, *et seq.*, including, but not limited to the ten (10) or thirty (30) day notice period which is contained in § 501 thereof, or any other notice period established by applicable law. No notice will be required to be given by Lessor to Lessee to leave and give up the Properties. Lessee will be asked to leave the Properties without notice under any of the following conditions:

- (a) Lessee does not leave any Property at the end of the Lease Term.
- (b) Lessee breaks any of the terms or conditions of this Lease.
- (c) Lessee fails, upon demand, to make all Rental payments and other payments when due.

4. THIS LEASE AND ALL THE OTHER DOCUMENTS EXECUTED IN CONNECTION HEREWITH EMBODY THE FINAL, ENTIRE AGREEMENT OF LESSOR AND LESSEE AND 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.

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:

SCHEDULE 17.01

PURCHASE OPTION AREA

See attached.

CERTIFICATIONS

I, Craig C. Bram, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Synalloy Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2020 /s/ Craig C. Bram
Craig C. Bram
Chief Executive Officer

CERTIFICATIONS

I, Sally M. Cunningham, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Synalloy Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2020 /s/ Sally M. Cunningham
Sally M. Cunningham
Chief Financial Officer

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

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

Date: November 9, 2020 /s/ Craig C. Bram
Craig C. Bram
Chief Executive Officer

Date: November 9, 2020 /s/ Sally M. Cunningham
Sally M. Cunningham
Chief Financial Officer